HANDBOOK ON SOCIAL PROTECTION SYSTEMS
ELGAR HANDBOOKS IN SOCIAL POLICY AND WELFARE

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Edited by Esther Schüring and Markus Loewe
Handbook on Social Protection Systems

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Contributors

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Armin von Schiller is a research fellow at the German Development Institute. His research focuses on tax performance, revenue administration, fiscal decentralisation and tax morale in developing countries. He is also a specialist in impact evaluation, especially in the governance sector. Armin holds a masters in political science and public administration from the University of Konstanz and received his PhD from the Hertie School of Governance. His work has been published in the Journal of Development Studies, Journal of International Development and Political Behavior, among others.

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**John Woodall** qualified as an actuary in the United Kingdom. After some years working as an adviser to pension schemes in the UK, he spent over 15 years with the International Labour Organization, first in New Delhi, India as the Social Security Specialist for the South Asia sub-region, and later in the Social Security (now Social Protection) Department at the ILO Headquarters in Geneva. Following his retirement, he has undertaken consultancies in social protection.

**Andrew Wyatt** began his career in university administration before joining the United Kingdom civil service, where he spent 23 years in a variety of policy, management and training roles, including working on the control of local government expenditure. Since 2003 he has worked principally in international development consultancy, specialising in policy, governance and public management issues, first for a consultancy company based in Oxford and now independently.
Foreword
Ralf Radermacher

Globally, social protection is on the rise. There is clear evidence that it not only protects households from falling into poverty due to the vicissitudes of life, but safeguards the way to more prosperity by providing an alternative to negative coping strategies, such as taking children out of school or selling productive assets. It strengthens local demand, thus helping develop local economies. Social protection increases the resilience of households to the economic consequences of climate shocks, pandemics and other crises. And it reduces inequality, strengthens societal cohesion and, consequently, contributes to stability and peace. No wonder social protection is a key instrument for achieving the Sustainable Development Goals (SDGs). In fact, providing everybody with access to social protection when in need is anchored in the SDGs as a goal in itself.

However, building social protection systems is not an easy task. Choosing the right mix of instruments, fitting them to the desired objectives and target groups, coordinating them in the best possible way, taking advantage of the potential of digitalisation for the delivery of social protection and responding to challenges posed, for instance, by new forms of work, all require a clear understanding of the underlying concepts of social protection and their application in practice.

This handbook sets out to provide the reader with both: an understanding of the underlying concepts and ideas, as well as their application and potential pitfalls in practice. It targets a wide audience and offers academics, students and practitioners, from government agencies, the international community as well as civil society, a comprehensive source of domain knowledge. In particular, for practitioners, it leaves the terrain of more practically oriented manuals and allows them to become immersed in current debates and discussions, which is an equally important contribution towards social protection systems that are nationally driven and owned.

Read from front to back, this handbook forms a solid basis, covering key topics and aspects, while its modular structure addresses specific questions. As a result, it is useful to newcomers to the sector, providing them with the necessary foundational knowledge, as well as the experienced reader in search of inputs for certain aspects of interest. The comprehensiveness of this book makes it a resource that one will regularly come back to and it should, therefore, not be absent from anyone’s bookshelf, tablet or mobile phone.

1 Head of Programme, Sector Initiative Social Protection and Global Alliances for Social Protection and Social Protection Innovation and Learning.
Acknowledgements

This handbook is the result of an intensive project from January 2019 until October 2020 and it would not have been possible without the committed and diligent work of many different colleagues and institutions. Altogether 67 authors residing in more than 20 different countries contributed to the handbook, which will be published as a regular book, as a global free-access e-book and as a multi-media version that also runs on mobile phones and tablets. The multi-media version comes with videos, quizzes and other bonus material. In this way, we hope to do justice to different audiences and changes in reading habits.

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We also thank very much our co-editors who have taken responsibility for compiling the eight parts of the handbook, drafting introductory chapters to these parts and supporting us in reviewing the chapters and case studies therein: Valentina Barca, Francesco Burchi, Krzysztof Hagemejer, Daniele Malerba and Chris de Neubourg.

A particular thank you goes to Thembi Tlotlo-Nhlekisana, who has coordinated the compilation of the handbook and, in particular, led the communication with the authors of the 43 chapters and 18 case studies. Likewise, we thank very much Vanessa Lum Ngum Sab, Anas Ghonaim, Sayanti Sengupta and Seonghee Choi who have supported Thembi Tlotlo-Nhlekisana in the editing of the manuscript and assumed all her responsibilities and tasks when her contract ended.

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Related to this, we would like to also thank Thorsten Bonne and Litello who have accepted to publish a multi-media version of the handbook (https://www.litello.com/social-protection-systems), thereby entering new areas in academic publishing.

And finally, we express our gratitude to our home institutes, Hochschule Bonn-Rhein-Sieg and Deutsches Institut für Entwicklungspolitik, which have allowed us to produce this handbook, hopefully for the benefit of scholars, students and practitioners worldwide.

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### Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFSSO</td>
<td>Armed Forces Social Security Organization</td>
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<tr>
<td>AI</td>
<td>artificial intelligence</td>
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<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
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<td>ALMP</td>
<td>active labour market programme</td>
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<td>ANC</td>
<td>African National Congress</td>
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<td>ANSES</td>
<td>Administración Nacional de la Seguridad Social</td>
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<td>ASP</td>
<td>adaptive social protection</td>
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<tr>
<td>ASPIRE</td>
<td>Atlas of Social Protection Indicators of Resilience and Equity</td>
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<td>ATE</td>
<td>average treatment effect</td>
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<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
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<tr>
<td>AUH</td>
<td>Asignación Universal por Hijo</td>
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<td>BDS</td>
<td>business development support</td>
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<td>BIG</td>
<td>basic income grant</td>
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<td>BMI</td>
<td>Body Mass Index</td>
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<td>BRAC</td>
<td>Bangladesh Rural Advancement Committee</td>
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<td>BWC</td>
<td>Beneficiary Welfare Committee</td>
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<td>CBT</td>
<td>community-based targeting</td>
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<td>CCA</td>
<td>climate change adaptation</td>
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<td>CCT</td>
<td>conditional cash transfer</td>
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<td>CCTE</td>
<td>Conditional Cash Transfer for Education</td>
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<td>CEECs</td>
<td>Central and Eastern European Countries</td>
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<td>CEQ</td>
<td>Commitment to Equity</td>
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<td>CESCR</td>
<td>Committee on Economic, Social and Cultural Rights</td>
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<td>CFPR</td>
<td>Challenging the Frontiers of Poverty Reduction</td>
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<tr>
<td>CFPR/TUP</td>
<td>Challenging the Frontiers of Poverty Reduction: Targeting the Ultra-Poor</td>
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<td>CGP</td>
<td>Child Grant Programme</td>
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<td>CHS</td>
<td>Continuous Household Survey</td>
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<td>CLM</td>
<td>Chemin Lavi Miyo</td>
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<td>CO₂</td>
<td>carbon dioxide</td>
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<td>COSATU</td>
<td>Congress of South African Trade Unions</td>
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<td>CRC</td>
<td>Convention on the Rights of the Child</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>CRPD</td>
<td>Convention on the Rights of Persons with Disabilities</td>
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<td>CSG</td>
<td>Child Support Grant</td>
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<td>CSO</td>
<td>civil society organisation</td>
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<td>CSRO</td>
<td>Civil Servants Retirement Organization</td>
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<td>CSSP</td>
<td>child-sensitive social protection</td>
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<td>CT</td>
<td>cash transfer</td>
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<td>CT-OVC</td>
<td>Cash Transfer for Orphaned and Vulnerable Children</td>
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<td>CVI</td>
<td>Community Validation of Identity</td>
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<td>DfID</td>
<td>Department for International Development</td>
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<td>DG</td>
<td>Disability Grant</td>
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<td>DiD</td>
<td>difference-in-difference</td>
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<td>DRR</td>
<td>disaster risk reduction</td>
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<td>DSW</td>
<td>Eswatini’s Department of Social Welfare</td>
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<td>E</td>
<td>elilangeni (Eswatini currency)</td>
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<td>ECTP</td>
<td>Emergency Cash Transfer Project</td>
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<td>EGM</td>
<td>evidence and gap map</td>
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<td>EU</td>
<td>European Union</td>
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<td>EUROSTAT</td>
<td>Statistical Office of the European Union</td>
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<td>EWS</td>
<td>early warning systems</td>
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<td>FAO</td>
<td>Food and Agriculture Organization</td>
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<td>FT</td>
<td>food transfer</td>
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<td>G2P</td>
<td>government to person</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<td>HCT</td>
<td>humanitarian cash transfer</td>
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<td>HICs</td>
<td>high-income countries</td>
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<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<td>HSNP</td>
<td>Hunger Safety Net Programme</td>
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<tr>
<td>ICESCR</td>
<td>International Covenant on Economic, Social and Cultural Rights</td>
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<tr>
<td>ID</td>
<td>identification</td>
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<tr>
<td>IIMS</td>
<td>integrated information management system</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>ISSA</td>
<td>International Social Security Association</td>
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<td>LEAP</td>
<td>Livelihoods Empowerment Against Poverty</td>
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<td>LICs</td>
<td>low-income countries</td>
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<td>LMICs</td>
<td>lower middle-income countries</td>
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<td>LMPs</td>
<td>labour market policies</td>
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</table>
M&E monitoring and evaluation
MCC Milk Collection Centers
MCCT Maternal and Child Cash Transfer
MEB minimum expenditure basket
MENA Middle East and North Africa
MGNREGS India’s Mahatma Gandhi National Rural Employment Guarantee Scheme
MICs middle-income countries
MICS Multiple Indicator Cluster Survey
MIS management information system
MoSD Ministry of Social Development
MSEs micro and small enterprises
NAPSA National Pension Scheme Authority
NGO non-governmental organisation
NPR Nepali rupees
NSE non-standard employment
NSSF National Social Security Fund
OAG Old Age Grant
OECD Organisation for Economic Co-operation and Development
OVC orphans and vulnerable children
PAYG pay as you go
PES public employment services
PI participation income
PLMP passive labour market programme
PMT proxy means test
PNCTP Palestinian National Cash Transfer Programme
PPP purchasing power parity
PSNP Ethiopia’s Productive Safety Net Programme
RCT randomised control trial
RDP Reconstruction and Development Programme
RPL recognition of prior learning
SACP South African Communist Party
SAP structural adjustment programme
SASSA South African Social Security Agency
SDGs Sustainable Development Goals
SGBV sexual and gender-based violence
SHI social health insurance
SIFFVT  Social Insurance Fund for Farmers, Villagers and Tribes
SP    social protection
SPF   social protection floor
SPI   Social Protection Index
SPIAC-B  Social Protection Inter-Agency Cooperation Board
SRSP  shock-responsive social protection
SSA   Sub-Saharan Africa
SSN   social safety net
SSO   Social Security Organization
SWF   Social Welfare Fund
SWS   single-window system
THE   total healthcare expenditure
TND   Tunisian dinar
TSA   Targeted Social Assistance
TVET  technical vocational education and training
UBI   universal basic income
UBIG  universal basic income grant
UCT   unconditional cash transfer
UN    United Nations
UN DESA United Nations Department of Economics and Social Affairs
UNDP  United Nations Development Programme
UNHCR United Nations High Commissioner for Refugees
UNICEF  The United Nations Children’s Fund
UNRWA United Nations agency for Palestinian Refugees in the Near East
UNZA  University of Zambia
USD   United States dollar
USP   Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals
V-Dem Varieties of Democracy
VAT   value-added tax
VUP   Vision 2020 Umurenge Programme
WFP   World Food Programme
YR    Yemen rial
ZMK   Zambian kwacha
1. Introduction to the *Handbook on Social Protection Systems*

Markus Loewe and Esther Schüiring

While social protection has become an important policy field in many low- and middle-income countries (LICs and MICs), 55 per cent of the world’s population are still not even covered by one social protection benefit, with 87 per cent of people uncovered in Sub-Saharan Africa and 61 per cent in Asia and the Pacific (ILO 2017). Next to undercoverage, there are other factors that lower the efficiency, effectiveness and social justice of social protection in many countries, such as the lack of a joint vision and policy strategy, fragmented social protection programmes, duplication of administrative systems and efforts and irrational prioritisation in spending. These all call for a stronger systems approach to social protection. This handbook is therefore dedicated to **social protection systems**, highlighting the relevance but also the challenges that are related to a harmonised and coordinated approach across different social protection instruments, institutions, actors and delivery mechanisms. It takes the reader through all possible aspects of social protection systems.

*It understands social protection as the entirety of policies and programmes that protect people against poverty and risks to their livelihoods and well-being.* This definition is based on the way in which universal social protection has been defined by a consortium of bi- and multilateral actors of development policy in 2019:

Universal social protection is achieved through a nationally defined system of policies and programmes that provide equitable access to all people and protect them throughout their lives against poverty and risks to their livelihoods and well-being. This protection can be provided through a range of mechanisms, including in cash or in-kind benefits, contributory or non-contributory schemes, and programmes to enhance human capital, productive assets, and access to jobs. (Global Partnership for Universal Social Protection 2019)

While being ambitious in nature when we look at the reality of limited social protection coverage across the world, this definition sets out an aspirational vision and gives flexibility to countries on how to achieve it. It also encompasses the different visions of social protection that the authors of this handbook bring along, which vary by institution, country and personal conviction.

If we talk in the following about ‘social protection programmes’ or ‘schemes’, we refer to single instruments, while we use the word ‘system’ when we mean the total set of social protection instruments in a country.

Before going into detail about what we mean by a systems approach (Section 1.3) and how this is tackled by the various parts of the handbook (Section 1.4), the handbook’s introduction first motivates the focus on social protection as a crucial policy area in the development process (Section 1.1) and outlines differences in approaches to social protection with regards to their primary goals, appropriate providers, covered risks, key instruments, financing methods and the basis of claims for benefits, while not ignoring the common ground reached (Section 1.2).
1.1 IMPORTANCE OF SOCIAL PROTECTION SYSTEMS

World-wide, social protection is increasingly seen as a key issue for social, economic and political development and perhaps even for the environmental agenda (Hickey and Seekings 2017). Social protection has always been seen as a means to reduce poverty as well as vulnerability to risks (Barrientos and Niño-Zarazúa 2011). In this regard, it has at least three functions (see also Figure 1.1):

- A **preventive** function: Social protection can help to prevent poverty. It supports people in the management of risks, which includes the prevention, mitigation and coping with risks such as bad health, unemployment or old age (longevity) (see below in Section 1.2.4 for details on these three strategies of dealing with risks) and thereby prevents catastrophic events leading to unmanageable income shortfalls and deterioration in well-being. As a result, social protection can lower in particular the likelihood of vulnerable groups to fall into absolute poverty and ultimately reduce the number of people in transient poverty.
- A **protective** function: Social protection contributes to the alleviation of poverty. It supports people living below a nationally defined minimum, the poverty line, with cash or in-kind transfers or subsidies (which reduce the consumption costs). Thereby, social protection

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**Source:** Authors’ own illustration.

**Figure 1.1** The basic functions of social protection
reduces the poverty gap and in the best case lifts people all the way up to the poverty line reducing the poverty incidence as well.

- A **promotive** function: Social protection can *fight poverty*. It reduces the overall vulnerability of people by stabilising future income streams. Such reduction of uncertainty about tomorrow encourages people to take new risks in their income-generating activities: e.g. cultivate higher-risk but higher-margin crops, accumulate assets, start a business, buy machines or invest in training and further education. In this way, people become more resilient, increase their future income potential and thereby possibly free themselves from poverty.

Devereux and Sabates-Wheeler (2004) have added to these three functions, listed for the first time by Guhan (1994), a fourth: the **transformative function** of social protection, which is to remove barriers to higher social equality, inclusion and social mobility and thereby achieve sustainable livelihoods. Good examples for social protection interventions fulfilling the transformative function include collective action for workers’ rights or changes to the regulatory framework to protect vulnerable groups such as ethnic minorities, people with disabilities or HIV/AIDS or women who are victims of domestic violence against discrimination (see Part IV of this handbook).

These four functions matter for the well-being of people but at least as much favour economic development: by enabling even low-income households to address risks and shocks, social protection schemes reduce the pressure on networks and society as a whole to provide support in such acute situations and free up resources for more productive purposes. In addition, by strengthening the readiness of even low-income households to invest in productive assets (both human and physical capital), social protection schemes raise the overall rate of investment and hence promote pro-poor growth, i.e. economic growth that takes place among low-income people (Alderman and Yemtsov 2014; OECD 2009, 2019; Ravallion et al. 2018; Sabates-Wheeler and Devereux 2011; see Chapter 37).

By reaching out to those who are socially and economically excluded, by alleviating citizens’ concerns about the future and their concerns for family and community members and by having citizens make the experience that the state cares and delivers, social protection can also make a positive contribution to political development, such as social inclusion, social cohesion and the stability of state and society (Babajanian et al. 2014; de Neubourg 2009; Hickey 2014; Loewe et al. 2020b; Chapter 38).

In this sense, social protection is not only a target by itself, which comes under Sustainable Development Goal 1, but it can also contribute to the majority of the SDGs of the Agenda 2020 (see Figure 1.2):

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1 The Agenda 2030 from 2015 has two targets under SDG 1 with a direct relation to social protection: Target 1.3 is to ‘Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable’. And Target 1.5 is: ‘By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters’ (UN 2015). The indicator used for measuring progress towards Target 1.3 is the ‘Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable’ (UNStats 2015).
The human development goals (1–10): to prevent, reduce and alleviate income and multidimensional poverty, to prevent the negative social effects of poverty, to facilitate access to and affordability of food and nutrition as well as of basic social services (education and health), to reduce unintended inequalities and to improve gender relations.

The economic goals (4–9): to encourage people to take risks, invest in physical and human capital and become economically active, thereby boosting economic growth (especially in the informal sector) and facilitating income smoothing (see Chapter 37).

The political goals (16–17): to enhance social justice, empower and integrate groups at the margin of society (social inclusion), strengthen social cohesion, stabilise society and polity and contribute to the realisation of human rights (see Chapter 38).

And finally, social protection might also help in the management of additional, often environment-related, risks, which are likely to increase in the future due to climate change. Thereby, it might contribute to the achievement of the green SDGs (12–15) in general and climate mitigation in particular (Aleksandrova 2019; Gentilini and Omamo 2011; Chapter 42). Finally, different social protection instruments can also help in responding to those global mega trends that prove problematic for the achievement of the Agenda 2030 and the SDGs.
The challenges are (1) the increase in within-country inequality in many countries, (2) the ineffectiveness of economic policies of many countries to reduce multidimensional poverty, (3) the possibility of macro-shocks such as currency and financial system crises but also the break-out of pandemics like COVID-19, which reverse parts of what has been achieved in terms of progress towards the SDGs in previous years, (4) the surge in global migration, (5) the ageing of the world population which drives up the costs of care provided to people at third age, (6) the destructive effects of climate change on the livelihoods of numerous people, especially in LICs and MICs, (7) the increase in fragile states world-wide and (8) the continuous automation and digitisation that destroys numerous jobs of people with only basic education. Social protection can buffer these trends as follows:

- Social cash and in-kind transfer schemes can redistribute income towards the poor and thereby counteract current trends of rising multidimensional inequality in many countries world-wide (World Bank 2016; Chapter 34).
- The same kind of schemes plus a greater emphasis on social services can reaccelerate the reduction of global multidimensional poverty rates (Barrientos and Niño-Zarazúa 2011; Chapter 34), thereby compensating for the fact that the effect of economic growth on absolute poverty reductions is sometimes low and often decreasing (Burchi et al. 2019).
- Social protection mechanisms can help to secure the funding needed for well-equipped public health and social health insurance schemes that are able to master the health effects of future pandemics. Likewise, social transfers can be wisely used in cushioning the socio-economic effects of current and future pandemics (Gentilini et al. 2020; Chapters 39 and 43).
- Social protection can contribute to the reduction of forced migration that is often propelled by the need to compensate for a lack of provisions in-country, by high inequality levels and limited perspectives for a different state–citizen relationship in the nearby future. While social protection can facilitate migration by providing additional income, it can also serve as an important incentive to stay by providing safety and stability of income and expectations, in particular in country contexts without war or civil strife (Schüring et al. 2017; Chapter 23).
- Social old-age protection schemes (pension insurance and social pension schemes) can frontload the costs of rising numbers of people at old age and thereby mitigate the most serious effects of demographic change (Holzmann et al. 2009; Chapters 21 and 39).
- Many social protection instruments can contribute to the prevention, mitigation and coping of risks that increase with climate change and thereby help people adapt to climate change (Gentilini and Omamo 2011; Solórzano and Cárdenes 2019; Chapter 42).
- When well-implemented, social protection schemes can contribute to social cohesion and the social contract between society and the government. This can help to build or rebuild government legitimacy and reduce state fragility (Harvey et al. 2007; Loewe et al. 2020b; Sabates-Wheeler et al. 2017; Chapter 38).
- Continued automation and digitisation in production constitutes a challenge not only for global development in general but also for the effectiveness of existing social protection schemes. At the same time, social protection schemes, if readapted to these changes, can also cushion the negative effects of automation and digitisation on the world of labour and income generation (UNDP 2015; Chapter 41).
The main exception in this regard might be the current global trend of countries returning to authoritarianism. Social protection can do little to counter the trend. Even more so, the trend threatens the functionality of social protection systems itself because authoritarian rulers tend to use social protection for their own benefits rather than for the poor and vulnerable groups of the population (Loewe 2013).

1.2 DEFINITION OF SOCIAL PROTECTION AND DIFFERENCES IN APPROACHES

At least in the past, there used to be huge differences in the perceptions of people, countries and organisations with respect to social protection. As a result, the shape of social protection systems diverged significantly from one country to another (Hanlon et al. 2010). To some degree, these differences were intended and due to the fact that different policy makers (or governments in different countries) set different objectives/priorities in policy making, partly influenced by varying social norms and values. Social protection instruments are hence prioritised and combined in various ways that pay justice to these different motives (Hickey and Seekings 2017; Hickey et al. 2018; Kabeer 2014).

However, the differences are not always the result of strategic planning. In many cases, the shape of social protection systems is the result of historic processes and path dependencies: once a social protection scheme is in place, it becomes difficult for successor governments to replace the scheme with a completely different one (Hickey et al. 2018; Jawad 2019; Kabeer 2014).

In the same way that national understandings of social protection differ, international actors also diverge in their understanding of social protection. Most of them acknowledge that social protection is about both risk management and poverty reduction. Some, however, such as the British Department for International Development (DFID 2006) (now part of the United Kingdom’s Foreign, Commonwealth and Development Office), have for long mainly emphasised poverty reduction, while others, such as the World Bank have tended to look at social protection through a risk management perspective. As a result, the World Bank (2000) has been criticised on the ground that it ‘does not explicitly address the chronic (core) poor’ (Devereux and Sabates-Wheeler 2004). These differences are again at least partly due to different institutional logics (e.g. how international organisations are governed and how and from where they recruit their staff) and the fact that the people working in different national and international organisations cannot fully free themselves from the models of social protection that they have in their deeper mind because of the experience that they made with social protection systems in their respective home countries (Browne 2015; Hickey and Seekings 2017).

To give an example, the German BMZ issued a position paper back in 2009 (which is no longer effective) defining social protection as support in risk management only: ‘Systems of social protection support individuals or households in risk prevention, mitigation or coping’ (BMZ 2009). This definition reflects the fact that contributory social insurance schemes are perceived by many as the core element of social protection in Germany even though the German Federal Ministry for Labour and Social Affairs, which is responsible for social protection system design within Germany, has most of the time used more equilibrated definitions (e.g. BMAS 2010).
Likewise, the European Commission also sees social protection primarily as a risk management instrument: ‘Social protection may be broadly defined as a set of policies and actions that enhance the capacity of all people, but notably poor and vulnerable groups, to escape from poverty (or avoid falling into poverty), and better manage risks and shocks’ (ECHO 2017).

The social protection strategies of the United Nations Development Programme (UNDP) and the Food and Agriculture Organization (FAO), in contrast, portray social protection, first of all, as an instrument of poverty alleviation:

Social protection comprises a set of policies and programmes that addresses economic, environmental and social vulnerabilities to food insecurity and poverty by protecting and promoting livelihoods’ (FAO 2017).

This primer defines social protection as a set of nationally owned policies and instruments that provide income support and facilitate access to goods and services by all households and individuals at least at minimally accepted levels, to protect them from deprivation and social exclusion, particularly during periods of insufficient income, incapacity or inability to work. (UNDP 2016)

At the same time, an increasing number of researchers as well as political actors look at social protection through the eyes of a rights-based perspective. Of course, this includes the International Labour Organization (ILO), which has a mandate to define standards in labour relations, including social protection. The ILO defines social protection as ‘a human right’ and ‘as the set of policies and programmes designed to reduce and prevent poverty and vulnerability throughout the life cycle’ (ILO 2019a).

Recently, there has been a convergence in the definition of social protection by different organisations, which has been promoted, among others, by the Social Protection Inter-Agency Cooperation Board (SPIAC-B). It enrolls virtually all relevant international organisations and several bilateral development cooperation donor countries. However, differences in institutional approaches to social protection are not entirely cancelled out.

The strategic documents and real engagement of the different actors in social protection show even more clearly that their foci in the field of social protection still differ. Even among scholars, there is still substantial divergence in the way the term ‘social protection’ is understood with regards to the primary goals, appropriate providers, covered risks, key instruments, financing methods and the basis of claims for benefits.

In the following, we present the prevailing differences in understanding quite extensively – not least because these differences even surface when comparing approaches by different authors of this handbook.

1.2.1 Primary Goal of Social Protection

There is still a bit of disagreement on the primary goal of social protection (Norton et al. 2002; Gentilini and Omamo 2011; Kabeer 2014). Should it mainly

- reduce people’s vulnerability to risks,
- fight poverty,
- reduce socio-economic inequality,
- promote social inclusion,
- contribute to social cohesion,
- stimulate investment, productivity and economic growth,
stabilise societies and polities,
legitimise governments,
support macro-economic stabilisation,
boost human capital or
do anything else?

Essentially, we can differentiate four extremes in this regard, each prioritising one of the four functions of social protection as described by Devereux and Sabates-Wheeler (2004): protection, prevention, promotion and transformation (see Figure 1.3). Possibly, these four extremes are more theoretical positions and no actor pursues them in such a distinct way. Even more so, it is difficult to attribute existing social protection systems to any of the four extremes. While for some European countries with mature social protection systems different priorities in terms of functions can be detected, it would be too tentative to localise in the same way the

Source: Authors’ own illustration.

Figure 1.3 The four extremes of prioritisation in social protection policies
social protection systems of LICs or MICs because they are still in the process of progressively building them up.

The first extreme in this sense could be labelled residualism or targeteerism. Its proponents would look mainly at the protective function of social protection, i.e. poverty alleviation: the support of those who are actually suffering from absolute poverty and deprivation – the ‘deserving poor’ (Devereux and Sabates-Wheeler 2004, 3). They would want government support for accessing health and social services to be provided solely to the poor and only as a last resort (i.e. when other forms of welfare, such as family or voluntary, fail). In the concept of the three worlds of welfare capitalism of Danish sociologist Esping-Andersen (1990), the liberal/Anglo-Saxon model of social protection (archetypically followed by the United States, Ireland and Australia) would come closest to the extreme position of residualism. And the favoured instruments would be means-tested unconditional cash transfers and health and education vouchers in addition to conditional benefits such as public works (see Chapters 2, 4 and 8).

The second extreme could be called selectivism. Its proponents would look mainly at the preventive function of social protection only, i.e. risk management: support provided to the efforts of people in risk prevention and mitigation. The focus would thus be on risk reduction by people who are not necessarily poor (Devereux and Sabates-Wheeler 2004, 3; Kabeer 2014; Holzmann and Jørgensen 1999; de Neubourg and Weigand 2000). The strategy is selective in two dimensions: (a) specific, predefined risks are covered; and (b) only people with sufficient income, sufficiently organised and with access to existing schemes of social protection are included (see Chapter 7). In the concept of the three worlds of welfare capitalism of Esping-Andersen (1990), the conservative/continental model of social protection (archetypically followed by France, Belgium and Germany but also many countries in Latin America) comes closest to this extreme position. And the favoured instruments of the position would be contributory social insurance, private insurance and micro-insurance (Chapters 3 and 6).

The third extreme could be called productivism. Its proponents would look mainly at the promotive function of social protection, i.e. the mobilisation of investments into human and physical capital. The philosophy would be to make people productive (again) and thereby help them to escape from poverty themselves. The long-term vision would thus be to trigger pro-poor economic growth, i.e. economic development that takes place, first of all, among low-income people. None of the three worlds of welfare capitalism described by Esping-Andersen (1990) fits perfectly to this fourth extreme but productivism shares the market proximity and low degree of decommodification of the liberal welfare regime. Its adherents welcome any social protection scheme that encourages people to become economically active and thereby help themselves to escape from poverty. This holds in particular for market-based instruments such as commercial insurance, micro-insurance and funded social insurance schemes but, to some degree, also for other forms of social insurance, conditional cash transfers and public works programmes (see Chapters 3, 4 and 6).

The fourth extreme could be called universalism. Its proponents would look mainly at the transformative function of social protection, i.e. the impact of social protection on social equity and inclusion, empowerment and universal rights (Devereux and Sabates-Wheeler 2004, 3; Kabeer 2014). They would call for a more institutionalised and comprehensive approach towards social protection that builds on wider social and political economy analysis, redistribution and collective provision of universal benefits rather than individual responsibility for risk management and some collective efforts of targeted poverty reduction (Adesina 2012;
Handbook on social protection systems

Ghosh 2011; Midgley 2013; Mkandawire 2004; Standing 2007). In the concept of the three worlds of welfare capitalism of Esping-Andersen (1990), the comprehensive/Scandinavian/social-democratic model of social protection (archetypically followed by Sweden and Norway) comes closest to this extreme position. And the favoured instruments of the position would be rights-based social pensions, child benefits and unemployment allowance, a public health system offering all kinds of medical services free of charge to every resident and even more so a universal citizen grant and universal in-kind social services (see Chapters 2 and 5).

1.2.2 Providers of Social Protection

Many authors have defined social protection as the sum of social insurance and social assistance and labour market policies (LMPs) or public in-kind support for the poor such as social services (Devereux and Sabates-Wheeler 2004, 4) and, hence, apply the term only to programmes initiated by the government. The European Report on Development (EC 2010), for example – of course not an official document of the European Union – sees social protection as

a specific set of actions to address the vulnerability of people’s life through social insurance, offering protection against risk and adversity throughout life; through social assistance, offering payments and in kind transfers to support and enable the poor; and through inclusion efforts that enhance the capability of the marginalised to access social insurance and assistance.

Likewise, Harvey et al. (2007) also consider the state as the dominant provider of social protection, and according to de Neubourg, Cebotari and Karapati (Chapter 11), social protection can only be provided by the state; all other forms of support in risk management are just ‘protection’ in their understanding.

While most authors stress the importance of state-coordinated action in social protection, many emphasise that social protection schemes cannot only be provided by the state or public entities but also by

- market-based actors (e.g. employers, insurance agencies),
- third-sector organisations (e.g. trade unions, welfare associations, grass-root non-governmental organisations, small enterprise associations, cooperatives) or
- society at large/solidarity networks (e.g. families, clans, tribes, neighbourhoods, communities) (see Figure 1.5 and Chapter 10).

This argument has already been made much earlier by the German Development Institute (Gsänger 1992), the World Bank (Holzmann and Jørgensen 1999) and others (Norton et al. 2001, 13).

The European Statistical Office in Luxembourg takes a middle position in this regard. It defines social protection as ‘all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs’ (EUROSTAT 2019, 8). This includes social insurance and social transfer schemes, mandatory private health insurance schemes, mutual insurance clubs, services offered by welfare organisations and employment-related pension schemes but no individual life insurance schemes, no housing allowances paid by employers, no crèches for the children of employees and no loans extended to neighbours (EUROSTAT 2019).
At the lowest level, even the nuclear family or household can be seen as a provider of social protection as the two heads of a nuclear family/household (typically wife and husband) share their risks and support each other: marriage and extended family would thus also be institutions that support not only risk prevention, risk diversification and risk coping but even risk pooling (World Bank 2001, 141f.), i.e. they go beyond the possibilities of individuals in managing risks. Risk pooling requires at least two people to be involved. The more people are involved, the more efficient and effective risks can be managed, which is also an argument as to why some don’t classify informal arrangements as social protection.

1.2.3 Risks Covered

In the more traditional literature on social protection in high-income countries (HICs) (e.g. Althammer and Lampert 2019), it seems to be clear that social protection is meant to cover as many risks as possible of a specific set of risks being listed in the ILO Convention 102 from 1952. This includes life-cycle risks (childhood, parenthood, old age/longevity, widowhood and orphanhood), health risks (sickness, work-related injury and infection, pregnancy and delivery of children and invalidity/long-term work disability) and job loss/unemployment. The ILO Convention requires every ratifying country to protect at least 20 per cent of the economically active population or 50 per cent of all employees or 50 per cent of all residents against at least three of the listed risks (ILO 1952; Chapter 11). However, only 58 countries have ratified the convention so far (ILO 2020), which limits the extent to which it can be regarded as an internationally accepted standard.

In addition, when the literature on social protection in LICs and MICs was growing during the 1990s, it became clear that the above-mentioned list is too much inspired by the situation of people in wage employment, especially in HICs (see e.g. Holzmann and Jørgensen 1999). Many people in LICs and MICs, especially those living in rural areas and from self-employment in agriculture, are less vulnerable to some of the risks in the ILO list but highly vulnerable to many other risks not listed at all (see Table 1.1). And as the prevalence and importance of risks varies by country context, a society needs to determine which risks should be covered through different social protection arrangements by the various actors.

At the same time, the diversity of relevant risks is rising even in HICs, due to climate change and other degradations of the environment as well as due to the proliferations of informal and precarious jobs (Ranci et al. 2014). Table 1.1 outlines in bold which risks are commonly agreed upon as social protection-relevant risks, while the others are not considered relevant.

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2 EUROSTAT (2019) confines the term social protection to interventions that help people manage the following risks: bad health, disability, old age, survivorship, children, unemployment, housing and social exclusion not elsewhere classified. Apparently this list is coined by the dominant expectations of European citizens but it is not consistent at all because housing and children are not risks; they do not involve any element of uncertainty, neither with regards to the time of the related hazard (these days you know when you need housing and when you have children), nor with regards to their possible impacts. In addition, the category ‘social exclusion not elsewhere classified’ is quite broad and vague and can be interpreted as a container for any other relevant risk.

3 In June 2020, for instance, German social protection scholars met in Heidelberg to discuss how the scope of social protection can be broadened in order to support both social inclusion and ecological change. The programme of the meeting can be downloaded from www.fest-heidelberg.de/wp-content/uploads/2020/06/Wirtschaft-der-Gesellschaft-2020_Tagung-Soziale-Sicherungssysteme.pdf.
Table 1.1  Typical risks by their nature and degree of covariance

<table>
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<tr>
<th>Origin of risks</th>
<th>Micro-level risks (idiosyncratic)</th>
<th>Meso-level risks (somewhat covariate)</th>
<th>Macro-level risks (highly covariate)</th>
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<tbody>
<tr>
<td>Life cycle</td>
<td>Childhood</td>
<td>Parenthood</td>
<td>Death (widowhood, orphanhood) Old age (longevity)</td>
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<td>Health</td>
<td>Illness</td>
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<td>Delivery</td>
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<td>Employment and economy</td>
<td>Loss of job (unemployment)</td>
<td>Decrease in demand Output collapse</td>
<td>Financial crisis Currency crisis Hyper-inflation</td>
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<td>Business failure</td>
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<td></td>
<td>Business failure</td>
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<td></td>
<td>Business failure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Socio-political</td>
<td>Theft/robbery</td>
<td>Terrorism</td>
<td>War</td>
</tr>
<tr>
<td></td>
<td>Murder</td>
<td>Bomb attack</td>
<td>Civil war</td>
</tr>
<tr>
<td></td>
<td>Riots</td>
<td>Resettlement</td>
<td>Coup d’tat</td>
</tr>
<tr>
<td></td>
<td>War</td>
<td></td>
<td>Political default</td>
</tr>
<tr>
<td>Nature</td>
<td>Domestic fuel</td>
<td>Drought</td>
<td>Volcanic eruption</td>
</tr>
<tr>
<td></td>
<td>Lightning strike</td>
<td>Flood</td>
<td>Earthquake</td>
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<tr>
<td></td>
<td></td>
<td>Landslide</td>
<td>Air pollution</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hail</td>
<td>Climate change</td>
</tr>
<tr>
<td>Environment</td>
<td>Pollution of river</td>
<td></td>
<td>Nuclear disaster</td>
</tr>
<tr>
<td></td>
<td>Deforestation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Consensus exists only on the risks printed in bold, i.e. it is controversial if support provided for the management of any of the others can be considered social protection as well.

Sources: Authors’ own adapted from Coudouel et al. (2002, 169); Holzmann and Jørgensen (1999); Loewe (2009a); World Bank (2000).

by all authors. The table also differentiates the nature of risk and whether the risk concerns an individual (idiosyncratic) or several people at the same time (covariate).

The question therefore arises whether the traditional list of risks has to be expanded by at least some of the risks that have newly emerged or that are of greater relevance in other country contexts. Many authors have affirmed this (e.g. Devereux and Sabates-Wheeler 2004; Holzmann and Jørgensen 2000; Shepherd et al. 2004).

People everywhere are highly vulnerable to health risks because the costs of necessary medical treatment can easily exceed what people can pay out of their pockets – which holds even for many high-income people (see Chapter 36). Old age, in contrast, constitutes a greater risk for people in HICs and for people in urban areas of LICs and MICs because their children tend to live at a distance from them and do not have the time and resources to care for their parents when they retire. In traditional, more rural settings, in contrast, many people still rely on their children or at least other relatives or neighbours to look after them and support them when they get old (see Chapter 21). Likewise, parenthood, widowhood, unemployment and work disability is a much larger risk for people living in towns, depending on a single or just two income sources (wage employment) and being only little embedded in societal solidarity.
networks. This contrasts with people in rural areas who have many different small income sources and better access to support within their neighbourhood. As a consequence, people in rural, more traditional settings have fewer difficulties in managing life-cycle risks than people in urban settings with higher dependencies on single-income sources. But they are highly vulnerable to natural, ecological, political and societal risks because these are often more covariate than life-cycle risks. And droughts, flood, river pollution or civil war threaten all people in a region alike with the effect that these risks cannot be managed by mutual support within the family, tribe or village. Support from outside is thus all the more important (Collins et al. 2009, 65ff.; Coudouel et al. 2002; EC 2012, 16ff.).

1.2.4 Instruments

Social protection instruments can be categorised by the way they deal with risks: preventing them, mitigating them or helping people cope with them (World Bank 2001):

- **Risk prevention** aims at lowering risks, i.e. reducing the likelihood of hazards (possible adverse events) such as illness, job loss or bad harvests. Examples include hygiene, healthy diet and safety at work.

- **Risk mitigation** aims at limiting the possible impact of risks, i.e. the shock that a hazard (a possible adverse event) can have on people. It includes three sub-forms: risk diversification reduces the possible effects of single risks at the price of a higher number of risks (e.g. through crop diversification); risk provisioning is the accumulation of assets that help to deal with possible future shocks (e.g. savings); and risk pooling or risk sharing is insurance, i.e. the mutual sharing of individual risks within a group (which does not reduce the risks in total but their impacts on every group member, e.g. social insurance).

- **Risk coping** is any ex-post reaction of households to shocks. Social protection in this area would thus be any support to households that helps them reduce at least the long-term effect of a hazard once it has already occurred. Examples include the provision of credit, social assistance, job placement support and retraining.

All three categories can contribute to all four functions of social protection (preventive, protective, promotive and transformative) even though some categories are more strongly aligned with one or two functions in particular. For example, risk prevention and mitigation are particularly strong with regards to the preventive function, while support in risk coping is important for the protective and promotive function.

The bulk of the literature recognises that social protection includes risk mitigation as well as risk coping, i.e. social insurance and social transfers (e.g. Devereux and Sabates-Wheeler 2004; UNDP 2016). Some publications, though, focus more on instruments that help people mitigate risks, especially through social insurance (including non-contributory contingency benefit schemes) and micro-insurance (e.g. ILO 2010), while others emphasise instruments that help people cope with risks, especially through social transfers (including social assistance, public works and conditional cash-transfer schemes) and social services (e.g. Grosh et al. 2008).

The majority of social protection experts, however, see both groups of instruments as the core of social protection (see Table 1.2 and Figure 1.5). Therefore, this handbook has separate chapters on social insurance, micro-insurance, social transfers and social services (Part I, see also Figure 1.4).
### Table 1.2 Providers and instruments of social protection

<table>
<thead>
<tr>
<th>Provider</th>
<th>Society (solidarity networks)</th>
<th>Informal/third-sector organisation</th>
<th>Market-based actor</th>
<th>State or public institution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk prevention</strong></td>
<td>Hygiene (e.g. societal consent to wash hands and wear masks during pandemics)</td>
<td>Construction of dams, dykes, mountain terraces and river basins by communities against river and sea floods and avalanches</td>
<td>Voluntary labour and environmental protection standards</td>
<td><strong>Pandemic protection orders</strong></td>
</tr>
<tr>
<td></td>
<td>Healthy diet</td>
<td>Caution in traffic</td>
<td>In-service training</td>
<td><strong>Safety-at-work regulations</strong></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Environmental protection laws</strong></td>
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<td></td>
<td><strong>Reforestation</strong></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Infrastructure (e.g. dams, dykes, mountain terraces, tsunami warning)</strong></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Public health and education policy</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Voluntary labour and environmental protection standards</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>In-service training</strong></td>
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<td></td>
<td></td>
<td><strong>Agricultural extension</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Trade liberalisation and diversification (to reduce dependence from single markets)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Quality education</strong></td>
</tr>
</tbody>
</table>

| **Risk mitigation (risk diversification)** | Crop and plot diversification | Cooperatives with division of labour among members | Training (to diversify skills) | **National provident funds** |
| | Income/job diversification | | | **Funded social insurance (if intertemporal redistribution is dominant, otherwise under ‘risk pooling/sharing’)** |
| | Investment in physical and human capital | | | |
| | | | | **Solidarity networks (mutual support among friends/neighbours based on generalised reciprocity)** |
| | | | | **Group-based/mutual micro-insurance** |
| | | | | **Private insurance** |
| | | | | **Social insurance (health, work disability, unemployment, etc.)** |

| **Risk mitigation (risk provisioning)** | Accumulation of buffer stocks (e.g. local food supply reserves) | Savings and credit associations | Savings accounts in financial institutions | **Social transfers (social assistance, conditional cash transfers, cash for work)** |
| | | Investment in human capital (gifts, rituals, care, loans) | Micro-savings | **Social services (e.g. education, health, training, support to people with disabilities)** |
| | | Non-commercial micro-savings | | **Active labour market policies** |
| | | | | **Subsidies** |

| **Risk mitigation (risk pooling/sharing)** | Solidarity networks (mutual support among friends/neighbours based on generalised reciprocity) | Group-based/mutual micro-insurance | Private insurance Commercial micro-insurance | **Social transfers (social assistance, conditional cash transfers, cash for work)** |
| | | | | **Social services (e.g. education, health, training, support to people with disabilities)** |
| | | | | **Active labour market policies** |
| | | | | **Subsidies** |

| **Risk coping** | Child labour | Savings and credit associations | Commercial loans (from banks, money lenders, etc.) | **Social transfers (social assistance, conditional cash transfers, cash for work)** |
| | Loans from friends, relatives, colleagues | Non-commercial micro-credit | Sale of assets | **Social services (e.g. education, health, training, support to people with disabilities)** |
| | Transfers from networks of mutual support | | | **Active labour market policies** |

**Notes:** Consensus exists only on the instruments printed in **bold**. All others are not considered social protection instruments by all experts.

**Source:** Authors’ own drawing essentially from World Bank (2001, table 8.3).

In addition, there is a chapter (Chapter 4) on LMPs, even though some scholars do not recognise all LMP instruments as social protection. LMPs include (1) the regulation of the labour market (by constitutions, laws and government decrees, but also agreements resulting from collective bargaining), (2) active labour market policies (ALMPs), which are meant to help unemployed people find new jobs through (re)training, facilitation of work experience acquisition or job search assistance, and (3) passive labour market policies (PLMPs), which provide assistance to people that deal with lack of income due to unemployment and underemployment (e.g. unemployment assistance or insurance, cash for work). Almost all experts agree that
PLMPs are social protection; many consider ALMPs as an element of social protection as well (ADB 2003; World Bank 2011) but others do not (e.g. ILO 2017).

In a similar way, many actors (e.g. EC 2012) see social services as an integral part of social protection while other actors do not (e.g. ILO 2017). For comprehensiveness, the handbook also includes a chapter (chapter 5) on social services.

There are also instruments that the book does not cover yet, despite the fact that many authors have been arguing for a long time for a larger understanding of social protection that includes more instruments, among them prevention (e.g. World Bank 2001; Gsänger 1992; Devereux 2016; UNDP 2016). Prevention includes, for example, the conduct of campaigns and the provision of tools for preventive health care as well as the construction of dams and mountain terraces and the replanting of coastal mangroves as a means to reduce natural risks. Measures of this kind are only mentioned sporadically in large parts of the social protection literature (e.g. in EC 2010; Hickey and Seekings 2017; Gentilini and Omamo 2011; ILO 2017) even if some authors have shown that they can they can have a higher effectiveness and efficiency than risk mitigation and coping measures.

While prevention is discussed more in the context of climate change (e.g. Aleksandrova 2019; Malerba 2020; Chapter 42), it rarely features when it comes to preventing river pollution, nuclear disaster, government failure, pandemics such as COVID-19 (see Chapter 43), volcanic eruption or civil war (exceptions include Loewe 2009a; Norton et al. 2002; Shepherd et al. 2004).

Another issue is whether indirect cash transfers such as commodity, credit or investment subsidies should also be seen as social protection instruments. In the past at least, many governments have used in particular food, housing and credit subsidies as an instrument to fight poverty by increasing the purchasing power of the poor (Vidican Auktor and Loewe 2021). The social protection strategy of the World Bank recognises these instruments as social protection schemes as well (Holzmann and Jørgensen 1999; see Table 1.2) while other institutions do not (e.g. BMZ 2017; EC 2012; ILO 2017). Figures 1.5a–b present a more comprehensive categorisation of state-owned social protection schemes, explained below.
Figure 1.5a  Overview of state-initiated social protection schemes

Source: Authors’ own illustration.
Figure 1.5b  Overview of state-initiated social protection schemes

Source: Authors’ own illustration.
Notes: Figures 1.5a–b categorise the most important public social protection instruments by six major criteria/characteristics – most of them discussed in Part II of this handbook: (1) source of funding, (2) determinants of benefit levels, (3) financing/redistribution strategy, (4) administration, (5) targeting and (6) nature of benefits. It presents examples for all existing combinations and should be read top-down.

The first distinction criterion is whether an instrument is financed by taxes (left part of the flow sheet) or by contributions (right part) (Chapter 7). Both kinds can generate direct transfers but non-contributory (tax-financed) instruments can also subsidise the prices of key commodities or factors. The net benefit that consumers draw from the latter kind depends either on their total purchases or on their needs or a combination of both.

In the first case, typically, all consumers can buy certain products (e.g. bread, cooking oil, sugar, petrol, heating oil, electricity, water) at a reduced price (i.e. below the market equilibrium price). The price reduction is paid, in the end, by taxpayers, i.e. most affluent people in the case of income and property taxes, but all consumers in the case of consumption taxes (sometimes poorer households even disproportionately). The funding mechanism is thus vertical redistribution – sometimes top-down (e.g. in the case of dark bread subsidies) and sometimes bottom-up (e.g. in the case of petrol subsidies because low-income earners do not own cars in the majority of LICs and MICs).

In the second case, only low-income earners are entitled to a price reduction for specific goods (e.g. annual ticket for local public transportation, credit, school fees, health care). The targeting can rely on income tests, proxy means tests or categories. Typically, indirect transfers are financed by top-down vertical redistribution because low-income households are normally the main beneficiaries.

In both cases, the administration is always by a public organisation (Chapter 10). The word ‘transfer’ is most often used for direct transfers only, rather than for indirect transfers/subsidies (and never for the benefits of contributory schemes). These are most often provided by public organisations but still fall into four quite distinct categories (the first three are discussed in more detail in Chapter 2).

Category 1 is what most people have in mind when they hear the term ‘direct transfers’: transfers that are targeted in one way or another at people in need (by income test, (proxy) means test, categorical targeting, community-based targeting or self-targeting; see Chapter 8). Transfers of this kind can be in cash, vouchers or in-kind but they always aim at topping up the residual income of low-income earners in order to help them sustain at least most basic livelihoods. In addition, the transfers can be conditional on investment into education and health (such as in the case of conditional cash transfers) or on work (such as in the case of cash for work/public works schemes) or anything else – but they can also be unconditional (such as social assistance, food stamps, education vouchers, ration cards or health cards). The transfers are always financed by some combination of vertical redistribution (from the rich to the poor) and horizontal redistribution (between people with similar risk profiles where some have been hit by a risk while others have not).

Category 2 includes direct transfers that are flat (independent of the need or income/previous income of beneficiaries) but may depend on certain contingencies (being old, sick, a child, etc.). The transfers are thus universal (such as in the case of lump-sum citizen grants, see Case study B in this handbook) or targeted to certain groups of society (such as in the case of social pensions, see Case study A). The transfers are in cash or in-kind and generated from taxes using any combination of all kinds of interpersonal redistribution: social pensions, for example, redistribute vertically (from the rich to the poor), horizontally (from those who die young to those who live long) and intergenerationally (from those at working life to those at old age).

Category 3 refers to allowances awarded to people for their merits: e.g. because they served as soldiers, because their relatives have been killed in a war or because they have experienced particularly bad living conditions (e.g. a war or post-war reconstruction). The benefits are most often in cash.

Category 4 includes instruments that are very similar to contributory social protection schemes. Here, the entitlement to benefits depends fully on predefined contingencies (old age, illness, parenthood) such as in most schemes of Category 2 but the benefit level depends also on (previous) income levels. People with higher previous income levels sometimes receive higher benefits (just like in contributory social insurance schemes) while people with higher current income levels sometimes receive lower benefits (just like in Category 1 social transfer schemes). In most cases, the transfers are in cash and financed from taxes using any combination of all kinds of interpersonal redistribution.

Contributory schemes, finally, provide benefits that are contingent on specific predefined risks (e.g. bad health, old age, death of the main bread-winner or loss of job) and depend on contributions paid previously by beneficiaries. They can also be divided into three categories.

Category 1 includes contributory pension schemes that build mainly on intergenerational redistribution within the same year from people at working age to retired people (in addition to some horizontal redistribution from those who die young to those who live longer). The schemes are called ‘statutory social insurance’ and ‘Bismarckian social protection schemes’ and are always organised by public entities. Contribution rates are adjusted regularly because benefit levels are typically defined.

Category 2 covers mandatory and voluntary funded social insurance schemes, where benefits are also financed by contributions but through intertemporal redistribution (combined, of course, by some degree of horizontal redistribution). Here, contributions are always defined while benefits are not (their level depends on the level of contributions and the rate of return to the contributions, e.g. from their investment in capital markets). The schemes can be organised by public but also private entities. The most prominent examples are the social pension and health insurance schemes in Chile.

Category 3 refers to national provident funds, still e.g. in Lebanon, Singapore, Kenya and other countries that used to be United Kingdom colonies. Again, benefits are financed by contributions but only through intertemporal redistribution. As a result, the level of benefits depends only on the level of contributions paid previously (and not the number of years remaining after retirement until death, the reason why the risk of longevity is not really covered). Administration can be again private or public. Membership can be voluntary or mandatory.
1.2.5 Ways of Financing

Most publications on social protection focus on the three interpersonal channels of financing: vertical, horizontal and intergenerational redistribution (see Table 1.3).4

Table 1.3 The five ways to finance social protection benefits

<table>
<thead>
<tr>
<th>Provider</th>
<th>Intertemporal redistribution</th>
<th>Intertemporal redistribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(no transfers between people)</td>
<td>(no shifts of consumption possibilities over time)</td>
</tr>
<tr>
<td></td>
<td>Forwards from present to future, respectively</td>
<td>Backwards from future to present, respectively</td>
</tr>
<tr>
<td></td>
<td>past to present</td>
<td>to past</td>
</tr>
<tr>
<td>State (or public institutions)</td>
<td>● National provident funds</td>
<td>● Public credit schemes</td>
</tr>
<tr>
<td>Market (commercial actors)</td>
<td>● Bank savings accounts and schemes</td>
<td>● Formal bank credits</td>
</tr>
<tr>
<td>Third sector (groups and other informal actors)</td>
<td>● Rotating savings and credit associations</td>
<td></td>
</tr>
<tr>
<td>Society (traditional social networks)</td>
<td>● Mutual support based on balanced reciprocity*</td>
<td>● Mutual support based on generalised reciprocity*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Social pensions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Child allowances</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Work accidents insurance</td>
</tr>
<tr>
<td>Only intragenerational</td>
<td></td>
<td>● Social assistance (conditional or unconditional cash transfers)</td>
</tr>
<tr>
<td>Horizontal (between people with similar risk profiles)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vertical (from the rich to the poor)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Consensus exists only on the instruments printed in bold. All others are not considered social protection instruments by all experts.

Some social protection instruments combine two or more of the financing mechanisms listed above. For example, pay-as-you-go pension insurance schemes combine intergenerational and horizontal intragenerational redistribution. Public and private funded pension schemes combine horizontal and (forward) intertemporal redistribution. Social health insurance combines horizontal and vertical redistribution.

* The difference between generalised and balanced reciprocity is as follows. Generalised reciprocity prevails in very traditional communities, often rural and long distance from other communities. Here, all people know that they depend on each other and if one of them is in need, everybody who can will try to help. Once the person recovers, they are expected to support in turn others in need – but not necessarily to pay back the support received to those who have given it. The redistribution is thus similar to an insurance club: from everybody to those in need. Balanced reciprocity, in contrast, dominates in more urban and modernised communities, where the relations between people are weaker and more personalised. Here, people still help each other in difficult situations but those who give expect to get back their support from exactly the people they have helped once they have recovered. This is partly because everybody is aware of the risk that neighbours may move away and hence not be able to pay back much later. Mutual support is thus like giving/receiving a credit or like investing into human capital that can be mobilised again later, and hence the mechanism is intertemporal redistribution (Cronk et al. 2019; Loewe 2009b).

Source: Loewe (2009b).

4 Social protection depends always on a shift of resources in cash or in-kind from one place, point in time or person to another. This shift is meant to cover possible or effective gaps in the liquidity of households or communities by payments being made (1) earlier or (2) later by the very same households or communities (intertemporal redistribution) or by other households or communities being (3) similar to the households or communities of concern (horizontal interpersonal redistribution) or (4) better off
Vertical interpersonal redistribution runs top-down, i.e. from more affluent people to people in lower socio-economic strata, and constitutes the dominant financing mechanism of all schemes providing direct and indirect cash and in-kind transfers (conditional or unconditional cash transfers, public works programmes, subsidies, etc.; see Table 1.3). Virtually all publications on social protection acknowledge at least implicitly that vertical interpersonal redistribution is a key – even though perhaps not the dominant – mechanism of financing social protection schemes.

Vertical redistribution also includes financial support given by foreign donors to social protection schemes in LICs and MICs because such support is ultimately financed from the taxes paid by the inhabitants of HICs, who are generally more affluent than the beneficiaries of social protection schemes in LICs and MICs.

Horizontal interpersonal redistribution is probably even more important in most national social protection systems and equally recognised by the literature on social protection. It is another expression for risk pooling or risk sharing and hence the mechanism underlying any insurance scheme. Technically, horizontal redistribution is the shift of resources between households with similar risks, where those who have had good luck (i.e. not been affected by a previously well-described risk such as a work accident) pay compensation to others who have had bad luck (i.e. have been affected by the very same risk such as a work accident). Typically, horizontal redistribution is financed by advance payments (pre-payments, contributions or premiums) but the benefits granted to those in need (who have been affected by a bad risk) can also be financed by ex-post payments such as in some informal insurance arrangements and traditional solidarity networks (see Table 1.3 and Chapter 10).

Some social protection schemes in turn are also based on intergenerational redistribution. In particular, parents pay for the needs of their children in all societies world-wide. And in more traditional settings, children tend to give back to their parents when the latter are old and no longer able to work, which used to be one of the reasons that people in traditional societies had a high number of children (see Table 1.3). In modern societies, the circle is broken in one or another way. Parents still care for their children until they can live on their own but the children are no longer expected to cover all the expenses of their parents when they are old because most people make provisions for their old age or have private or public pension insurance. And still, intergenerational redistribution is taking place in most countries – however, not within the family but within public pension schemes if they are based on pay-as-you-go financing: Contributions paid by the economically active population are immediately paid out again to the retired generation in the form of old-age pensions (see Table 1.3). Focusing on only these three channels of financing neglects, however, that some risks can also – or even better – be managed by intertemporal redistribution (i.e. consumption shifts from

than these (vertical interpersonal redistribution) or (5) from a different age group (intergenerational redistribution).

5 Of course, in some countries (e.g. Japan, Germany), children are legally obliged to support their parents at old age if parents have very low and the children high incomes.

6 The pros and cons of this form of redistribution was discussed at length during the pension debate during the 1990s, which started with the publication of the report *Averting the Old-Age Crisis* by the World Bank (1994). The report lobbied for a shift of pension schemes from intergenerational to intertemporal redistribution and numerous authors raised their voices to support or contest the recommendation. The ILO, in particular, sharply rejected a radical systemic change (see e.g. Beattie and McGillivray 1995).
present to future or from future to present). Some experts (e.g. EUROSTAT 2019) argue that a financing mechanism that is not collective in nature cannot be labelled ‘social protection’, and that social protection must have a solidarity element. These arguments ignore, however, that intertemporal redistribution also takes place in many social protection schemes, where either of the three interpersonal modes of redistribution is the dominant one. Funded social insurance schemes, for example, combine intertemporal and horizontal redistribution (see Table 1.3).

Intertemporal redistribution takes place, among others, in funded pension schemes. Here, contributions are accumulated in individual funds, which are invested on the capital market and later used to finance the contributor’s own pension. Benefits are thus financed by payments made earlier, i.e. a shift of resources over time. The same happens if people make savings during good times for possibly worse times in the future (see Table 1.3). Intertemporal redistribution can be done from now to later (present to future) but also from later to now (future to present). The former is the underlying mechanism of savings schemes, which can be run by the state (e.g. national provident funds), market-based actors (e.g. private savings plans), third-sector associations (e.g. rotating savings and credit associations) or informal providers. While the latter is the underlying mechanism of any credit, i.e. bank loans, social credits are offered by government or non-governmental organisations, borrowing among friends or relatives and rotating savings and credit associations (see Table 1.3).

Interestingly, all five mechanisms of financing can be used by most possible providers of social protection (see Table 1.3).

1.2.6 The Basis of Claims for Benefits

Finally, the bulk of the social protection literature focuses on economic and legal rather than social entitlements to social protection benefits. Economic entitlements originate from contributions paid to any social protection scheme at some point in time. Legal entitlements can be derived from the constitution, laws or government decrees of a country that stipulate for the generation of in-kind or cash benefits for people in specific situations (e.g. with disabilities, old aged, sick, with children, poor). Both international law (e.g. the Universal Declaration of Human Rights) and the majority of national constitutions contain a right to social protection (see Chapter 9). However, for several reasons, this legal entitlement is not obeyed in all countries as rights are not easily enforceable through the legal system.

Social entitlements, finally, are based on the values and norms (solidarity, charity, brotherhood or compassion) prevailing in a society, which should of course constitute the ethical basis for constitutions, laws and government decrees, as well. In traditional societies, such values and norms can be strong and not only oblige governments to set up social protection schemes but also communities and individuals to support households and individuals in need.

Most social protection schemes are based on combinations of at least two of the three kinds of entitlements (see Figure 1.6).

1.2.7 An Emerging Consensus

Despite some remaining controversies regarding what social protection is and what it entails, there seems to be some kind of consensus emerging among scholars, policy makers and practitioners. This consensus is made up of the following four trends.
Figure 1.6  Three bases of claims for social protection benefits

Move towards universal social protection

With the Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals (USP 2030), many different institutions and countries that were previously not pushing for universalism such as the World Bank or the Inter-American Development Bank have made a commitment towards broadening the scope of social protection. Social protection is no longer meant as a quick patch-up for the poorest in society but has turned into a more systematic endeavour of giving citizens the necessary means to deal with different adversities throughout the life cycle, which not only has advantages for the individual but also for society at large.

Universality not only refers to universal access but also to the adequacy of support being rendered and the rights and entitlements of citizens being granted. Even though organisations as diverse in approaches as the World Bank and the ILO have joint hands, they still have different priorities as to how universal social protection is being achieved and which dimen-
sions of universality are prioritised. While the World Bank prioritises the poorest (Jorgensen and Bennett 2019), the ILO promotes approaches that reach out to all members of a certain category such as all elderly (ILO 2019a, 233) and also lobbies for vertical coverage extension.

Common standards but no blueprints
Donors have rallied behind SPIAC-B to coordinate assessments, support and advocacy and most countries have endorsed the social protection floor recommendation (No. 202) in 2012 (ILO 2012), which means that they have agreed on a set of principles that guide social protection policy making. Even if countries prior to 2012 also defined core principles in their national social protection strategies and signatories to different ILO conventions showed readiness to abide by international standards, 2012 marked the the first time that countries unanimously rallied behind common standards. They have committed to provide basic social protection, guaranteeing minimum levels of protection with respect to health and maternity care, income security for children, persons in active age who don’t earn sufficient income and persons in old age. This does not mean, of course, that social protection systems are all converging or have similar features. They differ as the previous discussion has shown with respect to the main goals, the range of risks covered, the instruments used, the actors and funding mechanisms prioritised. This is also a reflection of the different socio-economic conditions of countries, the different political regimes as well as different norms and values of the population. Hence, there is agreement, also inherent in the standard-setting documents, that there is a need for variability in social protection systems.

Systems approach to social protection
National governments and donors have agreed to adopt a systems approach to social protection (BMZ 2019; EC 2015; FAO 2017; ILO 2019a; Irish Aid 2017; OECD 2019; UNDP 2016; UNICEF 2019; World Bank 2012a), even if Section 1.3 demonstrates that not all of them have sufficiently specified what they mean by this. This represents a departure from the earlier focus in many LICs and MICs on getting social protection onto the national agenda and mounting a first cash-transfer pilot or a single programme with national coverage (ILO 2017). Now, there is a general sentiment that the broader goals of social protection can only be achieved when the different components of the social protection system talk to each other and are synchronised across policies, programmes as well as the delivery chain. Linkages across these three levels ensure a more effective response to varying needs across different groups in society and limit behavioural disincentives on the side of recipients and providers. They also create economies of scale, which are particularly welcome in resource-constrained contexts. For these effects to materialise, social protection policies and programmes not only need to be harmonised across one another but they also have to be synchronised with other policies and sufficiently responsive to changing socio-economic trends (see Section 1.3 and Chapter 11).

Social contract as an analytical framework rather than a buzz-word
Social protection is increasingly analysed as a key element of the social contract, which has been defined as the “entirety of explicit or implicit agreements between all relevant societal groups and the sovereign (i.e. the government or any other actor in power), defining their rights and obligations towards each other” (Loewe et al. 2020a). Social protection, on the one hand, stabilises horizontal relations between societal groups: richer ones finance social protection as a price for the acceptance of their property rights. The erosion of social contracts comes
regularly with rising theft rates. On the other hand, social protection strengthens the vertical relations and the trust between governments and citizens. Citizens are meant to pay taxes and accept their governments if these provide the three Ps: *protection* (security), *participation* (in decision making) and *provision* (of services such as infrastructure, education and social protection) (Loewe et al. 2020a). If, however, governments fail in this regard, citizens might ask why they should pay taxes and accept the political system of their country and they might possibly even revolt against it. For the stability of social contracts, it is thus important that vertical redistribution (from the rich to the poor) plays some role and that the government takes responsibility for it. Once other actors – e.g. foreign donors – become more active than governments in setting up social protection systems, citizens start trusting these rather than their government. Such a scenario can be seen in countries with weak and highly aid-dependent governments (Loewe et al. 2020b).

1.3 A SYSTEMS APPROACH TO SOCIAL PROTECTION

While nowadays most actors in social protection talk about a systems approach and that efforts are being undertaken to build systems rather than programmes, very few authors have actually sufficiently concretised what a systems approach entails. A handbook on social protection systems can, of course, not leave this question undiscussed. If a country has one flagship social protection programme, can it already be called a system? Does any effort towards putting programmes in place qualify already as a move towards a social protection system? Are there particular standards that need to be fulfilled and do they hold across countries? And why is it important at all to follow a systems approach in social protection? In this section, we will first present a definition of social protection systems and then dissect a systems approach into key components, key processes and standards.

1.3.1 Definition

The World Bank social protection strategy from 2012 defines social protection systems as ‘portfolios of coherent programs that can communicate with each other, share common administrative sub-systems, and work together to respond to risks and to deliver resilience, equity and opportunity to the population’ (World Bank 2012b, 14). According to this definition, systems are therefore made up of several programmes, have programmatic and administrative linkages and they work towards a common goal. The Organisation for Economic Co-operation and Development (OECD) definition concentrates on concrete social protection pillars and also stresses the importance of integration or at least coordination: ‘While there is variation across countries, the term social protection system usually refers to a framework whereby the three pillars of social protection – social assistance, social insurance and labour market programmes – are integrated or, at a minimum, co-ordinated’ (OECD 2018, 13).

The United Nations Children’s Fund (UNICEF) equally highlights the importance of coordination but emphasises the overarching goals of systems by defining a social protection system as: ‘a network of responses, that take a multi-pronged and coordinated approach to the multiple and compounding vulnerabilities faced by children and their families’ (UNICEF 2012, 42). The combination of programmes should thus be more than the sum of its parts (Pace et al. 2017; Shigutea et al. 2020), which is also postulated by UNDP (2016, 44): a ‘social protection
system should be focused on how programmes interact and complement each other across objectives’. This vision is supported by the FAO (2017) which, however, subsumes not only social protection schemes under ‘parts’ but also considers livelihood promotion interventions as part of the system. On a similar note, ILO (2019a) thinks that it takes a systems approach to achieve the greater goal of universality by extending coverage horizontally and vertically.

1.3.2 Key Components

What the OECD considers as the main components of a social protection system is in line with the definitions of other organisations. The ILO (2019a), for example, calls for a social protection floor of contributory and non-contributory schemes, expansion strategies in the form of contributory schemes as well as linkages to ALMPs. The joint systems approach by the World Bank and UNICEF (2013) does not provide a list of different intervention areas but focuses on those that address social and economic vulnerability and their interaction. They also make explicit that long- as well as short-term measures are included. Looking at the World Bank strategy (2012b), however, it becomes clear that the focus is equally on social assistance, social insurance and LMPs. UNICEF, in its 2019 social protection strategy, lists social transfers, social insurance, labour and jobs as well as social service workforce as key components. This is also mirrored by the primer on social protection by UNDP (2016). The FAO (2017) focuses on social transfers and social insurance with in-built linkages to livelihood components which are not only labour- but also production based.

Our handbook equally focuses on social transfers, social insurance, LMPs, social services and micro-insurance as five areas that we consider cornerstones of social protection (see Part I). There is some discussion to what extent LMPs and social services are separate policy areas but we consider them important when pursuing the full range of social protection functions. LMPs prevent people from losing their main source of income and help them seize new opportunities. Social services next to income security are needed to manage risks and cope with poverty which is not only monetary but also multidimensional in nature. Micro-insurance might not be a primary component but is still a second-best solution for the provision of social protection where the government is not willing or able to provide a good social insurance scheme or where households on a voluntary basis want to ensure themselves against risks that are normally not covered by public schemes.

A system also requires that different components are not only included at policy level but that they are all mirrored in the national budget (Irish Aid 2017; UNDP 2016). It is therefore common standard to call for a sustainable financing basis. Organisations like the ILO also demand that financing for social protection should not be through any means but on a collective basis (ILO 2019a). Sustainable funding is equally discussed in the handbook, not only in terms of identifying revenue streams but also in terms of ensuring that financing is in line with social protection goals and does not indirectly strain those that it is meant to support.

1.3.3 Key Processes

A systems approach to social protection also means that there is a certain logic as to how policy makers decide on the types of social protection schemes and their combination over time. The starting point for the ILO is to develop a national social protection policy and legal framework that defines clearly what kinds of social protection interventions should be in place
(ILO 2019a). Those should of course correspond to the vulnerabilities that have been mapped out upfront as UNICEF (2012, 2019) and the Australian Department of Foreign Affairs and Trade (2015) stress. USP 2030 (Global Partnership for Universal Social Protection 2019), BMZ (2019) and Department of Foreign Affairs and Trade (2015) also highlight the importance of having a national vision and ownership behind the process. Once in place, interventions should be regularly monitored to allow for iterative policy cycles. This of course requires the compilation of solid data on social protection that organisations such as the ILO, World Bank and OECD have supported.

A systems approach equally necessitates a coordination mechanism in place for policy design, implementation and evaluation to ensure coherence, fill coverage gaps and manage processes efficiently. This does not only apply to national stakeholders but also to international stakeholders (EC 2015). The introduction of the SPIAC-B in 2012 and the USP 2030 partnership in 2016 show that donors also recognised the importance. Next to coordination, effective social dialogue is equally important as stressed by FAO (2017), ILO (2019a), UNICEF (2019), USP 2030 (Global Partnership for Universal Social Protection 2019) and BMZ (2019). It gives voice to the people who are concerned and thereby makes the system more legitimate and effective. The inherent structure of this handbook reflects this process orientation, illustrating that social protection systems are fluid and that the continuation of programmes is subject to the political economy, evidence base and future trends.

1.3.4 Key Standards

Social protection systems also need to comply with certain standards or principles, which several institutions such as the World Bank and UNICEF (2013) have developed over time and which have also been spelled out by international law such as the ILO Convention 102 (ILO 1952) or the recommendation 202 (ILO 2012). Even countries that have not signed the convention would probably agree that a social protection system that is effective, coherent and sustainable (the main criteria for the OECD 2018) adheres to the following standards of being:

- **Synchronised**: A social protection system should be coherent at policy, programme and administrative levels (World Bank and UNICEF 2013), which lies at the heart of system building. This means that the system as a whole tries to support the population as effectively and efficiently as possible to manage risks and confront poverty. At policy level, a tax policy would for instance not undo the effect of a social protection policy. With respect to programmes, interventions wouldn’t function in silos but cut across different risks, following the logic that sometimes several interventions are needed for a person to manage risks, graduate from poverty or reintegrate into society and into the economy after a shock. At administrative level, administrative functions such as identification, registration, service provision and data management would be integrated where possible.

  Synchronised also calls for avoiding incentives on the beneficiary side to go for the most financially attractive rather than the most suitable benefit. Providers need to be equally incentivised to not just focus on their individual service (providing for instance a health benefit without worrying about the reintegration of this person after the qualifying period) but collaborate with other providers to achieve the best possible output for the beneficiary.

  Synchronisation equally means that there are horizontal linkages with other policy areas such as education, health and labour as well as vertical linkages in a decentralised context.
• *Inclusive and equitable*: A social protection system should cater for and be accessible to anyone in society who needs support in the fight against poverty or management of individual shocks. The system has to be sufficiently responsive to changing risks such as climate change or new pandemics such as COVID-19 (see Chapters 42 and 43), to societal trends such as a new understanding of family obligations or new mobility pattern, to new economic development such as automatisation and shorter employment spells (Chapter 41) as well as to demographic shifts (Chapter 39). The system also needs to ensure that while everyone is entitled to access, support is individualised according to the special needs of certain groups in society and specific access constraints are addressed (Part IV). Resources should in this way also be distributed in an equitable way, providing greater support to those in greater need. Needs of the most marginalised groups should be met with greater priority in countries with resource and capacity constraints that are progressively extending coverage, while countries should still take sensible decisions when it comes to reaching out to those groups (ILO 2019a).

• *Transparent and accountable*: Social protection systems need to be managed, assessed and redesigned in a transparent and consultative way. This ensures that the system stays relevant, is broadly owned and is effective. An honest and open discussion around the effectiveness and efficiency of social protection interventions as well as the system as a whole is indispensable. This presupposes that monitoring and evaluation is taken seriously and not just lip service. Accountability can be guaranteed by inviting and also structuring participation from the different groups of society that are concerned as recipients and/or payers. Beyond this, functional accountability mechanisms need to be in place that allow for complaint management as well as for legal redress (BMZ 2019; ILO 2019a; World Bank and UNICEF 2013).

• *State-anchored*: The state is one of the key actors in social protection in light of its regulatory power: the state sets standards for all actors involved, monitors compliance with these standards and guarantees the transparency of all processes within the system. In addition, the state is responsible for guaranteeing citizens access to social protection and a fair treatment, even if benefits and services are provided by non-state actors. While organisations generally agree that social protection is not possible without state involvement, they disagree on the required degree of state involvement. The ILO (2019a) accords the state a central role and translates the ‘social’ in social protection into public social protection, whereas the World Bank (2012a) highlights the multitude of different actors that provide social protection next to the state. Social protection systems therefore need to be state-anchored, even if the state is not the only actor in a social protection system and the scope of a social protection system is not solely determined by the number of state-provided schemes (see Chapter 10).

This handbook puts these standards centre-stage and discusses in greater detail how they can be reached. Three parts of the handbook deal with different aspects of *synchronisation*: (1) systematic policy design and possible variations in this (Chapter 11), (2) harmonisation of social protection policies and horizontal coordination across relevant policy fields (Part III) as well as (3) administrative synchronisation and vertical coordination (Part V). While the general debate around universalism is launched in Chapter 8 in Part II, Part IV discusses in greater detail what inclusive and equitable social protection looks like and Part VIII highlights which (upcoming) trends social protection needs to be responsive to. *Transparency and*
accountability are dealt with by the chapters that focus on delivering social protection in Part V, by the discussions around political economy and public preferences of Part VI as well as by Part VII that presents the evidence base around social protection. The role of the state is discussed in Part II in Chapter 10 on actors.

1.4 RATIONALE AND OUTLINE

This handbook arose out of the interest to have an introductory book on all aspects of social protection policy, going beyond what social protection is and delving into the systems approach to social protection in a holistic manner. It is naturally not the first book on social protection systems but it is unique concerning the focus, breadth and depth of issues. It has greater depth on social protection than the *Handbook of Social Policy and Development* by Midgley et al. (2019) and covers systems that have not been dealt with so far in other handbooks on the traditional welfare states of the Global North such as the *Oxford Handbook of the Welfare State* by Castles et al. (2014). While providing recommendations, it is not the classical manual that details the ‘how to’, which has already been done in an exemplary way by other institutions such as the World Bank (Grosh et al. 2008; Lindert et al. 2020) and EPRI (Samson et al. 2010) or the collection of good practices of countries that have moved towards a systems approach in social protection such as the ILO (2019b). While some organisations have defined what a systems approach may be, there is no book according to our knowledge yet that systematically deals in particular with social protection systems in the context of LICs and MICs.

While the remainder of the handbook also contains more classical sections that focus, for instance, on the main instruments of social protection, the systems focus is still immanent and illustrated for instance by the discussion on the place each instrument takes in the overall social protection system. Other issues such as financing, targeting and actors, which are discussed at a programme level by many other handbooks, are raised in this handbook at a systems level, which has a different connotation. It does for instance make a difference whether we talk about targeting as a programme-level decision or as a systemic feature of social protection that cuts across different interventions. This handbook does not simply match instruments and target groups but studies more carefully how different instruments can be meaningfully combined and harmonised for different groups in society and how the system needs to be structured so that any harm is avoided. While the focus is on social protection, the handbook also draws linkages to other policy fields that are important to ensure a coherent system that best protects and empowers citizens. Even the chapter on social protection administration has a systems focus, studying more closely the administrative implications of system building such as integrated data management, portability and implementation across different governmental levels. For systems to be sustained in the future, they need to be politically accepted, build on demonstrably effective interventions and be sufficiently versatile to respond to new challenges. All of this is equally discussed in the handbook in a comprehensive way.

The handbook is meant for students and researchers who start working on social protection but also for practitioners who are not only interested in the ‘how to’ of social protection but also the underlying conceptual and academic debates. While the book offers an introductory reading, it is also meant as a source of information for people who have already been exposed to social protection. Different parts and/or different chapters that centre on specific issues and fairly recent debates are downloadable and can be read depending on one’s interest. While
the handbook is meant to include all central debates around social protection systems, it is certainly not exhaustive. The editors’ aim is to update the electronic version of the handbook over time to include issues that were either not included in the first round or that arise in the future. Next to the electronic version of the handbook, the reader will have the opportunity to also download an app that offers an integrated version of the handbook with further multimedia features. Furthermore, the book is not meant to be prescriptive but offers a balanced view of academic debates and practical examples and, in this way, exposes the reader to different viewpoints. It still presents good practices or general policy recommendations to guide social protection practitioners and sensitise students and academics to the practical implications.

There is no specific regional focus to the handbook; the different chapters bring in authors and also country case studies from different regions. The thematic focus of the handbook is on social protection systems in LICs and MICs but it explicitly aims to connect the debates of LICs, MICs and HICs, where possible, and therefore also contains important take-aways for HICs. The explicit divide between the two worlds as it is often practised in academic debates and in other handbooks on social policy seems unwarranted.

The handbook is divided into eight parts. *Part I on Instruments* elaborates on five key social protection instruments: social transfers, social insurance, LMPs, social services and micro-insurance. The respective chapters discuss the concepts, the place of the instrument in the social protection system, the most important design parameters, the key take-aways in terms of evidence as well as the main challenges.

*Part II on System design* discusses different parameters that are not exclusively decided at intervention level but also have to be determined at systems level. At the systems level, different priorities can be set when it comes to the financing mix, the main target group, the role of human rights standards as well as the mix of actors. Part II outlines different options to answer these questions, discusses their advantages and drawbacks and cumulates in a final chapter that outlines different systems’ approaches that can be taken to social protection.

*Part III on Policy coordination* deals with the important question in what ways and with what kind of other policies social protection needs to be harmonised. Not only is it important to ensure that similar instruments are harmonised with one other but also that instruments are coordinated across different instrument groups to generate synergies, optimise effects and avoid duplications and disincentives. It is equally crucial to ensure policy coherence with other fields such as taxation and humanitarian policies. In this way, effects are not undone and build on each other. Part III finishes by introducing social budgeting as an important tool to coordinate social protection instruments through the allocation of funds to them.

*Part IV on Groups in focus* highlights the specific social protection needs of different groups in society that cannot be easily reached with a standardised toolbox. Part IV highlights how a social protection system needs to be designed so that it is inclusive of gender and disability aspects, pays attention to children as well as the elderly and also reaches out to groups that easily fall off the social protection radar such as the informal sector or refugees. Part IV not only specifies for each group different policy options and their respective implications but also attunes the reader to more implicit forms of discrimination.

*Part V on Administration* spells out the delivery mechanisms and related debates of the two main social protection instruments, social transfers and social insurance, and then raises questions at systems level with respect to integrated data management, the portability of claims across systems within and across countries as well as decentralisation.
Part VI on Political economy highlights that social protection planning is not a purely technocratic matter but a political process where decisions are influenced not only by rational considerations but also powerful stakeholders. Part VI discusses in particular in what way international actors have shaped the social protection systems of LICs and MICs and looks into the role of public preferences in social protection design. Next to this, it identifies other factors that have led to the adoption of social protection and have favoured reform processes.

Part VII on Effects provides an overview of the databases and analytical methods used to assess the effectiveness and efficiency of social protection systems, while also zooming in on the evidence that exists so far on the effects of different social protection interventions on key outcome areas: poverty and inequality, food consumption and nutrition, health, economic development as well as social cohesion and nation building.

Part VIII on Major challenges and reform options closes the handbook by discussing the main future challenges for social protection systems and deliberating how these could best respond to the challenges. While demographic change, globalisation and the future of work have been well identified as relevant factors in this regard, climate change and pandemics such as COVID-19 have more recently become an item on the reform agenda of social protection systems.

REFERENCES


Introduction


PART I

INSTRUMENTS
Introduction: Instruments

Chris de Neubourg

This first part of the handbook discusses the policy instruments that form the main building blocks of social protection systems around the globe. The chapter distinguishes social transfers, social insurance, labour market policies, social services and micro-insurances as the main categories of instruments and presents case studies for some of these instruments. Indicating these five categories of instruments as the building blocks of social protection does not imply that each of the categories is found in every country in the world, nor that each of the categories are found to be of equal importance when combined in country-specific social protection systems. In reality, social protection policies have grown over the years in all countries and the mix of instruments and their relative importance at any point in time results from internal debates, evolving understanding and relative power balances among the social groups in an economy and a society.

Schüring starts with discussing the role and broad range of different functions that social transfers can play in a social protection system. It is argued that social transfers are on the rise in many countries. Their relative popularity is due to their flexibility both in terms of target groups as well as the contexts in which they can be applied. Despite the growing importance of social transfers in many countries in the world, still relatively few people are reached by social transfers. Moreover, the poorest lack access to social transfers in many cases and when a transfer is available, it is often not adequate in terms of poverty reduction. Designing social transfers may seem easy but important and often technically difficult decisions have to be taken regarding targeting, benefit level, eventual conditionality and exit procedures. The chapter on social transfers discusses the major challenges in this context. Answering these challenges is important in order to make social transfers financially, institutionally and politically sustainable. An illustration of the complexity of designing and implementing cash transfers is given in the case study for Zambia by Chisanga. A cash transfer scheme that is easier to manage but politically still challenging is discussed in Mathebula’s case study on the universal basic income grant in theory and practice.

The second category of social protection instruments discussed in this handbook is social insurances. In Chapter 3, van den Heever emphasizes the opportunities that exist for expanding social protection through social insurance in many low- and middle-income countries and discusses specifically the constraints posed by the high degree of informality in the economies. Van den Heever argues that private insurances fail to offer adequate social protection and that careful considerations regarding the institutional contexts of the insurances are necessary in order to design a sustainable system. Similar to Chapter 2, Chapter 3 discusses in greater detail the concept of social insurance, its place in the overall social protection system as well as challenges that need to be overcome such as expanding coverage to the informal sector.

The case study on Central and Eastern European health insurance schemes and the changes therein by Cacace illustrates another set of challenges in the context of a political and economic regime change experienced in the region since 1990, which led to profound reforms in healthcare financing. Still another set of challenges related to pension funds as part
of the social insurance system is discussed in the case study on Iran. Tajmazinani and Bagheri discuss reasons for the sudden surge in pension spending as a percentage of gross domestic product and explore the factors behind the lack of financial sustainability of Iran’s pension schemes.

**Labour market policies** by Salvini and Bolits is the third major category of social protection instruments that is introduced in Chapter 4. In their modern form, labour market policies describe the many ways in which the state influences the functioning of the labour market. Hence, they comprise the rules of the game governing the employment relation through which the state protects workers by rebalancing the disproportionate power of employers deriving from market forces such as minimum wage policies, the right to paid holidays and reasonable working hours, and protections to insure workers against the most important livelihood risks. Labour market policies also provide instruments of protection against all forms of violence and discrimination in the world of work. Other elements in labour market policies are aimed to protect not only workers, but also employers against systemic risks of business cycles and structural recessions, helping employers for instance to retain their employees during difficult times. Fiscal and other labour adjustment incentives such as employment services and active measures are also used to streamline the general functioning of the labour market. Spanning beyond labour market efficiency goals, it is argued in this chapter that active labour market policies not only aim to provide the economy with an adequate labour supply, but that they also contribute towards a similar set of goals as social protection systems, which notably aim at socio-economic inclusion, reducing vulnerability and inequality. The case study linked to this chapter by Barsoum discusses the use of labour market policies in the Middle East and North Africa region, zooming in on youth-focused active labour market policies, reforms to contributory pension schemes and minimum wage regulations.

**Social services** are often forgotten as an essential part of social protection instruments. Rohregger explains in Chapter 5 that, while material support has a positive impact on the reduction of social risks and aspects of social exclusion, some situations require concrete, personal and guiding support on an individual basis. This type of service is commonly referred to as social services. The need for comprehensive and integrated approaches in order to address the often multiple vulnerabilities people are facing has led to a new appreciation of social services as having a key role in social protection, complementing mainly cash-based social protection instruments, thereby reinforcing and amplifying their impacts. This chapter provides an overview of the debate around social services in high- and low- and middle-income countries. The chapter argues that social services – while having received increased attention in the conceptual and policy debate around social protection policies over the last decade – continue to play a marginal role. This is attributed to the perception of social services and their practitioners as being primarily service providers (as opposed to proactively shaping policies) and the perception of social services as largely fulfilling a protective function without considering their preventive and promotive role.

Loewe introduces in his contribution the last main category of social protection instruments, namely **micro-insurances**. The attention for micro-insurances was sparked by the analyses that conventional social protection strategies (social insurance and assistance) had obviously failed at covering larger shares of people in low- and middle-income countries. A majority of the population in many countries remained vulnerable to manifold risks such as bad health, work disability and unemployment. As it was believed that failure was at least partly due to the fact that many governments had tried only half-heartedly to extend the outreach of their social
insurance and assistance schemes and that little change was to be expected, new avenues had
to be found in order to extend the overall coverage of social protection systems at a faster pace.
Micro-insurance has an important role to play in this context protecting people in the informal
economy who can pay small contributions but not big ones and who are otherwise difficult to
reach by social insurance. The chapter discusses the need for (desirability), the feasibility, the
effectiveness and the efficiency of micro-insurances and formulates lessons for policymakers.
2. Social transfers

Esther Schüring

2.1 INTRODUCTION

Social transfers are on the rise in the Global South but they have also been in the centre of discussion in the Global North as an attractive instrument to buffer new risks and uncertainties in a changing world. They have experienced a dramatic change since the beginning of the new century, starting off as a revolutionary programmatic intervention in countries such as Mexico and Brazil or as a fledgling pilot programme in countries such as Zambia, Kenya and Malawi. They have now become a standard intervention across the globe, a truly global social policy as Hickey and Seekings (2019, 249) coined it. This global trend has been facilitated by donors’ strive to move away from ever recurring humanitarian actions, by increased pressure on donors to show aid effectiveness with the money finally reaching the most vulnerable as well as by international concerted actions such as the United Nations initiative of a global social protection floor. The policy refocus through the Millennium Development Goals and Sustainable Development Goals initiatives to fight the multiple dimensions of poverty, a growing realization that extreme poverty was not simply being eradicated through economic growth and the occurrence of pandemics such as HIV/AIDS, economic crises and increasing disaster shocks, equally propelled change.

Whereas social transfers are often the first institutionalized layer of protection for the majority of the population in many low- and middle-income countries, social transfers in terms of family support and rights-based social assistance were only integrated into the Western welfare state after World War II (Leisering 2019, 68), once statutory coverage of health, old age and accidents for the workforce had been guaranteed. Social transfers in the form of social assistance were initially seen as a transitory component in many Western welfare states, one that would vanish with a more stable economy and people being in employment. Up to this point, even the more mature welfare states have come to notice that social assistance has not obviated itself, even though it has been subject to different reforms over time, in particular in reaction to shocks such as the financial crisis in 2008 (ILO 2017). The COVID-19 crisis will also leave important footprints in this regard. Social transfer schemes in the West have generally become more selective and punitive over time, turning universal programmes into means-tested support and tying minimum income benefits to stricter conditions. Another reform option that countries worldwide have discussed though more recently is a universal basic income grant, a transfer without any strings attached (see Case Study B). Different reform scenarios have been tested but political commitment towards a national roll-out has been scant.

While social transfers have been (re)discovered and increasingly proven by evidence as a suitable social protection instrument in contexts marked by informality and/or non-standard labour market relations, there is a need for greater clarity when it comes to the core functions of social transfers, their place in the overall social protection systems, the critical design parameters and ways to sustain social transfers over time. This chapter therefore starts off by presenting a conceptual framework for social transfers that highlights the various functions
Social transfers encompass a wide array of transfers with different functions and features, almost too wide to do justice to in a single chapter (see Chapter 1, Figure 1.4). A common definition is that social transfers are regular, reliable, state-provided, non-contributory transfers whose main function is to prevent poverty and help mitigate vulnerable phases in life. It is widely accepted that social transfers are paid irrespective of someone’s employment and contribution history and that they are not provided as a charitable hand-out but as a binding and reliable transfer by the state. Controversies arise, however, when it comes to the main function, the duration of benefits and the scope of interventions covered. Those features are now discussed in greater detail and a categorization of tax-financed transfers is attempted.

2.2.1 Main Function

Social transfers differ in those definitions with respect to their main function and, with it, in their normative basis for providing the transfer and in the principles for targeting and paying benefits. It is therefore important to clearly distinguish between different types of social transfers (Table 2.1).

Tax-financed transfers can be broadly categorized into three different models:

1. ‘Universal’ programmes are available to all citizens such as a universal health service, a universal basic income grant or ‘quasi-universal’ programmes which are available to all members of a group regardless of their financial means. Transfers are provided on the basis of citizenship and the transfer, which is uniform, mainly serves an insurance function. Citizens know that when confronted with the typical life-cycle risks such as having a child or being elderly, they have better means of managing.

2. Social assistance is available to those in society who lack the necessary means to cope. Transfers are provided on the basis of need with the aim to reduce poverty and ensure that every citizen in society receives a socially defined minimum. What this minimum entails differs across societies. Some mainly consider the necessary means to survive whereas
others pursue a more multi-dimensional concept of poverty that also factors in access to education, health and critical social services. Even more ambitious are those who expect that the transfer should be economically empowering and transformative so that the minimum is not undercut in the future (see Chapter 14).

3. **Allowances** offer compensation for victims of war for instance or additional benefits to the public sector. This is not usually a category which is prioritized in low- and middle-income countries but it has played a role in the reintegration of ex-combatants in Congo or, more recently, when it comes to compensating civil servants for COVID-19-related duties in the Philippines (Gentilini et al. 2020). It is paid on the basis of merit to reward efforts for the general public. Either a pre-fixed minimum or a benefit equivalent to previous income is paid out.

### Table 2.1 Categorization of tax-financed social transfers

<table>
<thead>
<tr>
<th>Models of tax-financed transfers</th>
<th>‘Universal’ programmes</th>
<th>Social assistance</th>
<th>Allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Examples</strong></td>
<td>Child benefit, social pension, national health service</td>
<td>Means-tested benefits</td>
<td>Compensation for war victims, benefits for the public sector</td>
</tr>
<tr>
<td><strong>Function</strong></td>
<td>Insurance</td>
<td>Poverty</td>
<td>Public reward</td>
</tr>
<tr>
<td><strong>Targeting principle</strong></td>
<td>Categorical/universal</td>
<td>Selective</td>
<td>Categorical</td>
</tr>
<tr>
<td><strong>Normative basis</strong></td>
<td>Citizenship</td>
<td>Need</td>
<td>Merit</td>
</tr>
<tr>
<td><strong>Benefit rate</strong></td>
<td>Uniform</td>
<td>Individualized, minimum</td>
<td>Equivalence or minimum</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefit type</th>
<th>Income supplements</th>
<th>Measures to lower the price for goods and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash transfers</td>
<td>In-kind transfers</td>
<td>Near cash: vouchers/ coupons</td>
</tr>
<tr>
<td>Public works</td>
<td>Price subsidies</td>
<td>Fee waivers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Conditionality of support</th>
<th>Unconditional</th>
<th>Conditional</th>
<th>Indirectly conditioned</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Benefit scope</th>
<th>General subsistence</th>
<th>Tied benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash plus</td>
<td>General allowance for living expenses</td>
<td>Housing allowance, health insurance, legal aid, educational support</td>
</tr>
<tr>
<td></td>
<td>Combined benefits, tailored to the needs of the benefit recipient</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Author’s own.*

### 2.2.2 Duration of Benefits

While the definition spells out that transfers should be regular, there is little agreement as to how regular they ought to be, at least for social assistance programmes. It is therefore contested as to whether social transfers should be paid out for a ‘pre-specified period of time’ (Barrientos 2019b, 385) or for an unspecified period and whether only long(er)-term assistance or equally short-term assistance qualifies. Practices vary around the world, depending again on the underlying logic of the social transfer scheme. Most Latin American programmes started off with a specific timeframe as they were set up as a response to crisis management and not for structural poverty (Barrientos and Villa 2016, 424). Other schemes like Temporary
Assistance for Needy Families in the United States are limited in order to send out a clear message that people need to resume responsibility for their life at the earliest point possible. A needs-centred approach of social assistance ties the duration of support to the actual need. This can be short or long term and could be a response to a regular life-cycle risk but also to an emergency that arises. Regular implies that there is an in-built response mechanism that lasts as long as support is required. Any predetermined end could therefore be seen in a critical light.

### 2.2.3 Scope of Interventions Covered

There is disagreement as to which benefit types are covered. Typically social transfers comprise income supplements as well as measures to lower the price for goods and services (see Table 2.1). Income can be supplemented through cash transfers, in-kind transfers such as school feeding and asset transfers as well as through near-cash transfers such as vouchers and coupons which can be exchanged for certain goods. The price for goods and services can be reduced through price subsidies for selected goods, through fee waivers or even through free access for certain groups in society. Databases on social transfers use different combinations of interventions and it is important to be aware of which interventions are included before the data is analysed. The recent database on social assistance for Africa excludes food emergency aid and school-feeding programmes, the social assistance database by Manchester University excludes any type of emergency response and the World Bank status report on safety nets in Africa (2018, 4) excludes consumer price, energy and food subsidies. The World Bank Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE; World Bank n.d.) database on social assistance includes all of these interventions, next to further subsidies, tax exemptions and social services.

Despite these differences in categorization, some common trends are discernible: we can see a move away from indirect transfers such as universal in-kind subsidies (Jorgensen and Bennett 2019, 12–13), even if the spending on subsidies still largely exceeds any other social transfer programme in many countries, in particular in the oil-exporting ones (World Bank 2015, 26). Cash transfers have been on the increase and have over time replaced many in-kind responses, even in emergency situations (see for instance UNDP 2019, 21). The responses to the COVID-19 crisis show that cash transfers are the most commonly used instrument to help people cope with close to 60 per cent of programmes captured delivering cash (Gentilini et al. 2020). In-kind support such as school feeding, however, still forms an important component of the social transfer portfolio of most countries (see also Chapter 35). Close to 80 per cent of countries captured in the ASPIRE database had a school-feeding programme running (World Bank 2018).

### 2.3 ROLE IN THE OVERALL SOCIAL PROTECTION SYSTEM

In line with the different functions that social transfers can potentially fulfil, social transfers do not have a pre-fixed position in the social protection system. While allowances do not play a big role in most low- and middle-income countries, the place of ‘universal’ programmes and social assistance varies and their overall role in a rights-based universal system can be controversially debated.
2.3.1 Are Social Transfers First or Second in Line?

In order to do justice to the complexity of this question, we need to distinguish between social assistance and ‘universal’ programmes. Countries across the world accord different roles depending on the underlying logic of the social protection system in place (Leisering 2019). Broadly, four different models can be distinguished.

**Social transfers being subsidiary**
For some states, social assistance is a mechanism of last resort, with other systems such as social insurance kicking in first as the dominant social protection mechanism (Germany or France). Social assistance is however institutionalized and not seen as a placeholder for more universal transfers, which exist but are not regarded as the first level of social protection.

**Universal programmes come first, social assistance second**
States focusing on the provision of universal services and transfers and the assumption of full employment (Scandinavian countries) deprioritize social assistance even if access to it is guaranteed. Health and care services are universal in nature and not predominantly organized through social insurance.

**Social assistance as the main instrument**
Some states rely on social assistance as their main instrument for risk management and poverty reduction (Australia). Transfers are however not tightly targeted and kept to a minimum, which is an important difference to the last category.

**Social assistance as the only instrument**
The last category of states limits the role of government in social protection and restricts provision of social protection to the poor with social assistance having a residual character (United States).

Viewing social assistance in isolation and not as part of a broader system when comparing expenditure, coverage and effects across countries is therefore bound to lead to mistakes. Unsurprisingly, donors also allocate a different role to social transfers in the Global South, which is aligned with their own institutional and historical logic (see Chapters 1 and 29).

2.3.2 Is Social Assistance a Legitimate Component of a Rights-Based Social Protection System?

Some authors have contested that social assistance can translate into an entitlement or a social right (see for instance Kidd 2017). They critically allude to the discretion that the welfare administration has over claimants, to the means-test which is often erroneous and to beneficiaries who are sometimes stigmatized to an extent that they refrain from taking up the transfer. Leisering and Barrientos (2013, S53–4) argue that a right to social assistance does not depend on the instrument as such but mainly on how social assistance is designed, institutionalized and contextualized. A society can ensure by law, practice and norms that every citizen who falls into a situation of need will be supported. Even administrative mistakes that deny this right can be corrected if accountability mechanisms are in place.
Many low- and middle-income countries are still far away from granting this right of citizenship due to inadequate finances, limited legal grounding and weak law enforcement or complaint resolution mechanisms. But one should not overlook that social transfers are also a fairly recent policy in many low- and middle-income countries and that progress is being made with greater efforts towards institutionalization (UNDP 2019, 33).

A rights-based approach mandates the state to provide social transfers that meet the individual needs of a particular person (see Chapter 11). Social transfers and in particular cash plus programmes which provide multiple benefits and services (see Table 2.1) are without doubt a much more personalized approach than the social action funds which were propagated by the World Bank prior to the arrival of social transfers (Jorgensen and Bennett 2019). While even individual social transfers generate important spill-over effects for the household, more caution is advised at policy-making level not to brand an individual social transfer such as a social pension as a poverty reduction transfer for the entire household. This distorts the objective, the benchmark against which success is measured and might also be a disadvantage for the individual originally targeted (see Chapter 19).

2.3.3 How Can a Selective Scheme Still Contribute towards Universality?

A selective social assistance scheme might at first sight run counter to efforts towards universal social protection. If granted as a social right that is guaranteed to everyone in poverty, however, social assistance also offers universal protection to anyone who is poor. Social assistance is equally an integral measure in every social protection system to guarantee universal protection. While ‘universal’ transfers reach out to every citizen, they don’t necessarily guarantee that everyone’s needs are met (see Chapter 8). Poverty can be partly prevented through ‘universal’ programmes but in particular people in poverty require approaches that are individualized and respond to multiple problems at a time (see Chapter 5). This is difficult to achieve through uniform transfers and services alone. It is therefore the interplay of programmes that ensures universality.

2.4 DESIGN PARAMETERS

When designing social transfer schemes, the main decisions to be taken are on the target group, the transfer size and the extent to which the programme is supposed to be conditioned (for an illustration, see Case Study A). Further important considerations are to design the transfer programme in an inclusive way and to think through exit strategies.

2.4.1 Target Group

The target groups differ according to the function of the social transfer scheme. As social assistance is means tested, the main target group is people whose income or well-being is below a defined minimum. This group is often not easily defined or identified. Numbers of social assistance recipients cannot be as easily projected as with a pension scheme as they depend on changes in the labour market, in the family constellation as well as in the inclusiveness of other social protection programmes (Bahle et al. 2010, 449). Another complication of poverty targeting is of course where to set the minimum and how to measure poverty in a context
where poverty is not only fluid but difficult to capture in precise and comparable numbers (see Chapter 8 for more details on targeting).

‘Universal’ programmes are either open for all citizens or for all citizens of a particular group such as the elderly, children, single parents, people with a disability, etc. Even if the target group for ‘universal’ programmes is more easily defined, the decisions on the detailed eligibility criteria are not trivial. The choice of cut-off points such as the entry year of pension receipt or the last year of eligibility for a child grant, the verification procedure for a disability as well as the type of product and service for which prices are reduced all have implications on the poverty and inequality effects of the transfer. The better off usually live longer, they have means to even manoeuvre complicated assessment procedures and they consume higher-quality products, fuel and tertiary education. Hence, a ‘universal’ scheme with a high age cut-off, a complicated medical procedure for disability assessment as well as a fuel subsidy or a fee exemption for tertiary education can have regressive effects (see Chapter 19).

2.4.2 Transfer Size

When defining the optimal transfer size, different considerations matter for policy-makers. Ideally, the primary objective of the transfer scheme should be the guiding principle. A child grant should reflect the costs of raising a child, a school-feeding scheme should offer a nutritious meal for every child and a general subsistence grant should cover living costs. The costs for a subsistence grant could be determined through a basket of goods approach which lists and quantifies items and services that everybody should have access to. Identified by expert(s), this choice remains normative. An alternative represents the statistical method of basing consumption needs on actual expenditure of the bottom income group which is currently not benefiting. This estimation is less subjective but runs the risk of being the real rather than the ideal expenditure.

The reality in many countries, even in the European Union, is that the main objective is not the sole driver behind the calculation of the benefit size (Frazer and Marlier 2016, 17). This is for instance shown by the fact that social assistance transfers rarely bring recipients up to the poverty line, which should be the main objective of a poverty-centred intervention. Policy decisions around the transfer size are also driven by concerns around affordability, disincentives and policy coherence with other social policies, which might motivate policy-makers to keep the transfer size lower than what the fulfilment of the objective requires.

Affordability is of course not only defined by the transfer amount but jointly determined by target group and transfer amount. Countries with limited financial resources have pursued different ways to progressively realize social protection entitlements: countries like Nepal started with very modest amounts across different societal groups, South Africa and Lesotho initially limited the budgetary allocation through respective favourable age cut-offs, Zambia’s child grant started in the worst-off districts (see Case Study A) and countries like Ghana and Malawi first addressed the destitute. Disincentives play out in two ways: both those who are eligible as well as ineligible are not supposed to change their behaviour in order to benefit or continue benefiting from the scheme. Social assistance should for instance not discourage work, the accumulation of assets or savings.

While amounts for ‘universal’ programmes are often standardized, amounts for social assistance are individualized, varying with the available resources as well as the specific needs of the household. A single-person household typically receives less than a family
whereas a household with multiple deprivations receives different transfers and services than a household who experiences a temporary income shortage. While the size of the household or the number of children is more often reflected in the transfer size in low- and middle-income countries, the individualization at the level of household resources is often not administrable for the same reasons that a means test proves challenging (Davis and Handa 2015; Ibarrarán et al. 2017).

The transfer size is also not just determined once but needs to be updated over time. Transfer adjustments range from complex procedures such as the amount being tagged to the price as well as to the wage and salary index in Germany to transfers being adjusted according to the index of national pensions in Finland or the statutory minimum wage in Spain to transfers being politically renegotiated in Latvia (European Commission n.d.). Low- and middle-income countries often lack standards for transfer determination and adjustment, hence the amounts are not inflation-adjusted and risk to lose value over time (Leisering 2019).

A particularly challenging update is how future income from work and assets is considered in the calculation of the transfer size as this directly concerns recipients’ incentive to take up work. The take-up of work and the build-up of assets can be incentivized through a flatter taper rate at which social transfers are withdrawn, the introduction of a disregard for the accumulation of certain assets, the payment of boni when work is resumed again or through factoring in activity supplements in the means test. However, care must also be taken to treat people of similarly low income in the same way and to not overly advantage the person on benefits.

2.4.3 **Conditionality**

Transfers can be conditioned to various degrees, as illustrated by Table 2.1. Some transfers such as in-kind transfers, vouchers and price reductions are indirectly conditioned in the way they steer recipients’ consumption choices. Conditional cash transfers (CCTs) are not as restrictive but they also intend to guide recipients’ consumption, investment and work behaviour. CCTs commonly ask households for regular health check-ups of children, regular school attendance and participation in training courses in exchange for the transfer. These conditions are put in place in order to ensure that transfers not only lead to increased consumption but also investment in health and education though a substitution effect towards societally favourable goods. Public works programmes are cash or in-kind benefits that are paid out on the condition that the recipients work. Next to optimizing recipients’ behaviour, conditionality is also supposed to increase the political acceptability of social transfers.

CCTs are more widespread in Latin America than in Asia or Africa, which is at least partly related to the additional administrative complexities that CCTs introduce. But conditionality is not only a phenomenon of the Global South. Even European countries have made social assistance conditional over time, requiring for instance job seekers to increase their employability and modify their job-seeking strategies.

The evidence base shows that this type of nudging is not always necessary and that conditionality often only leads to marginal improvements (Schüring 2012). Better effects can often only be achieved under for instance stricter monitoring and enforcement (Baird et al. 2014; Paiva et al. 2016), which many low-income countries struggle with. Consideration should also be given to potential side effects such as reduced consumption (Heinrich and Knowles 2020), increased stress levels and a lower likelihood of reducing early marriages and childbearing activities (Baird et al. 2016) as well as higher administrative costs associated with condition-
Handbook on social protection systems

2.4.4 Inclusive Design

More recently, greater efforts have been made to ensure that differing needs and constraints of women or people with disability are mainstreamed into social transfer policy design (see Chapter 18 on gender and Chapter 19 on disability). There is still a long way to go but there is at least greater recognition that certain behavioural requirements place for instance a higher burden on women (Molyneux 2006), that women have to master caring obligations and need child-care facilities, more flexible work hours and less strenuous work during pregnancy and that the amount, the reliability and even the payment method can trigger different gender effects (Peterman et al. 2019). Interestingly, simply targeting transfers at women does not automatically translate into transformative impacts, neither for the women nor for the children.

In a similar way, people with disability also need a more nuanced approach when it comes to social transfers. Countries might either opt to have a separate disability grant scheme, to deliberately include people with disabilities into existing programmes or have a combination of the two. In a population-wide scheme, attention should be paid that expenditure and consumption needs for people with disability are different and hence means tests and benefit amounts have to be adjusted accordingly. People with disability also have constraints in registering for transfer schemes, in accessing transfers and services and complying with certain conditions.

2.4.5 Exit Strategy

Whereas universal programmes often have a natural end for support such as the end of childhood or the end of life, social assistance programmes need to define more carefully the end of poverty and which measures are suitable to empower recipients to eventually master life on their own (see Chapter 14). This can be done by combining a suitable range of transfers and services, by setting and adjusting the transfer rate in a conducive way over time, by attaching meaningful conditions and by creating mechanisms that flexibly respond to changes. It is, however, an extremely challenging task that even for European Union countries has not proven fully effective and where suboptimal labour market policies, high opportunity costs for recipients and limited information technology interconnectivity between programmes have thwarted graduation plans (Frazer and Marlier 2016).

While in many countries graduation programmes are standardized and allow little room for individualization, support packages eventually have to be tailor-made to be effective: a chronically poor person needs a different type of support than someone who is transiently poor (Packard et al. 2019, 34–5). In countries where social transfers are still in an initial phase with transfers not being regular, timely and too far below the minimum, it remains questionable whether interlinking transfers further and concentrating resources on the lucky few should be the first priority. This might eventually have a negative effect on social relations (Ansell et al. 2019, 23) and challenge an already overtaxed administration. Exit strategies therefore still remain a work in progress (Barrientos 2019a, 378).
2.5 PERFORMANCE

As stated earlier, social transfers have experienced an unprecedented growth. It is however important to analyse whether it has been equal for all, in particular those who need support the greatest, whether the growth is also visible when it comes to adequate transfer amounts and whether it has been overall effective. This section will therefore focus on the coverage and adequacy of social transfers, drawing on data from the World Bank’s ASPIRE database, as well as on impact. The discussion on impact takes a narrower focus on cash transfers as cash has now turned into the preferred modality.

2.5.1 Coverage

Despite the growth of social transfer schemes and the fact that by 2015 every country in the world had a social transfer programme in place (Beegle et al. 2018, 4), coverage in terms of people reached is still largely inadequate. According to the World Social Protection Report 2017–19 (ILO 2017), close to half of the population worldwide doesn’t have recourse to any social protection scheme. Far more people are reached through social transfer programmes than through social insurance programmes in most low-income countries but large shares of the poorest still remain uncovered.

In low-income countries only 16 per cent of people in the poorest quintile receive social transfers according to data from the ASPIRE database. Coverage increases with the income status of the country but 42 and 35 per cent of the poorest quintile are still left without assistance in lower- and upper middle-income countries, respectively. Social transfers are often uncoordinated, the spread is uneven across countries (UNDP 2019, 22) and the financial resources allocated fall short of the actual demand. Even with perfect targeting, not all poor households in Africa could for instance benefit (Beegle et al. 2018, 9).

Coverage varies according to the type of social transfer scheme being administered. In South Asia, for instance, in-kind transfers are most successful with close to 82 per cent of the poorest 20 per cent being reached, in Latin America CCTs (44 per cent) and in Europe and Central Asia unconditional cash transfers (27 per cent). Even in Europe coverage greatly varies according to country context but also target group. Only 12 per cent of those at risk of poverty are reached by social assistance in Croatia and half of the poorest adults in France (at 40 per cent of median income) are without minimum income support (Frazer and Marlier 2016, 23). In Germany, the United Kingdom and Switzerland roughly a third of eligible individuals don’t take up the benefit due to shame, stigma, inadequate information, too much effort required or corruption (Frazer and Marlier 2016, 26).

2.5.2 Adequacy of Transfers

Data from ASPIRE shows that transfer sizes are also inadequate and further dampen poverty reduction effects. South Asia’s successful coverage rate of 88 per cent of the poorest quintile is undone by the extremely low transfer size to recipients of 0.1 United States dollars daily per person. This is the average amount for people coming from low-income countries. Upper middle-income countries pay on average three times more to the poorest quintile, which still amounts to no more than 10 United States dollars per month. The richest quintile benefits from social transfers by far more, even 10 times the amount of the poorest quintile in low-income
countries. None of these schemes help on average to bring recipients up to the poverty line. In Africa, for instance, the average cash transfer makes up 10 per cent of the national poverty line (Beegle et al. 2018, 9). The inadequacy of benefits is, however, not only a low-income country phenomenon. Even in most European Union countries, social transfer amounts fall short of the poverty line: in the weakest schemes, social transfer payments for a single person are only in the range of 24 and 29 per cent of the ‘at-risk-of-poverty’ line and benefits in the more generous schemes are between 71 and 91 per cent (Frazer and Marlier 2016, 23).

2.5.3 Impact

The evidence based on the effects of cash transfers, impact chains and factors of success has experienced an unprecedented growth (Niño-Zarazúa 2019), which has not been mirrored by the Global North (Frazer and Marlier 2016). Next to the largely positive and significant effects of cash transfers on consumption, nutrition, access to health and education (Bastagli et al. 2019; World Bank 2015), which are illustrated in greater detail in Part VII of the handbook, the following findings are noteworthy for policy-making:

1. Main impact of social transfers is on the poverty gap rather than the poverty headcount (World Bank 2018). This even holds true for EU countries (Frazer and Marlier 2016, 26–7) and is related to the design of the transfer size (Chapter 34).

2. Some of the common concerns around cash transfers fuelling dependency, inflation, fertility and greater expenditure on demerit goods can be refuted (Handa et al. 2018). Even in contexts with higher transfer amounts, dependency seems overstated (Immervoll et al. 2015).

3. Cash transfers don’t just benefit the individual or household but have significant spill-over effects. In Ghana every dollar spent on transfers generates 2.5 dollars of nominal income (World Bank 2015), while the average multiplier effects of the GiveDirectly project in Kenya is at 2.6 (Egger et al. 2019, 30). So even targeted interventions lead to more universal benefits (Chapter 37).

4. Cash transfers can have productive effects such as an increase in labour supply in desired work (beyond wage labour) or an increase in livestock and agricultural assets but effects are heterogeneous, depending on the size, regularity and duration of the transfer, the demographic profile of the household and the constraints and opportunities households face in local communities (Daidone et al. 2019).

5. The effects of cash transfers are far-reaching with even more subtle effects on dignity and self-worth (Fisher et al. 2017), reductions in intimate partner violence (Buller et al. 2018), improved mental health for youth (Angeles et al. 2019) and greater happiness (Natali et al. 2018). Social transfers in isolation are, however, no silver bullet to increase agricultural production, resilience, better coping mechanisms and social transformation at the same time.

Further research needs to shed more light on the factors of success (UNDP 2019), on how generational as well as political and economic power relations are impacted (Ansell et al. 2019, 4), on cash plus effects as well as on long-term impact. Initial evidence on long-term impact exists (Molina-Millan et al. 2016; Niño-Zarazúa 2019) but it has not been sufficiently explored, partly because of methodological challenges or too short differences in exposure between treatment and control.
2.6 CONCLUDING REMARKS

Social transfers are an important and very versatile social protection tool which can have different functions for different groups in society. In order to avoid wrongful comparisons across social transfer schemes and misleading policy recommendations, it is crucial that each and every scheme is clear about the main objective and components and is also measured accordingly. A social pension is not a household poverty grant and categorical transfers don’t automatically cancel out the need for more targeted interventions to those in poverty. A single-issue transfer such as school feeding by nature generates different effects than a multi-purpose cash plus programme. If a cash transfer’s primary purpose is to assist a household in living a decent standard of life, then it should not be characterized as ineffective if it fails in other dimensions.

For social transfers to do justice to growing expectations, they need to be politically, financially and institutionally sustained. Political support has definitely grown over time but its future hinges on the place and design of social transfers being in line with social norms and preferences and people’s understanding of poverty (see Chapter 30). Greater political support will trickle greater financial sustainability.

It is not trivial, however, to identify the resources required for a social transfer scheme with decent coverage (see Chapter 7), in particular since this is not the only social policy demand placed on government. Foreign aid is only a temporary solution and might thwart ownership, legitimacy and a long-term government commitment to social transfers. A reform of the tax system and a reallocation of budgets for regressive programmes could be one option (UNDP 2019, 43–6), the curtailment of illicit financial flows another (Beegle et al. 2018, 39), if politically feasible. Contingency funds for emergencies could be considered and the diaspora as well as companies could potentially also bear a greater responsibility (Beegle et al. 2018, 39). Financing mechanisms at a global level are also under discussion, which could ensure a more effective and fair risk pool (see Chapter 12).

Long-term financing strategies would also help with better institutionalization. Looking at the lack of qualified staff at local level – with no more than three social workers in charge of 100,000 inhabitants in Tanzania, Zambia, Senegal, Ghana and Kenya, for instance (UNDP 2019, 96) – at high turnover in administrative staff as well as corruption, institutionalization of social transfers remains a big challenge. A social protection policy in place and a growing commitment of the national government to take over funding will not ensure institutionalization alone.

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Case study A: Non-contributory social cash transfers in Zambia

Benson Chisanga

1 INTRODUCTION

Zambia is a southern African country with an estimated population of 16.5 million people, and copper mining is the mainstay of the economy. In 2011, Zambia was reclassified as a lower middle-income country against the backdrop of positive economic growth (World Bank 2019). However, persistent high poverty levels indicate that the benefits of economic growth have not been evenly distributed, as the country is consistently ranked among those with the highest levels of inequalities. In 2014, the Government of Zambia, through the Ministry of Community Development and Social Welfare, formulated a National Social Protection Policy to reduce poverty, inequality, and vulnerability; and to ensure quality and efficiency in social protection service delivery (MCDSW 2014a). The policy comprises of seven social protection pillars categorized as contributory and non-contributory. The contributory social protection pillars include varied public and private pension schemes, social health insurance schemes, workers’ injury compensation schemes, and labour-based benefits such as paid maternity leave. The non-contributory social protection pillars include social assistance, livelihoods and empowerment, and protection. The latter includes prevention of and rehabilitation of victims of gender-based violence, human trafficking, and child labour, among other vulnerabilities. The non-contributory social cash transfer programmes are provided under the social assistance pillar.

The overall objective of the non-contributory social cash transfer programmes in Zambia is to reduce extreme poverty and prevent intergenerational transmission of poverty among beneficiary households (MCDSW 2014b). Specifically, the programmes aim to assist the destitute and incapacitated households to meet their basic needs, particularly health, education, food, and shelter. The first non-contributory social cash transfer programme was introduced in 2003 as a pilot project with the support of the Germany Agency for Technical Cooperation. The scheme provided cash transfer benefits to selected households in rural communities experiencing extreme poverty partly engendered by the devastating impact of HIV and AIDS and prolonged drought conditions. Since then, the Government of Zambia, with support of cooperating partners, has rolled out a variety of social cash transfer programmes for eligible beneficiaries across the country estimated at 538,000 households (MCDSW 2018). This case study gives a general overview of the non-contributory social cash transfer programmes in Zambia reflecting on the design, challenges, and prospects.
2 PROGRAMME DESIGN

2.1 Targeting

The non-contributory social cash transfer programmes in Zambia have historically been designed to support households living in poverty and destitution. Therefore, they have been provided to the people who meet predetermined criteria in poverty and destitution. The design and targeting criteria have evolved over the years culminating in the current Harmonized Inclusive Targeting Programme, as shown in Table A.1.

2.2 Benefits and Payment System

Eligible households are entitled to the cash benefits of ZMK 90.00 per month (USD 4.91), payable on a bi-monthly basis as a sum of ZMK180.00 (USD 9.82). However, households with persons with severe disabilities receive payments of ZMK180.00 (USD 9.82) or ZMK360 (USD 19.62) as a bi-monthly payment. The benefit payments are made manually by appointed Pay-Point Managers at selected locations in the communities such as schools or health centres to a pre-identified household member on behalf of the household.

2.3 Exit

Beneficiary households continue receiving cash transfers until they exit the programme under the following conditions: not meeting the targeting criteria or households relocating to districts and communities that do not qualify for a particular social cash transfer scheme (MCDSW 2015). Districts are usually selected based on the incidence of poverty and vulnerability with priority given to those with higher levels. This accounts for the fact that the cash transfer programmes were first introduced and concentrated in the rural districts because of higher poverty levels relative to the urban districts.

3 CHALLENGES

The challenges of non-contributory social cash transfers in Zambia are associated with programme design with specific reference to the set objectives, benefit size, and implementation modalities. The programme’s overall objectives have been articulated in abstract terms, and without specific indicators and time frames for achieving the same. This makes it somewhat difficult to monitor and measure programme implementation and effectiveness. Similarly, the level of the cash transfers, less than USD1.00 per day across the board, is grossly inadequate to make effective contributions to poverty alleviation in the short, medium, and long terms. The problem is compounded by the fact that the levels of the cash transfers are rarely adjusted for changes in family size and inflation on a regular basis.

The implementation challenges relate to the processes of selecting programme beneficiaries and accountability in managing cash transfer funds. It has been noted that the process of selecting beneficiaries for the Inclusive Model, Child Grant, and Multiple Categorical Transfer Grant programmes differed substantially from that recommended in the manual of operations. For instance, the use of the quota system or predetermined number of beneficiaries to be selected
<table>
<thead>
<tr>
<th>Period</th>
<th>Social cash transfer design</th>
<th>District</th>
<th>Targeting</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003–10</td>
<td>Inclusive Model</td>
<td>Chosen politically, with influence of donors and the goal of experimenting in different local contexts</td>
<td>Poorest 10 per cent among destitute and incapacitated or labour-constrained households</td>
<td>Residency in catchment area, vulnerability, and labour-constrained households</td>
</tr>
<tr>
<td>2010–14</td>
<td>Child Grant</td>
<td>Starting with districts with the highest child mortality rate</td>
<td>All households with children under five years or with disability under 14 years of age</td>
<td>Households with children under five years or with disability under 14 years of age</td>
</tr>
<tr>
<td></td>
<td>Multiple Categorical Transfer Grant</td>
<td>Starting with districts chosen among the poorest</td>
<td>Extremely poor households with elderly people and orphans, widows and orphans, and those with members with disabilities</td>
<td>Residency in catchment area, vulnerability, and labour-constrained households</td>
</tr>
<tr>
<td>2014 to date</td>
<td>Harmonized Inclusive Targeting</td>
<td>All districts, starting with poorest</td>
<td>Extremely poor, labour-constrained households with no member able to work and households with dependency ratio equal to or greater than three</td>
<td>Residency in the same catchment area for at least six months, households with elderly person over 65 years, households with members with severe disabilities, households with members critically ill, child-headed households, female-headed households with at least three children, means-test/poverty threshold</td>
</tr>
</tbody>
</table>

Source: Amuda and Dubois (2018).
Case study A

from targeted communities, irrespective of varied poverty levels, tend to promote favouritism through prioritizing relatives and eligible households living near community centres where the selection of beneficiaries is conducted; and application of the principle of ‘first come first served’ which is not recommended in the implementation manuals (Beazley and Carraro 2013). Also, there have been some allegations of favouritism in the selection of beneficiaries based on political party affiliations. The ruling political parties are often suspected by opposition parties of using cash transfers as political ‘slush funds’ to win electoral votes.

Similarly, there have been reported cases of corrupt practices in the management of social cash transfer funds including unaccountable loss of huge financial resources and inability of eligible households accessing cash transfers (Lusaka Times 2018a). Consequently, some of the cooperating partners withheld financial support to social cash transfer programmes in the recent past (Lusaka Times 2018b). To make up the financial shortfall and sustain the social cash transfer programme, the Ministry of Finance increased budgetary allocation by 21.0 per cent in 2019 (MOF 2018). Also, most of the cooperating partners have resumed financial support to the social cash transfer programme in the light of the COVID-19 pandemic (MOF 2020).

4 PROSPECTS

Despite the cited challenges, the social cash transfer programmes have great potential to contribute to the reduction of extreme poverty, inequality, and vulnerability in Zambia. Several studies of social cash transfer programmes in Zambia and other countries have reported positive outcomes on poverty reduction, per capita food consumption, food security, household asset accumulation, and child school enrolment, among other outcomes (American Institutes for Research 2014a, 2014b; Bastagli et al. 2016; Chaunga 2018; de Hoop et al. 2019; Vincent and Cull 2009). However, the full potential of non-contributory cash transfer programmes in Zambia could be realized if appropriate measures were taken to address the current challenges, as follows.

4.1 Supplementary Support Benefits

The non-contributory cash transfers should be conceived as supplementary to other in-kind social protection instruments such as food security packs, the farm-input support programme, school feeding programme, and school bursaries. Such benefits could offset the possible effects of current low transfer values of non-contributory programmes in Zambia. UNICEF is currently piloting the Cash Plus programme in Zambia and other countries. The programme combines cash transfers with one or more types of supplementary support usually through a case management approach. The basic assumption is that the cash transfer alone is not always sufficient as a means to reduce poverty and vulnerability (Roelen et al. 2017). Supplementary support can be in the form of in-kind transfers, behavioural change communication, psychosocial support, and facilitation of linkages or referrals to other essential services.
4.2 Promoting Accountability

Ensuring accountability in the management of social cash transfers is imperative for the sustainable provision of the same. The introduction of the electronic benefit payment system is a long overdue alternative to the current manual benefit payment system in use. There is a wide range of electronic-based payment systems available on the market with great potential to control for possible corrupt practices that tend to deny selected households in Zambia access to cash transfers in a timely and cost-effective manner. The Government of Zambia is planning to introduce biometric payment systems to promote efficiency and to prevent corrupt practices (Lusaka Times 2019). However, some of the biometric techniques are associated with increased operational cost, identity errors, and the need for higher technical skills to manage the payment system which may not currently be readily available in Zambia (Jindal et al. 2020). Therefore, care will have to be taken to select the most appropriate biometric techniques for the social cash transfer environment in Zambia.

4.3 Increasing Transfer Value

There is a strong case for increasing the level of social cash transfers for eligible households to reflect changing socioeconomic realities including high inflation, high incidence of poverty, inequality, and vulnerability. Some studies in other countries have established that households with higher transfer values have higher food consumption, asset ownership, and improvements in educational and health outcomes relative to households with low cash transfer values (Bastagli et al. 2016). Scaling up social cash transfer benefits is a challenge in the light of other competing national development needs and limited resources. It will require a strong national political will to set the priorities right to include reducing the high incidence of poverty, inequality, and vulnerability.

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Case study A


MOF (Ministry of Finance) (2018). 2019 Budget address by Honourable Margaret D. Mwanakatwe, MP, Minister of Finance, delivered to the National Assembly on 28 September. Lusaka.


1 INTRODUCTION

The idea of a basic income grant (BIG) is not new and there are ongoing debates internationally as well as nationally in low- and middle-income countries just like in high-income countries of a BIG as a social protection policy option. The challenge is that there are different conceptualisations, which conflates and muddles the understanding.

In the context of social assistance provision, a universal basic income grant (UBIG) is often compared and contrasted against targeted cash transfers (CTs). This case study systematically presents the arguments for targeted CTs and UBIGs. The value of the case study is that it systematically brings together these arguments, highlighting the variations in UBIG applications, including the evidence and actual impact of UBIG experiments. The structure of the case study is as follows: Section 2 simultaneously contrasts and compares the arguments for targeted CTs and UBIG. Section 3 discusses UBIG experiments, as well as presenting the evidence on the application of the UBIG idea, and Section 4 concludes.

2 ARGUMENTS IN SUPPORT OF TARGETED CASH TRANSFERS AND UNIVERSAL BASIC INCOME GRANTS

The UBIG idea is considered to be a radical proposal because it challenges the current practice in the provision of social protection schemes in the form of CTs, which are almost always targeted. This section presents the arguments for and against. We define a UBIG as a periodic CT paid unconditionally on an individual basis to all members of society without a means test or requirement to work (Offe 2008; van Parijs 1995; Wright 2004, 2006). A CT refers to the regular and predictable non-contributory social transfer, provided either on a universal basis or targeted based on established eligibility criteria and/or unconditional or conditional on behaviour (DFID 2011).

2.1 Arguments for Targeted Cash Transfers

In the last two decades, there has been an exponential increase in the number of low- and middle-income countries that have increased access to CTs as part of their poverty reduction and social protection strategy (Bastagli et al. 2016). Impact evaluation studies have found a positive link between access to CTs and positive outcomes in areas of well-being such as education, health and poverty across a large number of countries (Samson et al. 2004; Baird et al. 2014; Bastagli et al. 2016; Davis et al. 2016). These targeted CTs provide income support, redistribute wealth and promote inclusive growth (Bastagli et al. 2016; Barrientos and Hulme
2010; Samson et al. 2004) and reduce income inequality (Schiel et al. 2016; Finn et al. 2010; Gaspirini and Lustig 2011).

The targeting of CTs is viewed as an efficient use of limited resources, especially in low- and middle-income countries where financial constraints are more pronounced and social protection competes with other equally important policy areas (Slater and Farrington 2009; Mcord 2009). Targeted CTs allow for limited resources to be reserved on a ‘needs basis’, whilst minimising inclusion errors, i.e. it is not to be transferred to individuals who do not need it such as the middle- and upper-income groups. Targeting allows CTs to reach excluded groups (de la Brière and Rawlings 2006) and more money can be transferred to these groups and thus increase the impact of the CT.

The 2030 Sustainable Development Goals emphasise the need to close the social protection gap, especially Target 1.3, through nationally appropriate social protection schemes and measures, including income floors.¹ In middle-income countries, where there is low social protection coverage due to the dominance of social insurance schemes for individuals in formal employment, CTs have played an important role in reducing the social protection coverage gap (Bastagli 2013). A targeted CT is best suited for raising and broadening existing income floors (Greenstein 2019).

Despite the positive impact of targeted CTs, they are often associated with high administrative costs such as targeting, meeting and monitoring conditions, bureaucracy, overhead costs and corruption (Devereux et al. 2015). There is criticism of conditional CTs, especially in contexts where social protection in the form of CTs is promoted as a right, including the 1948 Universal Declaration of Human Rights. It is problematic to promote access to citizen CTs as a ‘right’, whilst also threatening access to the same ‘right’ if they fail to meet predetermined behavioural compliance ‘conditions’ (Freeland 2007).

### 2.2 Arguments for a Universal Basic Income Grant

The universal approach in a UBIG would increase the take-up or participation in CT programmes, especially amongst the poor and vulnerable groups (Atkinson 2011). In other words, a UBIG eliminates exclusion errors, i.e. they do not reach all eligible people (Devereux et al. 2015; Bastagli et al. 2016; Baird et al. 2014). A UBIG creates inclusive social protection systems (van Parijs 1995; Wright 2006; Widerquist 2018) and reduces the social stigmatisation of poor households or vulnerable groups as a result of participation in safety net programmes (Sabates-Wheeler and Devereux 2008; Simons et al. 2018; Slater and Farrington 2009).

A UBIG transfers cash to every member of society, and this is viewed as creating social equality and equity (Standing 2008; Wright 2006; van Parijs 1995; van Parijs and Vanderborght 2017; Danson et al. 2012), as well as fostering inclusion as it benefits every member of society (Danson et al. 2012; Standing 2008; van Parijs and Vanderborght 2017; Wright 2006). A UBIG would increase participation in social activities and thus decrease social isolation of low-income people (Widerquist 2018) and reduce income inequality and gender inequality, including inequality between age groups and people with disabilities (Standing 2017).

A UBIG removes the administrative hurdles such as the need for CT recipients to prove their poverty. A UBIG does away with high administrative costs, such as those caused by

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¹ https://sdgs.un.org/goals.
targeting, meeting and monitoring behavioural compliance (Devereux et al. 2015; Standing 2008). The universal approach in UBIG makes it more transparent because everyone is eligible and, hence, less susceptible to corruption (Widerquist 2018; Barnejee et al. 2019) and it reduces the discretionary power of administrators, especially when relying on proxy indicators for establishing eligibility.

A UBIG would create a minimum income floor, which every member of society would not fall under. The minimum income floor created by a UBIG would also empower both unionised and non-unionised individuals to refuse exploitative working conditions (Widerquist 2018; Standing 2008; Wright 2006). The income guarantee provided by a UBIG would act as a labour market incentive, and liberate individuals (‘individual freedoms’) of having to enter the labour market in order to satisfy their basic needs (van Parijs 1995; van Parijs and Vanderborght 2017).

Similarly, there are several criticisms labelled against the UBIG proposal. First, not every individual can take advantage of the ‘real freedoms’ such as the disabled, who may require more resources to achieve equivalent freedoms (Andersen 2016). Second, the income guarantee provided by a UBIG would incentivise individuals to undertake jobs they are intrinsically motivated to undertake with negative effects on the labour supply (Pech 2010). Third, despite various proposals for financing a UBIG, it would be expensive, and an increase in general taxes to finance it would likely be met with opposition from middle- and upper-income groups (EPRS 2016). Fourth, there is a lack of consensus as to whether a UBIG would either complement, replace and/or supplement existing welfare benefits (Ortiz and Acuna-Ulate 2018).

3 UNIVERSAL BASIC INCOME GRANT EXPERIMENTS: EMERGING EVIDENCE AND CHALLENGES

In recent years, the number of experiments has increased in both developing and developed country contexts. This section commences with a discussion on the variations in application of a UBIG before turning to the evidence and the actual impact of existing UBIG programmes.

3.1 Discussing the Case Study Experiments

Table B.1 provides an overview of selected UBIG experiments in high-, low- and middle-income countries. Table B.1 further demonstrates that existing UBIG programmes differ in their primary interest, coverage (target group) and generosity.

There are limitations in terms of a comparative review of the emerging evidence for five reasons. First, not all the experiments explicitly claim to be basic income experiments, such as the experiment in the Netherlands (Widerquist 2018). Second, experiments have not been universal but rather targeted, and undertaken on a short-term basis, as compared to the long-term commitment envisioned by UBIG proponents (Barnejee et al. 2019). Third, in the design, randomised control trials (RCTs) are included in the experiment in Kenya, Spain, the Netherlands and Canada (Widerquist 2018). This means the impact evaluation in these experiments are not undertaken with the same rigour as experienced with CTs, thus making it diffic-

In Canada, both the treatment and control group are randomly selected, as opposed to eligibility based on being unemployed in Finland.
Table B.1 An overview of universal basic income grant-related programmes in both developed and developing countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Period</th>
<th>Type of intervention</th>
<th>Eligibility</th>
<th>Transfer amount</th>
<th>Coverage</th>
<th>Program interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>Alaska</td>
<td>1982 to today</td>
<td>Social wealth fund</td>
<td>Residents of Alaska</td>
<td>US$1,100 per person in 2017</td>
<td>All state residents</td>
<td>Distribute oil proceeds and mineral leases</td>
</tr>
<tr>
<td></td>
<td>Stockton, California</td>
<td>February 2019–August 2020</td>
<td>Basic income pilot</td>
<td>Individuals over 18 in area with median income of US$46,033 or less</td>
<td>US$500</td>
<td>100 resident families</td>
<td>Poverty reduction</td>
</tr>
<tr>
<td>Canada</td>
<td>Ontario (Thunder Bay, Lindsay and Hamilton)</td>
<td>2017–19</td>
<td>Unconditional cash transfer</td>
<td>Single Can$16,989 per year and couples Can$24,000 per year</td>
<td>Up to 4,000 individuals</td>
<td>Poverty reduction, food insecurity, mental and physical health</td>
<td></td>
</tr>
<tr>
<td>Namibia</td>
<td>Otjievero village</td>
<td>2008–2009</td>
<td>Universal basic income</td>
<td>Residents of Otjievero</td>
<td>NS$100 (= US$12)</td>
<td>1,000 individuals</td>
<td>Poverty reduction, effect of cash transfers</td>
</tr>
<tr>
<td>Iran</td>
<td>Nationwide</td>
<td>2010 to today</td>
<td>Universal basic income</td>
<td>Universal</td>
<td>US$41</td>
<td>96%</td>
<td>Distribute oil proceeds</td>
</tr>
<tr>
<td>India</td>
<td>9 villages (1 tribal village)</td>
<td>2010–11</td>
<td>Universal basic income</td>
<td>200 rupees (≈ 2.5 euros)</td>
<td>6,000 participants</td>
<td>Poverty reduction</td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td>197 villages</td>
<td>2016–27</td>
<td>Universal basic income</td>
<td>Village residents</td>
<td>US$21</td>
<td>20,000 individuals</td>
<td>Poverty reduction, effects of cash transfer compared to aid</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Utrecht</td>
<td>2017–19</td>
<td>Unconditional basic income</td>
<td>Welfare recipients (25–58 years)</td>
<td>Between US$1,129 and 1,370</td>
<td>250 citizens</td>
<td>Effects of removing financial disincentives to work</td>
</tr>
<tr>
<td>Finland</td>
<td>Random selection</td>
<td>2017–19</td>
<td>Finland social security agency (Kela)</td>
<td>Unemployed (25–58)</td>
<td>US$660</td>
<td>2,000 individuals</td>
<td>Labour supply effects benefits</td>
</tr>
<tr>
<td>Spain</td>
<td>B-mincome, Barcelona</td>
<td>2017–19</td>
<td>Universal basic income</td>
<td>At one HH member age 25–60 and beneficiary of city municipal services</td>
<td>Between US$110 and US$1,850 per household</td>
<td>1,000 households in Besos district</td>
<td>Labour market participation, food security</td>
</tr>
</tbody>
</table>

Sources: Author’s own based on Lehto (2018), Widerquist (2018) and Gentilini et al. (2020).
cult to draw conclusions on the impact. Fourth, the experiments are driven by context-specific interests, which suggests that in practice there are different understandings of what constitutes a UBIG. Fifth, the variations have significantly contributed to the lack of consensus in terms of the understanding of a UBIG (Widerquist 2018), as well as the characteristics or dimensions of a UBIG.

There are similarities in terms of the target groups in the UBIG experiments. In all the experiments there is an explicit focus on vulnerable groups, such as the poor, children, unemployed and recipients of other targeted social benefits. It is only in Finland, the Netherlands and Spain where participants are beneficiaries of other targeted social programmes. The experiments in Finland, Canada, Spain and the Netherlands are targeted at working-age individuals who are labour-market constrained. The focus is on addressing challenges related to the labour market such as labour participation or reintegration. This could be viewed as the UBIG seeking to replace the existing welfare system, whilst testing conditionalities. In the low- and middle-income countries there is an explicit interest in poverty alleviation.

3.2 Universal Basic Income Grant Experiments: Evidence and Actual Impact of Experiments

Despite the impact evaluations not being undertaken with the same rigour as CTs, there were still positive impacts found on poverty reduction, food security and consumption patterns in Namibia (NANGOF 2009; Haarmann and Haarmann 2015), India (Schjoedt 2016; BIEN 2018), Mongolia (Yeung and Howes 2015) and Spain. There was reduced material deprivation in Spain, India (Schjoedt 2016) and Namibia (Haarmann and Haarmann 2015), as individuals were able to procure items or invest in household-related infrastructure.

UBIG proponents claim that a UBIG would act as a labour market incentive (van Parijs 1995; van Parijs and Vanderborght 2017). Studies found increased productive activity and reduction in child labour in India (BIEN 2018), increased economic activity in Namibia as some of the money transferred was also used to search for employment (NANGOF 2009; Haarmann and Haarmann 2015). There was no significant impact on labour supply in Alaska and no overall decrease in employment or overall number of hours worked in Alaska (Jones and Marinescu 2018). In Finland the test group did not enter the labour market or earned more than members in the control group (Kangas et al. 2019).

There were negative effects in India and Alaska in terms of the adequacy of the amount transferred. It was found that the amount transferred was insufficient to meet the basic needs in Alaska (Widerquist and Sheahan 2012) and inadequate to allow for a decent standard of living (Standing 2008). In Mongolia, there were reported challenges related to the implementation and sustainability of the programme (Yeung and Howes 2015).

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3 The Mongolian experiment was universal for all children aged between 0 and 17.
4  CONCLUSION

Although a UBIG is often compared and contrasted against targeted CTs, the arguments for and against both approaches suggest there are positive links in areas of well-being. The impact evaluations confirm positive links when accessing both CTs and UBIGs, especially in poverty reduction, which suggest that predictability and reliability of the transfer is what matters the most. There was also no evidence found to suggest that a UBIG would lead to individuals absconding from labour market participation in favour of leisure. From an academic and policymaker perspective, the UBIG experiments do not shed light on what constitutes a UBIG (including characteristics/dimensions) because of the variations in the ideological underpinnings, programme design and interest and delivery channels in high-, middle- and low-income countries.

REFERENCES


3. Social insurance

Alexander M. van den Heever

3.1 INTRODUCTION

Low- and middle-income countries are often latecomers to the development of social insurance schemes and/or systems when compared to the post-war ‘golden age’ of early reforms introduced in Northern Europe (Pierson 1994).

Such countries are typically confronted with an array of informal social protection arrangements, emergent private insurance markets, constantly changing worker career paths and substantial levels of informality and precarious work. The models of social insurance that initially emerged in the post-war period may therefore require adaptation to expand coverage depending upon local conditions, although the rationale for social insurance and the core elements continue to apply in all settings.

This chapter therefore looks at whether opportunities exist for expanded social protection through social insurance in many low- and middle-income country contexts and, further, whether the constraints posed by informality in particular can be overcome.

A central part of the justification for social insurance posed in this chapter is the argument that private insurance on its own fails to offer adequate social protection, necessitating consideration of social insurance to expand opportunities for necessary income- and risk-related cross-subsidies. The institutional framework within which social insurance is located and organised and for which a number of policy choices exist is also argued to require careful consideration to enable the achievement of these enhanced cross-subsidies.

The chapter is divided into four parts. First, the concept of social insurance is reviewed through an analysis of the rationale for private insurance in general and social insurance in particular. Second, it reviews the role of social insurance within wider systems of social protection. Third, it examines the location of social insurance within wider social protection frameworks. Fourth, the challenge of informality to expanded coverage through social insurance is considered, together with approaches for its mitigation.

3.2 WHY DO WE NEED SOCIAL INSURANCE?

This section examines the rationale for social insurance as an instrument of social protection. It argues that private insurance regimes on their own cannot offer adequate social protection on a sustainable basis.

In this section the rationale for insurance is first examined, together with the prerequisites that must be satisfied for it to be made available. Second, those prerequisites that constrain the extent of feasible social protection through private insurance are identified. Third, the rationale for social insurance is argued to arise from the ability that governments have to structure sustainable pooling systems that are less constrained than private insurance.
3.2.1 What Is Insurance?

Insurance in typical usage refers to the protection offered to cover some form of loss (either income or in relation to an expense) arising from an adverse event through the pooling of risks, which at the individual level is uncertain and the occurrence is largely outside the individual’s control. Such events therefore incorporate the concept of risk – i.e. the probability, rather than the certainty – that an event will occur to an individual.

3.2.2 The Rationale for Private Insurance and Its Limits

While uncertainty prevails at the individual level (I do not know whether I will have a heart attack next week), this is not the case at the group level (it is relatively certain that out of 1,000 65 year olds, an identifiable number can be expected to have a heart attack next week). The ‘law of large numbers’ implies that the average incidence of an event will always be fairly predictable within a relatively narrow margin of error, provided the group size is large enough. The difference between very uncertain individual risk and relatively certain group risk makes insurance possible through a gain from trade. It makes certain the product (Arrow 1963; Barr 2012). In private insurance markets, consumers effectively purchase intrinsically valuable certainty from a group through the intermediation of an insurance scheme, which pools risks.

Prerequisites for private voluntary insurance to be supplied

Private markets have responded to the commodity demand for insurance coverage but cannot protect us against all the risks we may face where uncertainty cannot be translated into a marketable commodity. Private voluntary insurance markets will only offer coverage under certain conditions (see for instance Akerlof 1970; Arrow 1963; Barr 2012; Rothschild and Stiglitz 1976).

First, insured events must be uncertain. When taking up insurance the risk of making a claim must be less than 100 per cent otherwise the insurer is facing a certainty rather than a probability and no gain from trade is possible. This means that any event that has already occurred or is known to be about to occur cannot be covered.

Second, individual risk must be separate (idiosyncratic). The individual risk of claiming must be independent of that of all other covered individuals. When connected they are referred to as covariate risks where a single event causes simultaneous claims from an entire risk pool. To be sustainable, risk pooling requires that only a minor portion of the risk pool makes a claim at any point in time.

Third, the insured cannot influence the insured event. Insured individuals must not be in a position to influence the occurrence of the insured event. Where this occurs the insured is in a position to make opportunistic claims to the disadvantage of the risk pool. This would include all instances where the insured party has a discretion to trigger the insured event.

Fourth, adverse selection must be countered. The insurer must be able to mitigate the incentives insurance applicants have to take out insurance only once they have an increased probability of making a claim and, subsequently, to drop cover when the probability declines. This is referred to as adverse (or anti-)selection. This occurs in voluntary insurance markets (i.e. where consumers can join or depart from coverage at their discretion) and where an asymmetry of information exists between the insurer and the applicant regarding the probability of
the insured event occurring. This results in a structural underpricing of the insurance premium such that insurance cannot be offered (see for instance Arrow 1963).

Fifth, the insurer must control for moral hazard. Private insurers must manage the moral hazard that arises where insured parties modify their conduct by increasing their exposure to risk (for instance by becoming reckless) knowing that someone else (the insurer) will carry the risk.

Sixth, the risks must be quantifiable. The average risk of claiming and the associated costs of claiming of the covered group must be predictable. This enables the insurer to properly price the premiums.

Seventh, the insurer must assess the value of the loss incurred. The insurer must be able to assess a claim submitted and calculate or manage the true loss associated with it. This is necessary to ensure that claimants are not excessively rewarded from a pay-out, which could inter alia incentivise fraudulent conduct.

Eighth, the insurer must derive an adequate return. The cost of offering the insurance (the premium) must pay for benefits, administration expenses (i.e. there must be sufficient scale to distribute the fixed costs across a sufficiently large insured group) and provide for a profit.

Private insurers operating in voluntary markets address the first five prerequisites through a combination of product design and the risk management of applicants using five approaches.

First, applicants are risk-rated, which is where premiums are loaded based on the probability of an individual or group of making a claim. Good risks, or those with a lower probability of claiming, access a reduced premium. Conversely, poor risks pay more for cover. This measure indirectly mitigates certain instances of adverse selection (fourth prerequisite) by encouraging applicants to take up early cover, rather than when their risk profile begins to change. The insurer assesses the relative risk status of the applicant on entry to the product by making them provide information on characteristics that correlate with the likelihood of making a claim. While this does not completely catch all instances of adverse selection, it captures some features.

In some instances, the extent of the loading may place the insurance coverage outside of the range of poor risks. In the case of healthcare, for instance, a poor risk may be defined in relation to age, as this is correlated with the accumulation of comorbidities and disabilities. In these instances, vulnerable groups may be severely prejudiced.

Second, applicants are risk-selected, which is where poor risks are expressly denied access to the insurance product (which addresses the first and fourth prerequisite). A lesser version of this occurs where the individual may be excluded from some benefits based on their risk profile or the existence of a pre-existing medical condition.

The application of these exclusions will however cause the emergence of uninsurable groups and individuals, many of whom could be regarded as vulnerable due to their age or health status. Exclusion can arise from moving between employers, moving between countries and periodic periods of unemployment or more precarious employment. Private insurers will typically rerate applicants each time they move products.

Third, certain contingencies are excluded from benefits, which is where an insurer limits their liability to pay certain benefits by excluding certain contingencies. This is most necessary where individual risks are connected (the second prerequisite) such as an epidemic, an earthquake or a war. It is however possible for an insurer to cover such contingencies with reinsurance arrangements, where they transfer the risk to another insurer that can spread the risk across national territories and different insurance product categories.
Fourth, claims are adjusted for experience, which is where an insurer adjusts the premium based on the claims experience of a policyholder. The more you claim, the more you pay. This seeks to address the moral hazard prerequisite (the fifth prerequisite). However, where policyholders are claiming more for reasons outside of their control, this could result in the progressive structural exclusion from needed coverage (in the case of healthcare in particular) – even where an individual did not engage in adverse selection or adjust their behaviour because they are insured.

Fifth, some contingencies are excluded from coverage altogether, which occurs where the supply of insurance is commercially not viable. For instance, private unemployment insurance is typically not offered as the required high premiums and severe limitations on benefits, largely due to covariate risks (the second prerequisite) such as economic downturns, render it generally unviable.

Structural constraints in expanding cover through private insurance markets
In addition to the above, poor coverage can arise in voluntary private markets inter alia for three further reasons.

First, voluntary markets for insurance involve multiple competing schemes, which restricts opportunities for pooling to the individual scheme rather than across society as a whole.

Second, private insurers are not in a position to implement income-related transfers, as they have limited sight of true household incomes and are also restricted in their ability to apply higher premiums to low-risk individuals (needed for income-related cross-subsidies) without losing them to a competitor.

Third, frequent changes in employer, employment status, employment type (i.e. movements from formal salaried work to precarious forms of work and back) and national residency, all now part of normal existence in many countries, can result in benefit downgrades as individuals exit and re-enter private coverage at different stages of their life path.

Summary
Systems of insurance coverage that rely exclusively on voluntary private markets will invariably cover fewer people than would be possible if the pooling framework (for risk and income differences) could be arranged to address the supply prerequisites and pooling fragmentation. Social insurance arrangements of various forms are therefore needed to expand coverage in a sustainable way by addressing the structural constraints experienced by private insurance.

3.2.3 The Rationale for Social Insurance

Social insurance arrangements address the structural constraints of private insurance providers through enhanced forms of pooling.

First, the voluntary features of private insurance are replaced with statutory mandates, whereby income earners are required to participate in insurance and pension schemes. Mandates address adverse selection by reducing the discretion individuals have to game insurers.

A softer version of this would be to retain the voluntary nature of participation, but provide incentives for timeous participation, in the form of tax subsidies, together with disincentives for gaming (through premium loading and disadvantageous tax treatment). While the soft
incentives may appear equivalent to the premium loading of private insurance, the regulatory framework should restrict premium loading to avoid absolute barriers to social protection.

Second, cross-subsidies, in the form of implicit income and risk transfers between households, are applied at a societal level. These subsidies are made feasible by mandatory participation seen together with income-related contributions for a common guaranteed set of benefits available throughout society. Where benefits are earnings-related, as is the case with pensions and associated risk benefits (for invalidity and the death of a breadwinner), the income-related cross-subsidies (vertical interpersonal redistribution, see Chapter 1) are diminished. But even in these cases, an appropriate degree of cross-subsidy can be achieved through government-subsidised contributions or adjustments to benefit entitlements.

Government subsidies to social insurance schemes that don’t include informal workers would be regressive where a large part of the tax system is funded by low-income groups by way of indirect taxes such as general sales taxes and value-added tax.

Risk-related subsidies, while intertwined with income subsidies, implicitly occur as transfers from contributors not in immediate need to those in immediate need (horizontal interpersonal redistribution, see Chapter 1). The mandatory nature of the contribution in social insurance lowers the cost of the contribution by eliminating adverse selection. In this way the risk-related cross-subsidy is optimised in relation to a benefit guarantee.

Both income- and risk-related subsidies can be achieved either through a single monopoly scheme established by statute, or through a risk/income-equalisation scheme that transfers funds between multiple private and/or public funds. This latter option applies typically only for health insurance but could be extended to other branches of social protection where appropriate.

Third, mandatory participation also enables coverage of instances where the probability of making a claim is 100 per cent. This occurs where an applicant for health insurance has a pre-existing medical condition. The society-wide pooling allows individuals with pre-existing conditions to be covered without affecting the sustainability of the insurance arrangement.

Fourth, the scale of the insurance pool enables coverage of contingencies which involve connected (covariate) claims between individuals. This occurs where a single event, such as a war or an epidemic, could impact on an entire risk pool at the same time. Continued coverage during wars and epidemics is made possible by the size and risk diversification of the covered group. In very substantial national crises, it would also be possible for governments to top up social insurance schemes to maintain their ability to provide benefits. In private voluntary insurance markets, these risks are typically transferred to a reinsurance scheme to underwrite those liabilities for which they lack a sufficient diversity of risk groups to safely carry the risk themselves. In practice, however, many of these contingencies, as they relate to the social benefits protected through social insurance, are just not covered by private insurers.

3.3 SOCIAL INSURANCE AS AN ELEMENT OF AN OVERALL SOCIAL PROTECTION SYSTEM

This section addresses the location of social insurance within an overarching system of social protection. The section argues that context influences the location of social insurance within the wider social protection system and its limitations. An important contextual constraint to
Social protection is the extent of prevailing informality that could either be addressed through non-contributory regimes or adaptations to social insurance.

The term social insurance applies to any statutory arrangement or scheme with an insurance-type mechanism (risk pooling that achieves interpersonal redistribution) that broadens coverage beyond what would be possible through voluntary private insurance (see Chapter 1). This is achieved using measures that deepen the income- and risk-related cross-subsidies for a socially determined set of entitlements guaranteed by statute. As conventional insurance arrangements involve explicit contributions to qualify for an entitlement to benefits, the degree of ‘socialisation’, i.e. the degree of expanded coverage, depends on the extent to which it can be enabled through explicit contributions.

For countries with high levels of formal employment and a fairly even distribution of income, coverage from contributions can be universal. For countries with low levels of formal employment and uneven distributions of income, coverage is often structurally restricted to people in formal employment and their families. Lower-income formal employees often require income-related subsidies of one form or another to be properly included. With respect to informal sectors and workers, coverage depends on overcoming the potential voluntary nature of their participation (discussed below).

Many country systems ensure universal coverage for all branches of social protection through a combination of non-contributory and contributory regimes. Extending the social insurance part of coverage, however, requires that careful consideration be given to the context, which includes understanding whether voluntary or mandatory designs are considered feasible and appropriate for local needs.

The coordination of non-contributory and contributory (social insurance) systems of protection increases the reach of protection beyond that which would be possible where reliance is placed on schemes exclusively designed to provide either general tax-funded social protection or social insurance.

3.4 COORDINATING DIFFERENT BRANCHES OF SOCIAL INSURANCE

This section argues that the institutional framework for the overarching system of social protection needs to be coordinated to achieve coherence between all the various branches and their modes of delivery. Central to this coordination is the need to streamline decision making for policy and delivery, both of which are compromised by institutional fragmentation (see Chapter 12).

The various branches of social security (healthcare, pensions, illness, occupational injuries and disease, unemployment, invalidity, death of a breadwinner, parental support, etc.) are often delivered through dedicated schemes and report to different ministries. Fragmentation of policy and delivery is the result (van den Heever 2011) and can be found, for instance, throughout Sub-Saharan Africa. Once institutionalised in this way, it can prove difficult to reconfigure due to established vested interests that can block policy reforms.

There are several important disadvantages that arise from this fragmentation. First, policy coordination becomes very difficult due to the number of ministries involved (for instance five ministries are responsible for contributory social insurance in South Africa). As a result, it becomes difficult to determine which ministry leads a reform, complicating political decision
making and reasoning. Second, the limited scale of each ministry’s role leads to underinvestment in policy determination. Third, the social insurance agencies specialising in specific benefits fail to coordinate covered contingencies they have in common. For instance, a pension scheme may cover invalidity as well as a scheme specialising in occupational injuries – each with a different definition and benefit assessment framework. Fourth, scale economies are lost with many small agencies with different administrative platforms for each. Important functions, such as public interfaces, registries, claims assessments, the management of investments and revenue management, will be small, unconnected, and misaligned. Fifth, balance sheets will be separate for each scheme or agency, which may narrow strategic considerations for benefit deepening.

The coordination of social insurance systems may consequently involve a consolidation of policy determination – whereby an efficient distribution of responsibilities between ministries is achieved (see Chapter 12). For instance, clarity may be required over policy responsibility for second- and third-tier pension systems between a ministry of finance and social security. Consideration could also be given to the consolidation of delivery, through collapsing the various branches of social insurance into a single scheme, with a single administrative platform and a single balance sheet with different accounts. Public interfaces, revenue management, registries, benefit assessments, complaints, and appeals can also be consolidated. This streamlining of policy and delivery would allow for more coordination in the design of benefits – for instance unemployment insurance could be more easily designed to support requirements for the mandatory preservation of pension savings, particularly for low-income groups.

3.5 SOCIAL INSURANCE AND INFORMALITY

This section examines the extent to which social insurance can compensate for the constraints of informality through adapting certain features of its design. This is achieved first, through a clarification of informality; second, by outlining the features of informality that limit the reach of social insurance; and third, by discussing potential measures to address informality through social insurance.

Informality of workers represents a significant challenge to the extension of social insurance in developing countries (see Chapter 22). Informality can refer to a type of enterprise or a form of employment. Informal enterprises are characterised as small-scale, low-productivity, family-based businesses that fall outside formal systems of regulation and taxation (Jessen and Kluve 2019). Informal workers can work for either informal enterprises or formal enterprises with precarious contracts – also leaving them outside the tax system and social insurance. However, most are self-employed, unpaid family members, home workers, domestic workers, seasonal workers, or day labourers (Chen 2008; Olivier 2019). Non-agricultural levels of informal employment range from 23.6 to 77.3 per cent in Latin America, with Africa 85.8 per cent (Olivier 2019) and Asia in excess of 70 per cent (Jessen and Kluve 2019).

Families dependent on informal employment are typically amongst the poorest members of their country populations (noting that some can also be high earners who evade their social obligations) and are least able to contribute to any form of tax (aside from indirect taxes), or able to build up wealth that can serve as a buffer against crises (Alfers et al. 2017; Kabeer and Cook 2010). Informality can be regarded as a response to low-productivity employment and social protection regimes designed expressly for those in the formal sector (Sojo 2015).
Informal workers who fall outside standard employer–employee relationships cannot easily be compelled to make contributions and may not see their value given their circumstances (Alfers et al. 2017). Traditional social insurance contingencies are ‘individual-centred’ and fail to address the ‘collective risks’ facing informal economies in low- and middle-income countries such as war, epidemics, natural disasters and other covariate contingencies (Olivier 2019, 2).

Additional challenges also include weak political will to address the needs of politically unimportant groups; the high transaction costs associated with ensuring compliance with contribution collections and the administration of benefits for people in difficult-to-reach households; low levels of willingness to participate; the mistrust of public organisations (often due to high levels of corruption); and inappropriate benefits relative to needs.

The extension of social insurance to informal workers must therefore overcome all of the challenges associated with voluntary insurance markets without the ability to easily mandate contributions. While adverse selection (Atafu and Kwon 2018) is a particular consideration, low incomes, intermittent incomes, and intermittent employment are all barriers to participation in social insurance schemes – where participation is a choice. The quality of the administrative platform, due to the small scale of schemes aimed at informal workers, can also produce efficiency-related barriers to participation (Olivier 2019).

To date, the record of extending social insurance to informal workers is varied, with some minor, and arguably context-specific, successes. Due to these difficulties most countries choose to extend voluntary coverage to informal workers through a range of social insurance interventions even though this rarely leads to a significant extension of coverage (International Labour Office 2019).

With varying levels of success, a number of measures can be considered to expand a social insurance platform to include informal employers and informal workers.

First, a degree of flexibility can be introduced for contributions to allow workers to select the frequency of payments (Olivier 2019). This flexibility can also allow for periods of non-payment while retaining access to benefits.

Second, contribution subsidies can be introduced to make participation attractive. This could be regarded as a more efficient substitute to extensions of non-contributory schemes (cash grants). Where a member cannot contribute, a basic benefit equivalent to the subsidy would remain assured.

Third, administrative platforms can be established at scale by leveraging off existing social insurance or non-contributory social protection platforms. On the collections side, the official tax collection agency could be used, given its scale (noting that for many developing countries their revenue services are poorly developed). This would need to include member registries so that breaks in contributions and subsidy allocations can be managed efficiently.

Fourth, society must trust the social insurance schemes to ensure willingness to participate. This requires strong governance frameworks, good communication and responsiveness to the needs of informal workers.

Fifth, as far as possible, the benefits offered must be seen as worth the effort of participation. Benefits supplemented by subsidies would be important to attract participation from informal workers.

Sixth, social insurance can be used to incentivise a degree of formalisation. For this to work, formalisation must be seen as beneficial. As part of this, formalisation would include registration and in times of general crisis (general economic crises, epidemics, etc.) government
would be able to more efficiently offer discretionary allocations in real time, i.e. without the delay incurred through requirements for registration.

Seventh, adverse selection needs to be carefully addressed. First, there is the risk that the schemes established for informal workers may encourage some downgrading of participation in formal social insurance. Second, when offering risk benefits, waiting periods before accessing certain benefits may be required. For pension schemes, adverse selection is avoided by relating the benefit to the contribution record, aside from any universal flat rate basic benefit.

Eighth, as with all social protection schemes, success also depends on a strong government commitment that ensures that context-specific design requirements are addressed. These include appropriate benefit designs that are sensitive to user needs and priorities, proper marketing and communication, and administrative responsiveness.

Ninth, a number of countries have developed their mandatory regimes for informal workers from their initial voluntary extensions with some success (International Labour Office 2019). Reform sequencing could therefore be considered an important feature of successful implementation.

Given the scale of informality, however, policy attention will need to be focused on progressively transferring risk from the associated vulnerable households to society at large over time.

3.6 CONCLUSION

This chapter has clarified the technical rationale for social insurance through a clarification of the social protection limits of private insurance and how government-organised social insurance can overcome these limits in a sustainable manner.

Both the features of private insurance and the rationale for social insurance can be regarded as general principles which apply to all country contexts. In extending social insurance coverage, however, context matters. In this respect the following areas highlighted in this chapter are important for policymakers to consider when looking at social insurance reforms.

First, social insurance designs should be sensitive to the overall system of social protection, with careful consideration given to which features are best addressed through non-contributory programmes and which through contributory regimes (social insurance). Although this chapter focuses on social insurance, non-contributory programmes may in some cases prove more effective in reaching difficult-to-reach communities and target groups.

Second, social insurance regimes should avoid unnecessary fragmentation across the various branches of social protection. This occurs where many different ministries have responsibility for different branches. Fragmentation complicates political commitment and policy decision making – slowing down the opportunities for well-reasoned reform initiatives. The result can be an inefficient mix of social insurance schemes which lack scale and operate with overlapping mandates.

Third, low- and middle-income countries are characterised by small formal economies and substantial levels of informality and precarious forms of work. Expanding social insurance to cover informal workers and sectors requires high levels of political and official commitment to overcome the relevant technical challenges. Also, the sequencing of reforms may prove important to success. For instance, a strong social insurance regime for formal workers introduced first offers a good platform to extend coverage for more difficult-to-reach workers. Similarly, initially implemented voluntary social insurance regimes with limited reach can be progressively developed into mandatory regimes as technical constraints are identified and addressed over time.
REFERENCES


Case study C: Transforming healthcare financing in Central and Eastern European countries

Mirella Cacace

1 INTRODUCTION

This case study examines the changes in healthcare financing in Central and Eastern European Countries (CEECs) after the end of the communist rule. Based on the definition of the Organisation for Economic Co-operation and Development, the country sample includes Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, and the Baltic States: Estonia, Latvia and Lithuania. All these countries profoundly reformed healthcare financing with the principal aims to increase funding levels and to generate more stable and independent public revenue streams. With these goals in mind, this paper assesses key changes in health system financing using data provided by the World Health Organization (WHO). These macro-level data offer the opportunity to explore general trends in the level and structure of healthcare financing in these twelve countries.

2 LEGACY OF THE SOCIALIST PAST AND CHANGES IN THE EARLY TRANSITION PERIOD

Under communist rule, two types of healthcare financing models existed in CEECs. In Albania, Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and the Baltic States the Semashko model was established, named in honour of the Soviet Union’s first health minister, in which healthcare was mainly funded by general taxes. Formally, this model provided the population with universal coverage and free and equal access to comprehensive services. In reality, however, it was chronically underfunded, resulting in systematic neglect of hospital buildings and medical equipment, and long waiting times. As a consequence, a persistent market for illegal payments to service providers to obtain more immediate and better treatment evolved. In Croatia and Slovenia, as parts of the former state of Yugoslavia, a mandatory social health insurance (SHI) system financed by earmarked, wage-based contributions from employers and employees was established. These were collected and distributed by local community-based associations. Officially, there were only small private co-payments in CEECs, but it is very likely that these were far exceeded by informal payments (Davis 2010).

In the early years after transition, all CEECs experienced high unemployment rates, a dramatic decline in gross domestic product (GDP) and a marked decrease of public revenues because of economic destabilization, and – in some regions – also due to war and other humanitarian crises (Sheiman et al. 2010). With regard to healthcare systems, a major concern of the CEECs and the consulting international organizations was to establish a cost-effective, sustainable, and economically stable method of financing. In this situation, the establishment of SHI was the favorite choice in almost all CEECs. Important motives for this decision were
ideological, i.e., a departure from the socialist past and a return to the Bismarck model, which had already been established in CEECs in the pre-Soviet period, and, in order to bring funding levels in line with international standards, a desire to limit the ability of politicians to divert funds from the healthcare system (Cerami 2006; Rechel and McKee 2009).

By the end of the 1990s, all CEECs were organized according to some sort of Bismarckian SHI model, based on earmarked contributions, deducted from payroll.

However, the SHI models developed in CEECs differed markedly from the German or Austrian blueprint, in particular with respect to the role of the state. Even today, instead of self-regulating corporate actors, state governments play a major role in regulation and organization in most CEECs. Furthermore, there is wide variation with respect to the role of the state in revenue collection. While in some states tax authorities are collecting the funds (e.g. Estonia and Latvia), others established one (Bulgaria) or several competing (Czech Republic, Slovakia) sickness funds. Until today, the contribution rates vary widely, from 3.4 per cent of payroll in Albania to 15 per cent in Croatia, reflecting rather ‘what is feasible’ and politically acceptable than an actuarial calculation of expected expenditures (Sheiman et al. 2010). The distribution of contributions on employers and employees also differs, from no employer contribution in Poland to completely employer-borne in Croatia (for an interpretation from an economic perspective, see Chapter 7). In some countries, e.g. in Bulgaria and Slovakia, a contribution ceiling was imposed. It should be noted that the coverage of individuals by the public system in CEECs is still quite broad today, ranging from 93 to 100 percent of the population, including all nationals (in the country or temporarily absent) and permanently resident foreigners (OECD 2020). However, there are large gaps in the public benefit package.

Services that are typically excluded from reimbursement are pharmaceuticals, dental treatment, hearing aids for adults, visual aids, psychotherapy, rehabilitation, and physiotherapy. In Albania, even only the most basic primary and hospital care services are covered, exposing the population to high financial risks (World Bank 2006).

3 LEVEL AND STRUCTURE OF HEALTHCARE FINANCING IN CENTRAL AND EASTERN EUROPEAN COUNTRIES

In line with the political goal, average healthcare spending in former Semashko systems increased from 5.6 per cent of GDP in 2000 to 6.6 per cent in 2017 (WHO 2020). The increase is remarkable, in particular when considering the low initial levels of some countries, e.g. in Romania (from 4.2 per cent of GDP to 5.2 per cent). However, this was no linear development as average spending levels dropped from a temporary peak of 6.8 per cent in 2009/10 in the aftermath of the financial crisis, which affected in particular the Baltic States and Romania. In Croatia and Slovenia, the initial spending levels of around 7.7 per cent indicate that these countries were suffering less from underfunding compared to other CEECs. Croatia is the only country in the sample where healthcare spending decreased between 2000 and 2017 (−0.9 per cent). Overall, although the increase across CEECs was substantial, the average share of GDP devoted to healthcare (6.8 per cent) is still considerably below the European Union (9.9 per cent).

Turning now to the financing structure, the public and private shares of total healthcare expenditure (THE) are shown in Table C.1. Public funding distinguishes government schemes, collecting revenues from general taxation, and SHI schemes, with employment-based ear-
Table C.1 Changing financing structure in Central and Eastern European countries (in percentage of total healthcare expenditure)

<table>
<thead>
<tr>
<th>Country</th>
<th>(1) Public expenditure (1) = (2) + (3)</th>
<th>(2) Social health insurance</th>
<th>(3) Government (general taxes)</th>
<th>(4) Voluntary health insurance</th>
<th>(5) Out-of-pocket payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>60</td>
<td>52</td>
<td>−7.5</td>
<td>8</td>
<td>43</td>
</tr>
<tr>
<td>Croatia</td>
<td>86</td>
<td>83</td>
<td>−3.6</td>
<td>84</td>
<td>76</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>90</td>
<td>82</td>
<td>−7.7</td>
<td>83</td>
<td>69</td>
</tr>
<tr>
<td>Estonia</td>
<td>77</td>
<td>75</td>
<td>−2.1</td>
<td>68</td>
<td>64</td>
</tr>
<tr>
<td>Hungary</td>
<td>70</td>
<td>69</td>
<td>−0.4</td>
<td>62</td>
<td>61</td>
</tr>
<tr>
<td>Latvia</td>
<td>51</td>
<td>57</td>
<td>6.6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lithuania</td>
<td>69</td>
<td>67</td>
<td>−2.0</td>
<td>64</td>
<td>58</td>
</tr>
<tr>
<td>Poland</td>
<td>69</td>
<td>69</td>
<td>0.2</td>
<td>62</td>
<td>59</td>
</tr>
<tr>
<td>Romania</td>
<td>81</td>
<td>79</td>
<td>−1.9</td>
<td>69</td>
<td>63</td>
</tr>
<tr>
<td>Slovakia</td>
<td>89</td>
<td>80</td>
<td>−9.2</td>
<td>81</td>
<td>78</td>
</tr>
<tr>
<td>Slovenia</td>
<td>73</td>
<td>72</td>
<td>−0.7</td>
<td>70</td>
<td>69</td>
</tr>
</tbody>
</table>

Note: No data available for Albania.


marked contributions. On the private financing side, sources are split into voluntary health insurance (VHI) and out-of-pocket (OOP) payments.

Looking at the overall changes between 2000 and 2017, the share of public spending on THE has decreased in almost all CEECs, in particular in Bulgaria, Czech Republic and Slovakia (>5 per cent), while the share of private financing has increased. This was due in particular to a declining share of SHI financing. SHI covers the working population and usually also the unemployed. Two problems are particularly salient with this source of funding in CEECs. First, contributions are collected only from formal employment, but the informal sector in the region is large, accounting for about 25 per cent of all workers, according to the International Labour Organization (ILO 2018). Second, with unemployment prevailing at high levels in CEECs, the financial basis for contributions is eroding. Governments therefore are forced to look for alternative funding sources, such as taxes, or private payments. From an economic perspective, payroll-financed contributions increase labour costs and may lead to higher unemployment and reduce international competitiveness (Cacace et al. 2008). While all countries, with the notable exception of Bulgaria and to a minor degree also Slovakia, increased SHI funding, this source of funding is contracting in all countries, particularly in Czech Republic and Croatia. Latvia, after encountering problems with the decentralized planning and financing of the multiple insurance funds established in the early 1990s, switched entirely to financing by non-earmarked general taxes in 2003. Recent changes have reintroduced a small wage-based component (Behmene et al. 2019).

In CEEC social health insurance systems, tax financing is typically used to cover non-contributing population groups such as pensioners, minors and students, and the disabled. Funding from general taxation in some countries is also used to cover SHI deficits. In contrast to SHI financing, the share of tax financing in public spending has increased in most CEE countries. Nevertheless, the increase in general tax financing could not compensate for the decline in contribution financing, which ultimately led to (significant) declines in overall public financing in the countries observed.
Coming now to private financing sources, the proportion of CEECs having established VHI almost tripled between 2000 and 2017. In particular Slovenia, but also Croatia and Poland, rely to a notable degree on that source of funding. In Slovenia, almost 90 per cent of the population purchases VHI, mainly for complementary coverage of co-payments, or to receive faster access to treatment or higher quality of materials. In Poland, VHI is frequently employer-sponsored, appearing as a ‘fringe benefit’, concentrated on the working population. Besides facilitating faster access to inpatient and outpatient services, occupational health services such as periodic check-ups and preventive care are covered.

OOP payments in CEECs are usually a combination of user charges, taking either the form of a fixed amount or a fixed proportion (co-insurance rate), and full direct payments for services. Direct payments are frequently made for pharmaceuticals. User charges are regularly incurred for outpatient services or inpatient care. From an equity perspective, OOP payments are a particularly problematic source of financing since they do not imply risk pooling and because they impose an over-proportional burden on lower-income segments of the population. In most CEECs OOP-spending increased, partly from already high levels, amounting to shares of 40 per cent of THE and above, for example in Latvia (42 per cent) or in Bulgaria (47 per cent) or, as estimated by the World Bank, also in Albania (ca. 60 per cent). In comparison, OOP-spending is rather moderate in Croatia and Slovenia (around 12 per cent) and in Czech Republic (15 per cent). However, the reader must keep in mind that informal payments are not recorded in official statistics in any of the countries, so private spending on healthcare is still much higher than indicated.

4 CONCLUSION

Major reform objectives in CEECs after the end of communist rule were to increase healthcare funding levels, and to create stable and independent public revenue streams. The analysis conducted in this case study, based on WHO healthcare financing data, allows us to identify some general trends and compare them with the targets set. A limitation of this study is that it is not able to map detailed country-specific developments. However, a fairly clear change can be identified in terms of improved financial resources for health systems. All CEECs, except Croatia (a country with high initial spending levels), increased healthcare financing in terms of GDP between 2000 and 2017. On average, spending rose by 1.2 percentage points, although the financial crisis also limited the expansion path. Less successful were the countries with the aim to stabilize social health insurance financing and to establish the related institutions, independent from state governments. SHI funding contracted in all CEECs, but it is a clear limitation of this study that it is not able to map detailed country-specific developments to describe and explain the specific circumstances under which this development occurred. One obvious conclusion, however, is that linking the funding of healthcare to formal employment raises problems, in particular when unemployment rates are high and if there is a large ‘shadow economy’ (cf. Chapter 7, Table 7.1; see Chapter 3). What is more, particularly OOP spending increased as a funding source. The changing public/private mix in healthcare financing in CEECs, therefore, is deteriorating affordability and access to care. Low-income groups have to carry a double load as they are poorer, but also as they have a higher need for healthcare due to lower health status.
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Case study D: Challenges of pension funds in Iran

Ali Akbar Tajmazinani and Yaser Bagheri

1 INTRODUCTION

Social insurance was one of the main pillars of the Iranian social welfare system before the 1979 Revolution, hence Harris (2017) regards the pre-revolutionary welfare regime as a corporatist regime as inherited by the post-Revolutionary state, which has, however, added some universal elements to it. Although Iran is among the oil-based economies of the Middle East and North Africa (MENA) region, its pension system is different from all other systems in the region. According to international reports, the country has, by far, the highest wage replacement rate\(^1\) in the region, but (partly as a result) also the highest contribution rate for pensions. At the same time Iran is, along with Malta, Egypt, and Libya, one of only a very few countries in the region without a non-contributory pension scheme for any group of employees (Pallares-Miralles et al. 2012, 62–3). This may explain why Iran’s total spending on public pensions was quite low in 2000 (1.1 per cent of gross domestic product (GDP)), when only Bahrain spent less (0.9 per cent) (Pallares-Miralles et al. 2012, 178) but increased to 5.8 per cent of GDP in 2013, which is more than the spending of any other MENA country (World Bank 2017).

The Islamic Parliament Research Center report (2018) has shed light on these trends and their implications but various aspects of the problem have not yet been investigated. The present case study is meant to fill this gap. It argues that the trends are due to design features of Iran’s pension schemes (like improper indexing of pensions) but also demographic issues, political interventions, and the adoption of unfunded social policies.

The introduction of this case study is followed by two more sections: a brief description of the Iranian social pension system in terms of coverage, comprehensiveness, and adequacy and an analysis of the main factors of the lack of financial sustainability of Iran’s pension schemes.

2 IRAN’S PENSION SCHEMES: A BRIEF DESCRIPTION

Several pension funds have been established in Iran since the 1950s. Given the continuous challenges faced by these multiple funds, one of the objectives of the Act on Structure of the Comprehensive System of Welfare and Social Security (2004) was to make synergy among these funds under a unified public rule. The act was a turning point and aimed at securing universal coverage, comprehensiveness in services, and adequacy. In this section, we examine to what degree these aims have been achieved.

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\(^1\) The wage replacement rate is the relation between the first monthly pension paid out to pensioners after retirement and their average monthly income from labour during the last years of employment before retirement as far as the latter is relevant for the calculation of pensions (Investopedia 2020).
2.1 Coverage of People

There are 18 pension funds in Iran. However, 14 of them are quite small and exclusive covering only limited numbers of workers (and their families) in state-owned enterprises of specific industries (less than 0.5 million people in total). The other four funds include (1) the Civil Servants Retirement Organization (CSRO) covering around 1 million civil servants and their families, (2) the Armed Forces Social Security Organization (AFSSO) covering about 600,000 soldiers and their families, (3) the Social Security Organization (SSO) covering about 14 million employees in the private sector (and their families, mainly residing in urban areas); and (4) the Social Insurance Fund for Farmers, Villagers and Tribes (SIFFVT) that covers nearly 1 million people in rural areas. The total coverage rate of social insurance is about 72 per cent, which means that over 58 million out of about 81 million inhabitants are covered by one of the 18 pension schemes mentioned above (Ministry of Cooperatives, Labour and Social Welfare 2019). While the rate is higher than in most other MENA countries (Pallares-Miralles et al. 2012) it is far from universal.

2.2 Coverage of Risks

Comprehensiveness in services varies across Iran’s 18 social insurance funds. Some of them (including those of the SSO, CSRO, and AFSSO) cover all of the risks mentioned by the International Labour Organization convention 102 from 1952 (i.e. family allowances, old age, disability, survivorship, sickness, maternity, work injury, and unemployment; see Chapter 9 of this handbook) while others do not, such as the SIFFVT (Pallares-Miralles et al. 2012).

2.3 Adequacy

National and international reports emphasize the generosity of the pension schemes in Iran, having a wage replacement rate of 80–90 per cent. And still, the level of pensions seems to be inadequate: on average, pensions cover just 40–55 per cent of the expenditure of their recipients. Even more so, 77 per cent of the pensions provided by the SSO (35 per cent of those paid out by the CSRO) are below the poverty line (World Bank 2017, 26). While the poverty line has not been officially declared by the government in recent years, the Islamic Parliament Research Center (2018) has calculated it based on the basic needs approach and using the Household Income and Expenditure Survey. Accordingly, the per capita urban poverty line has been 2.2 United States dollars (with 1 dollar roughly equalling 150,000 Iranian rials at the time).

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2 These funds are exclusive since they are created only for employees of a certain public body or industry (like the oil industry) that pays high salaries. The employees tried to separate themselves from the general governmental fund to enjoy more generous benefits.
3 THE MAIN CHALLENGE: FINANCIAL UNSUSTAINABILITY

Basically, all pension schemes in Iran are one-layer partially funded defined-benefit programmes. Because of the inefficiency of the investment policies of the funds as well as the specific economic conditions of Iran, the share of returns from investments in the total revenues of the pension schemes has constantly been decreasing (to about 5–10 per cent). Since the support ratio (the proportion of contributors to pension recipients) is decreasing, expenditures of the funds outweigh their revenues more and more. This means that most of the funds can no longer provide their services without government subsidy.

One of the four large social insurance funds in the country, the SIFFVT, has not yet faced too much financial trouble. This is because the fund has not yet matured and benefits thus from a relatively high support ratio. However, the CSRO and the AFSSO have become dependent on government subsidy and internal resources of the funds (pension deductions and investment). They face a deficit of about 68 per cent (in their annual budget) which is provided by government subsidy (Ministry of Cooperatives, Labour and Social Welfare 2019). The SSO has also faced a high liquidity deficit since 2013 and has had to receive loans from banks to pay its monthly pensions. According to calculations of the International Labour Organization (2016), even if the government debt is paid to the SSO, its reserves will deplete by 2026 and, then, supplying the pension expenditures will need government help as well.

There are several causes of financial unsustainability, the most important of which are the following.

3.1 Technical Factors

- Improper indexing: In Iranian law, only the individuals’ average wage of the last two years is taken as the basis for the pension calculation. Most workers receive higher earnings in the last years of working so their pension is more than the average of their wages during most of their work life. Moreover, some employers increase employees’ wages (out of their own pocket) during the last two years (before retirement) to help them receive more pension.
- Minimum pension provisions: According to Article 111 of the Social Security Act, the minimum pension for retirees with more than 20 years of contribution records must be

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3 ‘Partially funded’ means that the insurer does not pay out all contributions collected from policyholders immediately to the pensioners in the same year (such as in a pure pay-as-you-go scheme), while the rest is invested in order to finance at least part of the pensions of today’s contributors (whereas in a fully funded scheme, all contributions are invested rather than paid out to today’s pensioners). ‘Defined benefit’ means that the pension fund promises a certain pension level to its customers (based on a prescribed formula) and has to adjust contributions regularly so as to be able to hold its promise. ‘Defined contributions’ means that the contribution rate is fixed and the benefit level depends on the level of contributions and the ability of the insurer to invest contributions well.

4 This fund was established in 2004 and its number of pensioners is still very low. According to the World Bank (2017, 33–4), system maturation refers to the process by which a pension system moves from being immature, with young workers contributing to the system but with few benefits being paid out since the initial elderly have not contributed and thus are not eligible for benefits, to being mature, with the proportion of elderly receiving pensions relatively equivalent to their proportion of the population.

5 For reasons, see the next section.
at least equal to the official minimum wage. Since most people insured by the SSO have wages close to the minimum wage (average wages: 1.8 times the minimum wage\(^6\)), they have no incentive to continue their contributions to the funds after 20 years.

- Generous early-retirement options: Numerous laws ease early retirement for insured individuals. At some point in time, for instance, the government gave permission to employees to retire five years earlier (while still receiving the full accrual rate\(^7\)) in order to reduce unemployment. Furthermore, numerous workers in ‘hazardous jobs’ benefit from an exceptional rule, according to which their accrual rate is 1.5 times higher than for other workers. They can retire after just 20 years of employment and at any age and still receive full pensions.

### 3.2 Contextual Factors

- Demographic changes and the ageing of the funds: As Iran’s population is getting older, the proportion of pension recipients to contributors is also increasing. It is notable that the pension formula was defined at a time when life expectancy was much lower and it has never been adapted to rising life expectancy. In the current situation, the dependency rate in the SSO is about 4.5, while it is 0.7 in both the CSRO and the AFSSO (Ministry of Cooperatives, Labour and Social Welfare 2019).

- Economic problems of the country: The labour market participation rate in Iran stands at 45 per cent, which is well below the world average (approximately 77 per cent).\(^8\) Additionally, the unemployment rate is high (12 per cent) while economic growth is weak. As a result, the number of contributors is not growing much and their wages (and hence contributions) are stagnating.

### 3.3 Government Liabilities

Subsequent administrations in Iran have adopted new social policies without taking the sustainability of funding into consideration. A number of these policies exacerbate the financial problems of the pension funds:

- Subsidization of the self-employed: In recent decades, law-makers have passed laws to extend social insurance coverage to the self-employed. In several other countries, they can also enrol on a voluntary basis but have to pay the entire contribution (including the employer’s and the employee’s share) themselves. In Iran, in contrast, the employer’s share is financed by the government (Loewe 2009, 12).

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\(^6\) Authors’ calculation based on Social Security Organization (2018).

\(^7\) The rate at which pension entitlement is built up relative to earnings per year of service in a defined-benefit scheme. For example, 1 per cent of the reference salary per year of applicable service (World Bank 2017, 32).

\(^8\) In other words: the number of unemployed people and people outside the labour force is high, and hence a diminishing number of active contributors has to pay the pensions of a growing number of pensioners.
Back in 1983, some workplaces with fewer than six employees were also exempted from paying the employer’s share of contributions, which was hence to be financed by the government. The same exemption was extended in the 2000s to whole groups of workers such as carpet weavers, barbers, and drivers.

Creation of additional benefits: Relying on the sufficiency of liquidity in social insurance funds, law-makers have enacted several laws to use resources from these funds for non-generic purposes. For example, it allowed widows and divorced women to receive their dead parents’ previous survivorship pension.

3.4 Governance

Pseudo-tripartism: Given the emphasis of the International Social Security Association and the International Labour Organization on tripartism in the governance of pension funds, this issue is also addressed in Iran. However, the proportions of representatives of the government, workers, and employers are defined in a way that the government always has the final word.

Political interventions: Given the lack of genuine tripartism in Iran, the election of pension fund managers is also dominated by the government and mostly the choices are political rather than competency-based. Therefore, fund managers try to obey the president or the minister’s orders.

Transparency: None of the funds enjoy transparency; they are non-governmental and therefore not monitored closely by the state, which has provided a high potential for corruption. Since the administration is not tripartite, there is not much oversight of the funds (by employees or employers).

4 CONCLUSION

The Iranian pension system is scattered across multiple funds and faces various challenges, with financial sustainability as the most notable challenge. Studying the status of the Iranian pension system, most national and international research institutions have come up with similar policy recommendations (e.g. World Bank 2003, 2017; Feher et al. 2017; International Labour Organization 2016; Islamic Parliament Research Center 2017). They suggest two possible strategies:

Parametric reform (including an increase in the age of retirement and a decrease in the replacement ratio).

Transition from defined benefits to defined contributions.

Here, the key point is that all of the studies above are based on a technical and computational approach and are merely aimed at reducing pension fund deficits. Obviously, the workers’ low

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9 The reason was to help improve industry during the Iraq–Iran War in the 1980s but the exemption has not been abolished.

10 According to previous Iranian law, women were allowed to use their parents’ survivorship pension before being married up to any age but, when they married, their parents’ survivorship pension would be cut forever.
wages and the pensioners’ low pensions toughen any replacement rate reduction. Increasing the retirement age also exacerbates existing problems of high unemployment rates. Likewise, the government’s weak regulatory oversight in the informal economy is another obstacle to parametric reforms because it leads to a reduction in workers’ motivation to benefit from social insurance.

As for the second solution, in the unfavourable macroeconomic situation of Iran, a defined contributions scheme that relies on investments is doomed to failure. In Iran, the profits from buying and holding foreign currency, gold, and property are higher than the returns from economic investment and stock markets. Therefore, these reforms will also drive funds to invest in property and charge some kind of economic rent, similar to banks, which will aggravate the unfavourable economic situation in the country.

Instead, it is suggested that the government should pursue the following: (1) governance reforms in funds put on the agenda; (2) abolition of the employer’s exemption from insurance payments; and (3) the addition of new tax resources to the welfare system. The limited resources of the insurance sector are insufficient for the scope of its liabilities and this should be offset by taxation. Investigation of tax to GDP ratio shows that Iran is placed among the bottom 10 countries of ranking in this index (World Bank 2020). Comparing the index with the United States (as a residual welfare state) indicates that the amount of tax loss is more than the sum of total pension system expenditure. Therefore, the main strategy for reforming the pension system should begin with reforming the tax system.

REFERENCES


4. Labour market policies

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### 4.1 INTRODUCTION

Driven by the confluence of strong labour movements, rapid post-war economic recovery and decreased flows of international labour mobility, labour market policies (LMPs) were first conceived and implemented in Western and Northern Europe in the inter-war period (1920–38) as instruments of income replacement.\(^1\) They were complemented by measures aimed to improve the employability of jobseekers in the 1950s and 1960s in contexts characterized by buoyant growth, such as Sweden and the United States.

In their modern form, LMPs describe the many ways in which the state influences the functioning of the labour market. Hence, they comprise the rules of the game governing the employment relation through which the state protects workers by rebalancing the disproportionate power of employers deriving from market forces. Such instruments include minimum wages policies, and provisions of the labour code granting the right to paid holidays, reasonable working hours and protections to insure workers against the most important livelihood risks: maternity, illness and accidents at work. LMPs provide instruments of protection against all forms of violence and discrimination in the world of work. Different International Labour Organization (ILO) Conventions stipulate principles and criteria to protect workers’ rights, with protection in the world of work so important that many of these issues are also incorporated in the Universal Declaration of Human Rights.

Other LMPs are aimed at protecting not only workers, but also employers against systemic risks of business cycles and structural recessions: for instance, LMPs deploy efforts to protect workers and labour market participants from income losses, as well as to sustain employers in retaining their employees during difficult times or to facilitate their expansion to absorb a new workforce.\(^2\)

Fiscal and other labour adjustment incentives such as employment services and active measures are also used to streamline the general functioning of the labour market, both in good and bad times, and are targeted to the employed, the unemployed as well as the many different categories of individuals composing the non-labour force.\(^3\) With different fiscal efforts and intensity, these programmes can be used to absorb demographic bulges or help the workforce adapt to technological and other changes. Labour market adjustment tools, also referred to

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\(^1\) LMPs developed with strong linkages to existing social protection institutions, notably pensions systems, unemployment insurance and accident insurance, that came to exist in the late nineteenth century and early twentieth century in Germany and the United Kingdom, respectively (Janoski 1990), as well as France and Belgium in the era of early industrialization.

\(^2\) These can take the form of fiscal incentives to keep or expand the workforce.

\(^3\) Those who are not in employment and not in unemployment are statistically defined as the non-labour force. This group includes people with very diverse characteristics, from students to pensioners, discouraged and disaffected persons, as well as persons with disability and in some national classifications also the military and convicts.
as active programmes, are often integrated with passive programmes that provide income replacement to those seeking work, including the unemployed (Auer and Leschke 2005). Spanning beyond labour market efficiency goals, LMPs not only aim to provide the economy with a labour supply that better fits production needs in terms of human resources, but they also contribute towards a similar set of goals as social protection systems, which notably aim at socio-economic inclusion, reducing vulnerability and inequality.

To clarify terminology and definitions, it is useful to differentiate passive from active LMPs. Passive labour market programmes (PLMPs) comprise social transfers and income replacement instruments specifically aimed at supporting the unemployed during the job search. They are always characterized by a cash transfer. Historically, PLMPs were not tied to conditions such as joining a training or work programme. However, since the late 1990s, PLMPs have increasingly been linked to job search provisions as an active element of conditionality (OECD 1993).

Active labour market programmes (ALMPs), on the other hand, target labour market integration and reintegration of jobseekers by removing employability barriers to employment, for instance by training or retraining workers, facilitating the acquisition of work experience or other forms of non-monetary support during the period of job search. From a functional point of view, ALMPs are contingent on beneficiaries’ participation in programmes that enhance employability. ALMPs are also defined as second-chance instruments, generally targeting remedial programmes for beneficiaries facing specific integration challenges, such as youth lacking work experience, older people in need of retraining or the disabled requiring favourable access to jobs (Auer and Leschke 2005).

Developing and industrialized economies generally show considerable labour market differences, with developing countries tending towards higher informality, lower unemployment rates, lesser capacity and presence of labour market institutions, as well as lower funding for labour market programmes. Ministries of labour in developing and emerging countries hence generally implement hybridized ALMPs – which include elements of income support and other anti-poverty measures – rather than comprehensive PLMPs (ILO 2016). In the practice of European public employment services (PES), the practice of clustering together elements of active and passive measures into a coherent intervention based on individualized needs is also referred to as an integrated employment plan.

According to the ILO, the informal economy accounts for more than half of global labour, with 93 per cent of the world’s informal employment occurring in emerging and developing countries (ILO News 2018). Local labour markets in many developing countries are characterized by insufficient job opportunities in the formal labour market, often exacerbated by growing working age populations. A key target group of ALMPs in developing countries is hence the working poor engaged in the informal economy, rather than solely the unemployed. This difference in targeting shifts the objective of ALMPs to new areas, including formalizing employment, promoting productivity and lifting social protection floors. In such contexts, it is appropriate to direct jobseekers and non-active strata of the population towards livelihood

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4 The notion of second-chance instruments is critical to discern between formal education and other forms of capability development for the better off (first chances), and the active labour market policies that should provide support to workers’ adaptability for people unlikely to receive training from their employers. www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_508938.pdf.
opportunities that arise outside of formal employment channels, such as social cooperatives, or typical or atypical forms of self-employment.

As social transfers and income replacement instruments have been covered in Chapter 2, this chapter will primarily focus on key instruments falling under ALMPs, their design features and main challenges emerging from their implementation in development contexts.

4.2 LABOUR MARKET POLICIES AND THE LINK TO SOCIAL PROTECTION

To which degree LMPs – and active programmes in particular – classify as social protection is a contested issue, especially as the debate emerged in countries where social cohesion was not only an explicit objective of public policy, but these countries were also characterized by a high degree of formality of employment which allowed a link between employment and social policy via compulsory contributions, aimed at supporting the worker and the community around him/her during a time of need. These compulsory contributions are composed by a part paid by the employer and a part paid by the worker. This struck a social pact among the three parties of the employment relation which contributed to fund, design and provide a long-term vision to an increasing array of instruments for social protection and labour market governance.

Using the ILO’s broad conceptualization, according to which social protection aims to provide people and families with security in the face of vulnerabilities and contingencies, PLMPs arguably fall within the remit of social protection (Garcia Bonilla and Gruet 2003; see Chapter 1). Similarly, PLMPs meet the World Bank’s definition of social protection as systems which ‘help the poor and vulnerable cope with crises and shocks, find jobs, invest in the health and education of their children, and protect the aging population’ (2019, 1).

Figure 4.1 shows that LMPs are only a part of the instruments deployed by the state in its social protection strategy. The figure provides a classification of LMPs based on their objective. LMPs can contribute to (1) set out the rules of the game governing the employment relation (labour market regulations); (2) improve labour market efficiency through better matching of its demand and supply, also by promoting the adaptation of skills and competencies of the labour force to labour market demands (active programmes); and (3) support jobseekers through cash transfers during the job search (passive programmes). Through these intermediate objectives, LMPs contribute to improving or maintaining equity and social justice by specifically targeting the labour force (see Van der Hoeven 2000; Bonoli 2013), and more in general the working age population through activation strategies.

Figure 4.1 underlines that LMPs are an integral part of the social protection strategy, with employment being the anti-poverty strategy of first resort, in the sense that policy makers should try to include people in employment before providing them with income support through welfare. This not only resonates with the principle that limited welfare resources should be targeted to those unable to work, but it also builds on the idea that employment transcends the economic dimension of livelihood and should be seen as an integral pillar of overall realization of individuals and communities. However, it needs to be noted that both

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5 The set of rights and obligations governing the relation between an employer and an employee sets the foundations of the employment relation (see also ILO 2019).
in advanced and developing labour markets, in-work poverty continues to be a harsh reality, and that employment as of itself is not sufficient to ensure the protection and socio-economic well-being of employees. LMPs hence need to also target the employed to fight working poverty and help the poor move to better employment opportunities.

4.3 RANGE OF ACTIVE LABOUR MARKET PROGRAMME MEASURES

In most cases, ALMPs support employment creation in indirect ways: (1) by improving employability through training, retraining and provision of up-to-date labour market information and job-matching services, (2) through entrepreneurial education and business development services to support self-employment, (3) through employment subsidies to favour employment of hard-to-place target groups and (4) through cash-for-work schemes directly creating jobs. When the support to employment creation is direct, as in the case of public work or cash for work, the jobs created are and should usually be short-term employment opportunities to bridge jobseekers to a career job. While ALMPs also target the short-term unemployed, meta-reviews suggest that the key target groups of ALMPs are young people, older workers,
low-skilled as well as long-term unemployed who have particular barriers to (re-)enter the labour market (Escudero et al. 2016; European Commission 2016).

4.3.1 Training, Retraining and Testing

Training and retraining are the most common type of ALMP in developing, emerging and developed countries (Malo 2018). Far from a homogenous category, training comprises a wide set of different technical vocational education and training (TVET) measures aimed to help beneficiaries acquire and develop skills, including through professional education and requalification programmes. Training and retraining can range from classroom and on-the-job training to competency training, and may cover either vocational or general skills, or both (Escudero et al. 2016; Meager 2009).

Training programmes can improve the employability and occupational mobility of beneficiaries by addressing underlying skills gaps and can furthermore act as a protective mechanism by building the resilience of learners to labour market shocks (ILO 2014). Training can furthermore facilitate geographical mobility by aligning the skills of migrants with the needs of labour markets in territories beyond the local environment.

To provide lasting positive employment outcomes, training schemes need to be informed by criteria of relevance and efficiency. Both competency-centric and holistic research on TVET designs concur that skills development pathways need to be adequately tailored to the skill needs of the local labour market, as well as to the skills, profiles and interests of individual jobseekers (Caves and Renold 2018; Gamble 2016). Conducting regular assessments of the labour market, market systems and value chains in the target area is hence an essential condition for the identification of relevant skill sets that are currently and prospectively in demand. Training curricula should furthermore be designed in close coordination with potential employers, in order to make sure that beneficiaries are provided with relevant and useful skills. In some cases, on-the-job training may deliver more immediate results as the curriculum can be tailored directly to employers’ skill needs and provides space for the imminent application of knowledge (Almeida and Cho 2012). However, classroom training is generally an indispensable complement to work-based skills development, in particular for upgrading the job-related skills of specific beneficiary groups such as migrants or long-term unemployed who might lack the prerequisite skills (including soft skills) to successfully take part in on-the-job training (ILO 2014).

Finally, for training programmes to effectively strengthen participants’ employability, they should be based on needs assessments of individual beneficiaries. For new labour market entrants, notably young people, this emphasizes the importance of taking into account skills learnt in secondary school as well as those acquired outside of conventional educational and professional environments. Jobseekers with prior work experience should be provided with adequate skills recognition and certification services. The testing process should be placed within the broader framework of a system of recognition of prior learning (RPL), which is a mechanism of assessment and certification that recognizes an individual’s competencies based on occupational standards, regardless of how these competencies were acquired. In some contexts, especially in formal labour markets, certification of competencies is an integral part of the testing process. Developing up-to-date RPL frameworks is particularly valuable in developing contexts, as it can facilitate entries into the formal labour market of jobseekers who were previously active in the informal market, and streamline labour mobility patterns by
allowing workers to have skills recognized which they acquired during (or prior to) migration, or whose qualifications are not (yet) recognized in the country of destination. A tracer study of a pilot RPL scheme implemented across four sectors in India, including with former labour migrants, showed positive effects on participants’ occupational safety and health awareness and on their willingness to take part in further training, as participants felt that certification of skills and acquisition of further knowledge can translate into higher wages and benefits. In fact, it is not uncommon that RPL schemes are delivered together with occupational safety and health components. An indirect positive effect was the improved social recognition and self-esteem reported by participants across all sectors (Rothboeck et al. 2018).

The establishment of an RPL system requires:

- Identification and selection of the sector and occupation(s) to which the system is intended to apply (e.g. welders in the metallurgical industry).
- Identification and screening of the institute or company to which jobseekers can be referred for testing.
- Definition of requirements that will inform the assessment and certification procedure (e.g. based on the requirements established by a foreign professional body, such as the American Welding Society).
- Development of appropriate assessment tools and methodologies.
- Selection of assessment centres and venues.
- Identification of the required qualifications of assessors.
- Development of training and certification procedures for assessors.

Other than empirical labour needs and skill needs, training curricula must take into account aspects of gender-specific socio-cultural permissibility. For instance, in some socio-cultural contexts, participating women may need to be allowed or supported by their families to leave the house for attending a training course. It is important to design targeting mechanisms that take into account these socio-cultural factors to prevent stigmatization, low placement rates and avoid frustration on behalf of the learner and his/her immediate environment (Biella-Battista et al. 2019).

Evidence suggests that the post-intervention employment rates of training and retraining programmes can be enhanced by combination with other labour market programmes, in particular pre-training counselling services, cash-for-work schemes and passive types of income support (ILO 2014; OECD 2015). In some developing contexts, self-employment might be the most feasible option to pursue for certain individuals, and labour market integration should be planned accordingly. In both developing contexts and in labour markets of advanced economies, the mix of programmes backing the labour integration strategy should take into account: (1) the number of vacancies in the formal labour market; (2) the incidence of informality of economic activities in the labour market; and (3) the scope for entrepreneurship promotion based on market system analysis or socio-economic trends that may create space for new sources of livelihood. For instance, a 45-year-old beneficiary may be living in a village with no formal labour market, in which taxi services are inexistent but demand for these is high. If

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6 It is to be noted, however, that due to the high degree of informality characterizing many developing economies’ labour markets, RPL may not become a political priority in the short and medium term. Accordingly, priority has to be given to understanding how the skills and competencies acquired by an individual can be relevant for the local labour market and recognized as such.
the beneficiary has a driving licence and enough savings to buy a car, it may be advisable to provide the jobseeker with the training he needs to become a self-employed taxi driver, rather than helping him to write a comprehensive curriculum vitae. Given the low level of formality that characterizes many labour markets in developing economies, programme design needs to ensure adequate permeability between different ALMP options provided to beneficiaries.

4.3.2 Employment Subsidies

Employment subsidy programmes generally entail the granting of subsidies to employers to hire jobseekers who meet certain predetermined requirements. These subsidies target different sets of unemployed individuals and reimburse part of the employers’ labour costs, usually by crediting their tax accounts once an eligible person is hired. Both in developed and developing countries, the primary objective of employment subsidy schemes is to provide employers with incentives to hire jobseekers that struggle to find non-subsidized jobs. However, in developing economies they are often linked to existing anti-poverty programmes and aim to employ participants from conditional cash transfer programmes, such as those not in education, employment or training, the underemployed and informal workers (Escudero et al. 2016; Malo 2018). Meta-reviews highlight that employment subsidy programmes in the Latin American and European contexts show for the most part positive results, with only a few studies indicating the contrary (Maibom Pedersen et al. 2014; Escudero et al. 2016). In contrast with the long-term employability effects of training and retraining programmes, the impact of employment subsidies is however mainly limited to the short term.

When considering the introduction of employment subsidies there are two important aspects to take into account: first, these measures can be very resource-intensive for the public institution mandated to fund the subsidies. Second, employment subsidies bear the risk of incurring deadweight and substitution costs, i.e. the risk of incentivizing job openings that would have been created anyway, or hiring a person that would have been hired even if not eligible for support through the subsidy programme; and the risk of incentivizing employers to substitute one type of worker for another to do the same job due to a change in the respective labour costs. The design and volume of the subsidy – payment of part of the worker’s salary, offering reductions in social security contributions or other – have important implications for its effectiveness as a policy tool as well as for its cost–benefit ratio, hence the importance of designing the measure based on up-to-date labour and skills needs assessments to mitigate the risk of opportunistic behaviour by benefiting enterprises.

Due to the cost-intensity of employment subsidy programmes, an adequate targeting framework is the precondition to create positive effects on hiring and retaining participants without excessively burdening public finances (DWSE 2010). Evidence suggests that employment subsidies are far more effective when targeting suitable groups of jobseekers, notably long-term unemployed and fixed-term employees through conversion to permanent status. Albeit to a lesser degree, subsidies targeting low-wage earners, young people, low-skilled and older workers also show a positive impact (Eurofound 2017). Targeting young workers may be particularly relevant in those developing labour markets in which firms primarily refrain from hiring young (and untested) workers due to uncertainty about their productivity. Finally, evidence from developing countries suggests that the counter-cyclical deployment of subsidies during times of temporary shock may be the most effective use of this ALMP. A review of a wage subsidy programme deployed in Mexico during the global financial crisis found that
employment was 6 to 13 per cent higher in the affected industries during the programme’s implementation, and grew faster during the post-crisis recovery than in industries which were not eligible for the programme (McKenzie 2017).

4.3.3 Cash for Work

A crucial objective of ALMPs is that of immediately (re)inserting jobseekers into the labour market, therefore avoiding recently unemployed individuals remaining inactive and possibly becoming disconnected from the labour market over a prolonged period of time. This goal is very important from a psychosocial perspective that also takes into account the psychological, relational and social aspects of employment. An effective way to avoid labour market disengagement is that of involving jobseekers in cash-for-work and community services, which are also referred to as public work schemes. These programmes are often used to provide temporary employment in public projects to the most vulnerable sectors of the unemployed population. In exchange for their participation in cash-for-work programmes, jobseekers receive direct cash transfers. Typical activities include infrastructure construction activities, cleaning public spaces, gardening and other community services.

Both in developed and developing countries, cash-for-work and direct job creation programmes are generally targeted to groups of highly disadvantaged workers. While evidence suggests cash-for-work programmes have lower long-term employability impacts than other ALMPs, the primary objective of direct job creation is generally to improve equity by providing partial labour market integration to vulnerable strata otherwise excluded from the labour market (Malo 2018). Past studies conducted in India and Malawi show little to no displacement for cash-for-work schemes, which indicates the potential of designing cash-for-work programmes in developing contexts without incurring labour market distortion (Fox and Kaul 2018).

In developing contexts, the design of cash-for-work schemes should be closely aligned with the objectives of national and local development plans, both (1) in terms of realizing public projects that contribute to national development goals (e.g. developing a large-scale hydropower facility to improve energy autarky) and (2) in terms of ensuring that the skills developed by beneficiaries are relevant to future job profiles that are anticipated to emerge under a national development vision. An illuminating example of this synergistic potential of cash-for-work schemes is a recent scheme implemented in the small island state of the Republic of Tuvalu. Prior to hosting the Pacific Islands Forum Secretariat Leader Summit in August 2019, the Ministry of Public Works designed and implemented a large-scale cash-for-work scheme that combined a substantial land reclamation operation with the construction of a convention centre, new housing and accommodation. The scheme employed a large number of long-term unemployed Tuvaluan seafarers, the majority of whom had no prior formal qualifications in construction. During the cash-for-work scheme, participants learnt relevant new skills on the job (e.g. constructing seawalls, wiring buildings, etc.) and were given the opportunity to have their construction skills certified under a partnership agreement with the Australia–Pacific Training Coalition, hence directly improving their future employability.

Enrolling in a cash-for-work scheme should always be targeting participants’ long-term labour market integration by providing them with skills and work experience that increase their employability. Towards this goal, cash-for-work schemes should be combined with other ALMPs, notably skills development training and regular counselling aimed at increasing ben-
eficiaries’ employability and likelihood of success at securing a stable livelihood. However, identifying and implementing such projects is not trivial, in particular in countries with weak administrative capacity, and should always be based on up-to-date labour market information, including labour and skills needs forecasts. For instance, a cash-for-work programme can be designed as a weekly schedule comprising four days of on-the-project work, one day of TVET to complement the practical training and two days of rest. Design features can also include modularizing wage disbursements, for instance by specifying a compulsory share of the wage which is automatically allocated to a savings fund. This savings fund can be used to complement other forms of assistance, such as a micro-grant for subsequent business development support (BDS).

4.3.4 Entrepreneurship Training and Micro-Enterprise Creation

BDS, entrepreneurship training and micro-enterprise creation comprise a promising set of interventions in developing contexts, as they are conducive to employment creation both in formal and informal labour markets. In developing contexts, BDS programmes generally focus on creating a sustained income and reducing poverty of participants and their families (Malo 2018). While generally targeting young and higher-skilled individuals, entrepreneurship training schemes may be targeted to a wide group of beneficiaries, including women and vulnerable jobseekers, depending on the objective of the programme.

Research conducted in transition economies indicates that measures promoting self-employment through business creation have higher and more sustainable employment creation effects than interventions aimed at increasing employment in existing enterprises (Grimm and Paffhausen 2015). Well-designed BDS schemes can furthermore address the shortcomings associated with traditional self-employment pathways prevailing in many developing economies. Fox and Kaul found that many African labour markets – in which informal apprenticeships are the primary avenue for young people towards subsequent self-employment – have inherent financing constraints and suffer from gender segregation (2018). Modular BDS programmes can leverage on the strengths of existing apprenticeship schemes by complementing the traditional on-the-job learning components with start-up grant and loan schemes, incentives for enrolment of young women as well as TVET and business skills training to improve both equity and employment creation. This is corroborated by a strand of research indicating that BDS schemes which combine financial assistance with entrepreneurship training and vocational education are far more effective than any of these measures implemented on their own (Cho and Honorati 2014).

When BDS leads to long-lasting livelihoods, this approach can promote the sustainable labour market insertion of youth, women and other target groups. However, start-up businesses risk failing if beneficiaries are not fully invested, trained or knowledgeable on how to manage a business. Hence, BDS should only be provided in certain circumstances and must be accompanied by a coherent business plan that is tailored to the specific local market system and value chains (Biella-Battista et al. 2019).

Finally, successful delivery of BDS requires adequate institutional capacity and market expertise. In many developing economies, the coverage and capacity of institutions for the labour market is insufficient to provide accessible and quality active programmes (Campbell 2013). In contexts where local PES lack the capacity to administer BDS, partnerships may be created with suitable market stakeholders including national development agencies, chambers
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of commerce, employers’ organizations, business associations, sectoral associations, local banks and micro-finance institutions, international organizations as well as civil society organizations. Evidence suggests that involving a wide array of stakeholders in the design, implementation and evaluation of BDS can positively impact the profitability and sustainability of incubated businesses (Hall 2017). Such partnerships, e.g. in the form of public–private business advisory councils, can provide a range of support services that are beyond the remit and expertise of PES:

- support market assessments and value chain analyses with a view to identifying suitable sectors for business development;
- evaluate and identify promising business plans;
- provide technical support to training and mentoring beneficiaries, including on accounting, taxation, navigating administrative and bureaucratic procedures, managing workers and marketing;
- support the selection of suitable vendors for purchasing assets and products for business start-ups; and
- provide incubation and up-scaling support for successful businesses.

Finally, the combination of start-up grants and loans with technical and business training can strengthen the human capital of entrepreneurs, and hence improve their resilience to future economic volatility and labour market shocks. By underpinning strategies aiming to enhance social protection floors and reduce poverty, BDS is hence a promising active programme that can be embedded in national and local development planning.

4.4 IMPLEMENTING ACTIVE LABOUR MARKET PROGRAMMES IN DEVELOPING LABOUR MARKETS: KEY CONSIDERATIONS

Although few other government programmes have received such intensive scrutiny, gaining reliable evidence on the impact of ALMPs at individual, meso- and macro-levels is very difficult, and particularly so in the less formalized labour markets of developing economies. Assessing the return on investment of specific ALMPs is challenging due to the heterogeneity of target groups, of institutional settings, of ALMPs themselves, as well as of the evaluation methods and underlying parameters used (Heckman et al. 1999; Kluve 2006). As such, this section will outline only the broad factors that affect the objectives, design, targeting and delivery mechanisms of ALMPs in developing contexts:

- Labour market characteristics, as determined by labour market assessments.
- Institutional capacity and regulatory environment, which determine the expediency of different service delivery modalities.
- Objectives and programmes of national development strategies.

4.4.1 Labour Market Characteristics

Any government institution aiming to provide ALMPs to a population of jobseekers first needs to assess the current realities of the world of work in a given geographical context
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(Biella-Battista et al. 2019). For instance, if formal jobs are not locally available, it may be strategic to invest in pragmatic self-employment strategies that match the characteristics of local labour markets and market systems. Prior assessment of the labour markets, market systems and value chains in the target area is hence an essential condition for the design of suitable labour market insertion strategies.

Labour market information concerns the composition, nature, growth and accessibility of labour markets and market systems at national and sub-national levels and is usually generated by labour market assessments. Relevant labour market information can be extrapolated from national labour force surveys and labour market assessments which, for instance, provide information on employment growth by sector and by occupation; skills needs assessments and skills forecasting exercises that provide information on current and future skills needs by sector; and rapid market analyses, which can provide a short overview of possible high-potential local markets, as well as the costs involved in supporting jobseekers in setting up their own business. Other relevant information elicited through such assessments includes the identification of barriers to employment, hence informing strategies to support jobseekers to take advantage of existing job opportunities.

As categories of jobseekers in many developing contexts are very heterogeneous, ALMP design also requires effective profiling systems to target measures to the specific vulnerabilities and competencies of jobseekers. Particularly in economies with strained fiscal space, these activities might exceed the capacity of public authorities and may hence benefit from the creation of strategic partnerships with civic and private entities, as discussed in the subsequent section.

4.4.2 Institutional Capacity and Regulatory Environment

Labour market integration always occurs in a specific context characterized by national and local labour markets which are governed by existing policies and laws (labour codes, development plans, mobility policies, to mention only a few) as well as the de facto informal rules (hiring through social contacts, different perspectives on gender and employment, commitment to work values, etc.), which are often incongruent with aspects of the de jure regulatory framework. Moreover, the financial, technical and organizational capacity and coverage of institutions for the labour market (ministry of labour, PES, social security institutes) differ greatly between and even within countries. Also, non-governmental stakeholders such as international aid partners and civil society organizations play a far greater role in the labour market governance of developing economies.

In national or local contexts where a PES is present and functioning, ALMPs are generally managed and administered directly through public employment agencies, which make use of specialized local service partners through established referral systems. However, in many developing contexts the capacity and coverage of public service delivery is severely limited. In such contexts, the ministry in charge of the labour portfolio should strive to establish partnerships with locally present non-state actors in a system of referrals that enables the functional outsourcing of active programmes to suitable partners under adequate public contracting provisions and regulation. Such partnerships can comprise a wide range of actors, including:
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- Private employment agencies, e.g. for job matching; support to job search and ALMP-like programmes; and in-kind support to individual labour market integration plans.
- Training and research institutes, e.g. for provision of TVET, language and financial literacy courses; support for research and analysis underpinning ALMP design, such as labour market assessments and value chain analyses.
- Private companies, e.g. for organizing job fares; technical and financial support to business development schemes; provision of mentoring programmes and on-the-job training places; and partnerships for cash-for-work programmes, such as private construction companies.
- Civil society organizations, e.g. for enrolment in community-based or collective livelihood actions; provision of specialized technical and financial support to vulnerable groups.
- International organizations and aid partners, e.g. for technical support; job placement programmes; and enriching information management systems by sharing information on the local service provider ecosystem.

The potential of each of these different stakeholder groups depends on the specific national and local institutional and market context, on the ALMP objectives and on the characteristics of jobseekers. Particularly in developing contexts, diligent planning at the national level is a precondition for setting up an appropriate system of service delivery and a workflow of assistance in which jobseekers are referred to the actors who are best positioned to provide assistance (Biella-Battista et al. 2019). While contracting out service delivery to private agencies (both for-profit and non-profit) can enable governments to deliver a greater portfolio of ALMPs to a larger population of jobseekers, it does however require adequate regulatory frameworks, management practices as well as monitoring and evaluation mechanisms on the part of the ministry and PES (ILO 2014; see Chapter 10).

Finally, ALMPs need to be designed keeping in mind the social security rights of beneficiaries in order to avoid unintended effects or an infringement of acquired rights of jobseekers. This is particularly important when designing eligibility and conditionality criteria which may limit individuals’ access to benefits or deploy sanctions in cases of non-compliance. Particularly in the case of cash-for-work programmes, regulators should require that all participants have access to health care and are protected in the case of maternity, employment injury or disability.

4.4.3 Linkage with Development Objectives

The authorities in charge of the labour policy portfolio should aim to devise ALMPs that align with national and local development plans, and at the same time interlink with measures already in place for the pursuit of such objectives. Establishing and maintaining a coherent agenda and avoiding duplications of effort require regular dialogue between the authority designing ALMPs and the ministries in charge of formulating national development strategies. In a mutually reinforcing dynamic, employment and skills development targets should be incorporated in national development plans, whereas labour market programmes should be designed in pursuit of development objectives. As an example, for the former, Nepal’s Three-Year Development Plan 2010–13 targeted poverty reduction and improving socio-economic inclusion through employment-centric economic growth. Building on findings of preceding LMPs, the Development Plan specified priority sectors which were deemed
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conducive to employment generation, including the agriculture, tourism, industry and trade sectors (Bajracharya 2012).

Alignment of training and retraining programmes with development plans is instrumental to ensure the relevance of skills development. For instance, a government may have prioritized the national maritime industry as a sector with a high potential for growth and consequently invested significant resources to promote the shipbuilding industry. In such a scenario, adequate funds should be channelled to vocational training courses preparing jobseekers for the shipbuilding sector, hence optimizing the impact of recruitment, training and retraining as well as skills recognition programmes towards a coherent development strategy. Cash-for-work programmes are particularly well suited to attain mid-term objectives of national development plans. While providing participants with market-relevant skills, aligning training programmes with development plans is also key to ensuring that people are linked with the resources available in their local territory and to fostering social cohesion and sustainable development that can result in a higher quality of life for communities and individuals.

Finally, BDS programmes targeting collectives rather than individuals have a high potential to contribute towards local and national development plans. Collective income-generating activities and community-based cooperatives can provide sustainable economic and livelihood opportunities for community members and at the same time improve governance, stability, local infrastructure and/or delivery of services in line with a local economic development plan. Collective businesses can take various forms depending on the local context and market system, ranging from small agricultural business and artisan groups to agro-processing cooperatives, youth employability programmes and networks of small mobile shops. However, to harness the potential of collective income-generating activities and to avoid the failure of such projects, it is essential that the PES involves and mobilizes market-savvy project partners in developing, selecting, implementing, monitoring and evaluating individual projects (Biella-Battista et al. 2019).

4.5 CONCLUSION

ALMPs emerged in European and North American economies throughout the second half of the twentieth century. The objectives and design of ALMP are hence necessarily different in contemporary developing contexts. While research into the aggregate and long-term labour market effects of specific ALMPs is limited for developed countries, this is all the more true for developing economies (Escudero 2018; Escudero et al. 2016). This is both due to the comparatively smaller and younger strand of assessments conducted in developing labour markets, and to the fact that ALMPs’ impact on aggregate variables such as total unemployment for a country are always costly to assess (Malo 2018). Possible hidden costs of ALMPs in the form of deadweight, substitution and displacement effects often remain understudied in developing contexts and require additional scrutiny to shed light on the effectiveness of active interventions in labour markets generally characterized by a high degree of informality, high youth unemployment and low coverage of labour market institutions.

This chapter suggests that nationally specific and locally targeted combinations of ALMPs are best suited to balance quantitative and qualitative mismatches in the labour markets of developing economies. Furthermore, ALMPs in the developing world can only be successful to the degree that adequate macro-economic and structural policies are in place to attract investment, create (formal) labour demand and promote exits from the informal to the formal economy. Finally, in developing contexts where the fiscal space allows for the implementation of PLMPs, active programmes need to be thoughtfully aligned with regulations and passive policies to yield the desired labour market and social protection outcomes.
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Case study E: Labour market policies in MENA countries

Ghada Barsoum

1 INTRODUCTION

Labour markets in the Middle East and North Africa (MENA) region are characterized by high youth unemployment rates, low female labour force participation, and a high level of labour informality and compromised job quality in the private sector (Assaad 2014). Historically, public-sector hiring has been a key policy approach to provide employment to certain privileged groups (such as the educated and some ethnic groups in certain countries). For this reason, it was considered as part of the social contract in the region (Assaad and Barsoum 2019). The preference for employment in the public sector stems from the fact that it provides better-quality jobs compared to the predominantly informal and small-scale private sectors in the region. Jobs in the public sector meet minimum wage requirements and provide access to social and health insurance. These benefits are not tenable to most workers in the private sector. For example, it has been noted that the size of the public sector is a proxy for the level of social security coverage in any country in the region (Silva et al. 2013). This difference in working conditions has led to queuing for public-sector jobs, contributing to a situation of structural unemployment in the region (Salehi-Isfahani 2012). As these policies are, however, increasingly unsustainable, there is a need for effective labour market policies addressing labour challenges in the region.

The case study addresses three policy areas that came in response to these key challenges: (1) youth-focused active labour market programmes (ALMPs), which focus on youth labour market insertion and are positioned to address women’s labour force participation, (2) reforms to contributory pension schemes, and (3) minimum wage regulations. These last two policy areas are key to the continued preference of public-sector hiring (Barsoum 2016b). The case study discusses these issues in the region with particular focus on three countries: Egypt, Jordan, and Tunisia. The three countries have been chosen for their political significance in the region, the level of challenges they face in these specific areas and the occurrence of recent reforms to their systems. Other countries are also mentioned in the context for comparative purposes.

2 ACTIVE LABOUR MARKET PROGRAMMES

ALMPs are interventions that seek to improve the prospects of gainful employment among their participants (OECD 2007). Despite mounting global evidence suggesting that investing in youth through ALMPs pays off (Kluve et al. 2016), these programmes remain a less commonly supported policy approach in the MENA region.
The models of provision of ALMPs vary by country in the region. Primarily, there is a clear distinction between countries in the Maghreb (Algeria, Morocco, and Tunisia) and the models of Egypt, Lebanon, and Jordan (Angel-Urdinola et al. 2013, 30). Among the first group, ALMPs are provided directly by the state in partnership with the private sector. In the second group, ALMPs are mainly provided by non-governmental organizations with donor support, and to an increasing extent by the private sector (Barsoum 2018). The private sector has been particularly involved in skill training programmes, responding to specific skill needs pertinent to their industries. The role of the private sector is also encouraged by international organizations, most notably the International Labour Organization (ILO) Convention concerning Private Employment Agencies, 1997 (No. 181), which is supported by the ILO Recommendation concerning Private Employment Agencies, 1997 (No. 188). These instruments have encouraged ‘cooperation between public and private employment agencies in relation to the implementation of a national policy on organizing the labour market’ (cited in Angel-Urdinola et al. 2013, 40).

A common feature of ALMPs in the region is their focus on the politically volatile group of educated male youth, specifically university graduates. This is the group that has been historically targeted by public-sector employment guarantee programmes. Angel-Urdinola et al. (2013) note that almost half of ALMPs delivered by public employment agencies in the region target high-skilled unemployed individuals. The same observation has been made by Barsoum (2017), with a specific focus on programmes in Egypt. Even some public works activities, which conventionally focus on rural and less educated beneficiaries, have targeted educated youth with a focus on literacy improvement activities. This has been the case in Egypt’s recently implemented emergency labour intensive programmes, which tend to employ graduates. Targeting is also gendered. Despite the large gender disparity in the region in labour force participation, Barsoum (2017) argues that the term ‘youth’ generally connotes with male youth. Women find themselves mainly on the two ends of the ALMP spectrum, either in traditional needlework training programmes for uneducated young women or in campus-based job placement programmes (Barsoum 2016a, 2017). Despite the large share of women among the unemployed, they remain the least targeted population. This signifies the political utilization of ALMPs in the region.

The mass demonstrations of 2011 and the ensuing political unrest in the region heralded the way for a new generation of state-provided ALMPs. In Tunisia, the Active Employment Search Programme for Higher Education Graduates, known as AMAL (‘hope’ in Arabic) was introduced in February 2011. The programme focuses on unemployed university graduates. It offers employment services in the form of career coaching, training, and a monthly stipend for up to a year (Angel-Urdinola et al. 2013). Zouari (2014) notes that, driven by the political turmoil of 2011, a total budget of TND 611 million was earmarked for ALMPs in 2012. Similarly, Egypt introduced two subsidized employment programmes: the Emergency Labour Intensive Investment Project and Emergency Employment Investment Project (ILO 2017). These two programmes mainly aim at mitigating the negative impact of the economic downturn on employment that occurred following the 2011 political unrest. Both programmes provided temporary employment through labour-intensive projects (ILO 2017). Even in countries that were spared the political turmoil of leadership change in the region, state-funded ALMPs witnessed a boost following the 2011 uprisings. For instance, the Algerian government dedicated USD 4.7 billion to encourage job creation with a focus on university graduates and graduates of vocational training programmes (Musette 2014).
Barsoum (2018) shows that funding to ALMPs remains ad hoc and consumes a meagre share of gross domestic product in all the region’s countries. Limited spending reduces programme staffing capabilities and effectiveness. A weak culture of evaluation, with very few programmes evaluated (e.g. Barsoum et al. 2015; Bausch et al. 2017), further curtail the potential of these programmes. The number of beneficiaries of the programmes remains uncertain, except for specific large-scale programmes that report them. Some of the programmes have serious design flaws pertaining to weak interaction with the private sector and out-dated teaching and training materials and approaches.

3 CONTRIBUTORY SOCIAL INSURANCE PROGRAMMES

Contributory schemes have serious coverage issues in the MENA region, with only one-third of the workforce being covered by formal social insurance systems. Access to contributory schemes is limited to those in high-income brackets, the urban, and those working in the public sector (Silva et al. 2013). As noted above, access to contributory social insurance programmes is a clear demarcation measure between jobs in the public and private sectors in the region. Loewe (2014) highlights five major characteristics of the region’s public pension schemes: (1) low coverage rates; (2) a regressive redistribution system that favours the urban middle class to the poor; (3) high administrative costs; (4) unsustainable benefit conditions; and (5) inefficient investment policies. There have been a number of attempts to reform the system in different countries in the region. However, governance and implementation challenges persist, despite these efforts.

The experience of Egypt shows a dynamic of change. In August 2019, the country issued a new social insurance regulation (Law 148/2019) to replace the previous legal framework, which included four different regulations for wage workers (Law 79/1975), the self-employed (Law 108/1976), Egyptians working abroad (Law 50/1978), and for workers not included in all other schemes (Law 112/1980). Aside from providing a unified scheme for all these groups, one of the key challenges the new law aims to address is the low participation rate in social insurance schemes in the country (Maait and Demarco 2012). To encourage contributions, the new law reduces the percentage of deductible income by both employees and employers. In terms of design, the system has been, and remains in the new legislation, a benefits-defined system where benefits are calculated based on a formula that includes a percentage of the average monthly wage earned (this was limited to the last five years of employment in the old regulation and was changed to the average income for all years worked to inhibit under-reporting in the early years). It also adds an optional pension scheme for workers in the formal sector that is contributions-defined, with an identified minimum and maximum. Registration of young workers still proves challenging though. Work informality is high in Egypt, particularly among youth. School-to-work transition survey data show that the majority of young employees (75.7 per cent) have no contract and thus remain vulnerable (Barsoum et al. 2014). It is still too early to see the impact of the new legislative changes on encouraging contributions and reducing employment informality.
Tunisia’s social insurance system, which was initiated in 1960, has witnessed a number of changes too. The system initially covered non-agricultural workers, but further regulations continued to be implemented to complement the coverage level. In 1981, regulations to cover agricultural workers were implemented, which were further reformed in 1989 to improve access to this group. Insurance for civil servants witnessed reforms in 1985 and in 1995. Youth remain particularly affected by informality, as according to a survey of 2013 (‘l’Enquête de Transition vers la Vie Active), 77 per cent of youth aged 15–29 are within the informal economy (ILO 2015).

Jordan’s social insurance system also witnessed numerous changes over the past years. The first law was issued in 1978 (Social Security Law No. 30). Further reforms came into action in 2001 (Social Security Law No. 19), 2010 (Temporary Social Security Law No. 7), and the most recent was in 2014 (Social Security Law No. 1): the reforms modified measures pertaining to retirement age and calculation of benefits (Alhawarin and Selwaness 2018). Primarily, changes aimed to offer unemployment and maternity benefits. Alhawarin and Selwaness (2018) show that coverage increased from 60 per cent in 2010 to 63 per cent in 2016 for all workers, which is a modest increase given the legislative changes.

4 MINIMUM WAGE POLICIES

Minimum wage policies are key to improving job quality, particularly for the poor. The MENA region has a poor record of setting minimum wage policies (ESCWA 2014). Tunisia has a minimum wage-setting policy. The amount was raised by the Ministry of Social Affairs annually from 2003 to 2012 by an average of 4.7 per cent, from TND 211 (approximately USD 87) to TND 320 (approximately USD 130) (for a 48-hour week) and from TND 184 (approximately USD 76) to TND 278 (approximately USD 130) (for a 40-hour week) (Zouari 2014). The minimum hourly wage in agriculture almost doubled between 2003 and 2012 (from TND 6.5 to TND 11.6), corresponding to an average annual increase of 6.6 per cent (Zouari 2014).

In Egypt, Article 34 of Law No. 12/2003 mandates the establishment of a national council for wages, headed by the minister of planning. The council is assigned to introduce a national minimum wage taking into consideration the living costs and ensuring the balance between the wages and prices. The council also decides the minimum level of annual bonuses being not less than 7 per cent of the basic wage. In 2013, the Egyptian government set the minimum monthly wage to EGP 1200 (USD 68 in 2017) (Law No. 12/2003). This came into effect in January 2014 for the public sector. However, the government has not been able to set a minimum wage for the private sector so far citing a fear of distorting the labour market.

In Jordan, Article 52 of the Labour Code sets a mechanism for the revision of the minimum wage through a standing committee that submits its resolutions to the minister. The minimum monthly wage is set at JOD 220 (USD 300) in 2019 (Tamkeen 2019).

In all cases, minimum wage rules are not widely enforced in relation to the large pool of workers in the informal economy who constitute the working poor. This renders policies inef-
fective and limits their outreach. Updates to the minimum wage are also very slow, reflecting a reluctant policy focus on this major policy area.

5 CONCLUSION

This case study aimed at providing a bird’s eye view of policies addressing the specific challenges of MENA labour markets, with a focus on high youth unemployment rate, high informality and poor access to contributory schemes, and low job quality. Despite efforts for reform, labour markets remain inhospitable to new entrants to the labour market and suffer from large-scale informality. While there is renewed interest in ALMPs in the region, the evidence base remains weak and most programmes have very limited outreach. Many reforms to contributory pension schemes in the region have been enacted but they have also not shown fruit in increasing access. Similarly, despite minimum wage regulations, enforcement challenges persist, and updates to the minimum wage are slow.

REFERENCES


5. Social services

Barbara Rohregger

5.1 INTRODUCTION

People are usually exposed to multiple economic and social risks, including discrimination, abuse, violence and social exclusion. While material support has a positive impact on the reduction of social risks and aspects of exclusion (WHO 2019), some situations require concrete, personal and guiding support on an individual basis. This type of service is commonly referred to as social services (Trukeschitz 2006).

Over the last decade or so, the debate around social services has gained momentum both in high- and low-income countries. High-income countries are facing extensive demographic changes, including a rapidly growing older population, longer life expectancy and higher rates of disability and morbidity (European Foundation 2009; European Commission, Directorate-General for Employment, Social Affairs and Inclusion 2018; European Commission Employment, Social Affairs and Inclusion n.d.; WHO 2019). As a consequence, demand for social services, in particular social care services, is rapidly increasing (e.g. WHO 2017). Globalization has created new social problems that social services need to address and which concern both high-, low- and middle-income countries, such as migration, environmental issues or the trafficking of people (Lombard 2019; Dominelli 2010). In middle- and low-income countries, profound socio-economic and demographic changes, including rising inequalities, chronic poverty, rural–urban migration and HIV/AIDS have equally increased the demand. The growing recognition that comprehensive and integrated approaches are needed in order to address the often multiple vulnerabilities people are facing has led to a new appreciation of social services as having a key role in social protection, complementing mainly cash-based social protection instruments and reinforcing and amplifying their impacts (e.g. UNICEF 2019b).

This chapter provides an overview of the major debates and developments around social services in high-, middle- and low-income countries. It argues that social services – though having received increased attention – continue to play a rather marginal role in the conceptual and policy debates around social protection. This concerns in particular (1) the perception of social services as largely fulfilling a merely protective function with only limited consideration related to their preventative, promotive and transformative role (Drolet 2016; Midgley 2017) and (2) the perception of social services and the social service workforce as primarily passive service providers as opposed to proactively shaping social protection policies.

The remainder of the chapter is organized as follows: Section 5.2 considers different notions of social services in relation to social protection. Sections 5.3 and 5.4 discuss some of the challenges of social services in high-, low- and middle-income countries. Section 5.5 is dedicated to the role of social services in integrated social protection approaches, while Section 5.6 concludes with some reflections on the future role of social services for social protection.
5.2 SOCIAL SERVICES AND SOCIAL PROTECTION

From a functional point of view, social services encompass a range of activities, including therapy and counselling, treatment, care and nursing services, community work as well as activation, employment and qualification services. They span across various sectors and policy areas, including social protection, health, education, employment, justice, policing, housing and migration. What distinguishes social services from other service areas is their socially supportive character, i.e. they specifically target disadvantaged people or groups of people with the explicit goal to improve their living conditions. This is also reflected in the way services are delivered, i.e. in direct contact with the clients, often on an individual basis. Their personal and individual character is further emphasized by what is commonly referred to as a ‘case-management approach’, i.e. solutions and options to address social vulnerabilities are developed in a dialogue with the client. This collaborative process is believed to enhance the opportunities of the client and lead to faster and more sustainable results (Trukeschitz 2006; IFSW 2012).

Focusing on the most vulnerable in society and supporting them in addressing structural causes of poverty, exclusion and inequalities, social services are intrinsically normative. A range of authors emphasize the role of social services in contributing to the realization of specific societal or developmental goals based on social justice, human rights and equity (e.g. Midgley and Conley 2010; Midgley et al. 2019; IFSW 2012). By supporting marginalized individuals, families and communities to (re)gain control over their livelihoods, living conditions, opportunities and social relations, social service workers are having a key role in these processes, positively contributing to inclusive development, social cohesion, empowerment and liberation of oppression and discrimination (IFSW 2012; GSSWA n.d.; Drolet 2016).

In the context of social protection, social services are usually understood as a set of measures delivered in complementarity with cash- or in-kind transfers. They support the implementation of social protection programmes providing direct support and care for people with disabilities, the elderly, children or other vulnerable groups such as poor families, people with mental health issues, and people with addictions or homeless people (Lethbridge 2017; UNICEF 2019b; Part IV). Social services have an important referral function. This also includes the provision of information on services and benefits, for example, information on access modalities to potentially eligible beneficiaries (UNICEF 2019b). It may also take on a more proactive character, for example by supporting people in applying for health insurance or cash transfer programmes (Bergthaller and Ebken 2017). Awareness and promotion is yet another, often neglected aspect of social services. Social service workers play an important role in mobilizing and facilitating community participation or integrating community perspectives in policy implementation processes (e.g. targeting processes or social auditing) (Sagala et al. 2016).

Despite the fact that they are highly complementary, social services are not always explicitly included in definitions of social protection (e.g. Carter et al. 2019; ILO 1952, 2012). This is slowly changing. National governments engaged in social protection reform processes and international donors and non-governmental organizations (NGOs) increasingly emphasize the role of social services and benefits in kind as two sides of the same coin and, thus, the need for a stronger and more meaningful integration of social services into social protection approaches (e.g. UNICEF 2019a, 2019b; Ministry of State for Planning, National Development and Vision 2030 2012).
5.3 SOCIAL SERVICES IN HIGH-INCOME COUNTRIES

Notions of what encompasses social services vary across different country contexts. This is related to differences in vulnerabilities that countries or groups of people in countries are facing and that are considered to require support, but also relates to countries’ social protection or welfare regime approach and the role they attribute to social services in addressing vulnerabilities (as opposed to material support). It is further accentuated by the role ascribed to public institutions in providing these services as opposed to the private or non-profit sector (Lethbridge 2017; Drolet 2016; IFSW 2012; Schönig n.d.).

The typology of advanced welfare states developed by Esping-Andersen (1990) provides useful insights with regard to the role attributed to social services provision across welfare states: in liberal welfare states, such as the United Kingdom or Ireland social services are considered as having a marginal role. While in liberal welfare states (United Kingdom or Ireland) social services are considered as having a negative impact on the work ethics and are thus few and provided in a highly selective and often stigmatizing way, highly universal and egalitarian welfare states like Norway, Sweden, Finland or the Netherlands are found on the opposite end of the spectrum: they put a strong emphasis on social services in addressing poverty, inequality and exclusion. Also, social services are highly institutionalized with the state being the primary provider. The conservative model, including most of continental Europe, is somewhere in-between: social protection is strongly employment-related with social assistance measures to a large extent means tested and based on a strong subsidiary notion.¹ This also holds for social service provision, in particular long-term care services provided to elderly, children or people with disabilities, of which the major burden lies on the non-government sector, including NGOs, religious associations and the family (Lethbridge 2017; Midgley 1997). In contrast to low-income countries, informal care and support systems in high-income countries tend to be complemented by formal services funded by taxation, social insurance and/or private insurance (Lethbridge 2017).

This formal/informal welfare mix in the provision of social services has experienced a significant shift over the last two decades. A rapidly ageing population together with an increasing life expectancy, as well as significant social changes such as rising inequalities, migration and climate-induced challenges, have dramatically increased the demand for social services (WHO 2017; European Foundation 2009; European Commission, Directorate-General for Employment, Social Affairs and Inclusion 2018). This concerns in particular long-term care services which historically have been mainly provided by the informal care economy through the family and in particular women. With the female participation in the labour market, the rise in single-headed households and the increasingly complex requirements for caring activities, family support systems require increasingly professional support in order to complement informal care arrangements (Lethbridge 2017).

¹ Social support provided by the state can only be turned to if the means for support are otherwise exhausted (own workforce, support by the family or any other organization, including NGOs, churches, etc.). This usually implies that social support measures are means tested, and family resources are considered for eligibility. From a provider point of view it refers to the fact that the responsibility of social support and services is as much as possible delegated to the lower levels of government and the non-government sector, including NGOs, religious associations, etc. (e.g. Talos and Fink 2001).
Austerity measures and cuts in public welfare, in particular in the aftermath of the 2008 global financial and economic crisis, have reduced public spending on social services. Many governments are increasingly contracting out social services to non-profit and for-profit NGOs, resulting in an increased competition among service providers (European Commission 2011; see Chapter 10). While this had a positive impact on professionalization in some service sectors, with regards to the social care economy a mixed picture emerges, in particular with regards to the quality of services (e.g. Lethbridge 2017). The downward pressure of public expenditure towards social service providers has had a negative impact on the quality of jobs created and the attractiveness of the sector which ultimately negatively impacts on the quality of services provided. While the social service sector has become one of the fastest growing sectors in the European Union (EU),\(^2\) it is also considered one of the worst sectors with regards to working conditions, including wage levels, working hours, training opportunities and career paths (Lethbridge 2017). EU public procurement law makes matters worse. While at national level social service contracts are awarded based on specific rules and regulations, at EU level they are defined as an economic activity as any other and have to operate under EU rules on competition and internal markets. This means that contracts are awarded on the basis of ‘lowest cost’ without considering quality, innovation and sustainability (SSE 2018).

Austerity and public-sector cuts together with the fact that services are increasingly defined by market principles are also influencing the type of services provided. Rather than taking on a preventative approach by looking at the root causes of social distress, including poverty, racism, unemployment, social exclusion or housing, there is a shift discernible towards service-driven models of provision that is ‘heading into the direction of a minimalist, crisis and reactive system’ oriented towards maintenance rather than social change (Lombard 2019, 405; Walker 2012).

Over the last three decades, social services have increasingly come to be understood as having a key role in the delivering of what is usually referred to as ‘activating’ social policy (Dingeldey 2006; Dahme and Wohlfahrt 2003; Malo 2018). Active labour market programmes (ALMPs) (see Chapter 4) that – through individualized counselling – link unemployment or social assistance benefits to job-seeking measures to improve employability, such as training and job placement measures, experienced a huge expansion in many high-income countries in the course of the 1990s, indicating a general shift in the understanding of the welfare state and social protection as having primarily protective and passive functions to playing a more promotive and activating role (Jessop 1995). The case management approach commonly used in the delivery of ALMPs assumes that a personalized approach to job seeking will enhance opportunities and lead to a faster and more sustainable reintegration into the labour market (European Commission 2011).

\(^2\) According to Lethbridge, the sector generates 7 per cent of total economic output in the EU 28. This rate has remained stable even after the financial crisis in 2008. Since then the sector has experienced an increase of 1.7 million jobs (2017, 1).
5.4 SOCIAL SERVICES IN MIDDLE- AND LOW-INCOME COUNTRIES: DIFFERENT REALITIES AND DIFFERENT NEEDS

While in high-income countries the demand for social services is rapidly rising, mainly due to demographic changes, in middle- and low-low-income countries profound socio-economic changes are increasingly challenging traditional values of family and community support, which for centuries has been the main pillar of social protection and social service provision (see Chapter 10). HIV/AIDS, migration, disaster and violent conflicts are further compounding factors that undermine the ability of families and communities to provide support (Rohregger 2006; Midgley 2017). Although informal support networks continue to be the mainstay of social protection and services in most countries, the expansion of formal social protection programmes and policies as a reaction to rising poverty and inequality has also increased the demand for social services. This concerns in particular so-called integrated approaches that link social transfers to a range of social services, e.g. conditional cash transfers, public works programmes, graduation and cash plus programmes (see Chapter 14) or child protection (UNICEF 2019a). The implementation of these programmes has led to a significant expansion of public social services and its workforce in a range of countries (see for example, for Brazil’s conditional cash transfer programme Bolsa Familia; Silva e Silva 2016).

In most low-income countries, however, the rising demand for social services is addressed to a large extent by the non-government sector. Although in many countries the number of the public service workforce has increased over the years, a huge gap in human resources persists across all sectors. This concerns in particular the lower-government levels, i.e. district and local levels where many posts remain vacant (see for example for Tanzania UNDP 2018; Ministry of Health and Social Welfare 2012). The 2019 global report on the social service workforce (GSSWA 2019) also indicates a general imbalance in the distribution of social services workforce across different ministries and sectors: ministries of social affairs, followed by ministries of health and ministries of law or justice are the most common employers of social service workers while ‘emerging’ sectors, such as social protection, gender or labour, are hugely underserved. This gap is largely filled by the non-government sector.

While some NGOs are sub-contracted by the government, most NGOs work in parallel to the public sector. Despite the fact that in many countries clear formal procedures for the registration of NGOs exist, in general, there is little coordination between NGOs and government services, especially at sub-national level (e.g. UNDP 2018). This together with the fact that many countries lack comprehensive data-gathering mechanisms is also the reason why no reliable data on the extent of non-government service providers exist (GSSWA 2019). However, it is generally recognized that in many middle- and low-income countries NGOs, civil society and community-based organizations, as well as faith-based organizations, play a critical role in the provision of social services and outnumber by far the workers employed in the government sector (e.g. GSSWA 2015, 2019). They are mainly engaged in direct service

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3 See also the Global Agenda for Social Work and Social Development adopted in 2012 by the International Associations of Schools of Social Work, the International Federation of Social Workers and the International Council on Social Welfare which emphasizes the role of social work in protecting and promoting social and economic equalities and contributing to the realization of the right to social protection.
provision using community-based care approaches carried out by volunteers or so-called para social workers and cover a range of different policy areas, including child protection and child labour, gender-based violence, protection of refugees and migrants, youth counselling, ALMPs, post-disaster support, community justice committees or gender and children desks (GSSWA 2015, 2019). Whereas all these initiatives undeniably have an important impact and compensate for a significant gap in human resources and services in the public sector, the strong dependency on donors and NGOs for the provision of social services in many low-income countries also merits critical attention: financing, planning and implementation are often based on the organizations’ thematic, geographic and target group priorities rather than government priorities or overall population needs. Many of them are implemented on a pilot basis or cover a few districts or regions only. All this introduces a potential bias and inequality in the quantity and quality of services provided.

The significant role of the non-government sector in the provision of social services also raises questions concerning the quality management and monitoring of these services. Many countries lack regulation, supervision and quality control and even where protocols exist, they are often not implemented. As a consequence quality of services varies considerably. This concerns in particular the quality and quantity of training of social workers and volunteers at community level, where huge variations exist, ranging from a few days to various months (GSSWA 2019). The myriad of professional titles in the non-government social service sector identified by a study carried out by the Global Social Service Workforce Alliance gives an indication of the unregulated nature of the sector. For South Asia 127 unique titles have been identified across eight countries, 39 across five countries in the East Asia-Pacific region, 58 titles among four countries in the Middle East and North Africa and 17 titles among four countries in Europe and Central Asia (GSSWA 2019).

Many countries offer institutionalized care services, such as orphanages, homes for orphans and child victims of abuse and violence (often with a boarding school character), homes for people with disabilities, vulnerable women such as widows or women exposed to violence and abuse, elderly or homeless people. However their services are very limited in terms of scope and coverage and often confined to urban or semi-urban areas.

Acknowledging the constrained reality of social service provision and the particular role of non-government service providers in low- and middle-income countries, the Global Social Service Workforce Alliance supports countries in developing more integrated social service approaches that allow for better coordination across service providers irrespective of their background with the aim to deliver more efficient and effective services. The development of integrated human resource information systems encompassing government and non-government providers in order to allow for evidence-informed workforce planning is a key concern. Improving education and training options for social service workers and the development of effective regulatory frameworks, including definitions of mandates and functions, minimum qualifications, training and practice requirements, as well as quality standards, are also on the agenda (GSSWA 2019; Midgley 2017).

Social vulnerabilities and ways to address them vary across different contexts and countries. This also concerns social services. The need for contextualization or ‘culturally relevant social work education and practice’ (Gray and Hetherington 2013, 2) is of particular relevance in low- and middle-income countries where social service education and practices are largely based on Western theories, concepts and training curricula, and norms and values of local cultures in dealing with social problems are often ignored (Midgley 2008; Walker 2012; Mwansa 2012;
This reduces the effectiveness of social service work and limits its role to maintenance rather than proactively addressing structural challenges related to inequalities, social injustice, corruption or poverty which are often highly contextualized (Mwansa 2012). For practices to be sufficiently localized, this also means taking account of the important role of informal service provision through the community and the family and – rather than perceiving formal and informal systems as separate – approaching them as a comprehensive and integrated system (Lombard 2019). Taking an integrated approach also includes the development of hybrid practices that mix different approaches by blending new and old ideas or making new ideas work in a culturally relevant way, always provided of course that the latter does not inflict harm on people (Lombard 2019; Osei-Hwedie and Rankopo 2008). Examples include the family group conference mentioned by Walker (2012).

The approach in child and family support originates from the Maori people in New Zealand and was later adapted to the British and other local contexts. In many countries, particularly in rural areas, public social workers commonly closely coordinate with traditional ‘social work institutions’ based on the family and the community. In fact, they are perceived as an extension of public service provision. It is common practice that social workers refer clients back to their communities which – through using collective efforts and resources – play an important role in solving individual and community problems, i.e. to help poor individuals settle disputes, correct behaviour and care for the elderly, widows and vulnerable children. Only if these problem-solving mechanisms fail are clients allowed to access the public service domain (e.g. Mabeyo and Kiwelu 2019; Osei-Hwedie and Rankopo 2008).

5.5 INTEGRATED SOCIAL PROTECTION: THE ROLE OF SOCIAL SERVICES

With the move towards more integrated social protection approaches in low- and middle-income countries are attributed as having a pivotal role to social services across sectors bridging different services through coaching, mentoring, counselling and referral (e.g. Soares and Orton 2017; Arevalo et al. 2018). Various approaches can be distinguished ranging from models that already provide ready-made integrated solutions with a predefined pathway out of poverty, while others simply represent referral services that enable potential beneficiaries at a single entry point to gain access to information about a range of services and support in accessing them.

One model which has gained particular attention is graduation and cash plus (see Chapter 14). The ‘graduation into sustainable livelihoods approach’ (Arevalo et al. 2018, 1) typically links cash transfer programmes – often in a sequenced and time-bound way – to measures related to livelihoods training, including technical skills training, coaching/mentoring and counselling services and, as a third component, financial services such as credit and saving schemes provided by banks or micro-finance organizations (Montesquieu and Hashemi 2018). Coaching encompasses a wide range of activities, including (1) monitoring of participants’ economic activities, (2) refresher courses on financial education or technical skills, (3) training on health and nutrition, hygiene or child well-being and (4) emotional support to boost people’s self-confidence. It may also include psychosocial support or legal counselling, for example when dealing with migration or in emergency contexts (Arevalo et al. 2018). A systematic review of 99 graduation programmes worldwide revealed that 93 per cent of all programmes offer mentoring or ‘life skills’ coaching highlighting the key role of social
services for the successful graduation of poor people (Arevalo et al. 2018). Impact evaluations of the Bangladesh Rural Advancement Committee’s Ultra Poor Graduation programmes implemented across several countries have revealed their particular relevance in overcoming social and emotional barriers which often constrain the marginalized and poor to improve their livelihoods (e.g. BRAC 2016; Arevalo et al. 2018).

Some programmes adopt a specific gender lens focusing on women’s empowerment through economic development, but also measures to enhance women’s voice and agency, for example their political representation or raising awareness on reproductive or education rights (Arevalo et al. 2018). Integrated service approaches play a role in post-disaster contexts facilitating the links between social protection measures and post-disaster recovery: evidence from Indonesia shows that social workers played an important role in accelerating recovery processes by encouraging communities hit by disaster to use their own structures and resources, such as social support networks and social norms, to rebuild houses and infrastructure (Sagala et al. 2016).

A more demand side-oriented integrated service model is the single-window service (SWS) approach. SWS centres are physical contact points at local level where (potential) beneficiaries of social protection programmes and services are provided with support in accessing different schemes, usually at community, municipal, district or sub-district levels. In this way challenges related to the accessibility of social protection and other social services, including physical distance, lack of awareness and information, as well as issues around transparency and corruption are overcome and services can be brought closer to the poor. In contrast to graduation and cash plus models which are usually based on a predefined set of measures and programmes, SWS is based on a more individualized approach. This allows for a more comprehensive and tailor-made service approach leading to potentially better poverty reduction outcomes (Bergthaller and Ebken 2017).

Based on the depth of services provided, different types of SWS are distinguished: (1) single referral points, such as that currently implemented in Bangladesh, provide information on existing programmes, assess clients’ eligibility and if positively assessed refer them to the respective service providers for application; (2) single entry points go further also allowing clients to apply for different social protection programmes directly on site (for example Brazil, Chile or Tajikistan) (Bergthaller and Ebken 2017); (3) one-stop shops represent the most comprehensive SWS approach, allowing citizens to access services on the spot. In Mongolia, different social protection service providers and other institutions, including civil registration authorities, notary and banking services, are located in a single facility. In this way, citizens can be assessed, obtain required documentation and enrol in schemes at the same time (ILO 2016). Sometimes different types of SWS may be offered in one place. In Indonesia, for example the Integrated Services Unit for Poverty Reduction is a one-stop shop for district-level social protection programmes, but also provides referral services for national programmes (Bergthaller and Ebken 2017).

Evidence from across different countries (e.g. Taieb and Schmitt 2012) shows that SWS approaches are enhancing access to services, increasing awareness and improving transparency. Through their single-entry structure SWS approaches positively impact on the coordination and streamlining of services, programmes and operational processes across different institutions (horizontal coordination) and government layers (vertical coordination) while at the same time reduce duplications and inefficiencies (see Chapters 12 and 13).
Integrated service approaches have raised a lot of attention as a more efficient and effective way of addressing poverty and inequality, and as a means towards building more comprehensive social protection schemes. This concerns in particular their positive impact on the institutional and administrative capacity of various sectors as well as on inter-sectorial coordination. However, while in a limited pilot context this may function well, it turns out to be the weak spot of programmes and services when they are scaled up. Integrated service provision is costly. Specifically with regards to graduation programmes, the intensive use of social workers for training and case management components is increasingly questioned and programmes test different options towards cost reduction. This includes reducing the frequency of coaching visits from weekly to a bi-monthly or monthly basis, as well as shifting from individual to group and community-based coaching. Increasingly, programmes train volunteers from communities as frontline coaches in order to assist their neighbours and peers throughout graduation (Arevalo et al. 2018). Digital coaching, i.e. mentoring support that is delivered via phones, tablets or other technology-enabled channels, is another cost-efficient alternative that is being tested. The Mobile Connections to Promote Women’s Economic Development Programme in India provides women living in extreme poverty with a smartphone which they can use to access information about government schemes and market prices, along with training materials and other resources on demand (Arevalo et al. 2018).

5.6 OUTLOOK: TOWARDS A MORE SOCIAL SERVICES-CENTRED SOCIAL PROTECTION

Social services play an important role in realizing social protection goals. This is the case both in high-income countries and low- and middle-income countries, where greater attention is paid towards integrating social services. From a social protection perspective three findings emanate from this review.

First, there is a need to take social services out of their corner and recognize them as a set of social protection instruments on equal footing with social transfers and other material support. Both are needed if universal and inclusive social protection for all is going to be achieved. Recent developments towards integrated service approaches and an increased professionalization and valorization of social services and the workforce delivering them at the global level appear to be good starting points (GSSWA n.d.). This needs to be complemented by a stronger research focus on social protection services and their workforce in order to fill existing knowledge gaps and to be able to better integrate them into social protection services development and planning.

Second, and closely related to this, is the need to recognize the role of social services in their full potential, i.e. moving away from a mere provider perspective and implementing role towards a stronger recognition of the proactive role social services play in addressing structural issues of poverty reduction, inequality and social development. In their current form, social services are too often reduced to a reactive and supportive role complementing benefits in-kind, often in a demand-based and selective manner. This also concerns the crucial role of the social service workers in proactively addressing structural dimensions of inequality, poverty and exploitation and supporting the most marginalized in realizing their rights to social protection.
Third, while there is an increasing recognition on part of policy makers of the importance of social services providers towards realizing inclusive and equitable social protection policies (e.g. Bergthaller and Ebken 2017; ILO 2016; Arevalo et al. 2018), there is still less recognition on their role as policy planners and developers and the need to better integrate their know-how into macro-level policy processes and planning efforts (Drolet 2016). Policy planners and practitioners in social protection need to realize the potential of social service workers in actively shaping social protection policies and strategies: their micro-level perspective allows them better than many others to understand the multiple and ever changing vulnerabilities and risks people are facing and which require innovative approaches in tackling them. Their unique position at the interface of different sectors and service providers and their ability to transcend the micro- and macro-level divide creates a unique know-how and expertise that need to be brought into central policy planning processes in order to better address structural dimensions of poverty and inequality and develop meaningful social protection measures that fit local contexts.

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6. Micro-insurance

Markus Loewe

6.1 INTRODUCTION

Almost two decades ago, the notion of micro-insurance raised a new wave of attention among practitioners and researchers in many world regions but the concept is much older. In fact, a large part of today’s insurance companies in Europe and North America started as mutual insurance unions in the nineteenth century with low contribution rates, i.e. informal micro-insurance arrangements. Since about the year 2000, the concept was sparked in the international development debate by the fact that an increasing number of academics and practitioners had understood that more conventional social protection strategies (social insurance and assistance) had obviously failed at covering larger shares of people in low- and middle-income countries. A majority of the world population remained vulnerable to manifold risks such as bad health, work disability and unemployment. Of course, the failure was at least partly due to the fact that many governments had tried only half-heartedly to extend the outreach of their social insurance and assistance schemes but there was little reason to hope that governments would change in the short term. New avenues had to be sought in order to extend the overall coverage of social protection systems at a faster pace.

In the meantime, the hype around micro-insurance has declined. This is mainly because the commitment of governments in social protection has increased for different reasons, with the effect that the outreach of both social insurance and social assistance has risen significantly during recent years. This has reduced somewhat the need for alternative solutions. However, micro-insurance still has an important role to play in many countries world-wide to protect people in the informal economy who can pay small contributions but not big ones and who are therefore difficult to reach with social insurance (Loewe 2009a; see also Chapters 3 and 22).

Micro-insurance can be defined as an essentially risk-pooling tool (which is why it is called ‘insurance’) designed for the needs and capacities of people with low income and predominantly engaged in informal employment (which is why it is labelled ‘micro’) (Brown and Churchill 1999). Micro-insurance is thus mainly financed by moderate member contributions, hence providing only limited benefits and flexibility in contribution and benefit payment modalities (for example, in rural regions, contributions should be collected after the harvest season when farmers are still liquid). And membership is typically facultative (in contrast to social insurance). The definition of micro-insurance is thus not any different from the definition of private insurance except for its focus on people with limited income (Tan 2012).

From the beginning, there were two strands of people advocating for micro-insurance. One focused on community-based, self-organised and other forms of bottom-up approaches. And the other looked primarily at the possibility of regular insurance contracts (typically addressing only high-income earners) to be down-scaled to the need and capacities of larger parts of the population with middle or even low income. But they assumed that large parts of the populations of low and middle income would have to pay themselves in the short term for their own social protection because governments ignored the issue (Dercon 2004).
The remainder of this chapter discusses the following questions:

- Is micro-insurance needed (desirable) at all? (Section 6.2)
- In what way can micro-insurance be made feasible? (Section 6.3)
- Is micro-insurance effective? (Section 6.4)
- Is micro-insurance efficient (superior to other social protection instruments)? (Section 6.5)
- What is the lesson for policy-makers? (Section 6.6)

6.2 IS MICRO-INSURANCE NEEDED (DESIRABLE) AT ALL?

The main problem of social protection in low- and middle-income countries is that public schemes cover only parts of the population, only some of the most significant risks (typically old age, disability and illness) and sometimes even just parts of their possible effects (e.g. in the case of health risks the cost of medical treatment but not the loss of income from labour due to incapacity to work). And the question is how the gap in outreach in these three dimensions can be closed as much as possible (Loewe 2009a).

Few governments of lower middle-income countries have been able (and willing) to provide access to social insurance or non-contributory pension and health protection schemes for more than half of the labour force (the latter typically covering government employees). And most of these schemes protect only against the negative financial effects of bad health, old age and the early death of a breadwinner – not against other risks such as harvest failure, bankruptcy of micro-entrepreneurs or robbery. Moreover, the respective coverage is even lower in low-income countries: typically below 25 per cent of the labour force (ILO 2017; see Chapter 3).

Typically, only about 1–5 per cent of all households can afford to buy individual or group-based commercial health, life and liability insurance but most of them have relatively high income (OECD 2020). In addition, there is a considerable overlap between the two groups, i.e. many commercial insurance clients are already covered by e.g. social insurance and, hence, do not contribute to extending the overall coverage of social protection schemes.

Finally, as a rule, between 2 and 10 per cent of households receive direct transfers from either non-contributory social benefit programmes in low- and middle-income countries (World Bank 2020). However, the benefits tend to be below subsistence levels and the targeting (in most programmes based on proxy means testing or community-based or self-targeting) is normally problematic with the effect that a considerable share of beneficiaries is not particularly income-poor, vulnerable or affected by risk incidence (Kidd and Athias 2019).

Taken together, this would mean that at the very least (and probably much more) one third of the world population – and probably much more – still has no access to reliable social protection instruments and depends fully on traditional and other informal instruments to deal with risks (at least 50 per cent of all households in low-income countries and at least 40 per cent of all households in lower middle-income countries, the real shares probably being even higher). Most of these people receive low or moderate income from informal economic activities. They are highly vulnerable to all kinds of risk and poverty because traditional and other informal forms of social protection are limited in scope and scale and not reliable enough. Another third of the population has decent social protection against some but not all essential risks. In particular, most countries do not protect significant numbers of people against unemployment, liability, river flood, drought and many more risks.
The question is how to close the gap. Most attempts to extend the coverage of social insurance schemes have failed so far (see Chapter 3). Few governments have tried significantly to improve the budget and targeting mechanisms of social transfer schemes (see Chapter 2). Alternatives are:

- to down-scale the offers made by commercial insurers (typically quite expensive) to make them fit the needs and possibilities of more low-income earners; or
- to upgrade the quality, reliability and outreach of informal, group-based forms of social protection to make them fit for purpose for larger parts of the population.

Both options are discussed in more detail in the remainder of this chapter. Both target the creation of ‘micro-insurance’, i.e. voluntary, contributory risk-pooling arrangements covering key risks of vulnerable people at an affordable price and flexible payment conditions – though by different kinds of providers.

6.3 IS MICRO-INSURANCE FEASIBLE?

The feasibility of micro-insurance depends on four criteria: (1) there is demand for micro-insurance, at least in general; (2) at least one actor is willing and able to offer and administer a micro-insurance arrangement; (3) a concrete product can be designed that is cost-effective for providers and still affordable for customers; and (4) the economic, political, legal and cultural framework conditions allow for the arrangement.

6.3.1 Demand

Demand for micro-insurance should not be taken for granted:

1. People may suffer from manifold uninsured risks but might not be aware of their vulnerability or of the fact that these risks can be insured at all.
2. Many also would not demand micro-insurance (or any other kind of insurance) because they do not understand how it works.
3. They do not trust in the instrument or its provider. Here, it is important to consider that insurance is, in a way, the opposite of credit. Micro-credit institutions give loans to households and must thus trust that these households pay back the loan later. Micro-insurance providers, however, collect contributions from households with the effect that here, households must have enough trust in the provider to pay the promised indemnity once a risk occurs. Most low-income households have no experience with financial products and will only understand insurance once a scheme has started to work.
4. Some people may want to have micro-insurance (or another kind of insurance) but are unable to pay the required price, do not like the payment modalities or would prefer a different kind of product. From surveys and the experience of micro-insurers world-wide, we can say that there is demand for most micro-insurance products but the number of people who actually buy a concrete micro-insurance product is just a fraction of the large number of people suffering from uninsured risk. And often, these people demand products other than those that researchers would consider the most crucial (Cohen and Sebstad 2006; Loewe et al. 2001; Platteau et al. 2017).
### 6.3.2 Provision

In principle, the provider of micro-insurance can be a commercial insurance company, a social insurance or other public organisation, a non-governmental organisation (NGO), a micro-finance institution, a health-care provider, a community-based or self-help organisation or an alliance of several of any of these organisations. There are examples of all of these categories of actors running a micro-insurance scheme somewhere in the world. But there are even more examples (though less well documented) for these kinds of actors failing in that regard, which is due to the fact that micro-insurance providers must have considerable knowledge and institutional stability but also be able to offer cheap products (see Table 6.1).

Professional insurers have sufficient knowledge and experience with the business but are normally unable to offer products at an attractive price for low- or even middle-income earners. Some insurance products can be down-scaled to the needs of such customers. A life or work disability insurer, for example, that offers expensive products with high benefits to high-income earners, could design cheap products with low benefits for low-income people who have more moderate expectation of benefit levels. However, the administration and transaction costs of insurers tend to be fixed per client (see Figure 6.1). Sometimes they are even higher for low-income customers: often, the target group of micro-insurance lives in remote areas.

#### Table 6.1 The possible roles of micro-insurance in a social protection system

<table>
<thead>
<tr>
<th>Situation</th>
<th>Role of micro-insurance</th>
<th>Empirical examples</th>
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</thead>
<tbody>
<tr>
<td>The government is unwilling or unable to build up effective social insurance schemes</td>
<td>Micro-insurance can be a substitute for social insurance</td>
<td>Mutual insurance schemes in remote rural areas of many Western and Central African countries</td>
</tr>
<tr>
<td>The government has set up effective social insurance schemes but is unwilling or unable to integrate the entire population into these schemes</td>
<td>Micro-insurance can be an alternative to social insurance (people may choose to be members of social or micro-insurance)</td>
<td>Micro-health insurance scheme of CARD Philippines</td>
</tr>
<tr>
<td>But micro-insurance can also be linked to social insurance (as an agent such as in the partner-agent model, see above, where micro-insurance assumes the product sale and servicing on behalf of the social insurance corporation)</td>
<td></td>
<td>Social insurance schemes in Ghana and Rwanda</td>
</tr>
<tr>
<td>The existing social insurance does not protect against all effects related to the covered risks</td>
<td>Micro-insurance can act as a complement to social insurance (covering the unprotected part of the risk)</td>
<td>Micro-health insurance schemes in Viet Nam covering ambulance transportation to hospitals</td>
</tr>
<tr>
<td>Social insurance does not provide sufficient protection against risks (e.g. pension benefits are too low), respectively not against all risks</td>
<td>Micro-insurance can be a supplement to social insurance (e.g. provide top-ups to the benefits)</td>
<td>AllLife in South Africa insures HIV/AIDS treatment</td>
</tr>
<tr>
<td>The micro-insurance of Al-Amal Centre in Jordan covers the treatment of cancer</td>
<td></td>
<td>The micro-insurance of Al-Amal Centre in Jordan covers the treatment of cancer</td>
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<tr>
<td>Micro-insurance schemes in many countries protect against drought, which is normally not covered by social insurance</td>
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*Source:* Author’s own based on Deblon and Loewe (2012).
areas where transaction costs are particularly high. Normally, they work in the informal economy where information on the risk profile and behaviour of insurance holders is particularly difficult to obtain. As a trend, they are more likely than high-income customers to experience the insured event because of their particularly hazardous working and living conditions. The transaction and administration costs can thus eat up a large share of the premium – or even exceed it – if the premium is low (Loewe 2006).

Less professional actors, such as NGOs or self-help groups, face less difficulty with reducing administration and transaction costs and overcoming information problems (see Table 6.1). Their staff work at low wages and typically live near the customers and know them quite well. They can thus provide all the information they need to control for adverse selection and moral hazard. They tend to have a good understanding of the particular needs and wishes of people with lower incomes (Loewe 2009a).

At the same time, NGOs and self-help groups have other problems. Most of them have little know-how and experience with insurance. In particular, they often fail in designing attractive and sustainable policies and in managing their schemes adequately. Often, they do not attract large numbers of clients for several years and are hence unable to pool the risks over a sufficient number of policy-holders. As a result, they are at risk of bankruptcy if, by coincidence, several policy-holders make claims at the same time. Finally, NGOs and self-help groups also do not have financial reserves to master temporary liquidity problems nor do they have easy opportunities to buy reinsurance or to invest possible financial reserves in a profitable way (Loewe 2009b).

The dilemma can be solved in three ways but none of these is easy. The full service insurance model builds on the down-scaling of formal insurance. Here, a professional insurer tries to reduce its transaction and administration costs in such a way that it can offer contracts at a low price. For example, they can sell their products through local agencies that have lower costs and better information about the customers. And they can manage underwriting and payment procedures through mobile phones.

The community-based/mutual insurance model, in contrast, builds on the upgrading of informal insurance. Here, NGOs and self-help groups improve their capabilities and capacities. Sometimes, donor organisations help them in this attempt. They provide NGOs and self-help groups with training, information technology equipment and small emergency funds to be used in temporary liquidity crises.

In the partner–agent model, both approaches are combined: professional and less professional actors cooperate in order to combine their respective strengths. NGOs and self-help groups assume the tasks that they can do better than professional insurers – they act like an insurance agent, responsible for the product sale and servicing, which cause the bulk of transaction costs and hence call for proximity to clients. The product design and financial management, in contrast, are done by a more professional partner (a commercial insurance company or a public social insurance organisation), which has know-how, experience, financial reserves and access to reinsurance and investment possibilities (Loewe 2009a).

All three models are used in many countries world-wide. The partner–agent model may be the most efficient because it requires no capacity building and no effort to reduce administration costs (Brown and Churchill 1999; Loewe 2006). However, it works only if professional insurers and NGOs or self-help groups are ready and able to cooperate. In many instances, they mistrust each other or their aims and modes of operation are too different.
Notes: * Down-scaling benefits for low-income earners is easy and trivial for risks that refer to losses of income or wealth. Here, every insurance holder expects to get reimbursement for possible losses in income or wealth with the effect that the level of benefits can correlate strongly with either income or wealth. This holds for life, work disability, injury, property, fire, drought, flood, animal and crop insurance – but not health or liability insurance where insurance holders would like to be allowed to come up with similar claims, whatever their level of income and wealth.

Source: Author’s own illustration.

Figure 6.1 The challenge of down-scaling insurance to the needs and possibilities of low-income earners
6.3.3 Product

In any case, micro-insurance cannot cover every risk. Life, work disability, injury and property insurance (including theft and fire) are relatively easy products: here, the level of benefits that customers expect to get in the insured event correlates strongly with their income and wealth. It is thus comparatively easy for providers to offer low-benefit products at low prices for low-income earners along with high-benefit, high-price products for high-income people (Figure 6.1). In addition, the insurance period can be limited to e.g. five years such that the planning period for customers and providers remains manageable. In some countries, micro-life insurance reaches coverage rates of far more than 10 per cent of the population – for example Colombia, Guatemala, Mexico and the Philippines (Munich Re 2020).

The situation is much more difficult for risks such as illness or liability. Here, the level of expected benefits correlates much less with income or health. For example, the medical treatment of a poor person is just as expensive as the treatment of a richer person. Of course, some economies can be made by cheaper accommodation and catering in hospitals and a few other items but these do not account for the bulk of the cost of health insurance. Another option is to exclude some illnesses or some services/medical treatments from the coverage of micro-insurance. But the exceptions have to be substantial to make the product affordable not only for the middle class but also for low-income earners. A third option is to charge co-payments for every service but even a 10 per cent co-payment can be prohibitive for people with low income.

From a systems perspective, none of these approaches is desirable if the political goal is to equalise the access of poor and rich people to essential health services. Also, most micro-health insurance projects are not successful because the premiums that they charge do not cover their costs or the premiums are high enough but the projects attract only the middle class rather than the poor (Abdul Hamid and Ara 2010; Prud’Homme and Traoré 2010). For this very reason, health insurance is the only element of social insurance schemes that redistributes contributions vertically (i.e. from the rich to the poor) at least to some degree in every country (while the other branches do this only in some countries and only to a more limited degree). Self-organised health insurance schemes would need a similar pooling of health risks across income groups but typically bring together only people from the same income group (Preker et al. 2002).

In addition, micro-insurance cannot cover risks if clients can easily influence the probability of their occurrence. Indexed micro-drought insurance is feasible because the insured event is lack of rainfall, which can be monitored. Of course, the insurer needs cross-regional reinsurance because the risk is covariate. Comprehensive harvest failure insurance, in contrast, is not feasible because it is difficult to measure the extent of harvest failure and because farmers have a strong influence on the harvest: they might be tempted to reduce their own efforts once they have harvest failure insurance (moral hazard). The same is true for livestock disease insurance (Gehrke 2011).

Finally, micro-insurance also has difficulties with long insurance durations such as in the case of pension insurance. Here, policy-holders start paying in at age 20 or 30 and receive benefits just 40 years later and until they die. They must thus have reason to believe that the micro-insurance provider will still exist 60 years after they have signed a contract with them. Such an assumption is not very realistic for low- and middle-income countries with limited or unreliable government regulation protecting the customers of pension insurance funds.
6.3.4 Economic, Political, Legal and Cultural Framework Conditions

Micro-insurance can sometimes work even under less favourable framework conditions: where the state is weak, the economy stagnates and violent conflicts prevail such as in Colombia, Democratic Republic of the Congo, Haiti or East Timor (Churchill and McCord 2012). Nevertheless, a minimum of political and economic stability is necessary for insurance members to have trust in the arrangement.

In addition, the mechanisms underlying insurance must be generally acceptable to the target group. Obstacles can be due to socio-cultural norms. Islamic religious law, for example, prohibits interest being paid on invested reserves or risk life insurance benefits that can be interpreted as a premium paid on the demise of a person (Loewe et al. 2001).

Finally, micro-insurance requires political and legal acceptance as well. Typically, the insurance business is well regulated by governments in order to protect consumers and investors. Sometimes, however, regulation is also misused, for example to protect cronies of the government. And sometimes the regulations are so strict that NGOs and self-help groups cannot even act as agents, i.e. selling and servicing micro-insurance products. In these cases, insurance and NGO laws might have to be adapted (Wiedmayer-Pfister and Chatterjee 2006).

6.4 IS MICRO-INSURANCE EFFECTIVE?

Evidence from numerous studies shows that existing micro-insurance schemes are effective in the reduction of vulnerability to risk. They lower the size and frequency of extraordinarily large expenditures and asset sales that are meant to manage shocks. Health micro-insurance schemes reduce also the overall level of out-of-pocket spending for health care. Some studies even found that micro-insurance increases the readiness of insured households to invest in remunerative but risky activities, thereby raising the likelihood of households to escape from poverty (Apostolakis et al. 2015; De Bock and Ontiveros 2013).

As a result, micro-insurance schemes contribute to the reduction of income poverty but also multidimensional poverty (which includes deprivation in terms of health, education, access to water, etc.). In any case, they strengthen the protective capabilities of their members. Some studies show that micro-insurance schemes reduce poverty also through increasing income stability, easing access to credit and reducing the loss of working days. A few studies show that micro-insurance decreases the level of indebtedness of the insured households. And manifold studies detect that health micro-insurance increases the quality of health through better access to health-care services and higher utilisation rates. Finally, micro-insurance raises the risk awareness, health awareness and financial literacy of households (Apostolakis et al. 2015; De Bock and Ontiveros 2013).

6.5 IS MICRO-INSURANCE EFFICIENT (SUPERIOR TO OTHER SOCIAL PROTECTION INSTRUMENTS)?

The question is whether micro-insurance is as good as alternative instruments of social protection such as social insurance or assistance (or perhaps even better) in achieving these
effects and where the best place for micro-insurance in the overall social protection system of different countries can be.

The comparative strength of micro-insurance is that it can also cover low-income earners and people in informal employment (which is difficult for social insurance schemes, see Chapters 3 and 22). In addition, it can cover several risks and thus be well tailored to the needs and demands of different social groups. Moreover, it can contribute to the empowerment of its members because it is often designed in a dialogue of providers with customers, while social insurance and assistance schemes are usually designed in a top-down process (Deblon and Loewe 2012).

At the same time, micro-insurance is unable to cover the very poor who are unable to pay even very small contributions. And it is normally unable to redistribute income from richer to poorer members because membership tends to be voluntary. Introducing elements of vertical redistribution would alienate richer members with the effect that in the long run only the poorest members would stay in the scheme. Micro-insurance is thus an instrument to reduce vulnerability rather than fight chronic income poverty and, hence, is no substitute or alternative for social transfer schemes.

However, micro-insurance can be an alternative to social insurance – at least where the government is unable or unwilling to set up a social insurance scheme that covers the majority of the population and the most relevant risks. Its strength is, once again, that it can be fine-tuned to the needs and possibilities of very different social groups. Its weakness is that it is not a good solution for every risk (see above). And, of course, it may appear less trustworthy to households than membership in social insurance where claims are guaranteed by the state rather than an NGO, a self-help group or a commercial company.

The role that micro-insurance can play must therefore be seen from a systems perspective. Only a holistic and country-specific analysis can tell where micro-insurance is superior to other social protection instruments (Deblon and Loewe 2012): it is the only solution where governments are unable or unwilling to set up social insurance schemes at all or extend them to informal-sector employees (such as in fragile states; see Table 6.1). Examples for such a scenario include the many group-based mutual insurance schemes that exist in many Western and Central African countries.

However, micro-insurance can also play a role as an alternative to social insurance where social insurance schemes are existent but not attractive for e.g. informal-sector employees. Possible reasons for such a scenario are that contribution rates are too high, social insurance does not cover the risks that are most threatening to informal-sector workers (e.g. bankruptcy, drought or river flood) or informal-sector workers mistrust the state. Here, micro-insurance can co-exist with social insurance such that every household can choose its preferred social protection instrument.

Finally, micro-insurance can operate as a complement or supplement to social insurance. This is particularly helpful when social insurance does not cover the whole range of costs that a shock can bring about. For example, many social health insurance schemes exclude the coverage of cancer treatment, which can then be covered by micro-insurance (such as in a scheme in Jordan). Or social insurance covers the cost of hospitalisation but not the transportation to hospital. Here, micro-insurance can step in and offer a product covering only the cost of transportation by ambulance. In the latter scenario, social and micro-insurance are true complements because neither product makes much sense without the other. In the same way, of course, micro-insurance can cover just the cost of pharmaceuticals not covered by social
health insurance, or it can top up the benefits paid by social insurance schemes (e.g. provide a supplementary pension or reimburse the deductible in the settlement of a social health insurance claim). And finally, micro-insurance can cover the risks that are not at all covered by social insurance such as river flood or drought (Deblon and Loewe 2012; Gehrke 2011).

6.6 CONCLUSION: WHAT IS THE LESSON FOR POLICY-MAKERS?

To conclude, governments and donors should at least facilitate the creation of micro-insurance schemes and do what they can to make these schemes work for the benefit of the members. For standard risks, the priority should be to integrate as large shares of the population as possible into public social insurance schemes. Unfortunately, these rarely cover (1) the entirety of people living in low- and middle-income countries, (2) all risks that these people face and (3) all the effects that these risks may bring about.

In most cases, the government does not have to get directly involved in the creation of micro-insurance schemes. But it still has an important role to play by (Loewe 2009b):

- legalising the involvement of NGOs, cooperatives, self-help groups, micro-finance institutions and other atypical actors in the operation of insurance schemes (which may require reform in the insurance market, NGO or association laws);
- defining minimum standards for micro-insurance contracts in order to protect consumers (which may concern contribution rates, benefit conditions and levels, product design, reinsurance and the investment of reserves on capital markets);
- providing information to consumers on the chance and risk of different micro-insurance products; and
- ensuring that there is a neutral body to settle conflicts that may come up between the different actors involved in micro-insurance (such a body can be a specialised court or an independent arbitration board formed by the actors involved).

If governments and donors want to promote micro-insurance even more proactively, they can consider:

- subsidising the start-up costs of newly created micro-insurance schemes; and
- providing emergency funds from which micro-insurance providers may borrow in order to manage temporary liquidity crises (preferably on a commercial basis, i.e. against the payment of an interest).

At the same time, both governments and donors should refrain from subsidising micro-insurance schemes unless a very large majority of the population can easily access these schemes. In most countries, micro-insurance reaches out to just small parts of the population with the effect that any subsidisation penalises households that are outside their reach (Loewe 2009b).
REFERENCES


PART II

SYSTEM DESIGN
Introduction: System design

Markus Loewe

This part of the handbook deals with some of the questions that have to be answered when social protection programmes are designed, and which have been mentioned in the general introduction to this handbook already: why social protection should be provided, who should benefit, who should provide it and how it can be financed. Of course, the list that follows is far from exhaustive.

A first question – that possibly underlies all others – is why a social protection programme is set up at all. Is this due to the political will of citizens, as expressed by elections, participatory political processes or protests? Or because policy makers just want to support the poor and vulnerable for altruistic or paternalistic motives? Or because they have understood that social protection programmes can be good for economic development, social inclusion or political stability? Or because social security is a human right, anchored in international law (e.g. Articles 22 and 25 of the Universal Declaration of Human Rights)? Kaltenborn explains in Chapter 9 what such a human-rights approach to social protection would mean for the design of social protection programmes: national governments have an ‘obligation to fulfil’: recognising the human right in national legislation and elaborating a strategy that makes social protection accessible for all residents in the country (not only citizens). However, a human rights approach, he argues, includes also that the design of social protection programmes follows principles such as non-discrimination, participation and accountability. And finally, there are extraterritorial obligations according to which governments should promote the human right to social security in other countries as well, including by financial assistance.

The second question is how social protection is financed. This includes two interrelated aspects, the first being where funding for social protection benefits should come from: inter-temporal redistribution (the shift of life-time income of one person from good to bad times in life), intergenerational redistribution (support of children and people at old age by those at working age), vertical interpersonal redistribution (from the rich to the poor) or horizontal interpersonal redistribution (risk pooling as in an insurance scheme). This first aspect was raised in Chapter 1. The second aspect, in contrast, is brought up by van de Meerendonk in Chapter 7. He discusses how funding for social protection can be mobilised in technical terms (contributions, taxes, other sources of government income sources – such as fees, investment, sale of assets or natural resources – borrowing or external grants) and what strengths and weaknesses these different options have. Most of them allow for several of the redistribution mechanisms mentioned above, even in different combinations.

The third question is who should receive benefits provided by a social protection programme. This also has two aspects, even if these are quite interrelated. It is what the target group of social protection should be (i.e. who should ideally get benefits: people at old age, the disabled, orphans, children in general, widows, all females, the working poor, young parents, refugees, all poor people, etc.) and why (because the respective group is particularly poor, vulnerable, social excluded, etc.). It is a political question of setting priorities, while the second is much more technical: It is how we can know if a person belongs to the target group
of a social protection scheme. Of course, it is not too difficult to decide if a person is a child or a woman but it is not at all easy to know if an applicant for social aid is really poor. Devereux discusses therefore in Chapter 8 if it is better in the latter case to provide benefits to everybody (such that all of the poor receive benefits but also all of the non-poor) or to ‘target’, i.e. try to identify the poor – for example by proxy indicators (age, place of living, living conditions or the like) – of course with the risk that some of the non-poor still receive benefits while some of the poor do not. And Wiebe shows in Case Study F on Bolivia how difficult it can be to make social protection systems change from a targeting philosophy to universalism.

A fifth question is what kind of benefits should be provided. In principle, benefits can be in cash, bank transfers, vouchers (e.g. on free health care or on subsidised bread) or in kind (e.g. food parcels, free access to water or electricity; see Chapter 2). But they can also be subsidies (‘indirect transfers’), such as on bread, vegetables, petrol, power, credit, health care, water, housing or public transportation. The rationale of indirect transfers is to lower the cost of living of low-income people rather than topping up their income (see also Chapter 1).

A sixth question is what the level of benefits should be, i.e. how generous a social protection programme is meant to be. Chapter 2 brings up this question as well.

A seventh question is whether entitlements to benefits should be conditional on anything that recipients do (e.g. send children to school, undergo health checks regularly, do communal work, abstain from unsustainable use of natural resources). Again, Chapter 2 provides some answers.

The eighth question is which actor should administer a social protection programme by organising the financing, risk management, overall organisation and disbursement of benefits. Schüring and Wiebe argue in Chapter 10 that any of these functions can be assumed by the state, autonomous public entities, commercial companies (banks, insurers, hospitals) or third-sector organisations (welfare/charity organisations, religious foundations, grass-root organisations, self-help groups, cooperatives, solidarity networks, trade unions). The authors highlight that these different actors often collaborate or even compete for the provision of social protection and that different combinations of actors cooperate in different kinds of social protection systems.

Ideally, all of the questions are answered for the entire social protection system of a country rather than for individual programme components. Once an overall action frame has been developed, policy makers can arrange for a division of labour between different programme components. De Neubourg, Cebotari and Karpati argue in Chapter 11 that such a systemic approach to social protection is essential for extending overall coverage, efficiency and effectiveness. According to them, this process requires answers to questions such as: How much individual risk taking is society willing to accept? What is the desired mix of preventive, mitigating and coping instruments in risk management? What is the overall role of public, private and third-sector actors in social protection? How much exchange of data between tax administration, social insurance and social transfer programmes is society willing to accept in order to avoid friction between different programmes (e.g. when workers move from one social insurance scheme to another)? Van den Heever illustrates in Case Study G on South Africa how difficult a systemic approach to social protection can be.
7. Financing

Arthur van de Meerendonk

7.1 INTRODUCTION

This chapter discusses the various options for financing social protection. Notably, the following three questions will be addressed: (1) how can social protection be financed? (2) how much financing is needed? and (3) which of the financing options, under (1), suits best under which circumstances?

The outline of this chapter is as follows. Section 7.2 provides an overview of the various options, or methods for financing social protection, addressing the first of the three questions listed above. The subsequent section (7.3), discusses the second question. What, or how much, is it that needs financing? Are we talking about 5 per cent of a country’s gross domestic product (GDP), or 30 per cent? Section 7.4 considers the third of the three questions. Does it matter which option, or method of financing, is chosen? What are the advantages and disadvantages of the various options and are there circumstances where one option performs better than the others? In other words, what are the optimal financing strategies, given various objectives, target populations, external circumstances, etc.? The final section (7.5) draws conclusions and suggests some recommendations for policy makers who may face the difficult challenge of how to finance social protection.

7.2 THE MENU OF OPTIONS FOR FINANCING SOCIAL PROTECTION

This section discusses the various options to finance social protection. Basically, there are two main choices for financing social protection programmes: contributory and non-contributory financing. The first, contributory financing, corresponds to social insurance. As in private insurance, in social insurance one pays a contribution and receives a financial compensation when the insured risk materializes – for example, when one becomes sick, disabled or unemployed. Important in this method of financing is that coverage is linked to membership, and someone becomes a member by paying the contribution that is levied for the insured package.

The other main choice for financing social protection programmes is non-contributory financing. Within this strand, a number of sub-choices exist. There is a distinction between tax and non-tax financing. Both sub-categories, however, can be broken down further into sub-sub-categories.

7.2.1 Contributory Financing

This sub-section discusses the menu of options within contributory financing by looking at a number of key design parameters in social insurance. In contributory schemes (note that
we tend to talk of social insurance schemes, instead of programmes) the financing is tied to a number of crucial parameters.

The first is the size and composition of the insured population. It is obvious that size matters. With a large number of beneficiaries, more financing is required. However, the composition of the insured population is more important for the method of financing than its mere size. With composition of the insured population, first, we mean the relative shares of active and passive members of the scheme, and, second, their risk profiles. Active members are the ones who are paying the contributions. Passive members are the ones receiving benefits. Specifically for PAYG schemes (explained below), a large number of active members, relative to the number of beneficiaries, has the effect that the amount of contributions per active member will be less and, therefore, it will be easier to finance the scheme than in a situation where the number of beneficiaries vis-à-vis contributors is larger. The risk profiles of the insured members are also important for the choice of financing. There are two forms of risk. One is related to known or unknown personal characteristics. A person’s age is an example of a known risk. The likely cost of insuring a person of a certain age can be estimated using statistical tables. The risk that a person is going to develop a chronic disease in the future is an example of an unknown risk. Both are examples of risks that do not relate to personal behaviour. The other form of risk applies to the insurance provider only and is related to unknown behavioural responses to insurance coverage from the side of the insured, also known as moral hazard. Some social insurance schemes, therefore, demand some form of risk sharing (for example, co-payment, waiting periods or ‘stop-loss’ mechanisms) to mitigate moral hazard.

For income replacement schemes, insured earnings are a second crucial parameter. In most social insurance schemes, not all earnings are included in the insurable earnings (tax base, total assessment base) of the scheme. Floors and ceilings may apply. Both exempt a certain share of a person’s earnings from contributions. Floors and ceilings may limit the tax base of the scheme and, therefore, may drive up the contribution rate (that is, the share of one’s earnings one has to pay for obtaining coverage). This is not the case as long as the benefit entitlement also accounts for, or corresponds to, these floors and ceilings. For example, if the contribution is levied up to a maximum (ceiling) of two times the average earnings (that is, the average of earnings of all insured members in this particular scheme), actuarial equivalence requires that the benefit payable under this scheme also is limited to two times the average earnings. If this condition of actuarial equivalence is not met, the consequence will be a redistribution of income within the scheme from low- and middle-income earners to high-income earners (those who earn more than twice the average). More generally, if a floor applies for contributions levied but not for benefits paid, the scheme will be progressive in its distributional impact. Vice versa, if a ceiling applies for contributions levied but not for benefits paid, the scheme will be regressive.

In some occupational pension schemes (like, for example, in the Netherlands), there is a floor which corresponds to the universal basic pension, which is a separate pension scheme. Insured members in their active ages only pay a contribution on their earnings above the floor (which is set at subsistence level) and their occupational pension plan pays them a pension benefit after retirement which complements the basic pension benefit (which is also set at subsistence level). This is an example of a scheme design which (at least in this aspect) meets the conditions of actuarial equivalence.

The third parameter is the level of the benefit. The relationship between the level of (previous) earnings and the level of the benefit is called the replacement rate. This is the share, or
percentage, of (previous) earnings which is going to be replaced by the benefit. Replacement rates of 40 to 70 per cent are quite common in practice. The higher the replacement rate, the more expensive the scheme will be and therefore the more financing will be required. This is rather obvious.

In the literature, there is a distinction between gross and net replacement rates. Gross replacement rates are measured pre-tax; they represent the benefit, before tax is levied, as a share of previous earnings, also measured before tax is levied. Net replacement rates measure the benefit after taxation as a share of earnings, also after taxation. Net replacement rates are often higher than gross replacement rates. This is due to the progressiveness of many tax systems where the (generally lower) benefit level is taxed at a lower average tax rate than the (generally higher) level of previous earnings.

Fourth, there is the distinction between benefit expenditure (programme expenditure) and other expenditure. Other expenditure is, for example, the administration or operation cost of the scheme. The scheme needs to be administered. This means staff need to be hired and equipped. Well-vested and efficiently operating social insurance administrations may limit administration costs to around 5 per cent of total expenses, or less, but especially in the establishment of a new social insurance scheme, administration costs may exceed that percentage by far.

Other income is a fifth parameter with respect to financing social insurance. Two major sources of other income are income from profits and transfers. Profits accrue from investing a proportion of the contribution revenues. This applies particularly for fully or partially funded schemes. We will return to this shortly. Social insurance schemes may also be (partially) financed from transfers. This may be transfers from general government (subsidies) or from other organizations (for example, international donor agencies). To the extent that social insurance schemes derive part of their revenues from transfers, less will need to come from contributions. For example, public-sector pension schemes in quite a few low- and middle-income countries are financed directly by transfers from the general government budget. This replaces contributions from the public-sector employees themselves.

Crucial as a parameter for financing social insurance schemes is the reserve requirement. There are two categories of reserve requirement. The first is the contingency reserve. Every social insurance scheme needs to have a contingency reserve. This is meant to cover expenses when an unforeseen event occurs (for example, increased unemployment in an economic downturn or as a result of a catastrophic event). The other is the reserve requirement that relates to the level of funding. Here, we need to distinguish between pay-as-you-go (PAYG) financing versus partial or full funding of a scheme. PAYG financing means that current active members pay contributions to finance the benefits of current passive members. In this case there is no reserve requirement (except for a small contingency reserve). On the other end of the spectrum, we observe full funding, which means that current active members pay contributions, basically, for their own future benefits. In this case, the reserve requirement is set at a level which has to be calculated in an actuarial valuation. Partial funding means that the reserve requirement is set a level lower than the one required for full funding. The effect may be that the scheme will be partially financed on a PAYG basis, in which active members partly contribute for their own future benefits and partly for the benefits of current passive members. The alternative possibility is that part of the funding is derived from transfers from other organizations (explained earlier).
At the end of the day, an important parameter for financing social insurance is contributions from active members. The contribution rate, applied to the insurable earnings tax base (explained earlier), determines the revenue from contributions. Basically, there are two key formulas that determine the contribution rate. One is for PAYG schemes and the other for (partially) funded schemes (Cichon et al. 2004, ch. 5).

**PAYG:**

\[
CR(t) = \frac{TE(t) - O(t)}{TAB(t)}
\]

with \(CR(t)\) = the contribution rate in year \(t\); \(TE(t)\) = total expenditure; \(O(t)\) = other income; \(TAB(t)\) = total assessment base (insurable earnings).

Funded schemes (fully or partially funded), scaled premium or constant contribution rate:

\[
CCR_{0,...,t-1} = \frac{\sum_{j=0}^{t-1} D(TE_j - O_j) + k_{t-1} \cdot D(TE_{t-1}) - RES_0}{\sum_{j=0}^{t-1} D(TAB_j)}
\]

with \(CCR_{0,...,t-1}\) = constant contribution rate (scaled premium) in a certain period (that is, the years 0 to \(t-1\)); \(D(TE_j - O_j)\) = the discounted value of the stream of total expenditure minus other income in year \(j\); \(k_{t-1}\) = the (required) level of funding at the end of the period; \(D(TE_{t-1})\) = the discounted value of expenditure at the end of year \(t-1\), the final year of the period; \(RES_0\) = the initial reserve at the beginning of the period (year \(t = 0\)); \(D(TAB_j)\) = the discounted value of total insurable earnings in year \(j\).

The PAYG formula reads rather straightforward. The contribution rate in a certain year \(t\) is total expenditure minus other sources of income (for example, transfers from government or other organizations) divided by the total assessment base (insurable earnings) in the same year. The higher expenditure minus other income, and the smaller the insurable earnings, the higher is the contribution rate. The intuition behind the scaled premium function is essentially similar. The formula counts the entire stream of expenditures minus revenues in a certain period (say, the next 30 years); additionally, it considers the initial reserve and the required reserve at the end of the period. The larger the difference between total annual expenditure and total annual other income (\(D(TE_j - O_j)\)), and between the required final reserve (\(k_{t-1} \cdot D(TE_{t-1})\)) and the initial reserve (\(RES_0\)), and the smaller the annual insurable earnings base (\(D(TAB_j)\)), the higher is the contribution rate – which is calculated as a constant rate over the entire period.

Who pays the contributions? This is a final parameter of social insurance scheme design which is relevant for its financing. It is quite common in social insurance that employees and employers share payment of contributions. This may be a hard nut to crack in collective wage bargaining between employer and employee (organizations). However, from an economic perspective it is to a large extent irrelevant how the burden of social insurance contributions is shared between employee and employer. The sum of the two shares determines the wedge (differential) between labour costs and net wage and, like taxes, this wedge may distort decisions to hire or supply labour. Unlike taxes, however, social insurance contributions may be perceived as deferred earnings; or, put differently, the employee and employer may feel that
they receive something in return. To the extent that this is the case, the distortive impact of social insurance contributions vis-à-vis taxes may be less. Mainstream (neoclassical) economic theory holds that, in the longer run, the economic costs of the tax and social insurance contributions wedge, no matter how this wedge is shared between employee and employer, weighs on the former rather than the latter. This is because in the longer run, production capacity and, therefore, labour demand (employment) will adjust to the (higher) cost of labour. These parameters determine whether the social insurance scheme will be in financial and/or actuarial equilibrium (see Box 7.1).

BOX 7.1 ACTUARIAL FINANCING RULES FOR SOCIAL INSURANCE SCHEMES

From an actuarial perspective, an insurance scheme is in financial equilibrium if, at a given point in time ($t_1$), the present value of all future expenditure equals the present value of all future income to the scheme plus the initial reserve ($t_0$) (Cichon et al. 2004). In PAYG schemes, this equation holds true within the boundaries of one year. In funded schemes, temporal surpluses should compensate temporal deficits for the scheme to remain in financial equilibrium (Cichon et al. 2004).

There is also the notion of an actuarial equilibrium. This considers the cash flows in and out of the scheme and aims at safeguarding that these cash flows will remain balanced, at each point in time, over a long time horizon.

Three sets of factors determine the expenditure of a benefit scheme (Cichon et al. 2004):

- demographic factors (the relative size of the active to the non-active generations);
- economic factors (the evolution of the tax base, insured earnings); and
- governance factors (contractual obligations and entitlements, maintenance and compliance).

Theoretically, three financing rules apply for social insurance schemes: financial solidarity, collective financial equivalence and intergenerational equity (Cichon et al. 2004). The first states that the ‘ability to pay principle’, regardless of the individual’s risk profile, will set the contribution rate. Ability to pay means that someone should contribute proportionally to his or her income (or wealth). The second principle reiterates the financial equilibrium rule: the present value of all future expenditure should equal the present value of all future income to the scheme plus the initial reserve. This rule holds that contributions should not be used for other expenditure than under the scheme’s regulations, and that no other sources of revenue other than contributions and profits earned on investing these contributions should accrue to the scheme. The third rule applies to pension schemes and long-term care schemes, and holds that members of different generations all contribute the same share of their disposable income during their active life in order to earn the same benefit entitlements. These three rules are hardly ever completely fulfilled in practice. For example, in PAYG systems which are still in their maturation (ageing) phase, the older cohorts typically will have paid less into their pensions than the younger generations (or the latter receive lower pensions for the same amount in contributions). Sometimes, pension funds may receive tax-financed subsidies even when the pension schemes do not cover the entire population, or pension funds are obliged to invest in government debt and this debt is written off. Both cases violate the
rule of collective equivalence (Cichon et al. 2004).

It is important to keep in mind that all pension schemes – whether PAYG or (partially) funded – face these same three rules. The more these schemes follow these financial rules, the more the schemes will be in actuarial balance and sustainable.

7.2.2 Non-Contributory Financing

This sub-section discusses non-contributory financing. Generally, this includes financing from general government revenues and other sources. Governments can subsidize social protection from their revenues. The main sources of revenue are: tax financing and non-tax financing from general government revenues. Social protection may also receive financing from other sources. This section discusses the main revenue options. The first sub-section considers tax financing, the second sub-section looks into non-tax financing and the last sub-section discusses non-government sources of (non-contributory) financing.

Tax financing social protection

Within tax financing there are, again, two main choices: direct and indirect taxes (for more details, see Chapter 15 of this handbook on taxation).

Direct taxes are levied on economic agents. This can either be persons or corporate entities. Examples of direct taxes are the personal income tax, the corporate income tax (profit tax) and personal wealth tax (for example, a tax on savings above a designated threshold).

Indirect taxes are taxes that are levied on economic transactions. Examples are value-added taxes, trade taxes, taxes on capital transactions (for example, the purchase of real estate) and custom duties. The government uses the revenues from taxation to finance its expenditure and social protection spending is part of that.

There are three parameters determining tax revenues. The first is tax rates. Increasing tax rates may lead to higher tax revenues. This seems obvious. However, there are some limitations to this option. Higher tax rates could create disincentives with respect to economic activities and this may impact tax revenues (see Box 7.2).

BOX 7.2 THE ‘EXCESS BURDEN’ OF TAXATION, SUBSTITUTION ELASTICITIES AND THE LAFFER CURVE

The extent to which tax revenues can be increased by increasing tax rates depends on the ‘substitution elasticities’ of economic behaviour in response to the tax rate increase. This relates to the well-known ‘excess burden’ of taxation. This is an inevitable welfare loss – governments can, in their tax design, only try to minimize this welfare loss but they cannot entirely avoid it. Substitution elasticities may vary in time and place and, more importantly, elasticities for some economic activities are higher than for other activities. There is a famous theorem in economics (the Ramsey Rule) which holds that taxation of inelastic activities will generate more revenue than taxation of elastic activities. Taxing the low-paid breadwinner, for example, will be more efficient than taxing the spouse with a university education. The former will not likely react to the increased tax by reducing labour supply, whereas the latter will. Likewise, taxation of basic food items will generate more revenue
than taxing visits to a restaurant. Now, this may serve efficiency but it does not respond well to notions of fairness. High substitution elasticities may even lead to a shrinking of the tax base in response to tax rate increases – this is the famous Laffer Curve effect. The Laffer Curve is an inverted U-shaped curve, representing the relationship between the tax rate (X-axis) and tax revenue (Y-axis). The curve has an optimum point beyond which further increasing the tax rate leads to a diminished tax revenue (shrinking of the tax base).\footnote{See, for example, Lundberg (2017) for an empirical discussion of the Laffer Curve.}

The second parameter is the tax base. Tax revenue is tax rate times tax base. Options for widening the tax base include the termination of exemptions under existing tax regimes or introducing new taxes. Some countries, for example, have introduced or are planning to introduce consumption or health taxes (sometimes referred to as ‘sin taxes’).\footnote{For example, in Thailand, such a tax has been estimated to increase revenues by B2.5 billion (around $76.66 million). Thailand’s 2017 GDP was $455 billion; hence, the revenue is equivalent to 0.02 per cent GDP. See Kishimoto (2017).} These taxes have a double motive – changing behaviour and generating revenue – and the irony is that the more effective the tax is in the former, the less effective it will be in the latter of the two objectives. Another, and quite topical, example of a consumption tax with a double objective of changing behaviour and raising revenue is a tax on airline tickets.

The third parameter determining the revenue from taxes is tax compliance. Inefficient, ill-organized tax administrations are less capable to collect taxes. Tax avoidance is another major reason for tax revenues to fall short of potential. It has been estimated that some low- and lower middle-income countries lose up to one-third of potential tax revenue, or more, due to compliance issues.\footnote{For example, Myanmar has been estimated to have foregone equal to 129 per cent of its annual health expenditure, or 42 per cent of its annual education spending, due to underreporting of tax liabilities between 2010 and 2013 (Kar and Spanjers 2015).}

Non-tax financing social protection

Important items here are profits from public enterprises and from the exploitation of natural resources. In a number of countries, governments have established earmarked funds for these revenues: sovereign wealth funds. These funds invest their wealth and the profits accrue to government and government can use part of these revenues to finance social protection programmes. If the government makes prudent use of the fund and withdrawals do not exceed profit revenues, then the fund can act as a sustainable source of annual revenue.

Sometimes, privatization – auctioning ownership shares in public enterprises (also known as initial public offerings) – can be a source of revenue. In principle, this provides a one-off (‘windfall’) profit to the government. Still, revenues from the sale of public enterprises can be invested in an earmarked fund and then have the potential to generate an annual profit accruing to the government budget. Another source of revenue is fines or penalties.
7.2.3 Financing Social Protection from Other Sources

Social protection can be financed straight from donor support. Especially in low-income countries, direct programme support from international donor agencies constitutes a major financing channel.

In Islamic countries, Zakat can also be an important source of financing social protection. Zakat is one of the ‘five pillars of Islam’. It is the obligation for the relatively wealthy to support the relatively poor. In Islamic countries, Zakat has been institutionalized. Often, there is a government arm (for example, the Ministry for Religious Affairs) to help administer, regulate and disseminate the accumulated funds. Yet, even in countries with a large Muslim population, the actual revenue collection from Zakat has been found to be rather small.4

7.3 HOW MUCH FINANCING IS NEEDED?

This section briefly discusses the size or magnitude: how much is it that actually needs financing?

The United Nations Sustainable Development Goals (SDGs), that were agreed upon for 2030, have set a target for social protection – this is Target 1.3: ‘implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable’. What would a social protection floor that could meet the requirements of SDG 1.3 cost?

Several recent studies5 have estimated the cost of a basic social protection floor.6 Most of these studies simulate different combinations of programmes with different designs, and there are also variations in the manner in which these studies present their findings. The findings, therefore, are not entirely comparable. However, there seems a wide consensus that costs for low-income countries, and also for some lower middle-income countries, will exceed their financing capacities. For example, Ortiz et al. (2017) estimate the average cost of a (limited) comparable social protection floor package in a sample of 101 developing countries to be equivalent to 1.6 per cent of the GDP of those countries. The average cost of a comparable social protection floor package in a sample of 57 low-income and lower middle-income countries is equivalent to 4.2 per cent of their GDP. Durán-Valverde et al. (2019) estimate the cost of achieving a (limited) universal social protection floor package for a set of 134 low- and middle-income countries. These costs range from 2.3 per cent and 2.6 per cent, for upper middle-income and lower middle-income countries, respectively, to 6.4 per cent for low-income countries. Moreover, there is consensus across findings that the current levels of

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4 For Indonesia, for example, Khasandy and Badrudin (2019) have estimated potential revenue from Zakat at Rp217 trillion, equivalent to 1.6 per cent of the 2017 GDP. However, the amount actually collected in 2017, Rp2.73 trillion, reached only 1 per cent of its estimated potential (Khasandy and Badrudin 2019).

5 These include: Schmidt-Traub (2015), Ortiz et al. (2017), Gaspar et al. (2019), Cichon (2018), Manuel et al. (2018) and Durán-Valverde et al. (2019).

6 The ILO’s Recommendation 202 defines national social protection floors as nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating ill health, poverty and vulnerability and social exclusion. These guarantees should ensure that, over the life cycle, all in need have access to at least essential health care and basic income security.
international development aid are insufficient to meet the financing needs of these countries. For example, Durán-Valverde et al. (2019) estimate the financing gap at 1.6 per cent of GDP on average for their 134 countries.

High-income countries, generally, spend well above this minimum. For example, the European Union 28 (including the UK) average public spending on social protection on cash and in-kind benefits recorded 28 per cent of GDP in 2017.7

7.4 FINANCING STRATEGIES

This section reviews the financing choices and discusses which of the various instruments are better suited for specific objectives and circumstances.

The two criteria to assess financing instruments applied in this section are efficiency and equity. Both can be broken down in sub-criteria. Efficiency can be divided in allocative efficiency and operational (cost) efficiency. With allocative efficiency we mean that financing options will be assessed to the extent that they augment or diminish economic welfare (or economic growth). Operational efficiency measures the cost of a financing method to achieve its stated objective. For example, direct taxes may be less operationally efficient in a low-income country than indirect taxes given the capacity of the tax collection administration to monitor personal income.

Equity can also be broken down. We consider three sub-criteria: the impact of a financing method on poverty alleviation, the impact of a financing method on the income distribution and the societal acceptance (or acceptability) of the financing method. In a way, one could argue that the latter of the three is the only one which matters. If a society accepts a large degree of income inequality, then who are we to judge? However, this seems a bit of a subjective criterion. Therefore, we use the impact on poverty and income distribution sub-criteria as more objective measures of the equity of a financing method.

This leaves us with four criteria: allocative efficiency, cost-efficiency, impact on poverty and impact on the income distribution.

Before considering these four criteria, we discuss which financing methods are more or less suitable under which circumstances. Table 7.1 provides an overview.

Contributory financing is more suitable for countries with a large formal sector. Countries with large informal sectors cannot really rely on social insurance – maybe as a long-term financing strategy but not for the short to medium term (see Chapter 3). Often, in low- and middle-income countries with typically large informal sectors, only salaried employees working in the public sector and large private corporations have access to formal social insurance (see Chapter 22).

The same applies for financing social protection out of direct taxes. This is less suitable for countries with a large informal sector, which often corresponds to a weak tax collection capacity. Therefore, low- and middle-income countries tend to rely more on indirect taxes and non-tax revenues, such as proceeds (profits) from public enterprises and natural resources. For example, in Sub-Saharan Africa, average revenue from value-added tax increased from 3.3 to 5.3 per cent of GDP between 2000 and 2016 (Pick 2018).

https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcod=tps00098&plugin=1
Table 7.1  Strengths and weaknesses of financing methods

<table>
<thead>
<tr>
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<th>Suited for</th>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td><strong>Contributory financing</strong></td>
<td>Countries with a large formal sector</td>
<td>Pay–return nexus*</td>
<td>Narrow tax base</td>
</tr>
<tr>
<td><strong>Non-contributory financing</strong></td>
<td></td>
<td>Encapsulating the middle class</td>
<td></td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>Countries with a large formal sector well-organized tax collection administration</td>
<td>Broad tax base</td>
<td>Weak pay–return nexus</td>
</tr>
<tr>
<td><strong>Indirect tax</strong></td>
<td>Countries with a large informal sector moderately organized tax collection administration</td>
<td>Potentially progressive incidence (pro-poor)</td>
<td>Potentially regressive incidence – this can be mitigated when dual-rate structure is applied</td>
</tr>
<tr>
<td><strong>Non-tax</strong></td>
<td>Countries with a large informal sector</td>
<td>Potentially broad tax base</td>
<td></td>
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* Perception that contribution is a fee, paid for a service in return.

Source: Author’s own.

Now, what are the pros and cons of the various financing options? To address this, we will use the four criteria, listed above, to make an assessment.

7.4.1  Allocative Efficiency

The distortive impact of taxation depends, as was argued in Section 7.2, on substitution elasticities. Taxes drive a wedge between gross cost and net return, and the impact on economic welfare depends on the extent to which people (or enterprises) change their economic behaviour due to this wedge (‘substitution elasticities’). To the extent that people perceive a social insurance contribution as a price for which they receive something in return (the assurance that there will be some amount of income compensation in a case of unforeseen calamities), contributory financing may be less distortive than financing from either direct or indirect taxes.

Basically, the (potentially) distortive impact of direct taxes will be on productive factor markets – for example, on the labour market – whereas indirect taxes may distort markets for goods and services. This is an inevitable effect of taxation. Governments can only try to minimize the distortive impact by levying taxes on relatively inelastic production factors and commodities. However, there is an equity–efficiency trade-off here, as low-paid labour and basic necessities tend to be the items with relatively low substitution elasticities.

The impact – in terms of allocative efficiency – of financing social protection from non-tax revenues, probably, may be more limited. The issue here is more: to what extent is this a sustainable source of financing? If the government makes prudent use of this source of revenue and withdrawals do not exceed the flow of profit revenues, then sovereign wealth funds can act as a sustainable source of annual revenues. Countries, however, have not always acted prudently – both in the past and present – and subsequently have found themselves in macroeconomic problems; in the economic literature this is referred to as ‘Dutch disease’.
7.4.2 Operational Efficiency

Establishing a well-performing social insurance administration requires some investment. However, mature social insurance schemes tend to have low administrative costs (generally, less than 5 per cent of their total cost). The cost-efficiency of financing protection programmes from taxes and other government revenue sources depends entirely on whether revenue collection is organized efficiently.

7.4.3 Impact on Poverty Alleviation

The impact from contributory financing, in principle, is neutral. This is because poverty alleviation in itself is not an objective for social insurance. When taxation is used to finance residual social protection programmes, programmes that are effectively targeted to poor and near poor categories, the impact on poverty alleviation will be positive (see Chapter 34). This applies more for direct taxes than for indirect taxes. This is because direct taxes tend to have a progressive structure – tax regimes are progressive, by definition, when average tax rates (the share of one’s income which is levied as a tax) increase with income (see Chapter 15). Indirect taxes, on the other hand, tend to be regressive in their incidence. This is because poor people spend a larger share of their income on goods and services where the indirect tax applies. This can, to some extent, be countered with dual-rate structures where basic necessities are taxed at a lower rate than luxury goods and services. However, this cannot entirely compensate for the inherently regressive impact of indirect taxes.

The impact on poverty alleviation from using non-tax revenues to finance social protection tends to be positive (pro-poor). This is because these revenues can be considered as a windfall. For example, the ownership of a country’s natural resources lies (or, at least, should lie) with all citizens. Exploiting these natural resources and paying all citizens an equal amount would have a neutral impact. Hence, to the extent that these revenues are used to finance programmes targeted to the poor and vulnerable the impact will be positive.

7.4.4 Impact on the Income Distribution

The impact of contributory financing on the income distribution basically depends on its design (Section 7.2). Social insurance is based on risk pooling (a characteristic of any insurance scheme) and, to some extent, income pooling (which is characteristic for social insurance). Therefore, some cross-subsidizing between high and low incomes will be inherent to social insurance, but income redistribution, like poverty alleviation, is not a principal objective of social insurance (see Chapter 3).

This is different for tax-financed social protection. Basically, the tax/benefit incidence effect, or impact, of tax-financed social protection will be towards less income inequality. However, the extent to which this is the case will be different for direct and indirect taxes and, within these, the effect will depend on the specific design of the tax schedule (see Chapter 15).
7.5 CONCLUSIONS AND RECOMMENDATIONS

This chapter discussed the two main choices for financing social protection programmes: contributory financing and non-contributory financing. Its main conclusions can be summarized as follows.

- In contributory schemes, the financing is tied to a number of crucial parameters, of which size and composition of the insured population, insurable earnings and the benefit replacement rate are important elements. Another crucial parameter is the reserve requirement that relates to the level of funding. Choices in this respect are PAYG financing versus partial or full funding.
- The main sources of non-contributory financing are tax financing and non-tax financing from general government revenues or other sources (including transfers from donor agencies).
- Studies that have estimated the costs of a social protection floor that could meet the requirements of SDG 1.3 find costs around 2.5 per cent of GDP for middle-income countries and above 5 per cent of GDP for low-income countries. Low-income countries, particularly, will not be able to finance these costs entirely from their own pockets.
- Criteria to assess the applicability of financing instruments are efficiency and equity. These have been broken down further into the following sub-criteria: allocative and operational efficiency, impact of a certain financing option on poverty alleviation and income (re)distribution.
- Generally, all financing choices have their pros and cons, and some are more applicable in certain circumstances than others. There is no one size fits all, no blueprint.

What does this mean for low- and middle-income countries which want to introduce or expand social protection? What can be viable financing strategies for these countries?

An important observation to make is that there is a large degree of path dependency. Historic institutions and practices to a large extent shape possible future directions. Countries with well-established and efficiently operating social insurance infrastructures may do well to use these as carriers for further expansion of social protection to currently non-covered categories of the population. Some subsidization to pay for those who cannot afford to pay the contributions by themselves could be a viable financing strategy (examples are the financing of universal health insurance in countries like Ghana and Indonesia).8

For countries where this condition of a well-established social insurance framework is not met, a non-contributory financing strategy may be more suitable. Many low-income countries find that indirect taxes and non-tax revenues are relatively efficient options for financing their social protection needs.

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8 See, for example, ILO (2015) for Ghana and TNP2K (2018) for Indonesia.
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8. Targeting

Stephen Devereux

8.1 INTRODUCTION

Targeting is possibly the most problematic of all design issues in social protection – so difficult, expensive and socially divisive that many have argued for universalism instead. Social protection benefits should not be targeted but should be delivered to everyone.

This chapter explores ideological and pragmatic arguments for targeting (redistributive equity, budget constraints) and for universalism (the right to social protection, targeting costs, social stigma, the politics of targeting). A powerful argument against targeting is that it generates two types of error: giving benefits to people who do not need assistance (inclusion error) and failing to reach people who do need assistance (exclusion error).

Once a decision is taken to target any social programme, the practical challenge is how to identify eligible beneficiaries accurately and cost-effectively. The chapter examines the strengths and limitations of alternative targeting mechanisms: geographic (blanket coverage of an area), categorical (groups with shared personal characteristics such as age or disability), proxy means test (PMT) (multiple indicators of poverty), self-targeting (lowering benefits or raising access costs to make applying for benefits unattractive to non-poor people) and community-based targeting (CBT) (involving local communities in beneficiary selection). There is no perfect solution: moving from universal coverage towards narrowly targeted programmes incurs an unavoidable trade-off between targeting costs and targeting accuracy (Besley and Kanbur 1993).

8.2 WHAT IS TARGETING? WHAT IS UNIVERSALISM?

Targeting is a process of defining who is eligible to receive social benefits and who is not, by setting eligibility criteria; identifying, verifying and registering eligible beneficiaries; and periodically validating and reregistering or deregistering programme beneficiaries, because eligibility status can change over time.

There is some confusion in the social protection literature about precisely what is meant by ‘universalism’. As Mkandawire (2005, 1) explained: ‘Under universalism, the entire population is the beneficiary of social benefits as a basic right’. Examples of universal programmes include free health care for all and free cash transfers for all: a ‘basic income grant’ or ‘universal basic income’ (Banerjee et al. 2019; Gentilini et al. 2020). While there is strong support in many countries for providing essential services such as education and health care for free to all citizens and residents, the proposition that every person in the country should be given money by the state every month is much more controversial.

Sometimes the label ‘universal’ is applied to programmes that give transfers to sub-groups within the population and are not means tested. For example, the International Labour Office and UNICEF (2019, 2) argue for ‘the progressive realisation of universal child grants’,
meaning that all children of all ages are entitled to receive cash transfers from the state. Similarly, a ‘universal pension’ implies that all age-qualified people (e.g. all citizens over 65 years of age) are entitled to receive a regular pension as social assistance from the state, but this is actually a categorically targeted programme – only individuals above the age threshold are eligible. Similarly, only individuals or households below an income threshold or poverty line are eligible for a poverty-targeted programme – but a programme that targets all poor people is never called a ‘universal’ programme. Trying to clarify this confusion, Standing (2008, 4) described a universal pension as a ‘targeted universalistic scheme’ while Skocpol (1991, 414) labelled this as ‘targeting within universalism’. Both these terms add unnecessary confusion rather than clarity. A programme that delivers regular cash transfers to all adults over 65 is simply a categorically targeted programme, using an age cut-off as the eligibility criterion. It is not universal because nobody under 65 years old is eligible.

8.3 THE CASE FOR AND AGAINST TARGETING AND UNIVERSALISM

A fundamental question is whether to target social protection at all. Often a universal programme is not a realistic option. Fiscal resources are limited, especially in low-income countries with a small tax base, and it is cost-effective and equitable to channel these resources to people who need assistance most. So, the pragmatic argument for targeting – as opposed to a universal ‘basic income grant’ – is budget constraints. The ideological argument in favour of targeting is redistributive equity. Pro-poor social assistance is a socially progressive mechanism for transferring wealth from richer to poorer citizens: ‘From each according to his [sic] ability, to each according to his needs’ (Karl Marx).

Many objections to targeting have been raised: at the ideological level, that it contradicts rights-based approaches and undermines social cohesion; at the pragmatic level, that the poorest cannot be easily identified and separated out from the marginally less poor. Of course, the right to social protection means that everyone who needs assistance from the state should receive it; it does not necessarily mean that everyone should receive free assistance from the state, whether they need it or not.

Poverty targeting raises the likelihood of social costs, notably stigma or shame felt by beneficiaries who are singled out for special treatment, and resentment felt by excluded community members against beneficiaries. Such social costs are especially high in contexts of widespread poverty – ‘We are all poor here’ (Ellis 2012) – or when processes of beneficiary selection and exclusion seem unfair or arbitrary (MacAuslan and Riemenschneider 2011; Kidd et al. 2017). Mistargeting can result in social tensions and social exclusion within communities, erosion of social capital between households, even crime and violence against beneficiaries (Cameron and Shah 2012).

Targeting also has political costs. ‘Benefits meant exclusively for the poor often end up being poor benefits’ (Sen 1995, 14), implying that universal programmes that benefit everyone gather support from wealthy people and the politically influential middle class, which could be essential for ensuring a programme is well run, adequately funded and sustainable over time. Although other factors are also important, such as the generosity of transfers and redistributive preferences, the food riots that have followed cuts in food subsidies in many countries across the world provide evidence for this assertion. It is politically difficult for governments to
abolish universal subsidies, even if the intention is to replace these with targeted programmes that could deliver higher benefits to the poor. Advocates of universalism also point out that money ‘wasted’ in transfers to the non-poor can be recovered in taxes. A wealthy taxpayer who buys subsidised rice, for instance, also contributes taxes to government revenues that are used to finance the rice subsidy.

A serious challenge to poverty targeting is that it is based on assessment of individual or household resources at a point in time, but the circumstances of people’s lives are changing constantly. Poverty dynamics – poor people moving out of poverty, non-poor people falling into poverty – mean that any ranking of households from poorest to richest is outdated almost as soon as the ranking exercise is undertaken. So inclusion and exclusion errors start to rise immediately and the programme’s targeting will be increasingly inaccurate until a retargeting exercise is undertaken. This involves a familiar trade-off: more frequent retargeting (e.g. every year) improves accuracy but increases administrative costs.

A final complaint against poverty targeting is that it creates ‘incentives for adverse behaviours’ (Ellis 2012, 202). People might under-report their income and wealth to qualify for benefits, or deliberately avoid taking action such as looking for work that would make them ineligible. However, there is little evidence for such ‘dependency syndrome’ in low- and middle-income countries, where benefits paid are too low to prompt workers to withdraw their labour. Similarly, a study in South Africa found no evidence for the popular perception that poor teenage girls deliberately fall pregnant in order to access the means-tested Child Support Grant (Makiwane and Udjo 2006).

For these reasons the argument for universal coverage is often made (Mkandawire 2005), but this can dramatically raise programme costs and incur substantial ‘leakages’ to people who do not really need assistance. A case-by-case assessment might be best. In contexts where the extent of need is very high (e.g. if poverty rates exceed 80 per cent) the case for universalism is stronger – leakages to the non-poor are relatively low and would be offset by the administrative costs of identifying and excluding the non-poor, not to mention the social and political costs of doing so.

8.4 TARGETING ERRORS

Targeting a programme (i.e. limiting access to some members of the population) instead of making it accessible to all (like universal free health care) automatically raises the issue of targeting errors. Policymakers often focus on minimising inclusion error or ‘leakage’, which results from giving benefits to people who do not really need assistance. Inclusion error is important because it wastes resources and deprives needier people of assistance. However, arguably more important is ensuring that everyone who needs assistance is reached by the programme – i.e. minimising exclusion error – especially in the context of ‘leave no-one behind’, because the consequences of excluding poor and vulnerable people from social assistance programmes can be extremely serious, even life-threatening.

Inclusion error is defined as the proportion of programme beneficiaries who are not eligible. Exclusion error is defined as the proportion of people who are eligible but not reached by the programme (Sabates-Wheeler et al. 2015). Consider a country with 2 million residents, 800,000 of whom are poor (poverty = 40 per cent). A poverty-targeted programme delivers cash transfers to 700,000 people, 500,000 of whom are poor while 200,000 are not poor.
Inclusion error in this programme is 29 per cent (200,000/700,000). Exclusion error is 38 per cent (300,000/800,000).

Cornia and Stewart (1993) pointed out that inclusion and exclusion errors are not directly comparable. Inclusion error is a financial cost: it leaks programme resources to people who do not necessarily need assistance and reduces resources for distribution to others who do. Exclusion error (or undercoverage) is a moral or humanitarian cost: it deprives people who need support of social assistance. (Note that undercoverage is high on small-scale pilot projects and whenever budget constraints limit beneficiary numbers. This form of ‘exclusion error by design’ is not due to administrative mistakes but is caused by limited resources that require quotas or rationing to be imposed.)

As coverage increases towards universalism, inclusion errors tend to increase while exclusion errors tend to fall. Cornia and Stewart (1993) suggested a rule of thumb for navigating this trade-off and evaluating targeting accuracy: weighting exclusion errors three times higher than inclusion errors. A purist ‘leave no-one behind’ approach would insist on zero exclusion error, which is only guaranteed with a universal programme. The cost of universalism is 100 per cent inclusion error by design.

Universal programmes are therefore more expensive and cost-ineffective than targeted programmes, since benefits have to be provided to everybody. Moreover, richer people can afford to consume more than poor people, so universal programmes such as consumer price subsidies deliver larger absolute benefits to the non-poor, which makes them regressive rather than pro-poor. In Egypt in 2011, food subsidies cost 2 per cent of GDP but only 15 per cent of benefits were enjoyed by the poorest 20 per cent of the population (Sdralevich et al. 2014). On the other hand, in countries where targeted schemes were introduced to replace universal schemes, Cornia and Stewart (1993, 473) found that there was ‘some reduction’ in inclusion errors but ‘a major increase’ in exclusion errors. This trade-off appears to be inevitable.

8.5 TARGETING MECHANISMS

Targeting mechanisms can be clustered according to whether programme beneficiaries are selected by an external agency (administrative selection: geographic targeting, categorical targeting, PMTs, means testing), by beneficiaries themselves (self-selection: self-targeting) or by local people (community selection: CBT). As discussed below, each mechanism has its strengths and limitations; there is no single ‘best method’ that is both cost-free and 100 per cent accurate.

Three reviews of targeted programmes found that targeting errors varied widely across all mechanisms – errors were not systematically lower or higher for one or another. Across 122 programmes, Coady et al. (2004, 84) found that ‘80 percent of the variability in targeting performance was due to differences within targeting methods and only 20 percent due to differences across methods’. This implies that the targeting accuracy of each programme is determined mainly by how well the selection process is administered. Devereux et al. (2017, 196) found across 30 programmes that ‘no single targeting mechanism works best in all contexts – the key factor is aligning the mechanism to programme objectives’. Kidd and Athias (2019, vi) found across 38 programmes that ‘universal and affluence-tested schemes are much more effective than poverty targeted programmes in reaching both their intended recipients and
those living in poverty’. All targeting mechanisms applied in these 38 programmes – means testing, PMT, CBT and self-targeting – generated high exclusion errors.

8.5.1 Geographic Targeting

Blanket coverage of an area (e.g. everyone residing in a country or district) is the simplest and cheapest targeting mechanism, but also the crudest. Since no assessment of individual need is required, geographic targeting is costless, but it can be inaccurate due to inclusion of non-needy people in the target area and exclusion of needy people living outside the target area (Bigman and Fofack 2000). Geographic targeting is commonly used in emergencies because of the humanitarian imperative for a rapid response. For regular social protection programming the first stage of any targeting strategy is geographic – the physical boundaries of the programme’s coverage – which can be at either the national or sub-national level.

Geographic targeting is sometimes labelled ‘universal’, since everyone living in the area receives benefits. In many countries social protection programmes are introduced to the poorest districts first and rolled out to other districts later, as financial resources and management capacity expand. In these cases, universal coverage is claimed when all districts are reached, but this is misleading as it does not mean that everyone in every district is receiving benefits, or even entitled to claim benefits. Very often eligibility is restricted to people within the area of coverage who are identified as poor, or older persons or children, for example, in a two-stage or multi-stage targeting process.

For regular social assistance programmes geographic targeting has both advantages and disadvantages. Low cost and zero exclusion error within the area covered are the most obvious advantages. But if reaching the poor is the objective then inclusion of non-poor people is 100 per cent within the programme area, while exclusion of poor people is 100 per cent outside the programme area. These errors by design can be extremely high (see the case study of Nepal in Box 8.1 for an example). One solution to reduce both errors is to make the area covered by geographic targeting smaller – e.g. districts rather than entire provinces (Elbers et al. 2004).

**BOX 8.1 GEOGRAPHIC TARGETING IN NEPAL**

Across Nepal’s five regions, the poverty headcount is highest in the Far Western region (45.6 per cent), and for this reason many social programmes target this region. Conversely, the Central region, where the capital Kathmandu is located, has one of the lowest poverty rates (21.7 per cent) (Asian Development Bank 2013). Given this skewed distribution of poverty, does geographic targeting of the Far Western region to address poverty in Nepal make sense?

The best way to decide is to assess targeting errors if this strategy is adopted. First, blanket coverage of the Far Western region would deliver benefits to more than 1 million poor people but to even more non-poor people – a very high inclusion error of 54.4 per cent – meaning that more than half the budget is not being used to address poverty.

Second, geographic targeting of the Far Western region results in exclusion of all poor people living in the other four regions. Nepal’s population is unevenly distributed, being concentrated in central, southern and eastern areas. Although the sparsely populated Far Western region has the highest percentage of poor people, it has the lowest number (see
Conversely, the Central region has one of the lowest percentages of poor people but the highest number, at over 2 million. Almost one-third of all poor people in Nepal live in the densely populated Central region. Across the country, only 16 per cent of poor people live in the Far Western region. It follows that geographic targeting that excludes the other four regions would result in a massive exclusion error of 84 per cent.

### Table 8.1 Poverty in Nepal by region, 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Population Number</th>
<th>Percentage of total</th>
<th>Poverty headcount Number</th>
<th>Percentage of region</th>
<th>Percentage of poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern</td>
<td>6,521,670</td>
<td>23.3</td>
<td>1,398,246</td>
<td>21.4</td>
<td>19.8</td>
</tr>
<tr>
<td>Central</td>
<td>9,992,430</td>
<td>35.7</td>
<td>2,167,358</td>
<td>21.7</td>
<td>30.8</td>
</tr>
<tr>
<td>Western</td>
<td>5,374,080</td>
<td>19.2</td>
<td>1,195,733</td>
<td>22.3</td>
<td>16.9</td>
</tr>
<tr>
<td>Mid-Western</td>
<td>3,638,700</td>
<td>13.0</td>
<td>1,152,740</td>
<td>31.7</td>
<td>16.4</td>
</tr>
<tr>
<td>Far Western</td>
<td>2,463,120</td>
<td>8.8</td>
<td>1,123,429</td>
<td>45.6</td>
<td>16.0</td>
</tr>
<tr>
<td>Total</td>
<td>27,990,000</td>
<td>100</td>
<td>7,037,686</td>
<td>25.2</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Author’s own calculated from Asian Development Bank (2013).*

### 8.5.2 Categorical Targeting

Categorical targeting is based on personal characteristics such as age, sex or disability, which are used to assign individuals to categories that establish their eligibility to receive social assistance. Examples include children (child benefit) and persons with disability (disability grant). Categorical targeting of social assistance is often motivated by a principle such as ensuring income security in old age or a desire to eradicate child poverty. This suggests that age and other personal characteristics are closely correlated with poverty and vulnerability. To the extent that, on average, older persons or children are actually poorer than others, these proxy indicators will be relatively accurate.

Categorical targeting is popular because it is cheap and simple to administer, especially if the proxy indicators are visible and easily verifiable, like severe physical disability. Another advantage is that ‘vulnerable groups’ like older persons and persons with disability are politically uncontroversial, so categorical targeting reaches socially excluded groups and has lower social costs than poverty targeting, which can create social tensions by trying to separate the poorest from the marginally less poor.

Assessing the accuracy of categorical targeting must be done at two levels. In terms of reaching the poor, a ‘universal’ social pension, for instance, has both inclusion and exclusion ‘errors’ by design. Within the category, no older person will be left behind (zero exclusion) but all non-poor older persons will receive free cash from the state (100 per cent inclusion). Within the entire population, exclusion of the poor is high (all poor persons under 65 are ineligible), so a social pension must be supplemented with other programmes that target poor and vulnerable people under 65 years old.

One limitation of social protection systems that follow a life-cycle approach (Garcia and Gruat 2003) is that they typically target non-working categories and exclude the working-age population. Governments dislike giving handouts to adults who are expected to fend for themselves, believing that this creates dependency and discourages them from working or looking
for work – even though there is little empirical evidence to support this, as noted earlier. Especially in contexts of high unemployment, categorical targeting of vulnerable groups can result in large-scale exclusion by design. For this reason, comprehensive social protection systems must include complementary interventions that target the working poor.

Finally, many categorically targeted programmes require proof of age, and at the margins it is not straightforward to differentiate a person aged 59 from a person aged 60 (for establishing eligibility for pensions), or to distinguish a four year old from a five year old (for child benefits to under-fives). For this reason UNICEF has led a campaign for civil registration, arguing that everyone has a right to documents such as a birth certificate that verify their age, because such documents are often needed to gain access to government services, including social protection (UNICEF 2012).

### 8.5.3 Proxy Means Test

The most rigorous approach to targeting requires making a detailed assessment of each applicant’s income and assets. Eligibility for social assistance – sometimes called an income test or wealth test – is then defined by total ‘means’ falling below a minimum threshold, such as a dollar a day extreme poverty line. Means testing is generally agreed to be the most accurate targeting mechanism, but also the most administratively expensive, not only to collect the data but also to validate it, because applicants have incentives to under-report their income and assets, and to update the data, since poverty is not static so regular retargeting is necessary.

Rigorous means testing is not widely used in low-income countries, not only because of its cost and complexity but also because incomes are irregular and variable, while assets such as livestock are often owned collectively rather than by individuals. In such contexts, where personal or household ‘means’ is too difficult to assess, proxy indicators are used instead.

‘While conventional means tests assess eligibility for social assistance schemes by verifying whether an individual’s or household’s actual financial resources fall below a predetermined threshold, the PMT attempts to predict a household’s level of welfare’ (Kidd et al. 2017, 1). The mechanism involves identifying indicators from national household surveys that are found to be associated with poverty, such as housing quality (roof, walls, floor, number of rooms, etc.), water supply (communal or private), type of sanitation facility (bush, latrine, indoor toilet) and asset ownership. Adding more indicators is expected to enhance targeting accuracy, but also increases costs and complexity – a familiar trade-off in targeting. A ‘poverty scorecard’ is then compiled and households are ranked, with either a fixed proportion (e.g. the bottom 20 per cent) or all of those falling below a threshold score being classified as eligible for assistance.

The PMT is a popular and widely used targeting mechanism, because it does not require detailed assessment of individual or household wealth, and observable indicators such as housing quality are less easy for applicants to misrepresent than self-reported indicators such as income. Unfortunately, in practice PMTs appear to be extremely inaccurate, with exclusion errors above 50 per cent on social protection programmes in Cambodia, Ecuador, Georgia, Indonesia, Kenya and Mexico (Kidd et al. 2017). Inclusion errors are also very high.

The main explanation for the poor performance of PMTs is that they are weakly correlated with household consumption (a robust proxy for poverty), partly because ‘assets are not necessarily a great predictor of household incomes’ (Kidd et al. 2017, 9). Housing quality, for instance, often reflects past income rather than current income – consider the case of an
Targeting elderly widow who has zero income and owns nothing except the house she lives in that she built with her husband 30 years ago. PMTs are also very sensitive to the eligibility threshold they set (which is an arbitrary design choice); lower cut-off points generate higher exclusion errors. For these reasons, Kidd et al. (2017) conclude that PMT is little better than ‘a random lottery’ and ‘a rationing mechanism’. Nonetheless, it remains one of the dominant approaches to targeting and is preferred by many governments and influential international agencies.

### 8.5.4 Self-Targeting

Self-targeting mechanisms avoid the need to assess each individual applicant’s poverty status by introducing incentives to ensure that only needy people apply, thereby reducing targeting costs and raising targeting accuracy. Incentives can be manipulated either by lowering the value of benefits until they are not attractive to better-off people, by raising the costs of accessing benefits, or both.

Public works projects are a classic example. Payment is often set below local daily wage rates or is offered in food rations (food for work) rather than cash, so that people with better-paid options do not apply. Also, many hours of hard work are required in unskilled manual labour activities such as constructing rural roads, digging irrigation trenches or sweeping city streets. The intention is to ensure that public works is only chosen as ‘employment of last resort’.

Self-targeting can be effective in terms of reducing inclusion errors, but it is controversial for several reasons. First, setting benefits very low is unethical and limits impacts. In one case from Niger, participants expended more energy working on a food-for-work project than they received in food payments, meaning they would have been better off by not working on the project (von Braun et al. 1998). Second, the work requirement excludes all poor people who cannot do manual labour, including many of the most vulnerable, such as pregnant and lactating women, older persons and persons with disability. Third, child labour is often found on public works projects, notably when parents send children to work in their place. A related effect is labour substitution that impacts negatively on children. A survey in Ethiopia found that many girls reduced their school attendance and spent more time doing domestic chores such as caring for younger siblings, while their parents were employed on public works projects (Hoddinott et al. 2011). Finally, it can be argued that making access to social protection conditional on a work requirement violates the right to social protection.

These complaints are against self-targeting, not against public works as an instrument. Public works can be designed to follow ‘decent work’ principles: paying fair wages, providing child-care facilities at worksites, offering gender- and age-appropriate tasks to different participants and so on (Devereux 2002; ILO 2012a). Also, groups who cannot or should not work on public works should receive a different form of social assistance. Integrated interventions, such as the Productive Safety Net Programme in Ethiopia and Vision 2020 Umurenge Programme in Rwanda, follow a two-pronged approach. People with labour capacity are offered employment on public works projects, and in Ethiopia ‘full family targeting’ is applied, meaning that each worker receives payments for their entire family. People without labour capacity receive unconditional cash or food transfers (called ‘Direct Support’ in Ethiopia and Rwanda), which is targeted using a different mechanism, not self-targeting.
8.5.5 Community-Based Targeting

Involving local communities in selecting programme beneficiaries can be done in two ways (Conning and Kevane 2002). Delegated CBT asks communities to identify members who meet criteria predefined by administrators (e.g. the poorest 20 per cent). Devolved CBT asks communities to select beneficiaries based on local criteria of need or vulnerability (e.g. families who cannot feed themselves). CBT is seen as participatory and transparent because it draws on local knowledge and perceptions of need, and avoids the difficulty and cost associated with external administrators trying to identify the poorest. If done well, it can minimise errors and ensure social acceptance of targeting outcomes.

However, community-based processes are vulnerable to ‘elite capture’, if powerful local people dominate the process to ensure they are included as beneficiaries (inclusion error), and omission of socially marginalised individuals (exclusion error). CBT works best in small, cohesive communities, such as rural villages where ‘everybody knows each other’s business’. It is more challenging to implement in urban areas and among mobile populations such as refugees, where neighbours have limited knowledge of each other’s circumstances. For this reason, and because facilitating CBT is time-consuming and expensive, this mechanism is used more often in small-scale projects and less often in nationwide programmes (see Box 8.2).

**BOX 8.2 COMMUNITY-BASED TARGETING IN KENYA**

During Phase I (2008–12) of the Hunger Safety Net Programme in northern Kenya, three targeting mechanisms were trialled in parallel in different districts: CBT (wealth ranking of households by community leaders), households with high dependency ratios (more than two non-working members for each working member) and older persons (over 55 years old). An evaluation of the Hunger Safety Net Programme included assessing whether eligible beneficiaries were actually reached (targeting errors in implementation) and how accurately each mechanism identified poor people (targeting errors by design).

One important finding is that targeting errors depend on the thresholds set for eligibility criteria. In this case, a quota of 50 per cent was set for CBT, so half of all households in each CBT community were eligible. By contrast, only 40 per cent of households contained at least one older person, while 66 per cent of households had high dependency ratios.

Using several indicators, households selected by CBT were found to be poorer and more food insecure than non-beneficiaries in the same communities. In terms of consumption poverty, the ratio of poor beneficiaries to poor non-beneficiaries was 1.50 in CBT areas, compared to 1.16 for targeting by dependency ratio and 1.15 for targeting older persons. This also means that CBT performed best of the three mechanisms, in terms of including the poor and excluding the non-poor. ‘Importantly, given the increasing attention being paid to the social impacts of social transfers, CBT was also more likely to be perceived as a fair process by households and communities’ (Sabates-Wheeler et al. 2015, 1540).
8.5.6 Multi-Stage Targeting

Often a targeting strategy requires deploying several mechanisms in a multi-stage approach. As noted above, every intervention is bounded by the area in which it operates, which could be a country or a region within the country, so geographic targeting is always the first stage. Unless the programme is universal at national level (e.g. free health care for all) or blanket coverage is applied (e.g. everyone living in an area affected by a natural disaster), further selection criteria will be applied to reduce the eligible population. These mechanisms typically include categorical targeting (‘demo-grants’ targeted at children, older persons or persons with disability), self-targeting (public works projects), PMT and/or CBT. Sometimes these mechanisms are triangulated to reduce errors. For instance, many conditional cash transfer programmes in Latin America ‘use community-based targeting or community vetting of eligibility lists to increase transparency’ (Fiszbein and Schady 2009, 70).

8.6 TARGETING IN SOCIAL PROTECTION SYSTEMS

At the level of social protection systems, it is not necessary for any individual programme to have universal coverage. The aim is to achieve coverage of everyone who needs social protection through a set of complementary programmes that target different people who face different needs and risks at different times. The ‘social protection floor’ (ILO 2012b), for instance, adopts a life-cycle approach, arguing that everyone has a right to income security in childhood, ‘in active age’ and in old age.

A comprehensive social protection system typically includes a set of categorically targeted social assistance or social welfare benefits for non-working vulnerable groups such as children, older persons and persons with disability, as well as a set of social insurance schemes for working adults linked to interruption or termination of employment, such as unemployment insurance, paid maternity leave and retirement pensions. The two prongs complement each other but have different targeting criteria: social assistance pays benefits based on demographic characteristics (sometimes also poverty, sometimes not), while social insurance pays benefits based on employment status.

In countries with less developed social protection systems, integrated interventions follow a similar two-pronged approach. On Ethiopia’s Productive Safety Net Programme, as noted above, households with labour capacity are offered employment on public works projects but payment is calibrated by household size (‘full family targeting’). Households with no members who can work (e.g. elderly widows living alone) are given free food or cash transfers (‘Direct Support’) instead (Government of Ethiopia 2004).

Another systems approach to targeting is to consolidate beneficiary lists into a single database, as with Indonesia’s Unified Targeting System, which reduced targeting errors and raised benefits transferred to poor households, by strengthening complementarities across three flagship social programmes (Tohari et al. 2019).
8.7 CONCLUSION

For many the choice between targeting and universalism is ideological: those who support targeting are labelled as neoliberal or conservative while those who support universalism are seen as progressive and rights based. The ideological case against targeting is often grounded in a valid concern that it is impossible to assess everyone’s poverty status accurately enough and often enough to avoid exclusion errors, and for this reason the ‘leave no-one behind’ principle dictates giving social transfers to everyone, or developing a social protection system that progressively addresses everyone’s risks and needs.

A more pragmatic approach is to conclude that the case for targeting or universalism depends on available resources, characteristics of the population and the objectives of the intervention. Devereux (2016) argues for a trifurcated approach, by applying social justice principles. Access to essential social services should not be rationed by the ability to pay but should be provided free to everybody (equality principle). Contributory social insurance schemes encourage individual saving against future contingencies, so pay-outs should be proportionate to contributions (equity principle). Finally, social assistance must be provided by the state as a right to all who need it (need principle). How ‘need’ is defined and how people in need are identified requires assessing which targeting mechanism has the lowest costs (administrative, social and political) and is most effective (lowest exclusion and inclusion errors), given budget and capacity constraints.

There is no easy answer to the question: ‘Which targeting mechanism is most accurate and cost-effective?’ Choosing a targeting mechanism involves inevitable trade-offs between accuracy and costs. Moving from universal or geographically targeted programmes (high inclusion error, zero exclusion error, low administrative and social costs) towards rigorously means-tested programmes (low inclusion error, potentially high exclusion error, high administrative and social costs) is a political choice, not a technical calculation.

Recognising that perfect targeting is impossible to achieve, Slater and Farrington (2010) presented ‘a practical tool for good targeting’. Targeting of social transfers should be appropriate (it should contribute to the achievement of programme goals), achievable (given financial resources, staff capacity and available technology) and acceptable (it must have popular and government support). Since these ‘3 As of targeting’ are changing constantly, it follows that targeting strategies also need to be regularly reassessed against shifting policy objectives, government capacities and public opinion.

REFERENCES


9. Human rights approaches

Markus Kaltenborn

9.1 INTRODUCTION

Social protection – like most other policy areas – is a legally determined issue. The legal requirements at both international and national level must be observed by all actors involved when new social protection programmes are developed, or existing programmes are adapted. From a human rights perspective, special attention must be paid to the right to social security.

The question is what concrete consequences arise from this right in practice. This chapter shows that not only the content and procedural design of social protection programmes are shaped by the human rights approach, but that the right to social security also entails requirements with regard to the allocation of financing obligations. Therefore, the contribution first briefly presents the international legal framework of social protection (Section 9.2), followed by an overview of the core principles of the human rights approach (non-discrimination, participation and accountability) (Section 9.3). Finally, the impact of the human rights approach on the financing of social protection is discussed (Section 9.4).

9.2 THE INTERNATIONAL LEGAL FRAMEWORK OF SOCIAL PROTECTION

At the international level, social protection policies are legally structured on the one hand by human rights provisions and on the other hand by the law of the International Labour Organization (ILO). This section presents the most important instruments of these two areas of international law.

The right to social security has for a long time been recognised as a key element of global human rights protection.\(^1\) It is explicitly mentioned in the *Universal Declaration of Human Rights* (Articles 22 and 25) as well as in numerous international conventions.\(^2\) The

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\(^1\) The following text is partly based on Kaltenborn (2013, 2020a).

International Covenant on Economic, Social and Cultural Rights of 1966 (ICESCR)\(^3\) is the most important international legal document in this regard. Article 9 of the ICESCR states that ‘(t)he States Parties to the present Covenant recognize the right of everyone to social security, including social insurance’.

More information on the concrete content and the consequences of this obligation can be found in General Comment No. 19 which was drawn up by the Committee on Economic, Social and Cultural Rights (CESCR) in 2008.\(^4\) In this document, CESCR defines what is meant by social security, but also describes in more detail the individual dimensions of the obligations associated with this right. General Comment No. 19 lists the sectors of health and old age security, protection in the event of unemployment or occupational accidents and diseases, family and maternity protection benefits and support for the disabled and for widows and orphans as central components of a social security system.\(^5\) Protection regimes covering these social risks must not only be generally available, but also adequately designed, in compliance with the principles of human dignity and non-discrimination, and must guarantee access to them for all people in the country, with particular implications for the affordability of social benefits and insurance contributions.\(^6\)

With regard to the right to social security, the state authorities have above all an ‘obligation to fulfil’.\(^7\) Their task is to make available to the population either contributory social security schemes (in the sense of Bismarck’s social insurance system) or – alternatively or additionally – tax-financed programmes (for example social assistance, cash transfers, public works programmes). This requires (1) the recognition of the human rights entitlements in the national legal system (preferably on a legal basis), (2) the elaboration of a social security strategy including an action plan, (3) the establishment of appropriate protection programmes, (4) sufficient information for the population about these programmes – this obligation is particularly important in view of the large number of people living in remote rural regions in countries of the Global South – and (5) the provision of social assistance and services that are affordable, with a special focus on poorer and disadvantaged groups of the population (see Chapters 2 and 5). Where the state does not itself provide social protection in a particular sector, but relies on the services of third parties (for example private health or pension insurance or micro-insurance; see Chapter 6), it must take appropriate regulatory measures to ensure that specific population groups are not disadvantaged by inappropriate restrictions on access to benefits (this is part of the so-called ‘obligation to protect’).\(^8\)

Most international legal instruments for the social protection sector have been drawn up within the framework of the ILO (see ILO 2017). One of the core documents is the Social Security (Minimum Standards) Convention of 1952\(^9\) which has been ratified by 59 ILO member states – which means that they have committed themselves to providing social protection in the event of illness, unemployment, old age, occupational accidents or diseases and in

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\(^3\) 993 UNTS 3.
\(^4\) UN Doc. E/C.12/GC/19.
\(^5\) General Comment No. 19, paras 12–21.
\(^6\) General Comment No. 19, paras 11, 22–7.
\(^7\) General Comment No. 19, paras 4–5, 47–51. For an analysis of the tripartite typology of state duties imposed by human rights treaties (obligations to respect, to protect and to fulfil) see Sepúlveda (2003), 157–73; Ssenyonjo (2016), 31–6.
\(^8\) General Comment No. 19, para. 45.
\(^9\) 210 UNTS 131.
the case of maternity to a specific percentage of the population; survivors and family benefits are also provided for in the Convention. However, governments are allowed, by virtue of flexibility clauses, to limit their implementing obligations to individual social security branches. Although the Convention does not explicitly mention the protection of human rights, Article 70 states that every applicant must be granted the right to appeal if the benefit he or she is seeking is refused or its nature or extent is contested. This refers to an important principle of the human rights approach, the accountability of the government to the rights holders (see Section 9.3).

In one of the more recent ILO documents on social protection, the Social Protection Floor Recommendation, however, the right to social security is explicitly mentioned in the preamble. Also, the 2030 Agenda for Sustainable Development, which takes up the concept of social protection floors in Sustainable Development Goal 1.3, contains a clear commitment to social human rights. There is thus no question today that the efforts of the international community to combat extreme poverty with social protection instruments have a normative basis in international human rights law and must therefore also comply with the human rights approach.

9.3 THE MAIN PRINCIPLES OF THE HUMAN RIGHTS APPROACH TO SOCIAL PROTECTION

The right to social security is not only used to determine which individual sectors and population groups must be protected. The human rights approach also contains information on the procedural design of social protection systems. In the following, the question is examined as to what significance the relevant principles have for the implementation of the right to social security.

When implementing social rights, some basic principles such as non-discrimination, participation and accountability must be observed which are generally referred to as the ‘human rights (based) approach’. For multilateral development cooperation, for example, they are laid down in a paper issued in 2003 by the United Nations Development Group (2003); bilateral donor agencies and other international actors use more or less similar concepts (see for an overview see World Bank and OECD 2016).

From a legal point of view, the principles can be derived directly from the relevant human rights conventions through interpretation of the individual rights, as the CESCR has undertaken to do in its General Comments. Thus it becomes clear that even though the human rights approach has become known mainly in the context of development cooperation, these

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11 UN Doc. A/RES/70/1.
12 For more information on other principles of the human rights approach (interdependence and indivisibility of human rights, transparency, provision of an adequate legal and institutional framework) and their relevance to social protection policies, see Sepúlveda and Nyst (2012), 26–32, 54–7.
principles must be observed not only by development cooperation actors, but by all those who are obliged to respect human rights – notably the governments of the countries where the respective rights will have to be applied.14

Looking more closely at the principles that states as well as international actors must take into account when implementing the right to social security, first of all it is important that social protection benefits and services are provided in a non-discriminatory manner. This requirement can be found both in General Comment No. 19 (para 2, 4, 29 et seq.) and the Social Protection Floor Recommendation (para. 3d), but in particular it also corresponds to the 2030 Agenda for Sustainable Development according to which the underlying concept of ‘leaving no one behind’ should be placed at the very heart of all development efforts.15

Non-discrimination does not mean that all people are to be formally treated equally, but that all people are to be granted a level of protection that meets their specific needs. Particularly vulnerable groups of people must therefore be offered increased and more specific protection. This, for example, implies that in all matters of social policy a gender perspective must be consistently integrated. Since women, due to traditional gender roles, often bear the main responsibility of caring for children and the elderly, it is necessary to explicitly address the role of women as caregivers by social protection interventions (see Chapter 18).

In their study on ‘The human rights approach to social protection’ Magdalena Sepúlveda and Carly Nyst have clearly explained this issue:

For example, when women are made responsible for complying with conditions attached to participation in a social protection programme, or when they are required to travel (sometimes long distances) to collect social protection benefits or to participate in various stages of social protection programmes, their domestic unpaid workload increases. These measures may not only perpetuate gender stereotypes but increase the burden on women’s shoulders, further undermining their welfare. The additional demands on their time may hinder women and girls from accessing formal labour markets, limit the possibilities for women and girls to participate in capacity building opportunities including education and training, restrict women’s ability to seek health care (particularly if health centres are not easily accessible and childcare is unavailable), or further deprive them of leisure time.

(Sepúlveda and Nyst 2012, 33)

In addition, the CESCR points out that disadvantages with regard to the level of benefits can arise from the fact that women have less income from work – often again due to the traditional distribution of roles in the family. Furthermore, it is possible that differences in the average life expectancy of men and women can lead to discrimination in the provision of benefits, particularly in the case of pensions (General Comment No. 19, para. 32). But there are also other groups where there is a risk of being disadvantaged in social protection systems, for example part-time, casual, self-employed and homeworkers, persons working in the informal economy.

14 In academic literature, some authors (for example Destrooper 2016; Nelson and Dorsey 2018; Broberg and Sano 2018; see also Ulriksen and Plagerson 2014, 756; Crawford and Andreassen 2015, 664) have also critically examined the human rights approach. Among other things, the lack of effectiveness of the concept in rural areas with a weak state presence or the strong emphasis of procedural rights compared to substantive guarantees have been pointed out. For the practical problems involved in implementing the human rights approach to social protection based on the example of the Indian National Rural Employment Guarantee Act, see Ehmke (2019), 302–7.

15 See, for example, the preamble of the Agenda: ‘We are determined to take the bold and transformative steps which are urgently needed to shift the world on to a sustainable and resilient path. As we embark on this collective journey, we pledge that no one will be left behind.’
people with disabilities, Indigenous peoples and ethnic and linguistic minorities and, last but not least, migrant workers, refugees (including internally displaced persons), asylum seekers and stateless persons (General Comment No. 19, paras 33–9) (see also Chapters 19–23).

As a principle of particular importance for large sections of each society non-discrimination therefore requires special attention in the design of social protection policies and programmes. Especially in those countries where targeted programmes are introduced it is crucial that these programmes are in line with the principle of non-discrimination. Since universal coverage of the population is often not immediately possible due to financial restrictions, and thus only a progressive realisation of the right to social security can be aimed for, efficient targeting methods that consistently focus on the poorest in society can make an important contribution to at least preventing unnecessary discrimination (see, for a detailed discussion and of different methods Sepúlveda and Nyst 2012, 37–42; see also ILO 2019b, paras 602–8; see also Chapter 8).

According to the principle of participation, all beneficiaries of social protection schemes, mainly those who belong to the poorest, most marginalised and vulnerable groups in society, should be enabled to articulate their interests and expectations vis-à-vis the state authorities or the development agencies operating in the countries. The CESCR emphasises that ‘(t)he right of individuals and groups to participate in decision-making processes that may affect their exercise of the right to social security should be an integral part of any policy, programme or strategy concerning social security’ (General Comment No. 19, para. 69). A prerequisite for this is, of course, that the relevant actors ensure the right of individuals and non-governmental organisations to seek and receive adequate information on all social protection entitlements in a clear and transparent manner (General Comment No. 19, para. 26). Equally important is financial and technical assistance to the local civil society groups concerned (OHCHR 2006, 26).

Of similar importance for an effective and at the same time human rights-compliant implementation of social protection programmes is the principle of accountability. It is necessary that people have the possibility to have their right to social security reviewed by independent monitoring bodies and, if necessary, to enforce their claims. The Social Protection Floor Recommendation (para. 7) demands that ‘(i)mpartial, transparent, effective, simple, rapid, accessible and inexpensive complaint and appeal procedures should … be specified. Access to complaint and appeal procedures should be free of charge to the applicant.’ Here, too, it is indispensable that those concerned are adequately informed about the scope of their rights and about the existing central and local control, monitoring or grievance mechanisms. The control does not necessarily have to be exercised by courts. Instead, there is the option of using quasi-judicial, administrative or informal (traditional) control mechanisms. National human rights institutions and ombudspersons can support these review processes. 17

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16 See on the following Kaltenborn (2013), 56–9; and in more detail Sepúlveda and Nyst (2012), 58–60; see also generally OHCHR (2006), 24 et seq.

17 See on accountability issues in social protection systems also Ayliffe et al. (2017); UNDP and AU (2019), 37 et seq.; World Bank (2011).
9.4 IMPLICATIONS OF HUMAN RIGHTS OBLIGATIONS FOR FINANCING SOCIAL PROTECTION

What is little known is that the human rights approach also has consequences for the financing of social protection systems. The significance of the human rights perspective in particular for international cooperation in the field of social protection is explained in this section.18

States have the primary responsibility for financing their own social protection systems. This does not only result from human rights provisions but also from relevant ILO documents on social protection19 as well as from the general provisions of international development law, such as the 2030 Agenda for Sustainable Development20 or the Addis Ababa Action Agenda.21 In this context, however, it is important to note that the right to social security – as well as other social rights – is subject to the progressive realization clause in Article 2, para. 1 of ICESCR: according to this provision, governments are merely obliged ‘to take steps, individually and through international assistance and cooperation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means’.

It is evident that the clause leaves a wide margin of interpretation to all actors involved. Yet this reservation is also limited, because every state – regardless of its financial means – must meet certain minimum requirements in the area of social protection. These core obligations require, among other things, that a social protection system must be available to the entire population that provides a minimum level of benefits in the areas of health, nutrition and housing, and that people also have access to basic education.22 States that do not comply with these obligations must expect to be criticised by the CESCR in the state-reporting process that takes place regularly. The concluding observations of the CESCR are publicly available23 and can therefore be used by both the media and non-governmental organisations to draw public attention to problems of human rights protection in a particular country.

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18 See on the following also Kaltenborn (2020b).
19 See, for example, ILO-Recommendation 102, para. 12.
20 Para. 41.
22 General Comment No. 19, para. 59a. It is, however, not entirely clear how this clause relates to para. 24, which allows states to make their benefits conditional (‘Qualifying conditions for benefits must be reasonable, proportionate and transparent. The withdrawal, reduction or suspension of benefits should be circumscribed, based on grounds that are reasonable, subject to due process, and provided for in national law’). From the human rights guarantees laid down at constitutional level it may follow that conditions and sanctions in individual cases must not lead to a complete loss of entitlement to benefits; see e.g. the German Constitutional Court's decision of 5 November 2019 on the unconstitutionality of welfare sanctions (1 BvL 7/16); see https://www.dw.com/en/germany-court-rules-welfare-sanctions-unconstitutional/a-51115790. There are strong arguments for adopting a similar view with regard to international human rights obligations; see also Sepúlveda and Nyst (2012), 52: ‘If States impose conditionalities or co-responsibilities in their social protection programmes, they have the obligation to ensure that the final result will not violate the right of individuals to, at the least, minimum essential levels of economic, social and cultural rights.’
Recent studies by the ILO make clear that developing countries, which have not yet achieved universal social protection coverage, have various alternatives at their disposal to ensure sufficient fiscal space to implement these core commitments. Possible options are, for example ‘(1) expanding social security coverage and contributory revenues; (2) increasing tax revenues; (3) eliminating illicit financial flows; (4) re-allocating public expenditures; (5) using fiscal and central bank foreign exchange reserves; (6) borrowing and restructuring existing debt; (7) adopting a more accommodating macroeconomic framework’ (ILO 2019a; see also Chapters 7 and 15). But there are poorer states that do not have sufficient financial resources to actually provide all people in their territory with the essential social protection services. For them, another funding source is of particular importance: international aid. The right to social security also covers this form of financing social protection. According to Article 2, para. 1 of ICESCR, the international community must provide assistance if a state does not have sufficient resources to fulfil its obligations under the treaty.

The obligation to provide development aid is part of the so-called extraterritorial state obligations, according to which the states parties to the ICESCR are required to actively promote the implementation of the Convention’s obligations also beyond their territory. The Maastricht Principles on Extraterritorial Obligations of States in the Area of Economic, Social and Cultural Rights, published in 2012, further specifies this extraterritorial dimension of social human rights. There it is stated that ‘States, acting separately and jointly, that are in a position to do so, must provide international assistance to contribute to the fulfilment of economic, social and cultural rights in other States’. Even if the Maastricht Principles can only be classified as a soft law document, their importance for international development cooperation should not be underestimated. The concept of extraterritorial state obligations offers a framework which makes it clear that there is not only a moral, but also a legal accountability relationship between North and South – not least in questions of global social protection. It is, however, not specified to exactly what extent and in which relation between the donor countries these extraterritorial obligations exist.

So far, international human rights law provides only a general duty of the richer members of the global community to support poorer countries; the details of the distributive allocation of obligations are still left to political negotiations.

One option for helping poorer states to build up social protection floors for the entire population could be the establishment of an international financing mechanism. Olivier De Schutter and Magdalena Sepúlveda have proposed a Global Fund for Social Protection, which would essentially consist of two components: a facility branch could be set up to fill funding gaps in the establishment of social protection floors. In addition, a reinsurance branch is envisaged, which would be used in situations where unexpectedly large crises – for example natural disasters, the sudden loss of export markets or global economic crises – could result in the collapse of individual social protection systems (De Schutter and Sepúlveda 2012; De Schutter 2021).

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24 ILO (2019a), 175–92; see also Chapter 29.
27 See also Khalfan (2013), 324–8; Vandenhole (2020), 231–2.
28 Kaltenborn (2020b), 36.
Alternative proposals focus on already existing structures, such as the World Solidarity Fund, established by the United Nations in 2002, which could be used to support especially the poorest countries in developing basic protection systems (Cichon 2015). Setting up a Global Fund is also one of the core demands of the Global Coalition for Social Protection Floors, a network of non-governmental organisations working on strategies for the implementation of the Social Protection Floor Recommendation (GCSPF 2020). An important precondition for any form of international support in building social protection systems will be that the aid effectiveness principles (based on the Paris Declaration on Aid Effectiveness and subsequent documents of the Global Partnership for Effective Development Co-operation) are observed. This means that the programmes financed by such a fund must be well coordinated with the individual activities of other (bilateral and multilateral) donors and, above all, that the principle of country ownership must be duly respected.

Countries supported by the international community must be in a position to shape the social protection system according to their own social policy preferences. The international standards, such as General Comment No. 19 (paras 4–5) and the Social Protection Floor Recommendation (para. 9), leave them a great deal of leeway in this respect. At the same time, however, even if they receive international support, these states remain the primary addressees of human rights obligations. Even if the international community has an obligation – derived from human rights – to contribute to the financing of the basic social protection schemes, it is first and foremost the national and local authorities who have to ensure that the principles of the human rights approach to social protection are implemented appropriately.

REFERENCES


30 Particularly noteworthy of recent years are the Busan Partnership Agreement (https://www.effectivecooperation.org/content/busan-partnership-outcome-document) and the Nairobi Outcome Document (https://www.effectivecooperation.org/content/nairobi-outcome-document).


10. Actors

Esther Schüring and Nicola Wiebe

10.1 INTRODUCTION

Social protection is for many international organizations a state’s affair.1 While the state definitely plays an important role, the state is by far not the only actor and there is no predefined institutional arrangement of how social protection should be implemented. An exclusive focus on the state would therefore be short-sighted when assessing and comparing the performance of social protection systems. It is hence important to understand the mix of actors involved, the type of contribution they can make to social protection and their modes of cooperation. This contribution will therefore first sketch out the role and interplay of the main actors in social protection and then challenge some of the common assumptions made around how roles are best allocated in the social protection system concerning the providers of informal social protection, the private sector, civil society organizations (CSO) as well as international actors.

10.2 MIX OF ACTORS

The individual can usually use different channels to achieve social protection, of which some are more easily accessible and others are more reliable in terms of the protection provided. De Neubourg’s pentagon (2002) differentiates between five different sources of welfare: markets, family, membership institutions, public authorities and social networks. This exceeds for instance the three main institutions of the state, market and family that Titmuss (1975) and Esping-Andersen (1998) mapped out and also the welfare diamond that Jenson (2015) discusses, which adds another dimension for the community. We propose a welfare mix that encompasses four main sectors, the public, private, informal and societal, and that gives an overview of the actors involved (Figure 10.1). Right in the centre is the individual who works, saves and invests to provide for the wellbeing of today and tomorrow. The individual alone cannot reliably manage risks over the life-cycle though. Sometimes the individual capacity is constrained, or the risk is too large to be managed at the individual level. This calls for risks to be pooled at group level which is the underlying principle of insurance mechanisms but also of any altruistic redistributive mechanism. Some risk management strategies are more efficient at group level because individual strategies are either risky, such as keeping money at home, limited in terms of diversification opportunities and not sufficiently far-reaching when it comes to preventive strategies with wider effects for the public.

There are hence different actors that support the individual in his/her efforts, with the support being formalized to different extents. The main actors in the area of informal social protection include

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1 For an overview of definitions of social protection, please see the glossary published on socialprotection.org: https://socialprotection.org/learn/glossary/what-is-social-protection
protection are the family, the individual’s network and community members. The societal sector comprises all types of CSOs, including community-based organizations as well as membership organizations. The private sector of social protection includes financial institutions that offer risk management products, private service providers as well as employers that take measures to socially protect their employees. Government, public authorities that implement policies as well as parastatals make up the public sector that is involved in social protection. All of these sectors exist at national as well as international level and we dedicate one of the later discussion points to the question of whether social protection is predominantly a national actors’ affair (see Discussion point 4 under Section 10.5).

10.3 ROLE OF ACTORS

10.3.1 Informal Sector

Most individuals, in particular in low- and middle-income countries, predominantly rely on the family or their personal networks to buffer shocks and provide services. The family/network is within reach and also accessible at short notice, which is important when an uninsured risk strikes and the state does not have social protection schemes that flexibly absorb new entrants. The family/network might also sense a greater obligation to support and the information and enforcement problems that lead to market failure are minimized as the family has access to better information and can monitor and sanction behaviour.

The challenge with the family/network as a social protection provider is that support might not be reliable in particular with greater, covariate and repeated shocks. Support might also be inadequate, depending on the socio-economic situation of the family/network and the willing-
ness to give. Support might furthermore not be provided to all family/network members in the same way and might make some members more vulnerable to power plays and a loss of autonomy and dignity. Family/network resources could also be put to more productive use if not placed on reserve for family/network support. Women for instance who usually bear the costs of care services provided within the family could earn a higher income and be less stressed if care work was distributed equally or provided in a different way. One of the critical discussion points is whether informal social protection will gradually fade away and be replaced by public support (see Discussion point 1 under Section 10.5).

10.3.2 Societal Sector

The societal sector comprises a wide range of diverse CSOs as for instance community-based organizations and membership organizations. Similar to the family, community-based organizations are close to the community, know the needs and problems and are therefore often regarded as a trustworthy actor when it comes to designing suitable interventions (Cammett and MacLean 2014a). They can also make use of this trust and information to perform multiple functions in social protection that go beyond just the provision of services (see Chapter 5). CSOs can be brokers between communities and the government when it comes to designing interventions, facilitating access to government support and channelling complaints upwards. They can also be lobbyists, ensuring that community interests are heard, that interventions are implemented as promised and that the government is held accountable. Whether CSOs can do full justice to all their possible roles or whether they can easily fail as a chameleon is discussed in greater detail below (see Discussion point 3 under Section 10.5).

Using Beveridge’s words (report on voluntary action in 1948), whereas community-based social protection falls under philanthropy, membership organizations stand for mutual aid. Membership organizations comprise for instance unions, religious organizations, neighbourhood organizations, savings and funeral schemes and mutual insurance organizations (see Chapter 7). Membership organizations also provide services such as strike money, credit facilities and social support next to defending their members’ interests through advocacy. Transfers and services are often exclusive for their members and provided to all of them, irrespective of members’ resources. More than community-based organizations, membership organizations tend to be clientelistic, even if some of the policy gains such as minimum wage policies and favourable working conditions cannot be reserved for members only.

10.3.3 Private Sector

Financial institutions facilitate consumption smoothing over time by allowing individuals to trade current income for future income. The market can also offer further private insurance products such as life insurance, pension plans and health insurance that allow the individual to buffer some of the life-cycle risks. This channel is, however, neither open to all nor all-encompassing in terms of the social protection coverage being provided. Insurance provision is either incomplete in terms of the risks and people covered or very expensive, in most cases unaffordable for poor population groups (see Chapter 6). In part this is due to problems of adverse selection and moral hazard with the good risks opting out and the insured not being incentivized to prevent the risk from occurring. Transaction costs can be prohibitively high and covariate risks with a high probability such as flooding that takes place every year
are difficult to insure. At times, bad risks are even deliberatively excluded all together by
the insurer. Individuals themselves might also not sufficiently insure themselves through the
market because they are myopic, have incomplete information about the value of insurance
and don’t factor in positive externalities of insurance for the rest of society. Even in the
absence of market failure, the distribution of incomes still might not be desirable and give the
state a reason to intervene.

The private sector can provide social services such as health, education and care for a fee.
Services can be contracted out by the state, the insurance or they can be purchased directly by
the individual. Whether contracting out is an efficient and effective choice for the recipients
and an equitable solution for the society is another important point (see Discussion point 2
under Section 10.5).

Employers are often not perceived as an active social protection player but as an opponent
to social protection. Firms are not necessarily veto players. It should not be overlooked
that employers in formalized work relationships pay social security contributions and help
employees manage life-cycle risks. At least in many high-income countries, they also offer
occupational pensions, workplace safety and return-to-work programmes and more recently
also family-friendly measures. Through corporate social responsibility, some light form of
social protection is also extended beyond the worker to community members. While some of
these measures only apply to highly formalized contexts, others such as occupational pensions
presume a long-term work relationship and again others are entirely voluntary; those are of
course serious limitations in countries where work for the most part is informal, not tied on one
employer and also considered replaceable.

10.3.4 Public Sector

The government is responsible for ensuring that the right to social security as formulated in
Article 22 of the Universal Declaration of Human Rights is fulfilled. An increasing number
of countries has enshrined the right to social protection in the national constitution and legal
frameworks. This means that the government has the obligation to come in when other actors
fail to ensure sufficient protection.

The government also has to intervene in case of market failure or undesirable redistributive
effects (Jorgensen and Bennett 2019). The government can for instance oblige citizens to
purchase social insurance (see Chapter 3) and facilitate collective risk management strategies.
It can insure risks that are covariate and recurrent in nature and extend social protection to
groups who would be purposely left out by the other sectors or who could not afford to pay for
insurance or the membership fee.

In addition, the government can introduce solidarity elements, redistribute incomes from
more affluent to poorer members of society and protect those who are unable to cope. In this
way, the government can ensure that every citizen has access to social protection in case of
need (see Chapter 2). While providers of informal social protection as extended family net-
works or civil society initiatives can only facilitate solidarity between relatively small, often
quite homogenous social groups, the state can facilitate a diverse national risk pool. A soli-
darity mechanism between different population groups, different economic sectors, rich and
poor, healthy and sick, old and young and beyond small geographical units diversifies risks
and enables relevant distributional effects.
Government also has the possibility to offer or regulate the provision of public goods, which are often important preventive measures in social protection such as a dyke, dam, mountain terraces or investment in public health. Not only are those preventive measures costly but the individual or the private market would also not have an interest in offering them as they would not want to invest in a good whose benefits are also enjoyed by others at no cost.

Uncoordinated efforts of different actors can result in unrelated programmes and fragmented social protection systems with important gaps and huge differences in access and quality. The government is responsible for the regulation and coordination of the overall social protection system. This means to direct the complex interplay of different actors and steer towards a comprehensive, integrated social protection system that guarantees equal rights and promotes public good.

The government is not, however, without any failures, in particular when it comes to social protection provision through public authorities or parastatals. Citizens don’t always experience government as the most reliable institution, in particular in countries where public institutions are grossly understaffed and lack the necessary resources and accountability mechanisms.

Many social transfer schemes in low- and middle-income countries (see Chapter 2) have neither been extended to even just those in greatest need nor has the support been adequate or reliably provided. Even in countries with a functional legal system and where the government has made legal provision for social protection, there is still no guarantee that social protection coverage only goes up, that clientelism and corruption never happen and that failure at management and compact level are unheard of.

10.4 BEYOND THE TYPICAL ROLES IN SOCIAL PROTECTION

10.4.1 Beyond Provision

Social protection roles are of course not only limited to service provision. Spicker (2008) delineates a two-dimensional space with one dimension being the provision and the other being financing, which can be public, private, corporate, consumer charges, mutualist or voluntary. Provision and financing are not always provided through the same source, showing that social protection actors’ roles are manifold and that the interrelationships deserve greater attention. The state can for instance contract out different functions and services to the private sector or CSOs. The state can also financially incentivize social protection provision by subsidizing social companies or rewarding informal carers by paying a small token, covering their health insurance or adding pension points for the period carers take leave from their job. Next to outsourcing the provision, the state can also solicit greater private financing (Gilbert 2005). Through tax credits, it can encourage individuals to take up additional private insurance or make private donations to philanthropic organizations. The state can also facilitate the financing of social protection activities through for instance subsidies for certain products and services, reduced value-added tax for certain services and wage subsidies for particular employees as well as through collecting contributions on behalf of social security organizations.

Powell (2019a) adds with regulation another dimension to Spicker’s space. Regulation can refer to the degree to which activities of other social protection actors are defined and restricted but also to the protection rendered through regulation. The state can in this way
delegate responsibilities to other actors in the social protection system, restrict activities that are considered too risky and ensure actors’ compliance with commitments made. The state can enact a minimum wage, safety regulations at work and regulations concerning working time and lay-off to ensure that individuals stand a fair chance to be protected through the labour market. It can regulate that the family has an obligation to support other family members in need, turning informal social protection into an obligation rather than an act of mercy. Regulation can concern the period of time that companies need to grant their employees paid and unpaid leave in case of sickness, accidents or for the care of children. The state can make social security contributions mandatory, demand co-payments for social services from individuals and also regulate that private insurance companies need to have reserves in place. In times of crisis, as with Covid-19, the state can mandate that social insurance contributions can be waived or suspended and that workers’ contracts are not terminated under specific conditions (Gentilini et al. 2020).

The state can also decide on how tightly the other actors should be regulated, whether greater control and standardization over CSOs and the market or more autonomy and room for innovation prevail. In countries like Germany with a tradition of social dialogue, civil society and membership institutions such as trade unions are explicitly invited into policy spaces for social dialogue where new policies are discussed and negotiated.

Another function which can be easily overlooked but which is important and assumed by different actors is the provision of information. CSOs inform citizens about available support options and procedures and inform the government about support needs. The government can also inform citizens about the range of support options and the respective advantages and downsides for different groups. In addition, the state has an important function when it comes to promoting preventive behaviour by launching for instance public health campaigns.

10.4.2 Beyond National Affairs

Even if the welfare state in the current academic literature on the Western welfare state very much concentrates on national actors’ mixes, the welfare state no longer is a completely national affair. Gough (2014) identified for each and every national actor in social protection the international equivalent: international and bilateral donors at the state level, multinational corporations at the market level, transnational non-governmental organizations (NGOs) at the community level and remittances and other support strategies of family members abroad. All of these actors have assumed a crucial role in the areas of agenda setting and policy formulation (international donors and international organizations), in demanding and ignoring social protection standards for workers at production sides abroad (multinational corporations), in advocating for the social protection agenda at international level (international NGOs and their networks) and in providing social protection where the market and state fail to (remittances).

10.5 INTERPLAY OF ACTORS

While it is important to understand the different sectors and actors, it is even more insightful to examine the interrelationship. To protect citizens for instance in old age, there might be a social pension which is regulated, financed and provided by the state. This is complemented by social insurance, which is provided by a parastatal body being jointly managed by employ-
Actors' and employees' membership organizations, financed by individuals and employers and regulated by the state. Employers might pay for and provide additional occupational pensions, regulated by the state. Individuals can also take out voluntary insurance in the private market, which is regulated and at times subsidized by the state. A family member provides care on a voluntary basis, supported by a small subsidy of the state in the form of pension points and a regulation that permits the person to take leave from work for a certain period of time. In this scenario, actors complement each other, each assuming slightly different roles, reaching out to potentially different target groups and offering different levels of protection. Table 10.1 provides another example of how different functions are assumed by different actors with respect to access to health.

Co-production is not the only possible relationship. Actors can also substitute each other, in cases when the other actor's capacity is (considered) weak (Cammett and MacLean 2014a) or simply when it is politically opportune to do so. Looking at the European welfare state history and actors' mix, it is telling that the supremacy of roles has changed. In the early phases of industrialization social protection was predominantly provided through CSOs: guilds, producer and saving unions, mutual insurance unions and the church for instance played an important role. With industrialization the state gradually entered the picture. After World War II, social protection was state-centred. In the 1980s public-sector bureaucracies were under attack for being too expensive, bureaucratic, paternalistic and unresponsive to citizens' needs. In response, market mechanisms were introduced (Finn 2015) and a new role for civil society developed as providers of services under state contracts. In the 2010s the United Kingdom saw for instance a shift towards 'Big Society' with different interventions to support civil society and nurture active citizens (Macmillan and Rees 2019). This was however also reversed at the time of major spending cuts. Some low- and middle-income countries have also seen changes. State-provided social protection is still a fairly recent phenomenon, often preceded by informal, faith- or CSO-based social protection. CSOs have assumed important functions of the state. Their experience and mode of operation sometimes inspired public service provision as in Kenya (Brass 2014) or led to stricter control of competitive NGO activities as in Zambia.

Another form of corporation is delegation. This can bring out the best in both partners but contracting out to the private or civil sector can also twist relationships and cause a certain mission drift. Reliance on public funding can threaten the autonomy of CSOs and lead to less innovation as a comparative edge needs to be preserved for bidding (Allard 2014; Macmillan and Rees 2019).

Which actors' mix might be considered legitimate differs across welfare regimes, the underlying logic and the historical path taken (Kuptsch 2017). Even within a system, individuals might seek different channels, depending on whether they have a choice, which preferences they have, the confidence they instil in the different actors, their risk profile as well as the (social, financial) capital available. So rather than focusing on particular actors, it might be more beneficial to focus on values and outcomes and to then (re)consider which actors’ constellations would be best aligned with this (Powell 2019b).
### Table 10.1: Interplay: contributions of actors concerning access to health (simplified overview)

<table>
<thead>
<tr>
<th>Function</th>
<th>Individual</th>
<th>Informal</th>
<th>Societal</th>
<th>Private</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Provision</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>How do actors contribute to the provision of health services?</td>
<td>Self-treatment</td>
<td>Family (home) care provision</td>
<td>Non-profit health service provision (e.g. church-owned hospitals)</td>
<td>Private health service provision (e.g. private doctors and clinics, laboratories, etc.)</td>
<td>Public health service provision (e.g. health centres, hospitals)</td>
</tr>
<tr>
<td>Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How do actors contribute to the financing of health services?</td>
<td>Payment of taxes (e.g. income tax, value-added tax), health insurance contributions, direct health service (co-)payment (user fees)</td>
<td>Provision of family financial support, mostly to direct health service payments</td>
<td>Provision of financial support based on group solidarity or charity</td>
<td>Payment of taxes (corporate taxes), employer’s health insurance contributions, provision of employment-related benefits</td>
<td>Allocation of public funds (e.g. taxes and public revenues)</td>
</tr>
<tr>
<td>In what ways do actors facilitate the financing of health services?</td>
<td></td>
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<tr>
<td>Regulation</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>In what way do actors contribute (in)directly to the regulation of health services?</td>
<td>Social norms (e.g. reciprocity, solidarity, etc.)</td>
<td>Additional self-regulation by membership organizations (micro-/group insurance for health)</td>
<td>Additional self-regulation by companies</td>
<td>Overall regulation of the health sector, regulation of public, societal and private service and insurance providers, regulation of health and safety at work</td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In what ways do actors provide information?</td>
<td>Health education, healthy lifestyle promotion</td>
<td>Health promotion, information on access rights and options</td>
<td>Provision of health information to clients of private health insurance and services, provision of healthy lifestyle and information tools (e.g. smart-watch, health app)</td>
<td>Public health promotion, information on service and insurance access</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Authors’ own.

**Discussion Point 1: Will Informal Social Protection Be Crowded Out?**

Informal social protection can cover a wide variety of different social protection responses: it encompasses traditional solidarity as well as self-help mechanisms and some would even include semi-formalized community-based approaches. Traditional solidarity is provided...
in the form of gifts for joyful as well as catastrophic events. Even if no immediate return is expected, the support is based on the principle of reciprocity. Self-help mechanisms are more formal in nature: they require membership and contributions to be made. They comprise for instance rotating saving and credit associations but also shared labour practices where farmers work together and share assets. Informal social protection in most contexts is not regulated by law but it follows social norms and communal practices, which are equally enforced at community level.

The move towards greater institutionalization of social protection is not surprising given trends such as the individualization of societies, urbanization and massive covariate shocks such as HIV and AIDS, floods and droughts which are difficult for informal networks to buffer alone. The disregard of informal mechanisms in social protection policy making, however, comes as a surprise (Devereux and Getu 2013). In many official definitions of social protection by international organizations, the ‘informal’ went missing, despite the fact that informal mechanisms constitute the primary social protection mechanism for the majority of people in developing countries (Hebo 2013; Awortwi 2018). This is particularly the case in unstable contexts where the capacity of the state is weak (Chirisa 2013; Jenson 2015; Humphrey et al. 2019).

Are informal schemes being gradually replaced by formal mechanisms? Formal social protection can crowd informal social protection out, crowd it in and the two can also be complementary. The evidence up to this point is mixed. Formal provision might lead to significant reductions in informal transfers (Strupat and Klohn 2018), even just the mere availability and not the take-up as such (Lenel and Steiner 2017). This however can also relieve network members of unproductive practices of dissaving and hoarding illiquid assets (Di Falco and Bulte 2011). Public transfers can disrupt social relations (MacAuslan and Riemenschneider 2011) and thereby endanger future risk sharing at familial or network level. Studies have, however, equally shown that transfers allowed recipients to participate in informal risk-sharing networks (Daidone et al. 2015) and that formal protection through informal networks had important spill-over effects for non-beneficiaries (Carraro and Ferrone 2019). Potentially more thinking has to go into how formal and informal mechanisms can be best complemented so that formal social protection mechanisms don’t replace functional informal practices (Devereux and Getu 2013).

Informal social protection is not likely to fade away completely as social protection systems formalize. Even in the established welfare states, social protection continues to be provided informally. In particular for the elderly and for people with disability, family and friends remain the most important care providers (Bettio and Verashchagina 2012) with the contribution by the informal sector being as large as the National Health Service for the United Kingdom (Powell 2019a, 2805). So it rather depends on the role that the social protection system accords to the family, which can range from granting the family great autonomy and complementing benefits where necessary to substituting family services and benefits to specifically promoting families (Daly 2010). It is therefore up to the state and citizens to define which informal social protection practices should be given more prominence in policy making around social protection.
Discussion Point 2: Contracting Out – Risky Business or Sensible Decision?

The drive in the 1980s towards greater efficiency reduced the presence of government in service provision and led to a privatization wave. The expectation was to cut costs and to increase effectiveness through innovations and services that would be better tailored to the needs of the target group. However, in practice this proved to be more difficult. Privatization can take on different forms, depending on for instance the level at which private elements are inserted (Kuptsch 2017): there is the institutional level where a private provider such as a private health insurance offers additional benefits or coexists next to a public health insurance. There is the administrative level where service provision or more administrative functions such as contribution collection or accounting is outsourced by the public sector. And there is privatization at the level of cost payments where private employers or individuals are asked to cover part of the bill. These different forms of privatization come with different implications for access, quality, financial protection and the distributional effects.

We will focus on the administrative level and the decision of when services should be contracted out, as this is the most relevant aspect for public transfer schemes. This decision is eventually similar to the make or buy decision of firms with the main difference being that responsibility is rarely contracted out completely but often shared. But even this sharing of responsibility can take on different forms and come with different risks attached (Morgan and Campbell 2011). The government can decide which functions it wants to delegate. While areas such as the payment of benefits and the management of information technology services are less controversial, the determination of applicants’ eligibility or conflict resolution is more delicate and hands more power to the private provider. The question of whether the private contractor bears the risk and can deny services also has an effect on the services offered as well as on the coverage of people who are hard to reach. The quality of service depends on the locus of decision making, whether the private provider is directly contracted by the government or selected by recipients. Even though online portals might make it easier for customers to compare and contrast service providers, the government might be in a better position to exercise more rigorous quality control through a bidding process than the individual.

In line with Coase’s theory of the firm, contracting out is not always a sensible decision, in particular when transaction costs are high, products are not standardized, the market is not competitive and the services outsourced are similar to core processes performed by the administration (Super 2008, 413–27). Transaction costs of contracting out can be extremely high because bidding processes are often complicated and time-intensive, monitoring the performance of providers can be difficult and measures against failure need to be upheld because recipients have an entitlement to receive the benefits. Public benefit programmes are often multifaceted, which makes the structuring and enforcing of contracts complicated. It is difficult to agree on appropriate quality measures and while needs of the target group evolve, the contract cannot be easily restructured, which might stifle rather than promote innovation. Markets in the area of benefit/service provision for social protection are not competitive but resemble natural monopolies. A contractor, once in place, always has an advantage because the infrastructure and skillset is acquired, and the likelihood of failure is also low with the state bearing the risk and eventually bailing out. Whether bureaucrats are better administrators or contract managers depends on the specificity of the service provided and on the complexity of the contract. If contractors are supposed to duplicate the services provided by the government
and the government finds it difficult to structure and enforce contracts, then contracting out might not be the most efficient choice after all.

Efficiency should also not exclusively guide the choice of contracting out (Jensen and Stonecash 2005). The quality and out-reach of services are equally important. This means preventing for instance that private service providers revert to creaming and parking, focusing on those who are easy to reach and wean off rather than those who need most support (Finn 2015). For the quality of services and in particular from a systems perspective, it also needs to be guaranteed that recipients get access to support services that are effectively bundled up and not working in silos. Quality of services requires that the data on clients are used to improve policy making over time. Data and the information about the process being in the hands of private providers and contractors having their own mandate and self-interests might prove counterproductive in this regard.

The current evidence base on the effects of contracting out in the social sector remains inconclusive at best, partly because there are many different dimensions to measure (effects on cost savings, productivity of workers and effects on customers) and it is methodologically challenging to do so (Jensen and Stonecash 2005; Petersen et al. 2018). The evidence base for low- and middle-income countries is yet to develop with some initial findings on the positive effects of contracting out payments to financial providers (Aker et al. 2016; Atanda 2019; Masino and Niño-Zarazúa 2020). In order to maximize the effect and minimize the risks of contracting out, contracts need to be carefully designed. Contracts should have a clear outcome focus that does not only focus on quick fixes but also a long-term perspective. It is important to have an agreement about the data collected and shared. And in an attempt to bind private providers to the principles of openness, fairness, participation and impartiality, it might be worthwhile considering in what ways private providers could be subjected to public and human rights law (Donnelly 2011).

Discussion Point 3: Civil Society – The Chameleon in Social Protection?

CSOs have a long history in generating social protection and providing services even more extensively than states in many countries (Cammett and MacLean 2014b). In some contexts, they replace state action, in others they provide services as an integral part of the public social protection system or take over complementary tasks to tackle complex situations of poverty and exclusion.

However, the provision of services is by far not the only contribution of the broad variety of civil society actors in social protection. NGOs, faith-based actors, community-based organizations, advocacy groups and social movements – as diverse as the organizations that conform civil society are the roles they assume. CSOs intervene in all stages of the policy cycle of social protection (see Figure 10.2).

The National Civil Society Platform in Costa Rica for instance initiated a national social dialogue demanding the extension of health insurance coverage for domestic workers on a lower contributory base – and succeeded (Friedrich-Ebert-Stiftung 2019). The South African Community Works policy design became more responsive to the needs of marginalized populations after bottom-up planning processes were facilitated by CSOs. Instead of classical infrastructure development, public work programmes then also allowed for care work projects for children and older citizens, opening opportunities for new participants formerly bound at home and excluded from programme access (Ehmke and Khayaat 2016). The monitoring efforts of
Figure 10.2 Potential contributions of civil society organizations over the social protection cycle

cash grants in Uganda, Kenya, Tanzania and Mozambique, taken forward by older citizens’ organizations, strengthened accountability of government and implementing agencies. Older citizens’ groups detected shortcomings as a lack of accessible pay points and successfully demanded improvements (HelpAge International 2016).

Some authors also suggest a dilemma of conflicting roles between service provision and involvement in the political struggle for structural change. Especially externally financed humanitarian and development CSOs may suffer from the pressure of a ‘sector that is increasingly focused on short-term results and value for money’ and consequently achieve ‘palliative rather than transformative effects’ (Banks et al. 2015, 707–8). Depending on their institutional capacity, their embeddedness in national networks, the size and sources of their funding and their degree of autonomy, they may be able to successfully live up to different roles or eventually remain limited to service provision.

However, civil society is not always welcome to take over the variety of possible roles. In some countries, governments have been very wary of CSOs creating a parallel structure to the
state or gaining political strength and have tried to curtail their role via regulation, administrative barriers or shrinking spaces for participation.

A condition for relevant political contributions beyond service provision is the existence of a diverse, interconnected and vital civil society. If CSOs mainly represent vested interests of privileged groups, their contribution will resemble and reinforce inequality of society. Civil society can make a difference, if diverse community-based organizations and trade unions, faith-based actors and advocacy groups are able to connect and work unanimously for social protection goals, raising awareness and political sensitivity, creating social pressure and contributing expertise (Friedrich-Ebert-Stiftung 2014). Politically active CSOs also require political will and accommodating institutional conditions on the governmental side such as transparency, information sharing and openness for social dialogue. Serious involvement of civil society can then generate sustainable broad-based support for social protection and reaffirm the social contract.

Discussion Point 4: Is Social Protection Only a National Affair?

Social protection needs to be regulated by national governments. Its provision has to respond to local demands, build on national capacities, and be financed out of national budgets. But, even if at first sight social protection seems to be mainly a domestic affair, international actors intervene in all these dimensions.

It is not only on international platforms where governments, international organizations, development agencies and international NGOs struggle to influence the discourse and develop standards, instruments and joint commitments that later contribute to frame national policy making (Leisering 2019). Bi- and multilateral development agencies also engage directly with national governments on the regulation of social protection systems. They provide access to information and data, analytical work and technical knowledge that inform and, in some cases, influence strategic policy decisions. A recent study on donor engagement in social protection concludes that ‘one of the most important roles for development partners over the past two decades has been the provision of technical assistance to develop national social protection strategies’ (OECD Development Centre 2019, 15).

International actors also get directly involved in the provision of social protection. Bi- and multilateral development agencies support the implementation of pilot programmes. International humanitarian actors often provide their emergency transfer programmes directly (see Chapter 16), substituting non-existent channels for provision or creating parallel institutions (European Union 2019). International private sector actors are involved in the provision of social protection via public–private partnerships and other forms of private-sector involvement.

Development agencies, international NGOs and universities engage in strengthening national implementation capacity at local, regional and national levels by offering training or facilitating exchange between practitioners. At the same time international actors compromise national capacity: market incentives such as wage differentials as well as direct recruitment lead to brain drain of professionals from the social protection sector, mainly in the areas of health and care (OECD 2015).

The interrelation with international actors is even more important in the financing dimension. To create and expand fiscal space for social protection financing, countries need to collect taxes. Multinational corporations can either make contributions or use opportunities
provided for tax evasion and avoidance. States offer competing tax incentives to foreign investors and contribute to a fiscal ‘race to the bottom’. This often erodes national tax bases in those countries where resources to cover social protection floors are already scarce. To effectively protect and enhance national fiscal space, regulation and enforcement on the international level is inevitable.

Social protection financing is especially strained in times of crisis, responding to climate change-related natural disasters, the reception of refugees or economic distress. Most crises are not (exclusively) homemade nor mere national affairs. Neither is their mitigation. Public and private international actors eventually intervene providing aid, reinsurance or credit. Different proposals are on the table to create a reliable international financing mechanism (see Chapter 7), as a means for richer states to meet their legal\(^2\) and moral obligation to assist countries in crises and least developed countries to fulfil the human right to social protection (Cichon 2015; Schutter and Sepúlveda 2012).

While the interplay with international actors can broaden national opportunities and seek solutions for risks that go beyond national borders, it also adds further complexities. All actors bring in their own agenda and pursue their own interests. This imposes important challenges to national governments to own and govern social protection and to achieve a coherent system approach for the common good. It also requires the international community to build an enabling international architecture and to deliver on international agreements. To consider social protection a purely national affair neglects the inextricable interdependencies in a globalized world as well as human rights and international commitments.

10.6 CONCLUSION

Social protection is by far not only a state’s affair, let alone a national state’s affair. National governments need to own and govern social protection, setting standards and defining procedures, strengthening institutions and exercising control. The state has the ultimate role to guarantee the human right to social protection. But the other actors next to the state also deserve recognition. There is a need for more creative thinking as well as evidence on how actors can best interact and jointly provide social protection in a low- and middle-income country context. Improving overall coordination of actors and sectors constitutes a major challenge but should be a high priority.

\(^2\) There is an international responsibility to deliver on the human right to social protection, as backed by the extraterritorial state obligations agreed upon in the International Covenant on Economic, Social and Cultural Rights (Art. 2.1) and reconfirmed in international declarations and recommendations (Addis Ababa Action Agenda on Global Social Compact, ILO R.202 2012 on social protection floors, Sustainable Development Goal 1.3 on universal social protection).
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11. Systematic approaches to social protection

Chris de Neubourg, Victor Cebotari and Julia Karpati

11.1 INTRODUCTION

Studying a set of social protection instruments as belonging to a system clarifies the role of each of the relevant components and discloses how the defined collection of instruments answers underlying social problems. The analysis of a set of social protection instruments, through a systems lens, reveals the content and scope of the (implicit) social contract that a society is willing to accept, and/or indicates how the promises made in the social contract, which regulate societal solidarity, can be better served by improving the effectiveness and efficiency of the policy instruments. A systematic approach to social protection provides a technical analysis of how the components of a social protection policy fit together, revealing, on the one hand, how much the members of a society are willing to pool their risks and their resources, and on the other hand, how effectively and efficiently that is actually done. The social protection system analysis can, however, not formulate an answer to the ideological and political questions about how much and what type of social protection a society should offer to its members; it only facilitates the discussion about how to organise the political choices in an effective and efficient way.

A set of social protection instruments applicable to a country can be regarded as a system: a systematic approach to social protection describes and analyses the elements of the social protection ‘system’ in a comprehensive way. When comprehensively done, a systematic analysis reveals the underlying ideology of a set of social protection instruments (or how much and how solidarity in a society is organised) and at the same time also reveals how well the organisation functions in terms of effectiveness (reaching the objectives set) and efficiency (reaching the objectives at the lowest possible cost).

A social protection system description (or mapping) provides an overview of the components of the social protection system at a certain point in time for a particular country. Moreover, it provides details on each of the components in terms of eligibility, benefits, financing, organisation and administration.

A social protection system analysis studies whether and how these components fit together in a technocratically harmonious way: it draws attention to potential contradictions, inconsistencies, coverage gaps and coverage duplications and it compares target groups, risk coverage, administrative procedures, benefit levels, replacement rates and eligibility conditions across the components of the system.¹

Besides these straightforward approaches to social protection systems, the scarce literature referring to systematic approaches to social protection often adopt a normative approach implying what a social protection system ‘should’ or ‘needs to’ be. For example, the definition

¹ Or it pays attention to demand/needs, coverage, effectiveness, sustainability and coherence (OECD 2018).
given by the German agency for international cooperation is interesting and illustrative in this context:

A systematic approach to social protection is intended to ensure that people are covered against risks throughout their entire lives. Individual social protection tools such as basic insurance and social insurance are efficiently interlinked. In the policy formulation process, social protection strategies are to be coordinated with those of other sectors, such as employment and food security, so as to increase effectiveness, sustainability and resilience of the population. (GIZ 2020, 2)

The italicised parts of the definition contain normative elements, as follows:

- All-encompassing scope: a social protection system needs to cover all the risks throughout the lifecycle.
- Internal consistency in all aspects of design and implementation should be guaranteed and, where possible, the components should be integrated.
- External consistency in all aspects of design and implementation should be guaranteed.

Integrated social protection systems as described above are hardly observed in the real world although there are increasing efforts to move towards better integrated systems. The reality of most countries, however, suggests that social protection interventions are seldom designed as parts of a systematic response to the general need for risk pooling or as a section of a comprehensive social contract setting the framework for how a society organises the mechanisms for coping with problematic events or situations. Quite the contrary, the installation of new social protection instruments is often considered in isolation.

In almost all countries, single social protection interventions are introduced separately to address a particular concern, a looming crisis or to respond to social or political pressure, and little attention is given to make it fit well into the rest of the social protection system. Early industrialising countries like (parts of) the United Kingdom, France and Belgium, with a social protection tradition that dates back many decades, worked through a form of consolidation and rationalisation of their social protection (or welfare) system after the economic crises in the last decades. An increasing number of low- and middle-income countries make efforts to integrate new initiatives into the existing safety net, but for the overwhelming majority of countries, the architecture of the social protection system is extremely complex, often encompassing hundreds of pieces of legislation and regulations.

This chapter adopts a pragmatic and technocratic view on systematic approaches to social protection, by regarding any collection of social protection tools installed in a particular country as a ‘system’. Each of these systems can be mapped and analysed and conclusions can be made on their scope and internal and external consistency in all aspects of design and implementation. National systems may therefore be more or less ‘systematic’, more or less internally consistent, more or less effective (realising the objectives set) and more or less efficient (providing the services at the lowest cost). We accept that the scope of national systems may vary according to the underlying political preferences or ideology, but we will

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2 For details on the historical developments in social protection and the welfare state see among others: Trattner (1999); Fraser (2017); Vis (2010); van Kersbergen and Vis (2014).

3 As an example: a recent mapping of the relatively new social protection system in an emerging economy, Morocco, revealed that the country had more than 150 laws, regulations and benefits in 2015; see Chef du Gouvernment du Maroc and UNICEF (2016).
use universal coverage in all aspects as the technical benchmark without implying that it should also be the most desired situation (see below). While the authors of this chapter have their own views on the desired scope, we acknowledge that other analysts and policy makers may hold other points of view.

Making a thorough mapping and analysis of all social protection systems is important to study how well every element of the systems fits together, and to draw attention to contradictions, inconsistencies, overlaps in coverage, benefit levels and eligibility conditions and coverage gaps for the purpose of improving effectiveness and efficiency.

Section 11.2 discusses the theoretical basis on which social protection instruments can be seen as components of a single system; they all have a function as a tool for managing livelihood risks. That does not, however, imply that there is a single instrument available for every separate risk, nor that every risk can be covered by only one type of social protection instrument. In the portfolio of social protection system instruments, both substitutes and complements can exist. In the context of a systematic approach, these are very important features, and these features are elaborated in Section 11.4. Prior to that section, Section 11.3 discusses to whom social protection can be offered. Finally, Section 11.5 discusses four types of systems that, while differing in their political orientations and preferences, are all set up to be systematically integrated and systematic in a technocratic and normative way. A concluding section referring to toolboxes aimed at mapping and analysing social protection systems closes the chapter.

11.2 SOCIAL PROTECTION AS LIVELIHOOD RISK MANAGEMENT

Social protection interventions all belong to a family of policy measures, which makes it meaningful to map and analyse social protection instruments as a system with varying degrees of integration in scope, design, financing, implementation and administration across countries. The underlying idea is that social protection interventions all belong to a kind of family of policy measures. This section elaborates how social protection instruments of varying scope, nature and eligibility criteria have commonalities that justify being regarded as components of an overarching social protection system. For example, what do social assistance benefits for the poor, school meals subsidies for children or pension benefits for the elderly have in common with health insurance and parental leave options, to justify that these can all be regarded as components of an overarching social protection system? We answer this question through the conceptualisation of social protection as a framework for risk management and the consequent implications for the scope of a social protection system, and for defining which authorities should be responsible for assisting members of society with managing these risks.
The purpose of social protection is to provide people (citizens, residents, contributors or clients) with protection against specific risks which may occur throughout their life cycle. Some of these livelihood risks are not age specific and others are necessarily tied to a certain period in the life cycle. Perhaps the most fundamental risk of all is the risk that one does not have the (financial) resources to survive in the society wherein one is living. That risk is called poverty, and theoretically, all members of a society are vulnerable to that risk. The risk of becoming ill and not being able to afford the healthcare services that are needed to be cured is also a risk to which potentially all members of a society, no matter their age, are vulnerable to. Most co-variant risks related to (man- or nature-made) disasters such as financial crises, flooding, earthquakes, droughts and pandemics affect all members of a society, and often at the same time.

The main livelihood risks related to a certain period in the life cycle are:

- **Childhood-related risks**: starting with pregnancy-related risks, childhood diseases and immunisation, access to all services that children need in order to be able to develop to their full potential including all forms of education, healthcare and protection.
- **Longevity risks**: the risk of not having enough resources towards the end of one’s life at the moment that earning capacities have dwindled.
- **Income loss risks**: risks related to all kinds of loss of income-generating opportunities during active periods in one’s life, including short-term illnesses, unemployment, disability and accidents (work-related and others).

Social protection interventions aim to cover one or more of these categories of risk, usually by guaranteeing financial or in-kind resources to cope with the materialisation of the risk. The interpretation of social policy or social protection policy as social risk management dates back two decades and provides a comprehensive framework to analyse social protection instruments as part of a social protection ‘system’ (Holzmann and Jorgensen 1999; de Neubourg and Weigand 2000).

The risk management framework also allows us to conceptualise important discussions on the scope of social protection systems. The two main questions that need to be addressed to decide on the scope of social protection systems are:

1. To what extent does the management of the livelihood risks need to be ‘social’?
2. Who needs to be covered by the ‘social’ protection system?

In answering the first question, it is clear that in the absence of social protection instruments, risks and negative states in the event of risk are managed by other channels – after all, ‘public

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5 While a solely financial conception of poverty does not encompass all the ways in which poverty can be experienced, we refer to it here expressing the quintessential characteristic of the concept; it is clear that societies differ in the way they define the ‘necessary minimum to survive in the society wherein one lives’ and the way and methods to measure that minimum as a benchmark (see for example Notten and de Neubourg 2011 for a comparison between the United States and Europe in that respect).

6 Stating that all members of a society (or all members of a particular age cohort) are vulnerable to a risk does not imply that all members of a society have equal probabilities to being confronted with that risk; some groups in a society are more vulnerable than others.
authorities’ are only one of the corners of the ‘Welfare Pentagon’ \(^7\) (de Neubourg 2002). When confronted with (the costs of) a livelihood risk, people will seek assistance through the other corners of the welfare pentagon when forms of social protection implanted by public authorities are lacking. Assistance by families, social networks and membership organisations (such as unions, churches, charities) are social and informal forms of risk management which can provide effective protection against the costs linked to livelihood risks. Apart from informal social channels, economic agents can use markets to seek individual forms of protection against livelihood risks, such as private insurance, savings and credit accounts. Retrenchment and shrinkage of public social protection interventions (i.e. of the social protection system) either in terms of coverage or benefit adequacy, such as due to austerity measures or changes in voter preferences, will necessarily enhance the importance of the informal and market channels of the welfare pentagon; the public social protection system and the informal and market forms of social protection are necessarily partial substitutes and communicating vessels. Protection provided by markets and informal channels aiming at safeguarding livelihoods is ‘social’ as these channels all require the intervention of social groups and other people; however, we do not regard them as parts of a social protection system.

The essential characteristic of ‘social protection’ is its direct link to the social contract and the rights of citizens or residents to be protected from livelihood risks. Only public authorities can guarantee that right, while individuals, groups, markets and charities cannot. Health insurance, as an example, is only a part of social protection if the right to access to (defined) health services is guaranteed by law or regulation, and this access can be enforced by legal action if necessary. This also applies to other parts of social protection systems. If this part of the definition were to be relaxed, there are no reasons why risk protection instruments such as car insurance and private assistance of parents to children would not be considered part of a social protection system. In that sense the old-fashioned and seldom-used term ‘social security’ would still be a more convenient concept.

The definition of social protection as a publicly guaranteed form of social protection does not, however, imply that non-for-profit organisations, for-profit firms, charities, parastatal institutions and non-governmental organisations could not deliver parts of social protection interventions. Defining social protection as rights-based arrangements leaves the financing, implementation and administration of the arrangements to be elaborated and the choices are manifold in this respect. Neither does the definition of social protection as publicly guaranteed forms of social protection imply that the rights on access to the benefits of the social protection interventions should be universal; it is perfectly possible that only parts of the population are covered or that the right is reserved for persons fulfilling certain criteria such as being employed in a particular sector, being a civil servant or having contributed into the system for a defined minimum period of time.

We talk in the context of this contribution about ‘social’, or public forms of protection, when:

- public authorities at some level have taken responsibility for at least the regulation and possibly the administration, organisation and production of transfer mechanisms and insurances;

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\(^7\) The ‘welfare pentagon’ conceptualises the idea that in principle every person can use five channels to deal with livelihood issues and risks: families, social networks, markets, membership organisations and public authorities.
some form of formal risk pooling or solidarity underlies the financing of the protective interventions; and

- the rights of participants and beneficiaries are guaranteed by law and regulations.

It should be noted that the emphasis on the public character of provisions in the definition above narrows social protection down by excluding private or semi-private provisions that can equally protect participants or beneficiaries. Undeniably, purely private (health) insurances, private mutual (micro-)insurance schemes, transfers between family members and transfers between households and straightforward, more anonymous, charity all protect the participants and the beneficiaries; in our view, however, they are not part of public social protection unless access to their ‘benefits’ is guaranteed by laws and regulations. The definition adopted in this contribution is not necessarily shared by all scholars nor by all contributors to this handbook.

11.3 SOCIAL PROTECTION FOR WHOM?

Section 11.2 attempted to unpack the parameters that define the scope of social protection systems, thereby demarcating what social protection entails in terms of content. Equally important for defining the scope of social protection systems is determining to whom social protection is offered.

Social protection systems differ in their principal answer to the question: who in a society should be covered by the social protection instruments? The choice between the following three extreme positions, as the baseline for building a system, is influenced as much by political preferences and ideology as by effectiveness and efficiency considerations. The three baseline positions can be described as follows:

1. **Universal coverage**: the entire population should be covered since livelihood risks are assumed to be the same for every person (allowing for varying probabilities) and thus everybody needs protection against these risks. This does not necessarily imply that everybody should be covered for the same risks, by the same eligibility criteria, benefit amounts or organising institutions. Universal coverage of the population under the protection system implies that the population is entitled to receive a benefit in the event a particular livelihood risk materialises, assuming that the eligibility criteria for a set of social protection interventions is met. Universal coverage does not imply that the entire population is guaranteed to receive a benefit at some point. For example, the entire population can be covered by unemployment insurance. That, however, does not mean that all members of the population are guaranteed to become unemployed and consequently receive a benefit at some point in time. The same holds for means-tested social assistance: the entire population can be covered by social assistance, but only a small fraction of the population will ever receive a social assistance benefit.

2. **Residual coverage**: only people who are not able to afford private market solutions to the livelihood risks or who are otherwise not able to organise informal social protection should be covered by the social protection system. The degree of selectiveness and thus the size of the residue may differ across countries and systems. The position that the social protection system should primarily cover only the defined poor in a society is a special case of the residual position. This position often states that covering the entire population is not politically or morally desirable or not possible (i.e. not affordable), and therefore only
the poorest segments of the population should be covered by the social protection system or parts thereof. The poor are implicitly regarded as people who are not able to afford the market solutions to dealing with livelihood risks or are not able to mobilise informal social protection. More precise definitions of the poor as a group as well as the conditions under which financial or other constraints define eligibility for social protection are described in detail in other chapters of this handbook.

3. **Coverage as privilege**: only people belonging to specific groups in society are entitled to social protection. These groups may be professional groups, groups of people deemed deserving special attention or other groups. In many countries, public servants and the members of the military belong to groups subject to social protection interventions from which the rest of the population is excluded. The same applied and still applies to members of society that are especially protected due to their social status (sometimes defined as war veterans, freedom fighters or heroes).

In practice, combinations of elements driven by the second and third positions as described above are easy to imagine and to observe. It is much harder to think about combinations of the first position, on the one hand and the second and the third positions on the other hand. Strictly spoken, these combinations are only possible when groups are singled out to receive universal coverage while others are subject to residual coverage or coverage based on privileges. That would, for example, be the case if children and/or the elderly are universally covered, while the working-age population is residually covered or covered by privilege.

Debates between the proponents of these extreme positions are often complicated by the use of moral arguments which introduce elements of merit. From this perspective, only persons judged by society as ‘deserving’ assistance from social protection interventions in a certain form should be covered by a social protection system. This position sometimes leads to excluding critically vulnerable and socially excluded groups, such as people who have had a limited residence period in the country in question, and have thus not contributed into the social system for the required period of time for eligibility (resident non-citizens, refugees, migrants), people who have a criminal record, people who do not pay (enough) taxes or other groups who are regarded as ‘marginal’ to the mainstream in society, such as ethnic minority and Indigenous groups, or other minority groups.

In the remainder of this chapter, we take the position that universally covering the entire population is the benchmark for a social protection system – not as a moral standard, but as a standard that allows for analysing gaps between the actual situation and the theoretically universal coverage of the population. Once these gaps are mapped and analysed it would be logical to study the reasons for the gaps in the coverage and assess their legitimacy, against the prevailing moral, social and political standards and norms in the relevant society.

### 11.4 A PORTFOLIO OF SOCIAL PROTECTION INSTRUMENTS: EFFICIENCY AND EFFECTIVENESS

Section 11.2 argued that social protection instruments have a common ground as livelihood risk management tools. It would be tempting to think that there is a social protection instrument for every risk and that every risk can be covered by a single social protection instrument: that would make mapping and analysing systems relatively easy.
The reality is, however, more complicated. This section argues that social protection instruments can be both substitutes and complements and that, therefore, making an analysis of a system in terms of effectiveness and efficiency is a complicated task.

### 11.4.1 Social Protection Instruments Are Substitutes

In a system of social protection, livelihood risks can be addressed using various instruments, whose functions substitute for each other. In other words, there is not necessarily a one-to-one relationship between any particular livelihood risk and a particular social protection instrument: many different risks can be covered by several different social protection instruments or by combinations thereof. This can be illustrated by four examples: income loss in the event of illness or unemployment by wageworkers, education for children, healthcare and management of longevity risks.

A social insurance benefit can cover the risk of income loss for wage earners during periods of short-term illness by guaranteeing a certain percentage of their regularly earned wage. The same risk of contingency-based income loss could also be covered by a simple social cash transfer out of a public fund in the event of illness, or by a labour market legislation compelling employers to continue paying the salary of an ill employee for the duration of their illness (in part or in full). These three channels – the cash transfer, the insurance pay-out or the continued wage – all are substitute instruments which address the same contingency. Except for in the case of employers being legally compelled to continue paying salaries of incapacitated employees, additional labour market legislation is necessary in order to guarantee that the ill employee does not face further risks of job loss due to absence caused by illness. Covering income losses due to job losses can be addressed by a specific voluntary or compulsory unemployment insurance, by public works, by tax-based single payments or by a universal basic income (UBI).

Ensuring that all households in an economy are able to send their children to school can be supported by many social protection instruments. Free or widely affordable education at all levels, school waivers, schooling vouchers, universal child benefits, conditional child benefits, universal educational grants for school equipment and books are all substitute instruments which serve the same purpose of enabling all children to have access to education and incentivise them to attend school regardless of household means. Many countries use several of these instruments at the same time.

Ensuring that all individuals have access to basic or even advanced healthcare services when needed can be realised using very different instruments, ranging from private insurance to social insurance, mutual insurance companies, payment waivers, vouchers and fiscal deductions, to completely free access to public healthcare services.

Longevity risks may be covered by a universal basic pension scheme, by compulsory social pensions through funded, unfunded or notional financing mechanisms, by regulated private pensions with or without tax relief or by a combination of all these instruments (as it is in many countries with developed social protection systems).

While one risk may be covered by different social protection instruments, one single social protection instrument can also be used to cover several risks at the same time. That holds especially true for (quasi-)universal cash transfers. A universal child benefit can make sure that parents are able to cover the diverse costs for their children, including paying for care, food, healthcare and education. In the same way, an educational grant may help to pay for all
types of costs of the students and a social (universal or targeted) pension may cover several risks related to old age.

11.4.2 Social Protection Instruments Are Complements

While social protection instruments often stand alone, many of them are linked and intertwined. Survival and healthy development of children and the elderly often depend on the interplay of many social protection instruments at the same time. Children and the elderly can be subject to many risks simultaneously. Risk mitigation and coping strategies often require the presence of several complementary social protection instruments. For persons in the working-age population, several social protection instruments need to be in place to simultaneously cover a variety of risks that seldom occur at the same time, but easily could materialise over time. This set of instruments includes provisions against illness, disability (job- and non-job-related) and unemployment. A special complementary relationship exists between a broad range of social services and social protection instruments. For example, it is not very effective to have a well-organised health insurance system if the health services are not available: the insured would be insured against health risks, but the insurance would not be effectively giving access to health services. The same applies to educational grants that are only effective if there are decent quality schools, or food subsidies for young children to fight stunting and malnutrition if, at the same time, safe water and adequate sanitation are guaranteed to prevent development-inhibiting communicable diseases.

11.4.3 Social Protection Instruments as Part of an Effective and Efficient System

Pointing out that social protection instruments can be substitutes and complements is but a conceptual step in assessing whether the portfolio of instruments or the social protection system is effective and efficient. Assessing how well a collection of social protection instruments (including the legal frameworks, their design, their implementation and administration) fit together requires, as stated at the start of this chapter, a thorough analysis.

The Organisation for Economic Co-operation and Development (OECD) has established a toolkit for a social protection system review for analysing the effectiveness of countries in establishing a social protection system that responds to the needs of the people (OECD 2018). The OECD’s toolkit distinguishes four stages for the assessment of a social protection system: needs, coverage, effectiveness and sustainability (OECD 2018), with efficiency assessment being part of the latter in the OECD terminology.

While a thorough discussion of all the parameters and indicators that are important when assessing the effectiveness and efficiency of social protection systems is outside of the scope of this chapter, it is important to stress several important questions that should be addressed:

1. Coverage of the risks/needs:
   a. What is the legal coverage and effective coverage of each of the instruments and of the combination of instruments?
   b. Are there parts of the risks or the needs of parts of the population that are left uncovered (coverage gaps)?
   c. Are there parts of the risks combined with the population that are covered by several instruments (duplications)?
2. Internal consistency: are the different instruments consistent with each other in terms of
   d. definition of the beneficiaries?
   e. eligibility criteria?
   f. benefit levels and benefit durations?
   g. financing (contributions and taxes)?
3. External consistency:
   h. with related legislation?
   i. with related tax and contribution regulations and rules?
   j. with the reality on the ground?
4. Sustainability:
   k. Is the collection of instruments providing the best outcomes against the lowest costs?
   l. Is the projection of expenditures for the instruments consistent with the fiscal, economic and legal reality?
   m. Could the realisation of economies of scale in administration or the implementation of simplifications in the design lead to less expenditures?

The following examples illustrate the relevance of groups of these questions.8

The analysis of the coverage could, for example, reveal that in some regions, specific groups of elderly people are both covered by free health insurance and at the same time receive a subsidy to buy private health insurance, while similar groups in other parts of the country are receiving no protection guaranteeing access to basic health services at all.

The internal consistency analysis may reveal that people regarded or defined as having disabilities are receiving a disability benefit with a replacement ratio that is 10 per cent higher than the replacement ratio for those who have lost their job and are unemployed. Moreover, if the benefit duration of the disability benefit is longer than that of the unemployment benefit and the employer has to pay a higher premium for laid-off workers than for workers becoming disabled, both the employers and workers have strong incentives to use the disability social protection instrument rather than the unemployment insurance in the event that workers become redundant.

Checking external consistency is important in order to avoid situations wherein, for example, a parental leave benefit would be available for a number of days per year for fathers and mothers, while labour market laws would not force employers to provide job security for parents using the parental leave benefit.

The sustainability of a social protection system could be improved in situations wherein cost–benefit analyses would reveal that alternative administrative implementations of a social protection instrument would generate higher benefits at constant costs.

A note should be added on the dynamic efficiency and effectiveness over time (or the sustainability of the system). The social protection system analysis could reveal that the financial sustainability of a system is challenged because of demographic changes (e.g. ageing population) or otherwise shrinking resources for financing the expenditures. Policy revision could then seek to expand the sources of social contributions beyond labour as well as making labour market investments in long-term diversified sources of funding.

Finally, it should be noted that the ultimate analysis of whether a collection of social protection instruments is an effective and efficient system with harmonised administrations and

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8 Each of the examples is based on real-life situations that exist or existed.
rules and integrated services where possible cannot be answered on purely technical grounds. The technical information is important as the basis for the assessment, but the full assessment can only be done if the intentions and the underlying objectives are taken into consideration. In the end, one needs a judgement on the importance of the degree of moral hazard, on the occurrence of adverse selection and on the potential invasion of the fiscal space both in/by the separate instruments and in/by the system. That means seeking answers to questions such as: how important are disincentives to work or to be self-reliant? How important are exclusion and inclusion errors in targeted benefits? How important are disturbances in the fiscal incidence and how acceptable are the distributions of costs and benefits of the social protection system?

Attempting to answer these questions requires the technical analyses as indicated above, but the ultimate assessment is only possible within a normative framework. The assessment is only possible if the answers to these questions are linked to the political and ideological preferences. What looks like a balanced system, providing acceptable solutions to the trade-offs that are always present to some, will be judged as an unsustainable and dangerous collection of instruments by others.

The fact that the ultimate assessment of systems may be ideologically driven is, however, no excuse not to make a valid and robust technical analysis.

11.5 TYPES OF PORTFOLIOS: TYPES OF SOCIAL PROTECTION SYSTEMS

This section explores whether prototypes of systems can be distinguished by taking a closer look at four attempts to formulate coherent frameworks as the basis of a social protection system. Each of the frameworks represents a particular view on how social protection systems could be organised and could serve as the blueprint for action in countries if policy makers chose the underlying presumptions of the respective framework. Each of these particular views is linked to ideas about coverage as explained in Section 2. The four frameworks are also chosen to reflect on social protection initiatives that have been widely implemented in a variety of countries across the globe and reflect differing approaches to designing social protection systems. They are described in brief below and are expanded upon in the following section.

1. The system in 11 European countries has been structured to provide 100 per cent social protection coverage for a wide range of risks for the entire population. The main features distinguishing this system from others are (a) the wide range of risks covered, and (b) the focus on the country’s entire population. The 100 per cent coverage system has grown over a long period of time and is still evolving.

2. The social protection floor (SPF) initiative is a comprehensive minimum system of basic nationally defined guarantees endorsed by the United Nations under the initiative of the International Labour Organization. The initiative aims to provide inclusive coverage for children, the elderly, individuals who are unemployed and individuals with disabilities, in combination with a basic health insurance coverage. It is universalist in its approach but focuses on some of the basic life-cycle risks to be covered.

3. The idea to provide a UBI is another variant of a universalist approach: it covers everyone in a society, but without paying attention to covering specific risks, and enabling recipients
an element of choice and flexibility in how they choose to cover the event of risk. The element of choice and the flexibility of risk coverage are distinguishing elements of the UBI approach, in that it gives responsibilities to individuals as decision makers for tackling their vulnerabilities.

4. The Social Safety Nets (SSN) approach as propagated by the World Bank takes a very different approach; it is probably the best elaborated example of a system that is built around the idea that the purpose of social protection is to alleviate poverty for those at the bottom of the income distribution, sometimes nationally defined as the ‘extreme poor’. Similar to the UBI framework, this approach focuses mainly on cash and in-kind transfers, along with a subset of other public social interventions, but provides them to only a selected fraction of the population.

There have been attempts to classify existing social protection systems as reflecting social, political and economic choices that countries have made concerning the parts of the population that needs/deserves to be covered, types of risks that need to be covered, the types of instruments that are going to be deployed and the level of protection that these instruments will provide. While no two national portfolios of instruments are identical, it may be appealing to categorise national social protection systems into a typology based on the similarities and dissimilarities between national portfolios. The best-known example of such a categorisation was made 30 years ago by Gøsta Esping-Andersen (1990) for the OECD countries. The slightly aged typology distinguishes liberal regimes, conservative regimes and social democrat regimes. Reforms and retrenchment of welfare states and periods of prolonged austerity have changed elements of each of the systems, up to the point where it is difficult to maintain Esping-Andersen’s typology, although a meaningful categorisation can still be described (see Arts and Gelissen 2010; Vis 2010).

11.6 100 PER CENT COVERAGE SYSTEMS IN EUROPE

A blanket European social protection system does not exist, and the diversity of national social protection portfolios within the European Union is significant as social protection is mainly a national responsibility. The long history of state-organised social protection initiatives in many European countries has turned the European social protection systems into elaborate and developed ‘welfare states’. In the latest World Social Protection Report (ILO 2020), we find 11 countries that provide a legal coverage\(^9\) to (nearly) 100 per cent of its population distinguished as children, mothers of newborns, persons with disabilities, unemployed older persons

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\(^9\) Effective coverage is usually smaller than legal coverage; some groups in a society may be legally covered but may lack actual coverage due to lack of information, discrimination or other factors. Effective coverage should not be confused with the actual coverage being defined as the percentage of the population actually receiving a benefit at a point in time. That percentage is usually much smaller than 100 per cent by design. Means-targeted social assistance in the case of the 11 countries is provided to a tiny fraction of the population while still the entire population is covered (see de Neubourg et al. 2007). Likewise, unemployment benefits are only provided to the unemployed and maternity allowances only to mothers, while in both cases 100 per cent of the relevant populations are legally covered.
and vulnerable groups (ILO 2020, table B.3). In Austria, Belgium, France, Germany, Ireland, the Netherlands, the United Kingdom and the Scandinavian countries Finland, Denmark, Norway and Sweden, all these groups are fully covered by legally anchored social protection instruments. Moreover, in all these European countries at least 99 per cent of the population is covered by health insurance (ILO 2020, table B.13) and high-quality primary and secondary education is free, while high-quality tertiary education is accessible at low or zero cost in nine of the 11 countries.

In all of these countries, social protection provisions are available to cover short-term illnesses and all forms of temporary and occupational-related disabilities. Caring for the most vulnerable in these countries is covered by a comprehensive targeted social assistance system in many cases supplemented with subsidies for housing and basic utilities.

The coverage of the entire population in all its subgroups reflects the basis of the social protection system in these European countries which is that citizens (and in many cases residents) who need assistance to face or mitigate the consequences of livelihood risks have a legal right to rely on the relevant state-initiated social protection intervention(s).

It should be noted that considerable differences exist between the 11 countries in the types of instruments that are used to guarantee the coverage, illustrating that social protection instruments are often substitutes as argued above. It is equally clear that guaranteeing that the entirety of the population is covered does not necessarily imply that poverty is inexisten or even close to zero. Poverty rates and remaining inequalities are determined by the adequacy, the replacement ratio of benefits and tax rules in addition to effective coverage. Even in a situation where the entire population is entitled to assistance when needed, it does not automatically imply that the assistance is adequate, and that the replacement ratios are high enough to avoid outspoken declines in financial resources or even overt poverty (for details on instruments, eligibility criteria, adequacy and replacement ratios in European Union countries see MISSOC 2020).

A final remark should be made regarding the influence of social protection on inequality. Despite the facts that (a) without the social protection system, the pre-tax/pre-benefit income inequality in the 11 European countries would be substantially higher and (b) that 10 of the 11 European countries rank amongst the most unequal countries in the OECD (the exception is the United Kingdom), it is also clear that the social protection system is not the only factor that leads to less or more inequality. These factors also include the economic prosperity of the country and the inequality in the pre-tax/pre-benefit income distribution (Mercader-Prats and Levy 2004; OECD 2020).

### 11.7 SOCIAL PROTECTION FLOOR

Contrary to the 100 per cent coverage systems, which provide a widespread legal coverage to social welfare through social protection instruments to (nearly) all residents in a country,
the SPF initiative is conceived as a basic social security guarantee aiming at providing a basic income security and preventing the social exclusion of vulnerable groups in the country. The SPF provides a societal insurance against perpetuating deprivations in order to preserve dignity and empower people across the life cycle. The SPF is engaged with a global social policy approach that covers basic risks through the following minimum guarantees (ILO and WHO 2009):

- Universal access to healthcare, including maternity care.
- A basic level of income security for all children through child benefits or family allowances.
- Basic income support for the working-age poor who cannot earn sufficient income on the labour market (e.g. employment guarantee through public work programmes).
- Basic income security for the active-age population who cannot engage in labour market activities (e.g. benefits oriented towards disability, unemployment, maternity leave and parental care needs).
- Basic income security for the elderly (e.g. pensions).

The SPF guarantees covering the risks are context specific and leave room for flexibility of design and implementation. Countries may decide if all or some of the risks are to be covered on a universal basis, and whether benefits must be granted through contributory social security schemes or based on needs and conditions to be met. Overall, fiscal space, the wealth of a country, institutional capacity and levels of vulnerability often drive the process of establishing an SPF and the benefits to cover the needs.

Three main elements are needed to establish an SPF (ILO and WHO 2009). The first element requires that individuals have access to essential services such as water, nutrition, education and health, among others. The second element is a basic set of essential social transfers that have to be provided in cash or in-kind paid to vulnerable segments of the population. The last element is the development and amendment of the legislative system to uphold and protect the rights of individuals who are likely to be at risk for deprivations.

In addition, the SPF concept integrates a two-dimensional strategy that includes a horizontal perspective aiming towards universal coverage with essential social protection services and a vertical perspective that ensures more extensive and comprehensive coverage as countries develop fiscal and policy space. The SPF strategy endorsed by the United Nations (ILO 2012) integrates a multidimensional perspective of vulnerability (de Neubourg et al. 2018), leaving countries with the flexibility of adopting policies in a sequential manner, according to their needs, capabilities and institutional prowess.

The United Nations has developed four instruments to assist countries in setting up and maintaining social protection and social transfer services within the framework of the SPF (ILO and WHO 2009). These instruments aim to provide clear guiding principles for estab-

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13 The social protection floor initiative may be regarded as a variant of the 100 per cent coverage case at an earlier stage of maturity. However, the International Labour Organization and the United Nations took the SPF initiative to initiate thinking about a minimum package of coverage that also low- and middle-income countries should consider in order to protect their populations. Theoretically, it is not excluded that this minimum package coverage evolves over time into a 100 per cent coverage situation. However, given that the SPF initiative is aimed at poorer countries, it is very unlikely that this evolution will materialise in the near future. Therefore, we present the two options as different regimes in this chapter.
lishing an SPF in the country. The first instrument is the legal frame, which is embedded in the United Nations (1948) Universal Declaration of Human Rights that promotes a minimum set of guarantees and services essential for human dignity and survival. The second instrument is a set of technical tools that United Nations agencies developed to help countries assess their most pressing social protection needs and evaluate the performance and costs of social transfers. The third instrument includes a set of advisory services, in that United Nations agencies engage in technical and policy support to countries in the design and implementation of SPFs. The fourth instrument includes monitoring tools by institutional bodies that safeguard human rights such as the Office of the High Commissioner for Human Rights. The monitoring process supports countries in reviewing the progress of introducing and maintaining an SPF and contributes to the scaling-up of social protection planning.

An increasing number of countries are incorporating the United Nations-endorsed SPF components into their social protection system. By 2015, the International Labour Organization and other United Nations agencies supported the development of SPFs in 136 countries (ILO 2015). Today, virtually all countries have elements of an SPF in place and efforts are made to extend social protection benefits and coverage within countries (ILO 2017). The effectiveness of SPF components in developed countries is already acknowledged by reliable measures containing poverty and inequality and a sustained economic progress. Estimates show that levels of poverty and inequalities in developed countries would have been 50 per cent higher if not for SPF provisions (ILO 2011). Evidence shows that SPF provisions have the potential to reduce poverty and increase outcomes such as education, employment, empowerment, health and many others (Bastagli et al. 2016). These outcomes reflect the powerful effects of horizontal SPF measures and the wide potential for scaling-up with vertical dimensions of social security.

The SPF is regarded as a vital basis for a social protection system, as it provides a foundation for universal coverage of basic needs while facilitating the movement of people across social assistance and social security forms of insurance.

11.8 UNIVERSAL BASIC INCOME

In comparison to the 100 per cent coverage systems, and the SPF, the UBI is a debated idea that aims to cover most of the risks, for most people, with a single intervention. The UBI is a special form of social security and social assistance benefit in that it is intended to be given to everyone of a certain age group, in cash, and independently of wealth, gender, family structure or employment status (see recent studies from Banerjee et al. 2019; Gentilini et al. 2020; Standing 2017; Widerquist 2018). According to this definition, the UBI is based on three design choices: it is paid to all (universality), without a means test (unconditionality) and in cash (adjustment features linked to amount, frequency and who should benefit). It is regarded as an entitlement linked to citizenship rights and the legal residency of individuals within a country. In that sense the UBI shares these characteristics with universal entitlements.

14 For more resources and current studies linked to UBI, please consult ‘The idea of universal basic income’ repository, by Ugo Gentilini and Jamele Rigolini, at http://pubdocs.worldbank.org/en/103921528839429277/SSN-Day8-1pm-Ugo-UBI.pdf
in social protection that already exist in a number of countries such as universal child benefit or a universal social pension.

There is a broad perception on the risks that UBI intends to cover. The expectation is that UBI will contribute to strengthening social protection by addressing poverty, inequality and associated risks such as those linked to the labour market (e.g. unemployment, low-paying and low-productivity jobs), access to education and health, poorly functioning markets, unequal pay and discrimination in its various forms, among others. A UBI guarantee is therefore expected to bring positive change in the realm of poverty, income inequity and social justice (Cottam 2019). Indeed, studies show that cash transfers to people in the form of a basic income lead to lower inequality, less poverty, more empowerment, economic growth and better health and school outcomes (Bastagli et al. 2016; Sheahan 2012).

Programmes implementing a basic income scheme may do so at the national, regional or local levels. In 2020, no country had a fully fledged UBI scheme in place, but instead many had smaller-scale pilots (e.g. Canada, South Korea, Spain, the Netherlands, Kenya) and a few larger-scale programmes (e.g. China, India, Kuwait, Alaska in the United States, Italy) (Gentilini et al. 2020). In fact, only two countries – Mongolia and Iran – had a nationwide UBI scheme in place, but for a limited period of time. In Mongolia, the entire population received a UBI in the amount of approximately USD 17 per month between 2010 and 2012. Similarly, Iran introduced a UBI scheme in 2011 that granted approximately USD 45 per person per month, and lasted in a variety of forms until 2018. Over the years, many countries around the world have implemented programmes that accommodated a form of UBI. One example is Brazil’s Bolsa Familia, a large-scale welfare programme introduced in 2003 that provides a cash transfer to anyone with a declared income below an eligibility threshold. Evidence shows that cash received through Bolsa Familia had a positive effect on children’s nutritional outcomes, on the quality of parental care and on the shift of working hours to the formal sector (Bastagli et al. 2016). More recently, Poland introduced the Family 500+ programme in 2016 that includes monetary allocations for both adults and children, satisfying the principle of a UBI scheme (Sowa 2016). In the context of the 2020 COVID-19 pandemic, the Spanish government proposed a UBI programme to shield the population from the effects of the crisis and the programme is expected to roll out for an indefinite period of time (Prochazka 2020).

The arguments against the UBI are varied, but three broad reflections are dominant. One argument emphasises the high cost of UBI for a country (Gentilini et al. 2020). This is especially the case for low-income countries, where low budgets and limited fiscal space may result in large parts of the population not being covered almost by design. The second reflection focuses on the flat structure of the UBI, in that giving cash to all may not serve the redistributive purpose and the expected impact on poverty and inequality reduction in the country (Gentilini et al. 2020). The third argument is based on the ‘welfare trap’ concept, in that recipients of a basic income may be implicitly encouraged to remain on welfare due to comfort and the absence of incentives to obtain an income via employment (Lagomarsino and Nocetto 2020). Large-scale pilot programmes and experiments have emphasised the net benefits of monetary transfers in relation to costs, with no clear evidence that they induce a welfare trap among targeted populations (Evans and Popova 2014; Lagomarsino and Nocetto 2020).
11.9 WORLD BANK SOCIAL SAFETY NETS AND SOCIAL REGISTRIES

In contrast with the three prototypes discussed above, the SSN approach, as propagated by the World Bank, specifically targets its interventions to the poorest and most vulnerable parts of society. The targeted groups are generally identified using a combination of proxy means testing and community-based targeting. The SSNs comprise non-contributory transfers in cash or in-kind that provide regular welfare support to vulnerable segments of the population. These transfers, also known as social assistance interventions, are part of the broader social protection system of a country that helps people manage risks and shocks and shields them from poverty and destitution.

The SSN programmes are designed to cope with the most severe risks, such as chronic poverty and associated vulnerabilities e.g. those related to food, housing, schooling, care and disability, among others. An SSN programme may use any of the following instruments to alleviate chronic poverty and deprivation among target populations (World Bank 2018):

- **Unconditional cash transfers** are programmes that do not require any action from beneficiaries to be eligible for the benefit, but they may require that specific criteria are met (e.g. being below the poverty threshold). Examples of unconditional cash transfers are poverty-targeted cash, family, children and orphan allowances, funeral grants and emergency cash support (e.g. refugees).
- **Conditional cash transfers** are programmes aimed at poverty reduction that require beneficiaries to fulfil some conditions, for instance enrolling children in school, vaccinating children, regular check-ups by a doctor or the like.
- **Non-contributory social pensions**, also known as cash transfers for the old, are designed to be accessible as a right to everyone who meets the programme requirements. The non-contributory social pensions are unrelated to the work experience of the beneficiary. They integrate programmes such as old-age pensions, disability benefits, war veteran benefits and survival benefits.
- **In-kind transfers** are benefits in the form of goods and services that provide immediate relief for a given vulnerability. Examples of in-kind benefits are food stamps, rations, vouchers, nutrition programmes (e.g. supplementary feeding) and school supplies (e.g. uniforms, books).
- **Public works programmes** are public labour initiatives that provide cash or food-based pay to the poor through employment and are designed to smooth income during hardship periods (e.g. recession, period of the year, etc.).
- **Fee waivers and targeted subsidies** are schemes aimed at smoothing access to vital programmes, services and goods. They include health insurance exemptions, reduced medical fees, education fee waivers, food subsidies, housing allowance, utility allowance, agricultural subsidies and transportation benefits.
- **Other** transfers such as scholarships, transfers to caregivers who care for children, youth, disabled and older persons.

It is estimated that around a fifth of the global population is part of at least one SSN intervention (World Bank 2014). In 2018, there were 124 countries with SSN spending integrated into the national social protection strategies and planning (World Bank 2018). However, every country now has fragmented elements of an SSN programme in place (World Bank 2018).
Countries spend on average 1.5 per cent of gross domestic product on SSN programmes, with countries that have stronger welfare systems spending more and fragile states allocating less (World Bank 2018). This means that many of the extremely poor and deprived individuals worldwide still do not have access to SSN interventions. One-third of social assistance recipients live in countries where only 12 per cent of the extremely poor reside (World Bank 2014). In some low-income countries, unaffordability has been referred to as a core inhibiting factor, and they instead rely on smaller-scale donor-financed programmes.

To have a more inclusive effect, the SSNs have to expand progressively in countries that need them the most. The World Bank has already initiated its Social Protection and Labour Strategy 2012–22 (World Bank 2012) to include a strong SSN component. Within the strategy’s framework, it is recognised that SSNs are not a drag on resources but a powerful force that drive economic growth and poverty reduction. The SSN investments need to have country-tailored tools and approaches that would enable the local population to diversify their livelihoods and poverty-exit strategies. A special emphasis is placed on the adaptive side of SSN programmes, to build resilience of households that are more vulnerable to risks and shocks and to adapt the responsiveness of interventions to better meet the needs of those affected by vulnerability on the ground.

To support the SSN programmes and their implementation, the World Bank supports the organisation of social registries, an information system that supports outreach, intake, registration and determination of potential eligibility for one or more SSN programmes in different countries around the globe (Leite et al. 2017). The social registries serve as both inclusion and information systems. For national policy actors, the social registries provide information on the assessment of needs, conditions and outreach of social programmes. For individuals, the social registries are an information gateway, in that they provide guidelines on how and where individuals and families can register for inclusion in programmes and what documentation is needed for enrolment. The data gathered through social registries are used by countries to monitor and evaluate demand for interventions, and the planning and costing of SSN programmes. At least 23 developing countries have a social registry in place, with several others planning to establish one (World Bank 2018). Some social registries have near universal coverage (e.g. Chile, Colombia, Pakistan), while others cover up to half of the population (e.g. Georgia, Montenegro, Turkey), with some operating on a much smaller scale (e.g. Mali, Senegal, Yemen) (Leite et al. 2017).

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15 The World Bank’s strategy, results, and documentation on social safety nets, including the annual review of ‘The State of Social Safety Nets’ can be consulted at https://www.worldbank.org/en/topic/safetynets
16 To follow up on updates on Social Registries, please consult the webpage of World Bank’s Collaboration for Development coalition at www.collaboration.worldbank.org
17 Social registries are an important element of the SSN approach as they define the target population for all current, future and potential emergency benefits. Social registries illustrate the quintessential element of the SSN: social protection is for poor people – once one has identified, the target group for all social protection interventions is known.
### Table 11.1 Social system toolkit

<table>
<thead>
<tr>
<th>Risk</th>
<th>Population affected (absolute number)</th>
<th>Population affected (as percentage of total number)</th>
<th>Percentage of population affected</th>
<th>Policy instruments deployed</th>
<th>Population affected by policy instruments deployed (absolute number)</th>
<th>Population affected by risk/policy (total yearly costs)</th>
<th>Effectiveness</th>
<th>Costs of policy instruments (total yearly number of people affected by policy)</th>
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Source: Authors’ own.

### 11.10 CONCLUDING REMARKS: MAPPING SOCIAL PROTECTION SYSTEMS

A systematic approach to social protection is useful because it can direct attention towards providing adequate protection to all residents (citizens) when they need it and thus make sure that the safety net is woven as tightly as possible given the economic constraints and social and political preferences. A systematic approach to social protection is also meaningful because it provides an overview of risks and parts of the population that could be covered at lower cost by avoiding duplications and inconsistencies and thus making the social protection portfolios of countries both more effective and more efficient.

A first step in providing a systematic approach is mapping the elements of the existing system. A valuable way to proceed on that path is by using a simple matrix, as presented in Table 11.1. Filling this matrix for a number of years provides the first basis on which to describe and evaluate the social protection system in a particular country. A full mapping needs to include further information on eligibility criteria, benefit levels and adequacy, institutional capacities and financing. In 2018, the OECD published a Social System Toolkit; the toolbox elaborates the requirements of a comprehensive social system analysis.

Mapping and analysing a social protection system are never purely technocratic exercises. Making decisions on reforms and improvements unavoidably implies answering some difficult, broader social and political questions, including:

- How much of risk taking is a society willing to accept?
- What is, consequently, the socially desirable mixture of preventive, mitigating and coping instruments to be used?
- How much responsibility and financial burden are to be faced by public authorities and how much is the society willing to leave it to individual decisions?

These questions point to the very content and scope of the solidarity contract that a society is willing to accept. Framed differently: how far are members of a society willing to pool their risks and their resources? Social protection systems analysis facilitates the discussion about how to organise these choices in an effective and efficient way but does not provide an answer to basically ideological and political questions.
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Case study F: The challenges of moving towards universal social protection in Bolivia
Nicola Wiebe

1 INTRODUCTION

Universal social protection is achieved through a nationally defined system of policies and programmes that provide equitable access to all people and protect them throughout their lives against poverty and risks to their livelihoods and well-being. (USP 2030 2019)

Decisive elements of the vision of universal social protection are coverage for all people and all risks, rights-based access at any moment over the life course, and the provision of an adequate level of protection able to prevent poverty. Gaps worldwide are still large, and it is necessary to push reality progressively closer to this vision. With ILO Recommendation 202 (2012) on social protection floors governments and social partners from 187 countries committed to prioritize horizontal extension of essential guarantees: minimum income security over the life course and access to essential health care for all. They also agreed to then proceed further to a vertical extension of social protection to cover additional risks and provide higher levels of protection in a comprehensive and coherent system.

This case study discusses whether Bolivia is moving towards this ambitious vision. A brief glance at the historical development of the Bolivian welfare state will disclose the enormous challenges that hinder progress towards a universal social protection system. Against this background the case study gives an overview of the major social protection reform efforts implemented between 2000 and 2019. It then addresses two key questions, namely if these reforms were able to achieve universal social protection floor coverage and whether the reform efforts envision a comprehensive and coherent social protection system that contributes to a more inclusive and equitable society.

2 THE ‘EXCLUSIONARY WELFARE STATE’ EXPERIENCE

This section will show that at the beginning of the new millennium social protection in Bolivia was severely segmented and truncated, covering mainly urban formal sector employees. About 70 per cent of labour activities, however, took place in the informal sector. Following the classification of welfare state models in Latin America proposed by Filgueira and Filgueira (2002), Bolivia was a striking example of an exclusionary regime, consisting of ‘elitist policies that grant additional privileges to privileged populations’ (Filgueira and Filgueira 2002, 139). In the following this is illustrated by a brief glance at the early development of pension insurance and the health sector.

Bolivia has a long history of social protection policies. A mandatory social insurance scheme for formal sector workers was created in 1920. Later, pension insurance and health insurance were divided into two systems.
As most countries in the region, Bolivia reformed its pension system in the context of structural adjustment in the 1980s and 1990s. In 1996 the public system was replaced by a private system that is based on fully funded individual accounts and managed by private institutions. Elements of solidarity were eliminated as individual accounts do not allow for any kind of vertical redistribution (see Chapter 1) – be it between generations, between men and women, or between more and less affluent members of the social insurance scheme. Also, employers were no longer required to pay a share of the social insurance contributions (payroll taxes). As the active generation now started to contribute to individual accounts, their earlier contributions had to be compensated and pension payments had to be financed by the state treasury. These transition costs exceeded estimates by far, put pressure on public finances and translated into public debt (Mesa-Lago 2018) with long-term regressive distributional impact.

The pension insurance coverage (contributors) did not increase after the reform, but stagnated at around 12 per cent of the labour force (Mesa-Lago 2018). A small, non-contributory transfer (Bonosol) for persons above age 65 was introduced in 1997, financed by dividends from the remaining state-owned shares of privatized enterprises (Müller 2016). The Bonosol could have been an important contribution to universal protection for older people, but the transfer was not born from social policy considerations. It was designed to make contested privatization of the pension system and public enterprises politically acceptable (Müller 2016). So the benefit was restricted to the cohort of people born before the year 1975, it was not rights-based and payments were interrupted, reduced and rebranded under different governments.

The state of the Bolivian health system before the turn of the century also clearly illustrated the implications of segmentation as exclusion, inequality of access, and quality. (1) The private sector – private health insurance and private health services – offered good quality, but was highly exclusive. (2) The social insurance sector, where social health insurance funds provide health services through their own provider networks, covered only 17 per cent of the total population (Monterrey Arce 2013). (3) The public sector in theory provided health services to all those without private or social health insurance. But, even if heavily subsidized by general government revenues, the required co-payments (user fees) still made health services unaffordable for low-income groups. A national programme, introduced in 1996 and expanded in 1998, offered at least a small package of 92 maternity and child health services free of charge for women and children under five years without health insurance (Monterrey Arce 2013).

3 MAJOR REFORMS COMBINING CONTRIBUTORY AND NON-CONTRIBUTORY SCHEMES

Against this challenging background of an exclusionary welfare state, high labour market informality, persistent high levels of poverty of around 63.3 per cent of the population (data.worldbank), and extreme social inequality with a Gini Index as high as 0.61 in 2002 (ECLAC 2019), the first two decades of the new millennium saw major social protection reforms. This section offers an overview of the most important changes in the areas of pension, health and social transfers that brought about a new interplay between contributory and non-contributory social protection elements.
In 2009, the Bolivian government decided to re-reform the pension scheme. The private scheme was transformed again into a public system1 with three pillars: (1) a contributory pillar with notional accounts, where contributions and capital returns continue accumulated on an individual basis; (2) a semi-contributory, partially subsidized solidarity pillar to top up very low pensions2 (especially employers and the more affluent members contribute to this pillar); and (3) a universal non-contributory pillar, that guarantees a minimum pension (Renta Dignidad) to all citizens over 60 years.3

To enhance access to health services, Bolivia in a first step relied on further developing group-specific programmes providing free access for 547 services for pregnant women, children under five years in 2002, and in 2006 for citizens over 60 years. In 2019 the group-specific programmes were overcome and free access to a package of approximately 1200 health services became universal for all citizens not covered by a health insurance: the Single Health System (Sistema Único de Salud) was officially launched.

Other new non-contributory elements of the Bolivian social protection system are conditional and unconditional cash transfer programmes, inspired by famous Latin American examples such as Bolsa Familia in Brazil.

Under the cash-for-education programme Bono Juancito Pinto, introduced in 2006, every child enrolled in a public school is eligible for a small stipend, paid at the end of each school year, on the condition that the child attends classes on at least 80 per cent of all days in the school year. The cash-for-health programme, Bono Juana Azurduy, for expectant and new mothers and their children up to two years of age was introduced in 2009. It aims at reducing mother and infant mortality and malnutrition in early childhood. It provides small cash payments for prenatal and postpartum medical monitoring, for giving birth attended by trained personnel, and for acquiring a birth certificate for the newborn. In 2018, an unconditional social transfer for severely disabled citizens was introduced providing a benefit similar to the social pension provision.

4 ON THE PATH TO UNIVERSAL SOCIAL PROTECTION FLOOR COVERAGE

This section will explore to what extent these reforms have put Bolivia on a path towards universal social protection floor coverage legally, effectively, and on an adequate level that is able to prevent poverty. Referring back to the social protection floor guarantees of basic income security over the life course and access to essential health care for all, we will observe accomplishments but also gaps.
A nearly universal coverage in old age income support is now provided by the universal social pension. This is a rather exceptional achievement in the region. Even though the monthly benefit level in 2019 (300 Bs. (43 USD)/250 Bs. (36 USD))\(^4\) remains far below the national rural poverty line (550 Bs. (80 USD)), the programme is highly relevant for vulnerable senior citizens. It achieved a reduction of poverty among the elderly by 14 per cent (USP 2030 2017).

Income security to persons at active age (15–60 years) is only offered to the 16.9 per cent that were covered by health and pension insurance in 2017 (Arenas de Mesa 2019). Insured employees can count on provisions for sickness, maternity, injury, disability and death. Informal sector workers and the unemployed remain without minimum income protection. Only severely disabled citizens receive a monthly cash transfer.

Provisions for children include the Bono Juana Azurduy, reaching approximately 50 per cent of all children born within the same year (UDAPE 2015, 88), and the Bono Juancito Pinto, covering 65 per cent of children in the eligible age group. However, the very low amounts\(^5\) are mainly meant as incentive payments for the utilization of public services (education and health). Minimum income security for children is not provided.

The Single Health System (2019) now guarantees universal access to a relevant health package of about 1200 defined services, with an emphasis on primary health care. However, there are still important challenges to overcome, before these access rights will translate to a situation where all people and communities can fully benefit from the promotive, preventive and curative services of the defined package, within a reasonable time and of sufficient quality to be effective. The immense increase of beneficiaries (5 million newly entitled to free health care) in the context of a chronically underfunded system is translating into important capacity and quality constraints, including a shortage of infrastructure, human resources, implements and medication in many regions.\(^6\)

The Bolivian constitution (CPE 2009: Arts 18, 45, 67) and social laws now provide a legal basis for rights-based access to social protection in Bolivia. While at the beginning, many citizens were not aware of their rights and procedures for claiming benefits were complex, major progress has been made in this respect. Most guarantees are now explicit and eligibility for social transfers is based on transparent, easily verifiable criteria (categorical targeting). Access to the required documentation (birth certificates, identity cards, etc.) has improved among the most vulnerable groups. However, difficulties persist, especially in the health sector, where limited quality, lack of information, gaps in geographic coverage, administrative and socio-cultural barriers prevent mainly low-income groups from rural areas from utilizing services and the related Juana Azurduy cash transfer programme.

In sum, a strong effort to overcome the elitist model and build social protection floors was made by strengthening non-contributory elements and by improving rights-based access to

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\(^4\) The lower amount applies to older people that additionally receive a pension from the contributory system.

\(^5\) In 2019 the instalments of the Bono Juana Azurduy sum up to a total of 1820 Bolivianos (261 USD) per pregnancy. The Bono Juancito Pinto consists of 200 Bolivianos (29 USD) paid at the end of each school year.

\(^6\) The additional budget allocation of 200 million USD from the General Treasury, summing up to a total public spending on health of 5.1 per cent of gross domestic product (OPS 2019), is an important step forward. However, the Pan American Health Organization recommends a further increase of spending to reach at least 6 per cent of gross domestic product, while also strengthening capacity and improving efficiency (Matus-López 2018).
cash transfers and public services. Important gaps remain regarding minimum income security in childhood and active age. Overall levels of protection are still modest.

5 THE LONG WAY TOWARDS A COHERENT AND COMPREHENSIVE SYSTEM

Beyond the question of rights-based access to social protection floors, the ambitious vision of universal social protection also contains a call to develop a coherent and comprehensive system. This final section therefore asks whether institutions and sectors interlink and different programmes complement each other and, in consequence, contribute effectively to the reduction of poverty and inequality in society.

The overall balance of poverty and inequality reduction in Bolivia within these two first decades of the millennium is remarkable. The Gini Index declined from 0.61 in 2002 to 0.438 in 2018 (ECLAC 2019). The national poverty rate fell from 63.3 per cent in 2002 to 34.6 per cent in 2018 (data.worldbank). Of course, there are a number of factors behind this success, the most outstanding probably being the increase in labour income. But, the reforms of social protection combined with increased public social spending also had an important role to play.

Improved opportunity and incentives to access health and education services complemented well with direct income support to reduce inequality of opportunities and to interrupt the vicious cycle of the different dimensions of poverty and exclusion. An impact evaluation of Renta Dignidad, for example, shows that in households receiving the social pension, child labour halved and school enrolment reached close to 100 per cent (Escobar Loza et al. 2013), improving future prospects. Apart from these indirect effects, direct distributional effects of the tax transfer system have to be taken into account. Lustig et al. estimated a reduction of 11.3 per cent on the Gini coefficient already in 2009 (Lustig et al. 2013).

However, there are huge unused opportunities for a stronger contribution of the social protection system towards the reduction of poverty and inequality. This is partly due to the financing side of the tax transfer system. The highly regressive consumption taxes offset the impacts of cash transfers for the low-income population. Hence, a more progressive design, putting more emphasis on the still extremely narrow direct tax bases, as well as enforcement of the tax system is essential to redistribute more effectively towards the less affluent.

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7 The politically set minimum wage increased by 122 per cent in real terms within 15 years. In the context of favourable macroeconomic conditions, labour income increased by 36 per cent on average but with a stronger development in low salary sectors (Vargas and Garriga 2015, 11).

8 Public social spending increased by approximately 10 per cent annually between 2006 and 2017 (IMF 2018, 14).

9 Lustig et al. (2013) compare the Gini coefficient of pure market income (before taxation and receipt of public transfers) with the Gini coefficient of disposable income after direct and indirect taxation, after social transfers and in-kind transfers in the form of public services in health and education. In 2009, the direct effect of the Bolivian tax transfer system on the Gini coefficient was a reduction of 11.3 per cent from market income to disposable income, which is lower than the respective effect in Mexico (15.9 per cent) or Uruguay (20.2 per cent) (Lustig et al. 2013, 9). In the meantime, social spending increased further, favoured by the renationalization of oil and gas and a period of high commodity prices. Increased access of lower income groups to social transfers and services improved the redistribution effect.
Further challenges for a stronger contribution to equity and social cohesion derive from the social protection system itself, as ingrained segmentation has not been overcome. The pension system has developed towards an inclusive, although only partially integrated model with modest opportunities for redistribution by strengthening the non-contributory and introducing the semi-contributory pillar. The Single Health System reform made an important step towards inclusion, however, this does not imply that inequities between different income groups or between different regions have been overcome. The three different health sectors – private sector, social insurance sector, and public sector – remain largely unrelated. High-income groups with lower health risks concentrate in the private sector, while low-income groups in the informal sector with living and working conditions that induce higher risk for illness remain in the public sector. This results in extreme differences in resources and in consequence in availability and quality of services in the different sectors.

In conclusion, Bolivia provides a vivid example of the enormous challenges that have to be overcome to strengthen and integrate a segmented and exclusive social protection system in a context of high labour market informality and extreme social inequality. Since the turn of the century, Bolivia definitely has taken important steps and made enormous progress towards universal social protection. But challenges remain – not only to complete a universal social protection floor. The road towards a truly integrated and equitable system is still long and winding. To gradually live up to the vision of a universal social protection system political commitment has to be sustained. Linkages and coordination need to be further developed and fiscal space needs to be extended. Inevitably this will require strengthening progressivity of the tax system and tripling efforts to formalize the labour market.

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Case study G: Comprehensive social protection reform in South Africa

Alexander M. van den Heever

1 INTRODUCTION

This chapter examines the rationale for reform options that are presently in negotiation (Inter-Departmental Task Team on Social Security 2012). In doing so this case study looks at the role a system of comprehensive social protection could play in addressing structural inequality. The focus on policy recommendations is instructive as insight is offered into reform approaches relevant to countries at a similar or lower level of development to South Africa.

The chapter is broadly divided into two main sections. First, a situation analysis is offered which identifies the strategic policy gaps in the South African system of social protection in terms of both entitlements and the institutional framework. Second, the emergent recommended policy reform framework is presented.

2 CONTEXT

South Africa’s social indicators are a cause for concern. Not only does South Africa exhibit extreme levels of income inequality and poverty, but the economy appears unable to distribute income and wealth fairly through employment generation and well-paying jobs. Income inequality has deteriorated from 1994 (the year Apartheid officially ended), stabilising at one of the most unequal levels in the world during the 2000s despite improvements in the poverty headcount (van der Berg 2011). Gini coefficient estimates for 2010–11 put income inequality at 0.7 and wealth inequality at 0.95 (indicating that 93 per cent of all wealth belongs to just 10 per cent of the population) (Wittenberg 2017).

3 COMPREHENSIVENESS OF SOCIAL PROTECTION

While South Africa has improved its expenditure on social transfers for children, and provides moderate income protection for retirement and invalidity, at their present levels these transfers are unable to address the structural causes of inequality (Department of Social Development 2017). The absence of a comprehensive system of social protection results in the vulnerability of many low-income families to multiple risks, unfairly compromising their participation in society.
3.1 Strategic Gaps

Employment
While South Africa does have unemployment insurance, it lacks any form of protection for people who have never entered formal employment and become discouraged. Also, labour activation programmes are limited in scope and not tied to any form of income protection – which reduces incentives to participate (Taylor Committee 2002).

Families and children
Where families are income compromised, both pregnancy and the demands of bringing up children are poorly supported. Existing support is narrowly offered through a child support grant funded from general tax revenues and administered by the South African Social Security Agency, the value of which is below the food poverty line for each child and excludes any support in respect of the caregiver. No special framework exists to support pregnant women or mothers with children in the first three years after the birth of a child. This influences the life chances of the mother, especially if young and in education or precarious employment, and the children who face a combination of poor nutrition in the prenatal period and poor maternal and family nutrition and stress in the postnatal period. These vulnerabilities affect just over half of all pregnancies in South Africa each year (van den Heever 2016). Roughly 30 per cent of the remainder are technically not in poverty, but still face income vulnerability. Also, no adequate provision is made for income support generally in respect of any caregiver of children, particularly single-parent families, apart from the child support grant.

Old age
While South Africa offers a means-tested social transfer from the age of 60, valued in 2020 at R1,780 and which covers 67.9 per cent of the population over 60 (StatsSA 2018), the system of protection for income earners (the private contributory regime) suffers from numerous pooling weaknesses resulting in a steep drop in earnings for low- to middle-income earners in retirement. Many people withdraw their savings each time they move employer, which can occur multiple times in a working career. In the case of individual products, the fees are often excessive and degrade the value of benefits. Also, most private schemes are provident funds with lump sum benefits that require that individuals purchase retirement annuities which typically come with very high fees and, hence, respond poorly to longevity risk (National Treasury 2013). Unusually high tax subsidies (in the form of tax deductions on contributions and tax-free investment returns) (Department of Social Development 2017) also characterise the system – which predominantly favours high-income contributors, as lower-income groups pay less income tax. These are substantially in excess of the per capita value of social pensions, and principally benefit high-income earners and industry intermediaries (Department of Social Development 2017).

Invalidity and death of a breadwinner
There are three different public programmes – the Road Accident Fund, the Compensation Fund (for occupational injuries and diseases) and the Unemployment Insurance Fund (for illness – or temporary invalidity) – and voluntary private systems, regulated through the Ministry of Finance, offering some form of invalidity protection and for the death of a breadwinner. These offer different levels of benefit and varying standards of assessment of entitlement. There is
no holistic approach that standardises the protection, provides for societal pooling (or ensures that income- and risk-related cross-subsidies are pooled across all of society) or is capable of managing more complex strategies involving, for instance, return-to-work support at scale. There is also no non-contributory protection against the loss of a breadwinner for families without adequate incomes (van den Heever 2012).

3.2 Institutional Capabilities

Within the South African context, both policy development and delivery are characterised by a high degree of fragmentation with at least five departments – social development, transport, national treasury, health and labour – responsible for policy delivered through a mixture of public delivery and regulated markets (Taylor Committee 2002; van den Heever 2011).

The fragmented nature of policy development may explain failures to expedite comprehensive and holistic reform over the past two decades. Without a lead department the policy processes are potentially too fragile to withstand much opposition.

Furthermore, the governance and accountability frameworks for delivery institutions are weak, exposing them to inefficiencies whether operating in the private or public sectors (Inter-Departmental Task Team on Social Security 2012; Taylor Committee 2002; van den Heever 2011).

Structural weaknesses with the responsiveness of the social security system as a whole have also been identified in the fragmented nature of the public interface, i.e. the way in which social security schemes interact with the public administratively; the absence of centralised information management; and fragmented and weak complaints adjudication mechanisms (Inter-Departmental Task Team on Social Security 2012; Taylor Committee 2002; van den Heever 2011).

4 REFORM IMPERATIVES

Four broad reform imperatives form part of an emerging consensus on social security reform for South Africa (Department of Social Development 2007, 2009; Inter-Departmental Task Team on Social Security 2012; van den Heever 2011, 2012).

First, programmes are required that achieve a substantial post-tax redistribution of income. Introduced at a sufficient scale they can restructure demand within the economy and generate more inclusive economic growth (Cingano 2014; Ostry et al. 2014). These programmes require an expanded system of social transfers that combine unconditional universal benefits with conditional ones where required. For instance, unemployment transfers should be made conditional to encourage participation in labour activation schemes.

Second, an enhanced framework for social insurance is required for contingencies such as old age, invalidity, loss of support (i.e. death of a breadwinner), maternity, illness and unemployment. This would address the weak institutions, legal frameworks and systems of protection available in both existing public and private schemes. While social insurance schemes typically offer earnings-related benefits, income redistribution can still be offered through subsidies on the contributions of lower-income people and benefits. Given the weaknesses in existing private arrangements for old age, invalidity and life insurance cover, a regulated private third tier of social protection is important.
Third, the institutional framework for the delivery of social protection needs to be revised through a reorganisation of the policy-making tier and the associated delivery regimes. Reform of the former requires a consolidation of the social protection function into a single department and ministry of social protection to address the inefficiencies arising from policy fragmentation.

The delivery of social protection benefits requires reforms at three levels: a governance framework that ensures effective performance and institutionalises wider social participation in supervision; new public organisations required to streamline service delivery; and the establishment of a dedicated regulatory regime for private schemes forming part of the social protection system.

The enhanced governance framework needs to be addressed at two levels: the overall architecture of the social protection system and the corporate governance designs specific to each public entity.

*Corporate governance reforms* involve the establishment of two independent supervisory boards, one to oversee the operations of the public organisations responsible for social protection benefit provision, and the second to oversee the regulator of private social protection schemes. These boards would have direct authority over the relevant public entities and be nominated by the social partners.

*Streamlined architecture* involve the consolidation of all contributory (earnings-related) publicly offered benefits into a single scheme – the National Social Security Fund (NSSF); the continued existence of the Social Security Agency of South Africa; the introduction of an agency to provide the public interface between members/beneficiaries and all aspects of the social protection system; the implementation of a master social security registry – falling under the control of the NSSF; and a consolidated social protection contribution/tax to be collected by the South African Revenue Services (Department of Social Development 2009; Inter-Departmental Task Team on Social Security 2012).

Private social protection schemes should be able to provide services to members mandated to participate over and above the public contributory schemes (Inter-Departmental Task Team on Social Security 2012). Proposals include the establishment of a default scheme operated by the NSSF (to ensure that if private schemes prove inadequate that a public choice will always be available); the requirement that all beneficiaries of *defined contribution* schemes annuitise their benefits through a scheme operated by the NSSF – to ensure that benefits are fairly available to all and to minimise administrative costs; and that only approved private schemes can offer the social protection benefits (see for instance Rusconi 2007).

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PART III

POLICY COORDINATION
Introduction: Policy coordination

Daniele Malerba

This part of the Handbook discusses the importance of harmonizing similar social protection instruments and coordinating different social protection instruments as well as linking up social protection with other sectors. The analysis of links between sets of social protection programmes is crucial given the proliferation of social protection programmes in low- and middle-income countries in the last two decades. This is also represented by the call for integrated social protection systems. In parallel, the need for enhanced coordination between social protection and other sectoral policies is given by the multidimensional nature of poverty and vulnerability. This means that the goals and activities of many social protection programmes are linked with other sectors. For example, to successfully enhance human capital accumulation, social protection programmes (such as conditional cash transfer programmes) need to be linked with educational and health sectors. Similarly, it is argued that social protection should be better linked with agricultural policies.

While Chapter 11 started discussing integrated approaches to social protection, this part of the book follows that discussion through the following five contributions exploring different linkages.

In Chapter 12, Slater explores the harmonization of similar social protection instruments, focusing on social cash transfers. This focus is relevant as the number of these programmes has increased significantly (within countries) and fragmentation has become a critical challenge. Fragmentation can, in fact, lead to negative outcomes such as gaps in coverage, inconsistencies and inefficiencies. Fragmentation can be linked to the low capacity of ministries in charge of social protection; but it can especially be the result of programmes built as a response to particular issues, driven by political economy forces or rapid-onset shocks. Therefore, in the majority of cases programmes are not built as part of a coherent and integrated social protection plan. Harmonization of programmes is, therefore, needed to achieve efficiency and equity. It would, in fact, facilitate consistency between programmes and make social transfers more equitable. The chapter also underlines, and provides examples of how harmonization can be achieved, focusing on the importance of national strategies and coordination between actors. In summary, addressing fragmentation and having greater harmonization can free up resources to achieve far more with social protection.

Considering both linkages within and across, Bierbaum and Wodsak explain, in Chapter 13, the different dimensions to be considered for coordination of different social protection instruments. This coordination is critical to achieve social protection systems at the programmatic and administrative levels, and ensure their coherence with other policies as underlined by the main international standards and policy frameworks such as the Social Protection Floors Recommendation, 2012 (No. 202). The first dimension is the coordination within social protection systems, between policies and programmes. Different programmes such as social insurance, social assistance and labour market policies may have different goals and structures, and be managed by different actors requiring coordination. The second dimension is coordination with external policies and services. For example, conditional cash transfers require links
with health and education policies. To achieve this, it is argued that social protection strategies need to be part of broader development plans. The third dimension is vertical coordination between policy levels. In summary, to improve coordination within and across, focus should be on strong legal, regulatory and policy frameworks, as well as strong institutional capacities where roles and responsibilities are clearly assigned. As a case study, Schubert analyses the need to better integrate social assistance programmes for poverty reduction in the context of the Kingdom of Eswatini.

In Chapter 14, Sabates-Wheeler discusses the effectiveness of graduation programmes. The stated primary objective of these programmes is ‘sustainable graduation’, meaning that the move out of poverty into sustainable livelihoods is sustained also when the assistance from social protection programmes is terminated. This requires that interventions are well coordinated and tailored to the individual needs of beneficiaries. Despite their increasing popularity, graduation programmes have not been successful in achieving long-term graduation; many beneficiaries, in fact, fall back into poverty a few years after they exit the programme or initial improvements diminish over time. Apart from programme-specific reasons (poor design, inadequate levels of transfers, poor targeting, dilution of transfers to more than the intended beneficiaries, unpredictability of transfers, etc.), the chapter outlines other critical issues for the failure of sustainable graduation: the heterogeneity of the target group which is not reflected in the standard package delivered by graduation programmes; budget constraints in the context of widespread poverty; low flexibility especially in chronic shock contexts; and finally, the assumption that the wider economy will be able to support graduates. This last point underlines, once more, the importance of linking social protection with other policy areas.

Chapter 16 by Cherrier analyses the links between social protection and humanitarian cash transfers (defined as cash assistance (co-)funded by the international community and supported by the global humanitarian system and its international actors). Linking social assistance to humanitarian cash transfers is critical due to the growing importance of cash transfers in humanitarian assistance, driven also by the changing frequency, nature and complexity of crises. The chapter calls for stronger cooperation between international humanitarian and development actors, including donors, international humanitarian agencies and national governments. Going beyond the adoption of the adaptive social protection agenda by the international community, the chapter considers also how to best link social protection and humanitarian transfers, including the cases of protracted refugee situations and conflict-affected and fragile areas. Finally, given the relative novelty of the topic, better evidence is needed to understand what works best. Two case studies further discuss the aforementioned issues. Ayala describes the experiences in the implementation and design of an emergency cash transfer programme during war as in Yemen. Jones and Hamad discuss the impacts of social assistance in Palestine.

Chapters 15 and 17 discuss more in general the links between social protection and budgeting. In Chapter 15 von Schiller analyses the role of taxation. Three main messages emerge. First, there are some areas where domestic revenues for social protection could be mobilized. Second, fiscal reforms (including taxes and social protection expenditures) should be assessed by considering overall fiscal effects. For example, regressive taxes and very generous and progressive social transfers can still deliver positive social outcomes. Finally, the source of social protection funding also influences the design and political feasibility of programmes. Therefore, taxation should not be considered independently to social protection systems. To
complement the discussion on the links between social protection and taxation, Teixeira analyses if a tax reform in Uruguay increased social insurance coverage.

In Chapter 17, Hageméjer and Scholz underline the need for coordinated planning and social budgeting to ensure the necessary policy and fiscal space for social protection and thus fiscal sustainability of the overall social protection systems. This is critical due to the significant portion of overall public finances required by social protection. Reviewing the experiences of different countries, the chapter shows that there are still many obstacles towards the successful implementation of social budgeting, in particular in the lower-income countries of the Global South. One of the main obstacles is the lack of information and necessary statistical data.
12. Harmonization of similar instruments

Rachel Slater

12.1 INTRODUCTION

We have been writing about harmonization of social protection in general, and of social transfers in particular, for at least two decades. Among the earliest references to the issue is found in Norton et al. (2001, 13) where social protection is noted to be ‘fragmented and poorly coordinated, making balanced judgements about priorities and the appropriate role for public policy difficult’. Donor agencies followed soon after with, for example, UNICEF suggesting in 2008 that ‘There is an urgent need to reduce fragmentation and increase harmonization in (national) social protection programme support and delivery’. Increasing harmonization is, in turn, a key step towards achieving integrated social protection systems – those that address social and economic vulnerabilities; provide a comprehensive set of interventions; go beyond risk management intervention and safety nets to address structural vulnerabilities; facilitate multi-sectoral coordination; coordinate with supply-side investments (e.g. delivery of basic services); and situate social protection within wider social and economic policies (UNICEF 2012).

More recently, the International Labour Organization argued that ‘In many countries, social protection programmes… struggle with limited coverage, inadequate benefit levels, fragmentation and weak institutionalization’ (2019, 11) and calls to address fragmentation were made at the Ministerial Forum at the United Nations Commission for Social Development’s 57th Session in 2019 (United Nations 2019). Social protection publications – whether they are strategies, policies, evaluations or research reports – are replete with these concerns about the fragmentation and lack of coherence of programmes and systems. Some programmes even include harmonization in their names (for example the Harmonized Social Cash Transfer Programme in Zimbabwe).

However, while the symptoms have been widely reported over many years – patchy coverage, inconsistent transfer levels, limited linkages between programmes or inefficient and unreliable delivery – there is rather less detailed diagnosis of what the problem is and even fewer articulations of solutions.

This chapter seeks to address these gaps in problem diagnosis and identification of solutions. It begins by providing a framework for harmonization, then unpicks the problem of fragmentation and explains why it arises. It then uses real-world examples from low- and middle-income countries to show how it can be tackled. Although when people talk about harmonization they tend to be discussing harmonization between social transfers and social insurance, and between social protection and wider programmes, or sectors and systems such as health, education and rural development, in this chapter the focus is narrower. Here the emphasis is on harmonization between individual social transfer schemes or within social transfer systems. There are good reasons for doing this.

First, harmonizing across a range of social transfer programmes helps to enhance coverage and reduce gaps. In turn, this can contribute to more inclusive social protection where spe-
cific groups or individuals are not left out. Second, it allows us to make efficiency gains in programmes – for example by avoiding the duplication of administrative infrastructure and by integrating beneficiary information systems to identify where some households receive multiple benefits while others receive nothing. Third, it renders more visible the similarities and differences between programmes and forces policy-makers and practitioners to provide a consistent logic as to who gets what and why. Fourth, in turn, this can make social transfers more equitable – by aligning benefit levels and the logic applied to setting them.

12.2 FRAMING FRAGMENTATION AND HARMONIZATION

This section draws on concepts of effectiveness, efficiency and equity, to provide an analytical framing of harmonization to guide the subsequent analysis in the chapter.

‘Fragmentation’ is rarely explicitly defined but has become a catch-all term referring to a whole range of design, coverage, financial, targeting and information challenges in social protection programmes and systems. As a corollary, the term ‘harmonization’ provides a similar, but unsubstantiated, catch-all for the solution. A good starting point for unpacking harmonization is what we are seeking to achieve. In this chapter, the primary goal of harmonization is assumed to be effective social protection, that is, social protection that meets the needs of poor and vulnerable people.

To achieve effectiveness, two important intermediate outcomes of harmonization are efficiency and equity (Figure 12.1). The distinction allows a focus on practical and technical actions, such as alignment of programme features, single registries or electronic payment systems (efficiency) and more strategic elements, such as choice of transfer modality, or which
people or groups are eligible to receive transfers, through which entitlements to social transfer coverage can be realized (equity). In the former, we are ensuring that things work well (and addressing the second and third reasons for harmonizing highlighted above); in the latter that no one is left out and different groups of people get what they specifically need (addressing the first and fourth reasons for harmonization). Actions to achieve efficiency and equity both contribute to effectiveness, but they are also mutually reinforcing. For example, savings made through administrative efficiency can create the fiscal space to increase coverage of groups hitherto left out of social transfers. In the other direction, the increases in coverage that result from more inclusive or universal programming create efficiencies through economies of scale and reduced transaction costs.

Tackling both efficiency and equity is important. While there are many explicit examples of attempts to improve technical and practical programming elements of social transfers by international agencies, lessons from the European Commission (2011) in relation to Europe suggest that working towards efficiency (for example by tighter targeting, reducing fraud, etc.) alone is not enough. ‘This… may very well alleviate, or at least mitigate, extreme poverty at the very bottom of the income distribution but the impact on relative poverty and income inequality is less straightforward’ (2011, 6).

12.3 FRAGMENTATION CHALLENGES IN SOCIAL TRANSFER SCHEMES

In this section, key fragmentation challenges are described. Overall, the implications of fragmentation are significant, particularly in terms of cost. White et al. (2013) explored the Government of Bangladesh’s efforts to strengthen the coordination, targeting and coverage of the country’s array of programmes. They found that, together, existing programmes reached less than a third of poor families and reduced the poverty gap by only 10 per cent, but cost 2.4 per cent of gross domestic product (GDP) (including as much as 0.6 per cent of GDP for the state-funded civil service pension, not always included in the definition of social transfers). They concluded that for the same cost it would be possible to provide a universal child grant and a universal social pension, reaching 94 per cent of poor families and reducing the poverty gap by 35 per cent. So addressing fragmentation and having greater harmonization can free up resources to achieve far more with social protection. Doing so requires a more detailed look at the nature of fragmentation challenges across policy, institutional and administrative domains.

Key fragmentation challenges include the following:

12.3.1 Too Many Programmes

Concerns about the problem of a proliferation of many small programmes are common in the social protection literature. In Bangladesh, for example, programmes run into the hundreds bringing challenges of replication and alignment. The World Bank reported 99 government safety net programmes in 2013 (plus many more run by non-governmental organizations (NGOs)) and 140 in 2016. In 2020, the Social Security Policy Support Programme reported there were 118 social protection programmes, many of them social transfers, across 25 distinct ministries or divisions (World Bank 2013, 2016; Government of Bangladesh 2018). Having
multiple smaller programmes means missing out on economies of scale in targeting, registration, payments and monitoring systems and thus increasing the cost of delivery.

12.3.2 Replication and Overlaps

Replication occurs when there are multiple programmes all tackling one particular problem and tends to result in another equally urgent problem being ignored. Similarly, there are major concerns (expressed from both efficiency and equity points of view) about situations in which some beneficiaries receive multiple sources of support, because different programmes target the same people, while others qualify for no support whatsoever. There is limited evidence that the extent of overlapping beneficiaries warrants the level of concern (see for example evidence on limited overlaps of social transfers at household level in Nepal (Slater et al. 2018)). However, there is limited data available – especially household survey data that can identify when households receive more than one programme. The Atlas of Social Protection (ASPIRE) database is rather better at measuring gaps than duplication. ASPIRE data can identify where households receive both social assistance (i.e. transfers) and social insurance, but does not yet distil how many households receive more than one social transfer programme because ‘Indicators do not count for overlap among program types (people receiving more than one program)’ (World Bank 2018, 35). Getting better evidence is important for identifying overlapping coverage – especially where there are many small non-government transfer programmes run by NGOs and donor agencies – and is key for addressing duplication.

12.3.3 Lack of Coverage/Uneven Coverage

There are a number of ways that fragmentation results in a lack of coverage. A good example is related to social transfers seeking to improve food security: food transfers and education stipends delivered in schools predominantly focus on primary-aged children attending school and miss those that are under five, in secondary school or who have dropped out. This is despite strong evidence of both the importance of programmes in meeting nutrition needs during the first 1000 days of life and an increasing recognition of the importance (but chronic under-resourcing) of adolescents, especially girls. In many parts of the world, support for people with disability or who are unemployed lags behind transfers for other groups. The United Nations Department of Economic and Social Affairs (UN DESA), drawing on the International Labour Organization (2018a), finds that, in Africa for example, unemployment cover is at 6 per cent compared to coverage of 23 per cent for older people (pensions) and 16 per cent for children. For transfers for people with severe disability there is a paucity of data on Sub-Saharan Africa, with records of coverage available for only a handful of countries (Burkina Faso 0.1 per cent, Cameroon 0.1 per cent, Mali 0.6 per cent, Mozambique 0.6 per cent and South Africa 64.3 per cent), suggesting very low coverage except in South Africa (ILO 2019). Three elements that can explain these coverage gaps are discussed in more detail in the next section: global funding opportunities; political preoccupations; and administrative simplicity.
12.3.4 Varying Benefit Levels

Another challenge is the situation of similar programmes paying rather different transfer levels – without a clear rationale or formula for doing so. In Nepal, senior citizens receive 2000 Nepali rupees (NPR) each month, poor/vulnerable households with children under five receive NPR400, widows and single women NPR1000 and people with disability between NPR300 and 2000 per month. In Kenya, variations in payment levels in the main social transfer programmes has led to substantial efforts to better align the programme benefits discussed below (Republic of Kenya 2017). While it is clear that different groups will have different needs, with the implication that some will require greater transfers than others, the range of values seen at present implies that setting transfer levels is frequently based less on a clear methodology incorporating a robust assessment of need and more on what is politically palatable. This in turn can create further inequity where some groups are seen as more deserving than others.

12.3.5 Limited Integration of Administrative Systems

In particular, where social transfer programmes are delivered by different ministries or departments of government, there can be substantial dislocation of administrative systems. Different programmes may use different targeting approaches, payment pathways (mobile or e-banking payments versus physical cash distribution), grievance mechanisms and might hold separate lists of beneficiaries in each organization. This can result in both inefficiencies (for example the use of multiple mobile money agents at a greater unit cost) and inequities (for example overlaps and gaps in beneficiary coverage). For the poorest and most vulnerable households, these multiple systems can be both confusing and time-consuming to navigate.

12.3.6 Lack of Consideration of Operational Elements Beyond the Transfers Themselves

It is widely acknowledged that beyond the costs and administration of transfers themselves, there are many wider elements in the administration of social transfers. Some programmes are substantially more administration-intensive than others, for example, conditional cash transfer programmes that require information and monitoring systems to verify compliance with conditions. Harmonizing administration systems can provide important routes to efficiency. This is the case within social transfers but it is also important to look beyond social transfers themselves to other sectors. In South Africa, UNICEF (2008, 11) note that ‘the main constraints to expanding the social security system relate more to delivery capacity than to budgetary constraints’. They argue that services linked to social transfers are fragmented, that institutional coherence is lacking and there are not enough social workers, social auxiliary workers and community development practitioners. For example, foster care grants are provided to nearly half a million households each but the real financial constraint is in the funding of social workers organizing court orders, regular supervision and returning to court to reapply after two years. The challenges in South Africa are as much about harmonization beyond social transfers as within them, but recognizing wider administrative demands of social transfers remains important for harmonization within.
12.4 WHAT CAUSES FRAGMENTATION?

Having identified key fragmentation challenges in the previous section, the focus here is on the drivers, structural or otherwise, of fragmentation.

12.4.1 Low Capacity in Ministries leading Social Transfer Programmes and Systems

In many countries, ministries leading on social transfers are weak and the lack of institutional capacity contributes to fragmentation:

Social protection is often caught in a vicious cycle – the inherent institutional weaknesses can reduce the programming effectiveness (leading to leakage and corruption) and promote fragmentation. This in turn reduces the profile, coverage, and resources for the responsible ministries and for social protection activities. Though capacity of social protection led ministries (usually ministries of gender, or labour and social affairs) varies immensely between regions, they consistently exhibit a low profile relative to other parts of Government. (UNICEF 2008, 18)

It is also common for social transfers to be implemented by a number of different ministries. As a result, tackling institutional capacity constraints in social transfers is a key part of the harmonization agenda.

12.4.2 Fragmentation as an Inherent Feature of Donor-Supported Systems in Low- and Middle-Income Countries

Fragmentation (and subsequent harmonization) can be interpreted as part of the natural evolution of social transfer systems in situations where there is heavy international engagement. Limited government engagement in low-income countries and erratic funding of fledgling programmes results in short-term, projectized approaches by governments. This is compounded where NGOs fill the government programme vacuum with a plethora of programmes each with limited coverage. The need to persuade governments that social protection is affordable and financially sustainable leads to a proliferation of ‘proof-of-concept’ pilot programmes, and donor agencies tending to support actions that align with their in-house definitions and frameworks and their off-the-shelf instruments.

12.4.3 Fragmentation Driven by the Focus on Rapid-Onset Shocks in Low- and Middle-Income Countries

While in richer countries the focus of social transfer programmes is lifecycle-related shocks and stresses, in low- and middle-income countries programmes have often emerged in response to climate and environment-related shocks, such as floods and drought. In these situations, both the magnitude and nature of vulnerabilities can change quickly – for example, when conflict or a climate-related disaster triggers displacement – and existing programmes may prove inadequate at tackling these emerging or expanding vulnerabilities and new and different responses are put in place that may lack alignment with existing programmes.
12.4.4 Political Drivers of Fragmentation

Fragmentation can also indicate underlying structural problems with the design, coordination and delivery of transfer programmes that are inherently political. At a national level the influence of political economy can be strong and lead to uneven or skewed coverage. Governments often choose the programmes that provide the path of least resistance. That might mean doing programmes that are technically easy, or providing support that is less controversial. In Nepal, for example, social transfer programmes have emerged not primarily based on comprehensive analysis of vulnerabilities and needs but based on which are ‘administratively relatively simple to implement’ (particularly categorical-targeted programmes), populist and appropriate within an ‘unstable and highly competitive political environment’ (Sijapati 2017; Jones 2012, 252). In the worst cases the political expediency leads to distinct patterns of coverage with some communities ignored (UN DESA 2018a). For example, Hossain (2011) finds that, for some social transfers, while over 97 per cent of Adivasi households in Barind, Bangladesh, are technically eligible, less than 3 per cent receive benefits, and argues that this results from a combination of lack of information about programmes and overt discrimination.

12.4.5 Fragmentation as a Side Effect of Decentralized Governance Systems

Fragmentation can be symptomatic of situations where federal, state and other programmes operate simultaneously. Asher and Vora (2018), for example, highlight the bewildering array of social protection programmes and instruments in India. They find that the federal structure, among other features, leads to a diffusion of responsibilities for the design, implementation and evaluation of the programmes between the union government and the states that poses ‘considerable challenges for policy coherence, and organisational coordination’ (2018, 71).

12.4.6 The Politics of Global Funding

This can also result in fragmentation and can set the logic(s) of programming along multiple specific pathways. In Sub-Saharan Africa especially, the dominance in a number of countries of social protection for ‘grannies and orphans’ owes much to the availability of funding for responding to the HIV/AIDS pandemic and a subsequent growth of support to skipped-generation households. Evidence on the differential impacts of the HIV/AIDS pandemic were also critical. Gaps in coverage can reflect a lack of knowledge or capacity to deal with complexity. UNICEF (2008, 19) suggests that the nature of vulnerability as complex and multi-faceted results in fragmented programming with both governments and donors favouring funding social protection for one specific group over others (e.g. retrenched civil servants, orphans and vulnerable children), hindering efforts to build systems.

12.5 FROM FRAGMENTATION TO HARMONIZATION: WHAT CAN BE DONE?

Addressing both the root causes and the symptoms of fragmentation, and making all elements of policy and design, and institutional arrangements and delivery more harmonized across social transfer programmes can result in more effective social protection systems. In
this section some existing experiences are presented, structured around whether they focus on harmonization of (1) policy and legal frameworks for social protection; (2) institutional arrangements and coordination mechanisms; and (3) programme delivery.

12.5.1 Strategies, Policies and Legal Frameworks

At a strategic level, policies, laws and frameworks are a key foundation for harmonization of social transfers. Articulating a clear approach to social protection and transfers is key. Countries that have anchored their social transfers within the social protection floor or that have recognized the importance of social transfer provision across the lifecycle are able to better identify and tackle gaps in coverage (UNECLAC 2015). An example is Bangladesh which has shifted from a ‘poor relief’ approach to a more comprehensive lifecycle approach which recognizes that individuals face different risks and vulnerabilities at different stages in life, and seeks to design social transfers to address risks at each stage. ‘Integrating different programs in one overall system can help to expose gaps in coverage over the life cycle’ (UN DESA 2018a). In Myanmar, there is a progression towards establishing a clear policy framework for social transfers. In 2016, the government began to implement a National Social Protection Strategy Plan that sought to address social assistance ‘for the majority of the population outside the formal sector for the first time in a systematic manner, moving beyond the few fragmented social transfers in place earlier’ (Koehler and Rabi 2017, 367).

Policy frameworks are also critical for achieving efficiency gains that in turn underpin equity gains. In 2013, the World Bank noted that commitments to address targeting and leakage errors in programmes might not be shared by all government practitioners in the 12 ministries that implemented Bangladesh’s largest safety net programme. The development of the National Social Protection Strategy was used as a key mitigating measure to ensure a coordinated response to targeting and leakage by creating greater awareness and common understanding across agencies (World Bank 2013).

Articulating a policy framework only takes us so far. Anchoring social protection in national laws is also important and can further encourage the consolidation of multiple schemes into a single, more coherent framework. Examples from Africa are assessed in UNDP (2019), for example. UN DESA (2018a) also notes the importance of a clear legal framework in fostering efficient administration systems, notably where this helps to establish clear lines of responsibility and mechanisms for coordination. Legal frameworks can also take us some of the way towards equity by enshrining rights to social protection. However, in practice, this might not always apply to access to social transfers because laws are rarely explicit about the precise instrument of social protection and may comply with the law using other types of instruments, particularly contributory programmes. One notable exception is India where the Mahatma Gandhi National Employment Guarantee Act 42 of 2005 provides transfers, in return for labour, for 100 days each year. Provision under the Act is a key step to rationalizing India’s overabundance of transfer projects.

12.5.2 Strengthening Coordination and Institutional Arrangements

At the heart of the harmonization project is institutional coordination and capacity. Social protection policy frameworks often cut across multiple sectors and operationalizing them across
multiple sectors highlights the importance of coordination and social transfer programmes having clear institutional homes (European Commission 2015d, in UN DESA 2018a).

In a number of countries, the establishment of a social protection or social transfer policy framework – coordinated from a lead ministry but including all those delivering social transfers – is important. In Brazil the Ministry of Social Development was created in 2004 to integrate a range of non-contributory social protection policies for the poor and vulnerable, notably social assistance, conditional cash transfers and transfers for food and nutrition security (Ministry of Social Development 2013). The establishment of a single ministry or agency ‘brings a mandate, a budget, clearly defined roles and responsibilities and capacities to implement’ (UNDP 2019, 41), but there are other institutional mechanisms to support harmonization including semi-autonomous agencies (South Africa), public bodies under ministries (Kenya) and private management consultancies (Uganda).

For equity – particularly having appropriate social transfer designs for the specific needs of vulnerable groups – it is unwise to automatically assume that a single ministry housing all social transfer programmes is appropriate but it certainly makes a difference when a single ministry is charged with managing coordination. In practice, even under a harmonized system, involvement in social transfers is likely and necessary across a number of ministries. As UN DESA (2018b) notes, ‘effectively addressing the needs of individuals who face overlapping disadvantages – such as young migrants, older persons with disabilities or indigenous women – may require programmes that draw on a range of expertise across ministries and other institutions’.

In the case of institutional capacity, international agencies are both part of the problem and potentially part of the solution. International agencies can also have a deleterious impact on harmonization. Developing a consistent approach to institutional strengthening for social protection within and between financial organizations (such as the World Bank and the International Monetary Fund), development organizations (such as the United States Agency for International Development, Foreign, Commonwealth and Development Office (FCDO) and UNICEF) and national governments would be a major contribution to the lessons offered by current social protection systems. There are significant efforts underway for international agencies to work more effectively together. One such route is a ‘Three Ones’ approach – one national plan, one oversight body, one monitoring and evaluation system. Another is the Social Protection Inter-Agency Cooperation Board process, established in 2012 at the behest of the G20 Development Working Group to convene international and bilateral development partners to better coordinate their policy, advocacy, programming and financial resources in support of nationally owned social protection.

12.5.3 Improving the ‘Plumbing’

In terms of the efficiency dimension in Figure 12.1, getting delivery systems working effectively is the most important thing. As Asher and Vora (2018) argue, improving social protection’s ‘plumbing’ can lead to better expenditure management and targeting, and by extension to improved outcomes from a given level of expenditure. Other features of social transfer systems that can make substantial contributions to harmonization are described in more detail, including the ‘nuts and bolts’ of payment systems, single registries, grievance/accountability systems, in Chapters 10, 24, 26, 28 and 33.
The dominant approach for improving the plumbing is the establishment of social protection information systems (Barca 2017). Efficiency benefits include more streamlined reporting and oversight, the identification and avoidance of duplication and achieving economies of scale in targeting, verification and payment systems. Consolidated information systems can also contribute to greater equity, with greater responsiveness and inclusiveness of interventions and improved transparency and accountability. However, establishing consolidated information systems faces a paradox or catch-22: the very requirements for establishing information systems are precisely those that are lacking in fledgling and fragmented systems. Information systems have high costs and complexities (at least initially), and require high levels of capacity, policy leadership and institutional coordination (Barca 2017).

Another approach to harmonizing is to maximize the benefits of pilot programmes. Social transfer pilots are frequently presented as the pantomime villains of social transfers, the poster child for fragmentation. The Organisation for Economic Co-operation and Development’s Development Centre (OECD-DEV 2019, 32) notes that although pilots are part of the problem because they ‘pose risks of system fragmentation’, they can also be part of the solution by bringing opportunities for productive innovation in social transfers. Drawing on Infante-Villarroel (2016) and Mukherjee et al. (2018), it outlines the mixed results of donor-led pilots:

Starting in 2013, UNICEF supported the implementation of a pilot cash transfer to impoverished pregnant women and children up to the age of five along with behaviour change communication to improve feeding and WASH [water, sanitation and hygiene] practices. The World Bank implemented a near-identical pilot starting in 2014. The duplication represented a less efficient use of aid resources, indicative of the challenge aid fragmentation in Cambodia represents. However, both pilots focused on evidence-building and the resulting corroboration of the independent impact evaluations along with coordinated policy advocacy from the two development partners has led to the implementation of a national cash transfer programme for pregnant women and children.

The lesson is that, if pilots are to contribute to harmonization rather than fragmentation, it is important to only use them where they make significant contributions to the development of a more efficient and/or equitable effective system of social transfers and where they are coordinated among donors and government.

Another strategy for achieving buy-in for harmonization, albeit one that is fiercely contested, is results-based funding. In Kenya (Republic of Kenya 2017), five social assistance programmes are being harmonized across two ministries, with harmonization efforts tied to a Program-for-Results lending instrument. A USD250 million loan was provided to the Government of Kenya subject to disbursement-linked indicators including the creation and functioning of grievance mechanisms, as well as streamlining of management information systems and targeting, and progress with a single registry, electronic payments, the timing of payments and wider consolidation of social assistance programmes.

Beyond results-based financing, other shifts in financing systems can yield benefits for harmonized social transfers. Harris (2013) and Garcia and Moore (2012) assess financing systems in Ethiopia finding that, although the government still operates through annual budgets, international agencies are programming with longer time frames and this supports the use of a medium-term expenditure and financing framework for planning purposes. Instead of unscheduled/spontaneous and separate donor contributions to different programmes in different ministries and departments, working through medium-term expenditure and financing frameworks brings together donor contributions and allows timely planning. This in turn
provides an entry point for better assessment and filling of programming coverage gaps and for shared administrative systems.

Further down the chain, fragmentation and lack of coherence are problems for beneficiaries (or non-beneficiaries) at the local level so robust grievance mechanisms are crucial to ensure that the rights of beneficiaries are respected. ‘Making social protection programmes more inclusive requires transparent official avenues for people to challenge their exclusion or denounce discrimination and corruption’ (UN DESA 2018b, xxiii). This is central to addressing gaps in cover that are a symptom of exclusion.

12.6 CONCLUSIONS AND RECOMMENDATIONS

None of these barriers [to harmonization] are insurmountable. The design and implementation of policies can either keep social protection out of reach for some or, alternatively, give those left behind the opportunity to benefit from them. Whether or not they result in greater social inclusion depends on the specific measures in place and the way in which they are implemented. (UN DESA 2018a, xxi)

This chapter has identified multiple ways in which harmonization can contribute to the effectiveness of social assistance by achieving efficiency and equity outcomes. Although there are paradoxes that challenge progress, a number of recommendations follow from the UN DESA assertion that many of the obstacles to overcoming fragmentation are not insurmountable.

First, it is important to view harmonization as something to be realized progressively by ensuring that social transfers are kept relatively simple in the first instance and delivered effectively (on time, reliably and at meaningful levels), and then incorporate more complex design features over time.

Second, recognizing that fragmentation is as much a political feature as a technical one is key. The use of procedural working groups of multiple stakeholders can go some way to ensuring that the needs of vulnerable groups and the capacities of systems, and not political expediency, drive the transition to more harmonized social transfers.

Third, policy-makers and practitioners need to acknowledge trade-offs, for example the fact that achieving improvements in coverage is not easily achieved alongside delivering higher transfer levels that can make a meaningful difference to people’s lives.

Fourth, it is important to also recognize that too few programmes can create inequities. In countries where a single programme dominates the social transfer landscape (the Productive Safety Net Programme in Ethiopia, the Benazir Income Support Programme in Pakistan and the Pantawid Pamilyang Pilipino Programme in the Philippines), the possibilities for meeting varied needs and addressing specific vulnerabilities can be crowded out. The implication is that harmonization efforts that reduce the number of different social transfer programmes too far may create a new problem.

Fifth, we should beware blanket disapproval of ways of working such as allowing social transfers to be delivered by a number of ministries, the engagement of non-government actors and using social transfer pilots. While there are examples of each of these ways of working contributing to fragmentation, that is not always nor automatically the case. Instead, assessing how far delivering in these ways provides opportunities to leverage efficiency and equity gains without contributing to further fragmentation is key.

Finally, it is important to ensure that national governments’ priorities are put first, ahead of the institutional mandates, priorities and off-the-shelf instruments of international agencies.
There is much to do and, if anything, these challenges, and the imperative to harmonize, are growing. The increasing threat of the climate emergency and growing numbers of households displaced by conflict and other crises create new types of vulnerability and increasing caseloads for social transfers. In the case of internally displaced persons and refugees, social transfers are patchy and inconsistently applied by governments and international agencies (UN DESA 2018a). At the time of writing, the COVID-19 pandemic is also creating new sources of vulnerability in low- and middle-income countries. Households are exposed not just to the morbidity and mortality impacts of the virus but also to negative impacts that public health measures designed to reduce the risk of contagion (such as social distancing and curfews) have for livelihoods and household income. Governments and their developing partners are increasingly pivoting social transfer programming – that is notably skewed to rural locations in low-income countries – to urban contexts. Tackling these additional challenges in a coherent way requires programming solutions that are harmonized yet appropriately tailored for specific contexts to ensure equity. In practice that means harmonized systems for targeting and setting payment levels but not automatically using the same targeting criteria and paying the same benefit level for everyone, everywhere.

It also reinforces the fact that tackling the major global development challenges will need harmonization without, too, so not just between social transfers and other elements of social protection, but much more broadly with other sectors such as health, education and agriculture (see also the other chapters in Part III). UN DESA (2018a, 1) suggests that ‘deprivations reinforce one another… unequal access to health, education and social protection systems feeds a vicious cycle of disadvantage and exclusion’.

Furthermore, as the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW 2018, 274) notes, coherence requires the mutual reinforcement of international agendas on disaster risk reduction and climate change adaption with agendas on gender equality, rights to education and information, work and social protection, health and freedom of movement. While social transfers are a small part of these wide and complex agendas, they are an essential part of the ‘plumbing’, so getting them right is crucial to achieving these wider global goals.

REFERENCES


13. Coordination of different instruments

Mira Bierbaum and Veronika Wodsak

13.1 INTRODUCTION

The achievement of universal social protection has become an important goal for the global community, both intrinsically – realising the human right to social security – and extrinsically, with its potential to further the development of economics and societies beyond protecting individuals against poverty, vulnerability and social exclusion.\(^1\) Countries have followed various strategies in their pursuit of extending social protection, depending on their political, economic, cultural and social circumstances, preferences and legacies. As such, each national social protection system is composed of an idiosyncratic combination of different schemes and programmes. They vary regarding their specific objectives, mandates and financing, the level of administration at which they are implemented, delivery mechanisms or their planning cycle. Nonetheless, all these schemes and programmes need to be well coordinated to ensure complementarity so that, in their combination, they contribute to achieving universal social protection. Universal protection has three dimensions, meaning that (1) every member of society is protected; (2) there is comprehensiveness of protection for the full range of contingencies;\(^2\) and (3) there is an adequacy of benefits levels to support a dignified life (ILO 2019c).

Just as each social protection system is unique, so are the solutions designed for their coordination, understood in this chapter as the ‘attempt to optimize the coherence and consistency of political decisions as well as policy implementation’ (Wollmann 2003, 594). Coordination is needed not just between the schemes and programmes that constitute the system, but also across other public policies, such as employment, health or education; and among the actors involved in their implementation, such as social security authorities or relevant ministries that are involved at different administrative levels. Some countries have developed policy and legal frameworks as well as institutional structures to ensure coordination. Yet, many social protection systems face persistent problems of fragmentation, duplication, distorted incentive structures and unclear lines of responsibility. This results in a lack of accountability, lost synergetic opportunities, inefficient use of public resources and hence dwindling public support – which ultimately impedes the realisation of the right to social security (ILO 2019b; Samson and Taylor 2015; Sepúlveda 2014) and of other, closely related human rights, for instance the

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\(^1\) This chapter draws extensively on ILO (2019a, 2019b). Practitioners can also consult ILO and United Nations (2016) or Transform (2018) for more practical information. We would like to acknowledge the extensive comments and valuable inputs received from Ian Orton and Maya Stern-Plaza for the production of this chapter.

\(^2\) In line with International Labour Organization Social Security (Minimum Standards) Convention, 1952 (No. 102), these contingencies include nine main areas: child and family benefits, maternity protection, unemployment support, employment injury benefits, sickness benefits, health protection (medical care), old age benefits, invalidity/disability benefits and survivors’ benefits.
rights to an adequate standard of living, to food and water and sanitation, to education or the right to the highest attainable standard of health (United Nations 2008, para. 28).

This chapter examines coordination within social protection systems at the programmatic and administrative level and how they cohere with broader development plans. This analysis is based on guidance provided by internationally agreed social security standards in this regard. Country practices and experiences are provided to support this discussion. Several other chapters in this handbook cover related coordination aspects more specifically, including coordination between non-contributory programmes (Chapter 12); coordination between different actors (Chapter 10); coordination of social protection financing through social budgeting (Chapter 17); as well as the role of international actors (Chapter 29). This chapter does not address coordination in public administration (Part V) through integrated information management (Chapter 26) or coordination across countries to ensure portability of entitlements (Chapter 27).

The next section introduces the international standards framework that provides general guidance to countries regarding social protection policy coordination and coherence. Section 13.3 introduces the role of national social protection policies in coordination. This is followed in Section 13.4 by a discussion on coordination between contributory and non-contributory schemes and programmes as well as with other public policies, integrated service delivery mechanisms and linkages to broader development goals. The chapter concludes with several policy recommendations.

13.2 INTERNATIONAL STANDARDS AND POLICY FRAMEWORKS FOR THE COORDINATION OF SOCIAL PROTECTION

The importance of policy coordination and coherence is explicitly recognised by international social security standards. The Social Protection Floors Recommendation, 2012 (No. 202) provides guidance to governments to build comprehensive national social protection systems. This comprises a floor of basic social security guarantees, namely income security over the life cycle and access to essential health care. Simultaneously, governments are requested to accomplish progressively higher levels of social security for as many people as possible. The Recommendation also lays down the principles that should be applied when establishing, maintaining and implementing comprehensive social protection systems. These include a strong emphasis on the importance of both internal (between the components that constitute the social protection system) and external coherence (between the social protection system and related policy areas and actors) (cf. ILO 2019b).

In order to cover the variety of needs of different groups, countries typically combine different schemes and programmes to protect the population against life-cycle risks. While the Recommendation stresses plurality and encourages countries to explore a diversity of methods and approaches, it also specifies that these need to be coordinated with a view to ensuring the most effective and efficient overall combination of benefits and schemes within the national context. It refers to a number of schemes to this end, including universal benefit schemes, social insurance and social assistance schemes, negative income tax schemes or public employment schemes. The Recommendation highlights the importance of coordination
and coherence not merely as a means to improve efficiency and save costs, but also for closing coverage gaps and ensuring adequacy.

To close protection gaps, ensuring internal coherence and coordination between contributory and non-contributory schemes and programmes is paramount. This includes the extension of contributory schemes to all persons with contributory capacity, thereby increasing the number of people who have access to the range and levels of benefits stipulated in the Social Security (Minimum Standards) Convention, 1952 (No. 102) and other more advanced ILO social security standards. In an equivalent manner, the Income Security Recommendation, 1944 (No. 67) refers to the need for coordination between the administration of social insurance and a more general system of social security services.

Beyond this, Recommendation 202 places particular emphasis on ensuring coordination with other policies that aim to reduce precariousness and promote productive economic activity, formal employment and entrepreneurship, such as, inter alia, education, vocational training, skills and employability or (active) labour market and tax policies. An important issue in this regard is the extension of social protection to informal economy workers within a broader framework of promoting the transition to the formal economy, which is also recognised in the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204). Furthermore, the need for close coordination between social security and employment policies is included in the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) (cf. ILO 2011).

The emphasis on coordination and policy coherence reflects the cross-cutting nature of social protection; a characteristic also recognised in the 2030 Agenda for Sustainable Development. Beyond access to basic income security and essential health care (Sustainable Development Goals (SDGs) Targets 1.3 and 3.8), social protection also contributes to gender equality (5.4), decent work3 (8.5), reducing inequalities (10.4) and building effective, accountable and inclusive institutions at all levels (16.6). Increasingly, this also includes coordination with policies to promote the transition to greener economies or coordination with humanitarian interventions as discussed in Chapter 16 of this volume.

13.3 THE ROLE OF NATIONAL SOCIAL PROTECTION POLICIES AND STRATEGIES FOR SOCIAL PROTECTION COORDINATION

As stated above, a variety of measures, interventions, schemes, programmes and services are required to meet the social protection needs of different population groups (see Part IV of this volume), making coordination necessary to ensure the coherence of the overall social protection system, as also discussed in Chapter 11. Coherence thus refers to the most effective and efficient overall combination of schemes and programmes as well as their coordination with other public policies and services to achieve universal social protection. National social protection policies and strategies are an important means to create a consistent vision of how the

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3 Developing and enhancing measures of social protection is also one of the four strategic priorities of the International Labour Organization Decent Work agenda, along with promoting employment, promoting social dialogue and tripartism and respecting, promoting and realising the fundamental principles and rights at work (ILO 2008).
overall system and its components should be organised to reach comprehensive and adequate social protection for all. In this sense, a comprehensive, coherent and coordinated national social protection policy and strategy is a fundamental element of a rights-based approach to social protection⁴ (Sepúlveda 2014, ch. 9).

Evidently, the need for closer coordination increases with the number of programmes and schemes in place. In Bangladesh, for instance, the 2015 National Social Security Strategy aimed to consolidate and systematise 145 disparate programmes, often financed with small respective budgets and low benefit amounts. Streamlining the number of programmes should increase coverage along the life cycle and progressively realise the right to social security (People’s Republic of Bangladesh 2015).

According to Recommendation No. 202, these national social protection strategies should identify and seek to close gaps in social protection systems through effectively coordinated schemes and specify the necessary financial requirements, the time frame and sequencing to achieve these objectives. Furthermore, these policies and strategies should also define roles and responsibilities of the actors in the system to translate the policy vision into reality. In particular, this includes an elaboration of the concrete mechanisms, institutions or structures necessary to ensure internal coordination both horizontally (i.e. among the instruments of the social protection system) and vertically (i.e. across different levels of administration) as well as external coordination and coherence with other public policies and broader development plans.

The formulation of these national documents, as well as their implementation, should be based on national consultations through effective social dialogue and the social participation of representatives of workers’ and employers’ organisations and other persons concerned. More precisely, many countries have followed a process of analysing social protection policy options through a national dialogue process based on evidence regarding social protection needs, coverage gaps and a participatory elaboration of policy options to close the gaps (ILO 2016a; ILO and United Nations 2016). Unfortunately, countries often face difficulties in moving from their vision expressed in their social protection policy to its implementation. A related legal framework is therefore necessary – although insufficient – to turn the social protection policy into practice.

13.4 COORDINATION IN THE DESIGN AND DELIVERY OF SOCIAL PROTECTION POLICIES

This section focuses on the coordination needs of various elements within social protection systems across different administrative layers. It continues to discuss aspects of coordination of the social protection system with other public services and related policy areas, in particular

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⁴ A human rights-based approach to social protection is anchored in a system of rights and corresponding obligations. Such an approach aims to ensure that human rights principles are applied throughout the design, implementation, monitoring and evaluation of a social protection system. This requires an institutional and legal framework, a comprehensive, coherent and coordinated strategy, and includes the principles of equality and non-discrimination, participation, transparency and accountability (cf. Sepúlveda 2014).
active labour market, economic and employment policies, coordination in the delivery of schemes and coordination with broader development plans.

13.4.1 Coordination Between Contributory and Non-Contributory Schemes

Despite persistent and large coverage and adequacy gaps in the majority of countries, there has also been significant progress in extending social protection, including in low- or lower middle-income countries. Many countries have achieved universal or near-universal coverage in different areas, including child and maternity benefits or old age pensions (ILO 2017). This has usually been attained through the combination of contributory and non-contributory schemes that take into account the specific needs and financial capacities of workers and their families, both in the formal and informal sectors.

Social protection systems can hence comprise a mix of schemes that complement each other. A well-designed social insurance scheme (see Chapter 3) ensures high levels of protection with adequate levels of benefits and can facilitate labour market transitions. However, these schemes are usually not accessible to all population groups for a number of reasons, for instance because of legal exclusion or inadequate financing arrangements. In contrast to stable and regular incomes in the form of salaries, contributory capacity may be limited if incomes are unstable or low or generated through independent or informal work. Non-contributory programmes (see Chapter 2) therefore play a key role in ensuring a basic level of protection for all. These programmes, in the form of universal (e.g. national health services), categorical (e.g. child benefits) or means-tested schemes (social assistance schemes), are mostly financed from taxes or other state revenues.

In most countries, different entities are responsible for administering these various schemes, meaning that the administration and oversight are under the competence of different institutions and that their coordination constitutes a key challenge. As in the example of Bangladesh, there might be dozens of small programmes that either have overlapping eligibility criteria or exclude population groups, or pay very small or unequal benefit amounts. In many countries, large coverage gaps also persist where individuals, often informal workers and their families, are neither covered by contributory schemes nor by narrow poverty-targeted social assistance schemes.

Strong and effective public administration requires a clear definition of roles, responsibilities, clarity in reporting lines and oversight functions at all levels of administration (Sepúlveda 2014). Many countries have therefore introduced legal provisions that mandate coordination between public institutions. Some governments use existing structures such as economic and social councils to enhance coordination between schemes and programmes. Others set up specifically dedicated social protection coordination bodies, often at a level above the ministries and for example attached to the president’s office. The tasks of a national coordination authority should include the formulation and oversight of the implementation of a national social protection policy or strategy and the monitoring of both contributory and non-contributory schemes and programmes, their coherence, as well as compliance with principles of good governance across the whole social protection system (Musalem and Ortiz 2011). Such a coordination body, regardless of its shape and location, needs to be equipped with the necessary authority, a clear mandate and the necessary staff and financing to perform its coordinating role.
For example, Jamaica decided to entrust a newly established National Social Protection Committee with the coordination of the non-contributory and contributory schemes and programmes, as this task would go beyond the mandate of a single line ministry (Planning Institute of Jamaica 2014). Similarly, in Iraq, the Departments of Vocational Training, Employment and Loans, Workers’ Pensions as well as the Social Protection Policy Authority are all part of the Ministry of Labour and Social Affairs, thereby ensuring harmonisation of the work of these departments (ILO 2019b).

Beyond coordinating the social protection work of national ministries and authorities, this coordination task needs to cut across institutions at all administrative levels (see Chapter 28), referred to as vertical coordination. This can be particularly challenging in federal states. In the case of schemes and programmes with a national scope, information regarding legal provisions, regulations and operational guidelines need to be communicated from central to sub-national administration levels to ensure consistent implementation across all regions, districts and communities. At the same time, information regarding the well-being and social protection needs of the population, benefits provided, challenges encountered and impact achieved needs to flow back from local levels to the central government to guide future decisions and reforms. The Ministry for Local Government in Rwanda, for example, coordinates national ministries, links national and local authorities and integrates services at the local level (ILO 2019b). Ideally, horizontal coordination arrangements across programmes and sectors at lower administrative levels (regional, district, community) should mirror the structures set up at central government level (Transform 2018). For example, the National Social Protection Council in Kenya, tasked with the coordination and oversight of the development and implementation of social protection strategies, programmes and resources, has offices at both national and country levels.

Country experience has shown that (near-)universal coverage for children or older persons can be achieved by non-contributory schemes or a mix of contributory and non-contributory schemes. Several low- and middle-income countries have multi-tiered pension systems administered by one authority ensuring a smoother integration between the two types of schemes. Administration under one authority also allows for an easier and less costly benefit/pension test to determine eligibility. Countries with this structure include Brazil, Barbados and Mauritius. Argentina has pursued a similar approach, combining contributory and non-contributory schemes for children and thereby covering nearly 90 per cent of children. The national contributory child benefit for formal workers is complemented by a non-contributory child benefit, the Asignación Universal por Hijo (AUH), for informal workers earning below the minimum wage, pregnant women and the unemployed (Aulicino et al. 2019). Both schemes are supervised and administered by the National Social Security Agency (Administración Nacional de la Seguridad Social or ANSES). The AUH is financed by a portion of the social insurance contributions paid to the ANSES and general taxation (SSA/ISSA 2019). The ANSES has also been a pivotal actor in coordinating the national COVID-19 response acting as a conduit through which the main non-contributory cash response has been disbursed to 9 million Argentines (Argentina 2020).

Coordination between contributory and non-contributory benefits is also important for creating appropriate incentive structures that support formalisation and the extension of social insurance to all persons with contributory capacities. If a contributory scheme offers benefits that are only marginally higher than benefits provided by non-contributory schemes, this creates incentives to remain or even join the informal economy. Levels of benefits therefore need to
be higher in contributory schemes to encourage transitions to the formal economy, while still ensuring that a basic level of protection is universally guaranteed through non-contributory schemes. For example, the contributory pension scheme in Ghana has introduced a minimum guaranteed pension level. For workers retiring in 2020, the level is set at GHC 300\(^5\) (approximately USD 50); much higher than the means-tested social pension paid under the Livelihood Empowerment Against Poverty (n.d.) of GHC 64 for one elderly person (aged 65 or above) in the household or GHC 76 for two (about USD 11 and USD 13, respectively).\(^6\)

Equally, schemes that provide government subsidies for individuals with limited contributory capacity based on their status as informal economy workers rather than other indicators of vulnerability such as their income may generate perverse incentives to remain in the informal economy (Bender et al. 2013). A case in point was the introduction of a virtually free health insurance for informal workers (Seguro Popular) in Mexico. This encouraged workers to remain in the informal economy and even led to a decline in the number of employers and employees formally registered in small and medium firms (Antón et al. 2012; Bosch and Raymundo 2014; Levy 2010). The solution was to merge the parallel schemes into one unified structure that includes workers in the formal and informal economy. In the longer term, promoting participation in contributory schemes does not only progressively ensure higher levels of protection for all workers, but it also enhances the financial sustainability of social protection systems by increasing the contribution base.

### 13.4.2 Coordination Between Cash Transfers and Services

According to Recommendation No. 202, the delivery of social security systems should be enhanced by high-quality public services. Such services include healthcare and long-term care services, social welfare services, education and child-care services, as well as transport, water and sanitation or civil registration. The provision of public services in conjunction with social protection can enhance gender equality and promote women’s empowerment (thereby contributing to SDG Indicator 5.4), access to inclusive and quality education and lifelong learning (SDG 4), as well as contributing to ending hunger and achieving improved food security and nutrition (SDG 2).

The integration of cash transfers and social services has gained prominence in the context of so-called conditional cash transfers and cash plus programmes. Conditional cash transfers make the receipt of benefits conditional on certain behaviours, typically related to schooling or the use of health services. These types of programmes are well known in Latin America, most notably the Prospera programme in Mexico or Bolsa Familia in Brazil. Some examples also exist in Africa, including Ghana, Nigeria and Tanzania. Whereas improved access to education and health services in conjunction with the provision of income support is desirable, evidence suggests that behavioural conditions are not necessarily required to increase the use of these services and might even have adverse effects (Bastagli et al. 2019). The provision of school meals is another example of integrating social protection benefit delivery (the provision of a meal) with education services in a mutually beneficial way. School attendance and learning outcomes are increased while the cost of delivering the benefit is decreased.

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\(^5\) See SSNIT (2020).

\(^6\) See http://leap.gov.gh/management/payments/
As newer generations of cash transfer programmes, cash plus programmes accompany the provision of cash with complementary goods or services, including information, training, assets, agricultural inputs, health insurance or psychosocial support, or a case management approach linking cash transfers to other relevant schemes and programmes (FAO 2016; UNICEF 2019). This is in recognition of the fact that cash alone is often not sufficient to lift households out of poverty sustainably but that access to services is also important to ensure overall well-being.

### 13.4.3 Coordination with Active Labour Market, Economic and Employment Policies

Recommendation No. 202 and Convention No. 168 stipulate explicitly that social security should be complemented with active labour market, economic and employment policies, as appropriate. Active labour market policies aim to facilitate the entry or return to the labour market for unemployed persons, for instance through job search assistance and career guidance, upgrading or adapting skills to improve jobseekers’ employability. This may assume vocational training, incentivising individuals to take up certain jobs or firms to hire certain categories of workers or the creation of jobs in the public or private sector (cf. ILO 2016b).

Active labour market policies have played an increasingly important role in many countries in different regions and at different levels of development. In Iraq, for example, the 2014 Social Protection Act explicitly demands coordination between social services with measures in areas such as vocational training and education as well as loans and grants to establish small enterprises (ILO 2019b). However, active labour market and employment policies, in particular for unemployed workers and jobseekers, have to be carefully designed to respect individuals’ dignity and avoid unintended effects or infringement on acquired social security rights. This is particularly true when these measures are accompanied by strict conditions of entitlement and may limit individuals’ effective access to benefits, or close monitoring and the potential use of sanctions in cases of non-compliance (cf. ILO 2019b). This is also important in the context of public works programmes. They should ensure that all workers in the programme have access to essential health care and are protected in the case of maternity, employment injury or disability.

The need for well-coordinated policies is also pertinent in the context of larger strategies to facilitate the transition from the informal to the formal economy. Lack of formalisation makes achieving social protection coverage more difficult. At the same time, social protection can be used as a means to drive formalisation. At the level of enterprises, for instance, policies that aim at promoting a conducive business environment do not only enhance productivity, but can also facilitate their transition to the formal economy – including the formalisation of workers, which makes it easier to achieve higher levels of social protection (ILO 2019a). Regarding unemployment benefits, Convention No. 168 emphasises the need to design benefits in line with employment policies to ensure they contribute to the promotion of full, productive and

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7 In contrast to the conceptual framework of this handbook and in line with related international standards, we do not consider active labour market policies as social protection policies. The operational logic and objectives of the two are different: active labour market policies aim to support workers to find decent employment. Social protection aims to ensure income security for individuals regardless of their employment status. In practice, some programmes, such as part-time unemployment benefits, may contribute to both job security and income security.
freely chosen employment and do not discourage employers from offering and workers from seeking productive employment.

Finally, coherence and coordination between social protection policies and active labour market, economic and employment policies is often ensured institutionally by placing responsibilities for both within one ministry. At the operational level, this can also be achieved through integrated service delivery (see below), for instance through single window services. One-stop shops in Mongolia, for instance, provide both social protection and employment services (van Langenhove and Peyron Bista 2019).

13.4.4 Integrated Service Delivery Mechanisms

The coordination bodies and mechanisms discussed in the previous sections aim to ensure the system’s design is coherent. This also includes improving coordination for the implementation of schemes and programmes at the local level at every step along the delivery chain. In many countries, various programmes coordinate or integrate the following areas of work: public information campaigns and awareness raising, registration of beneficiaries, contribution collection and compliance (where applicable), delivery of benefits, complaint and appeals mechanisms and the monitoring of schemes and programmes.

One important trend in this regard has been the establishment of integrated points of access to social protection schemes and programmes. These create access to a range of benefits and services for the population through a single point of access (virtual or physical) (see Chapter 5). This reduces administration costs but also transaction and opportunity costs for beneficiaries in terms of travel costs or time spent. These integrated points of access facilitate beneficiaries’ access to a range of related services through integrated case management or easier referrals.

The design and degree of coordination or integration of these service centres vary from offering access to different programmes and services in one location to fully integrated back office operations across schemes. While the set-up differs, integrated points of access always provide a single interface between the individual and the social protection system as a whole, not just individual programmes. This requires both horizontal coordination of different schemes and programmes and vertical coordination of different layers of administration (see previous sections) (ILO 2019a). In Mongolia, for instance – the most sparsely populated country in the world with a widely dispersed population – one-stop shops are delivery points where individuals can obtain information on a wide range of public services and facilities including social protection schemes and programmes. This ranges from social protection entitlements to employment promotion and land management and includes even civil registration and bank and notary services (van Langenhove and Peyron Bista 2019). Other country examples of integrated points of access include Chile, Indonesia, Lesotho, among others.

Another trend to improve coordination between schemes and programmes has been the creation of single/unified or ‘interoperable’ beneficiary registries and social registries (Barca 2017; Barca and Chirchir 2014; see also Chapter 26). In systems with single registries, different schemes and programmes ensure interoperability between their databases, which reduces the need for data collection by each scheme (for instance when updating records), avoids unintended duplication of benefits and facilitates referrals between different schemes. For example, Kenya’s Single Registry enables the Government of Kenya to link the management information systems of its five major social protection schemes. In May 2016, the Single Registry was populated with information on 883,000 beneficiary households, equivalent to 8
per cent of the national population (Transform 2017). The registry enables the consolidation of payrolls across the programmes and is an important planning and monitoring tool. It provides information such as the share of eligible beneficiaries that actually receive their benefits.

13.4.5 Social Protection Strategies as Part of Broader Development Plans

Many countries have set in place coordination mechanisms that go beyond the social protection system and include social protection as a pivotal element of broader development plans. In Rwanda, for example, the Vision 2020 Umurenge Program is a local development programme that aims to reduce poverty, promote rural growth and increase social protection through an integrated strategy. It provides cash transfers, public works, access to microcredits and agricultural skills development. Under the lead of the Ministry of Local Government, it brings together the ministries in charge of infrastructure, agriculture, trade and industry and natural resources (ILO 2019b).

In Malawi, the institutional framework for coordinating the Malawi National Social Support Programme consists of a National Social Support Steering Committee and a National Social Support Technical Committee to provide guidance on strategic and technical questions. They are supported by five technical working groups, each focusing on one of the programmes that the National Social Support Programme brings together, cutting across the different sectors of social protection, nutrition, education, entrepreneurship and employment. The framework also establishes the links between different administrative layers (Holmes et al. 2018).

13.5 CONCLUSION AND POLICY RECOMMENDATIONS

To develop social protection systems whose parts work in effective unison, a number of policy recommendations can be made based on international social security standards and country experiences that would help realise this objective.

A consistent national social protection policy or strategy within and beyond social protection systems. Each country has its own historical legacy and choices made in the past will affect the possible future course to extend social protection. Developing a coherent vision through national social protection policies and strategies is key to closing coverage gaps and building and maintaining comprehensive and adequate social protection systems. Moreover, these strategies should be embedded in wider development frameworks and coordinated with other public policies to seize synergetic opportunities. In particular, this includes strategies to facilitate the transition from the informal to the formal economy, a pervasive issue in many developing countries.

An efficient and effective combination of benefits and schemes in the national context. Taking into account the plurality of political, social and economic circumstances, preferences and legacies, it is evident that there is no one-size-fits-all solution. It is incumbent on policymakers that different approaches are considered, with a view to combining them in an efficient and effective way. This includes a wide range of possible benefits, schemes and financing options. Depending on the context, gaps in protection can be closed through a combination of contributory or non-contributory, universal, categorical or means-tested schemes, as long as they are effectively coordinated to ensure their complementarity.
A dedicated, institutionalised and sufficiently resourced coordination mechanism, both horizontally and vertically. The country examples have shown that coordination spans multiple aspects, including both the design of programmes (e.g. eligibility criteria, benefit levels) and the concrete administration (e.g. single registries, integrated points of access). Once again, different solutions are feasible depending on the country context, as long as they clearly define roles, responsibilities, reporting lines and oversight functions at all levels of administration. Furthermore, reducing complexities by striving for effectively interpolated systems whereby programmes are managed by the same agency can improve many aspects of social protection provision such as reducing administration costs, assisting eligibility determination and providing better redress mechanisms. However, further research is needed to demonstrate whether specific institutional requirements are particularly apt to support the expansion of social protection.

Coordination is not an end in itself, but a means and integral element of a rights-based approach to social protection. The tumultuous impact of the COVID-19 pandemic has once again demonstrated that countries with comprehensive and well-coordinated social protection systems have been better prepared to ensure income security and access to essential health services, thereby preventing poverty, acting as automatic stabilisers and protecting public health, and that are ultimately integral to the smooth and successful functioning of society.

REFERENCES


Case study H: Poverty and social transfer coverage in the Kingdom of Eswatini

Bernd Schubert

1 INTRODUCTION

The National Social Development Policy of the Government of Eswatini1 (Government of Swaziland 2010) contains the following statements:

Mission: The provision of integrated, comprehensive and equitable social-development services, in partnership with key stakeholders, to improve the quality of life of the Swazi nation, particularly its poorest and most vulnerable members.

Policy Statement: It is national policy to support and strengthen families through social services and benefits, to enable all families to meet standards of well-being and livelihood, to strengthen their ability to cope with setbacks, and enable them to rise above poverty and vulnerability.

The above mission and policy statements underline the government’s commitment to focus social interventions on the well-being of families and to lift the poorest and most vulnerable population out of extreme poverty. This case study analyses to what extent the intentions of the Social Development Policy are achieved by the current social transfer system. The case study starts with an analysis of the social needs of different categories of poor and vulnerable households followed by an assessment as to what extent these needs are met by existing social transfer programmes. The comparison between needs and coverage leads to the identification of coverage gaps. The case study concludes with a proposal for a social transfer system that meets the most pressing needs of different categories of poor and vulnerable households.

2 POVERTY IN ESWATINI

Eswatini is an African lower middle-income country with an adult HIV prevalence of 27 per cent (World Health Organization 2017).2 According to the 2016/17 Eswatini Household Income and Expenditure Survey Eswatini has 283,493 households, of which 164,125 (57.9 per cent) are not poor, 84,019 (29.6 per cent) are moderately poor and 35,349 (12.5 per cent) are extremely poor.3 The absolute poverty line is based on the cost of a basket of basic food and

1 In 2018 the name of the Kingdom of Swaziland was changed to the Kingdom of Eswatini.
2 All analysis of poverty presented in this case study was compiled by the author in cooperation with the Eswatini Central Statistical Office using data from the 2015/16 Eswatini Household Expenditure and Consumption survey.
3 Of the total population of 1,139,370 people, 467,875 (41.1 per cent) are not poor, 442,216 (38.8 per cent) are moderately poor and 229,279 (20.1 per cent) are extremely poor.
non-food items (E 975.30 per person per month). The extreme poverty line (identical with the food poverty line) is based exclusively on the cost of a food basket that meets the minimum food energy requirements without providing for any non-food needs (E 463.40 per person per month).

As people have to spend a minimum of 20 to 30 per cent of their income on non-food needs (health, clothing, shelter, sanitation, education, transport, etc.), people living below the food poverty line are not able to meet their food energy requirements. Typically, they can afford only one meal per day. They suffer from chronic hunger and undernutrition and can hardly meet any of their basic needs.

The distinction between moderate poverty (households which are absolutely poor but not extremely poor) and extreme poverty is important. Persons living in extremely poor households suffer from severe hunger during most of the year, become physically weak, tend to sell or consume their productive assets (e.g. livestock, tools, seeds), give up investing in their future (like sending children to school), and die from infections that other people survive.

With regard to the main causes of poverty it is estimated that out of the 12.5 per cent of households suffering from extreme poverty, approximately 15,446 are poor because of conjunctural factors. Conjunctural poverty is caused by unemployment or underemployment. It involves households with able-bodied adults who have no access to productive employment. To be able to escape poverty, these households require access to skills training, productive assets, employment, or well-designed public work programmes.

The extreme poverty of the other 19,903 households is structural as it is related to the structure of the household. These households have few or no able-bodied adult household members. In more detail these households have either no household member who is fit for productive work or have a high dependency ratio. They are labour constrained. As a result of HIV and AIDS or due to other reasons, breadwinners have died leaving grandparents who are too old to work and orphans who are too young. Labour-constrained households cannot react to self-help-oriented or labour-based projects or programmes. Single mothers with a large number of children, households headed by disabled people and child-headed households also belong to this category.

Figure H.1 summarises the four categories of poverty described above. The 46,848 households in Category A are in a relatively favourable situation. They are moderately poor and include household members able to do productive work. They are able to respond to self-help-oriented projects and programmes in order to overcome their poverty.

The 19,903 households in Category D are in the most unfavourable situation. They suffer from extreme poverty. At the same time, they cannot respond to development projects or programmes because they have no household members able to perform productive work. They have no or little self-help capacity. This group – the 7 per cent worst-off households in Eswatini – most urgently requires social assistance interventions. Most of the approximately 127,172 persons living in Category D households are children.

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4 E stands for the Eswatini currency called elilangeni. It is pegged to the South African rand, which in 2018 was equivalent to USD 0.07.
5 Able-bodied household members are all persons aged 19 to 59 except for those who are still schooling, are disabled or are chronically sick.
A closer look at the average household profile of the extremely poor households (Categories C and D) reveals that the composition of these households is significantly different from the average profile of all households in Eswatini (see Table H.1).

While the average share of children in all households is 49 per cent, the share of children in households which are extremely poor and labour constrained (Category D) is 66 per cent. At the same time the share of able-bodied people in the working age (potential breadwinners) is 36 per cent in all households, while the labour-constrained extremely poor households have a share of only 15 per cent. This means that in Category D households 85 per cent of household members are dependents (children, elderly or disabled persons), which can mainly be ascribed to the much higher share of children of 4–16 years. The average dependency ratio of Category D households is as high as 5.7 while the average dependency ratio of all households is only 1.8.

In addition to monetary poverty, children and people in Eswatini suffer from numerous deprivations related to access to basic social services (Social Policy Research Institute and UNICEF 2018):

- The highest prevalence of deprivation among children is in the dimension of protection from physical and mental harm and exploitation with 9 out of 10 children aged 0–14 being affected.
- The deprivation in the dimension of health affects 73 per cent of children aged 0–23 months, 68 per cent of children aged 24–59 months, and 72 per cent of children aged 5–14 years.
- Vulnerability in education affects 19 per cent of children aged 6–14 years and 58 per cent of children aged 15–17 years.
### Table H.1 Demographic profile of extremely poor households compared to the profile of all households in Eswatini

<table>
<thead>
<tr>
<th>Type of household members</th>
<th>All people living in Eswatini</th>
<th>All people in extremely poor households (Categories C and D)</th>
<th>People in extremely poor labour-endowed households (Category C)</th>
<th>People in extremely poor labour-constrained households (Category D)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>All household members</td>
<td>1,139,370</td>
<td>100</td>
<td>229,279</td>
<td>100</td>
</tr>
<tr>
<td>Children 0–18</td>
<td>558,433</td>
<td>49</td>
<td>135,496</td>
<td>59</td>
</tr>
<tr>
<td>Children 0–3</td>
<td>116,427</td>
<td>10</td>
<td>26,249</td>
<td>11</td>
</tr>
<tr>
<td>Children 4–11</td>
<td>246,198</td>
<td>21</td>
<td>61,526</td>
<td>27</td>
</tr>
<tr>
<td>Children 12–16</td>
<td>147,067</td>
<td>13</td>
<td>36,932</td>
<td>16</td>
</tr>
<tr>
<td>Children 17–18</td>
<td>48,741</td>
<td>4</td>
<td>10,791</td>
<td>5</td>
</tr>
<tr>
<td>Elderly 60+</td>
<td>75,736</td>
<td>7</td>
<td>19,125</td>
<td>8</td>
</tr>
<tr>
<td>Disabled 19–59</td>
<td>100,509</td>
<td>9</td>
<td>13,196</td>
<td>6</td>
</tr>
<tr>
<td>Able-bodied 19–59</td>
<td>404,692</td>
<td>36</td>
<td>61,462</td>
<td>27</td>
</tr>
<tr>
<td>Average household size</td>
<td>4.0</td>
<td></td>
<td>6.5</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Author’s own in cooperation with the Eswatini Central Statistical Office using data from the 2015/16 Eswatini Household Expenditure and Consumption Survey.*
The highest incidence of multidimensional child poverty is found in rural areas, in large households and among girls who have been pregnant. This means that in addition to social assistance, children require access to social services tailored to reduce their non-monetary deprivation.

Table H.2  Main social assistance programmes in Eswatini, August 2018

<table>
<thead>
<tr>
<th>Name of programme</th>
<th>Type</th>
<th>Target group</th>
<th>Transfer volume per month</th>
<th>Number of beneficiaries</th>
<th>Annual costs in million E</th>
<th>Implemented by</th>
<th>Source of funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Age Grant</td>
<td>Universal</td>
<td>People 60+</td>
<td>E 400 per month paid quarterly</td>
<td>69,697</td>
<td>350</td>
<td>DSW</td>
<td>Government</td>
</tr>
<tr>
<td>Disability Grant</td>
<td>Means tested</td>
<td>Poor disabled people</td>
<td>E 180 per month</td>
<td>4,744</td>
<td>11</td>
<td>DSW</td>
<td>Government</td>
</tr>
<tr>
<td>OVC Education Grant paid to 260 schools</td>
<td>Means tested</td>
<td>Poor OVC in secondary and high schools</td>
<td>E 1,950 per year</td>
<td>51,000</td>
<td>103</td>
<td>DSW</td>
<td>Government</td>
</tr>
</tbody>
</table>

Source: Author’s own based on data from DSW statistics. They are not fully comparable with the data from the 2015/16 Household Income and Expenditure Survey.

3 THE SOCIAL TRANSFER SYSTEM IN ESWATINI

According to information from the Department of Social Welfare (DSW), Eswatini currently implements three social assistance programmes (see Table H.2). All of them are categorical programmes using demographic criteria for targeting. The universal Old Age Grant (OAG) and the means-tested Disability Grant (DG) are unconditional cash transfer programmes. The orphan and vulnerable children (OVC) Education Grant is a means-tested bursary for secondary and high school education that targets poor OVC and is directly paid to the schools.

The OAG is provided to all citizens of Eswatini once they have reached the age of 60 years. With 69,697 beneficiaries and a monthly transfer of E 400 per beneficiary the OAG is by far the biggest social cash transfer programme in Eswatini. It absorbs 75 per cent of the total social assistance budget. The DG targets poor disabled persons. It reaches 4,744 beneficiaries, pays a monthly transfer of E 180 and absorbs only 2.5 per cent of the social assistance budget. The OVC Education Grant targets extremely poor and vulnerable high school-aged children. It pays annually E 1,950 directly to the schools. It reaches 51,000 secondary high school-age children and absorbs 22 per cent of the budget. There are no other government-financed social transfer programmes in Eswatini.

Unemployment is one of Eswatini’s biggest social problems and contributes to the poverty of poor and extremely poor labour-endowed households (Categories A and C). There are no large-scale programmes that aim at providing employment (like cash for work) and/or increasing the productivity of poor and extremely poor labour-endowed households.
4 COVERAGE GAPS OF THE SOCIAL TRANSFER SYSTEM IN ESWATINI

4.1 Coverage and Exclusion Errors from a Programme Perspective

The OAG is a universal programme. It reaches 100 per cent of persons aged 60 and above, irrespective if they are poor or not poor. It has zero exclusion and few inclusion errors (ghost beneficiaries). The DG has stopped registering new beneficiaries for a number of years, while the number of poor persons living with disabilities is growing. Of the 13,196 disabled persons living in extremely poor households (see Table H.1) only 4,744 receive a DG. This is an exclusion error of 64 per cent. The OVC Education Grant spreads its benefits nearly evenly over all income categories (see Table H.3). Only 34 per cent of all secondary school-age children living in extremely poor households receive the OVC Education Grant (Eswatini Central Statistics Office and World Bank 2018). This is an exclusion error of 66 per cent.

Table H.3 Coverage of different categories of secondary school-aged children by the Education Grant in 2015/16

<table>
<thead>
<tr>
<th>Category of poverty</th>
<th>All children aged 13–17 in Eswatini per poverty category</th>
<th>Number of Education Grant beneficiaries per poverty category</th>
<th>Share of Education Grant beneficiaries in % of number of children per poverty category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not poor</td>
<td>44,000 30</td>
<td>15,400 28</td>
<td>35</td>
</tr>
<tr>
<td>Moderately poor</td>
<td>66,000 45</td>
<td>27,000 49</td>
<td>41</td>
</tr>
<tr>
<td>Extremely poor</td>
<td>37,000 25</td>
<td>12,600 23</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>147,000 100</td>
<td>55,000 37</td>
<td>37</td>
</tr>
</tbody>
</table>

Source: Author’s own in cooperation with the Eswatini Central Statistical Office using data from the 2015/16 Eswatini Household Expenditure and Consumption Survey.

4.2 Coverage and Exclusion Errors of Different Categories of Poor and Non-Poor Households by the Social Transfer System as a Whole: A Systemic Perspective

The following analysis shows how many households in the different poverty categories are reached by at least one of Eswatini’s social transfer programmes and how many are excluded from any transfers (see Figure H.2).

Of the extremely poor and most vulnerable 19,903 households (Category D) 57 per cent are reached by the OAG and/or by the DG, leaving 8,515 households (43 per cent) excluded from any social transfer. Of the 15,445 labour-endowed extremely poor households (Category C) 37 per cent are reached. Of the 37,171 moderately poor labour-constrained households (Category B) 42.7 per cent are reached. Of the 46,848 moderately poor labour-endowed households (Category A) 23 per cent are reached. While 33 per cent of the social transfers go to households that are not poor, most of the poorest households are not covered by any social transfers.

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6 The OVC Education Grant is not included in this analysis because it does not provide direct benefits to the households.
4.3 Coverage Gaps in Terms of the Inadequacy of the Amounts Transferred

The OAG and the DG do not take the household size into account. This leads to a situation where an elderly person living in a one-person household receives a monthly transfer of E400, which he or she can spend on himself. An elderly person living in a poor seven-person household (the average size of extremely poor households) has to share the transfer with six other household members. This results in an additional income of only E57 per person per month, which is not sufficient for any poverty reduction impact. In other words, many of the extremely poor households reached by the OAG do not benefit much from this programme.

The situation is worse for a beneficiary of the DG who lives in a medium or large-scale household. If he has to share the monthly transfer of E180 with six other household members the additional income is only E26 per person.

The OVC Education Grant does not contribute to the living costs and the costs for books, uniforms, closing and transport of the beneficiaries. Social workers insist that for the poorest children this is a serious flaw of the programme. ‘We send them to school barefoot and without food.’ In addition, the bursary of annually E1,950 paid to the schools has not been adapted to inflation since 2011. The schools claim that their costs amount on average to E4,000 and demand a topping up from the beneficiaries, which the poorest children are unable to pay.
4.4 Coverage Gaps in Terms of Case Management to Link Social Transfers to Essential Social Services

In addition to income, poor and vulnerable persons and households need access to basic social services. The OAG is not linked in any way to the social work activities of the DSW. Social workers are not involved in the registration of OAG beneficiaries and do not engage or know them. There are no lists of OAG beneficiaries in the regional DSW offices. This means that the OAG programme does not include activities to link beneficiary households to social services.

Social workers are involved in the needs assessment and registration of persons living with disabilities for the DG. They also receive and follow up on requests for wheelchairs and crutches in case non-governmental organizations make such equipment available to the DSW. However, there are no activities to link persons living with disabilities to basic social services.

Social workers are involved in the needs assessment and registration of persons living with disabilities for the DG. They also receive and follow up on requests for wheelchairs and crutches in case non-governmental organizations make such equipment available to the DSW. However, there are no activities to link persons living with disabilities to basic social services.

The assessment and registration for the OVC Education Grant is done by social workers. The ‘tools’ available to the social workers give no precise criteria and guidelines for the targeting. The social workers have no means of ranking the applicants according to poverty levels. Limited by severe capacity restrictions in terms of transport and funds, social workers assist and advise applicants, e.g. in case they have no birth certificates, and in some cases link them to non-governmental organizations, who are able to pay the ‘topping up’ demanded by the schools. Social workers report that many of the applicants, who live in destitution, need social assistance beyond getting an education grant. However, there is no case management system to attend to their other social needs (Schubert 2019).

4.5 Summary of Coverage Gaps

In summary, the social transfer system of the Kingdom of Eswatini is not tailored to reach all extremely poor children, people and households and to meet their most basic needs. The categorical targeting by demographic criteria (old and disabled) does not match with poverty. Due to the fact that the OAG is universal, that the DG and the OVC Education Grant are not effectively targeted and that there is no programme focusing on extremely poor households, the social transfer system spreads its limited resources almost randomly over poor and non-poor households leaving big coverage gaps. Most extremely poor households are not benefitting from any of the programmes, while one third of the funds are transferred to non-poor households. As the OAG and the DG do not take household size into account, large beneficiary households do not benefit much from these programmes. None of the programmes includes case management to link beneficiaries to basic social services.

For these reasons the social transfer system in Eswatini is not able to contribute significantly to achieving the policy objectives of the government as formulated in the National Social Development Policy and to reaching the Sustainable Development Goals formulated by the United Nations. In its present form its impact on reducing monetary poverty and on mitigating the multiple non-monetary deprivations faced by the majority of children in Eswatini is insufficient.7

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7 Poverty levels have stagnated at high levels in the last five years, with 39.7 per cent of the population estimated to have been living under the international USD 1.90 poverty line in 2016 and 2017 (World Bank 2019).
CONCLUSIONS AND WAY FORWARD

During the last years a number of reports and assessments by international organizations have suggested converting the OAG from a universal to a means-tested programme and to use the saved funds for poverty-focused interventions. The author’s proposal for redesigning the social assistance system is summarized in Table H.4.

The proposal in Table H.4 takes a systemic and needs-oriented approach to ensure that all extremely poor households are lifted out of extreme poverty. To achieve this the 20,000 extremely poor labour-constrained households are targeted by unconditional social cash transfers, which take the household size into account and are linked to a case management system. The 15,000 extremely poor labour-endowed households are targeted by public works (productive safety net) programmes. All secondary school-age children living in extremely poor households have access to bursaries, which cover the full fees charged by the schools. These three programmes are the core of the proposed transfer system. In case of sufficient funds, public works and the Education Grant should also be available to moderately poor households.

In addition to the three core social transfer programmes there has to be a disaster relief programme for all poor households affected by droughts, floods, etc. In order to avoid that non-poor households and moderately poor households fall into extreme poverty there has to be a contributory social insurance programme covering risks such as illness, disability and the death of a breadwinner.

Due to an ongoing economic and financial crisis, the Government of Eswatini will not be able to afford a substantial increase of the social transfer budget (Trading Economics 2020). Therefore, the implementation of this proposal will have to be mainly funded by phasing out the universal OAG, which absorbs 75 per cent of the social transfer budget. This is a shift from a system dominated by a universal categorical programme, which excludes all persons that

<table>
<thead>
<tr>
<th>Type of intervention</th>
<th>Non-poor households (164,000)</th>
<th>A Moderately poor labour-endowed households (47,000)</th>
<th>B Moderately poor labour-constrained households (37,000)</th>
<th>C Extremely poor labour-endowed households (15,000)</th>
<th>D Extremely poor labour-constrained households (20,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural disaster relief in case of droughts, floods, etc.</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Insurance for health, disability, death of breadwinner, etc.</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment (public works, productive safety net)</td>
<td>x</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Social cash transfers plus case management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Education Grant</td>
<td>x</td>
<td>x</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Source: Schubert (2020).

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8 Blank et al. (2012), 107: ‘Introducing some form of targeting to the OAG would make the program more pro-poor and free up resources for other safety net programs’.
do not belong to this category, to an inclusive social transfer system that gives priority to the neediest households. The political decision to implement this change will have to overcome substantial vested interests in the current system. Unfortunately, Eswatini is not the only low-income country or lower middle-income country burdened with a universal OAG that distorts its social transfer system (Schubert 2020).

REFERENCES
14. Graduation

Rachel Sabates-Wheeler

14.1 INTRODUCTION

Graduation programmes, within the broader offering of social protection, have become increasingly popular over the past ten years – growing out of earlier, more straightforward, offerings of social transfers. Some practitioners of social protection trace the routes of these programmes to the successful initiative undertaken in Bangladesh by the Bangladesh Rural Advancement Committee’s (BRAC) ‘Challenging the Frontiers of Poverty Reduction: Targeting the Ultra-Poor’ (CFPR/TUP). Others make the case that academic literature on asset thresholds popularised the idea that sufficient bundles of ‘assets’ need to be provided to enable the ultra-poor and the poor to cross critical barriers that enable them to reap virtuous cycles of asset accumulation. Whatever their origins, there is currently a variety of adaptations of the basic model across the globe. These include modifications in the constituent elements offered in the programmes (a cash or food transfer, asset provision and coaching), variations in the providers (from non-governmental organisations (NGOs) to government) and differences in the scale and length of provision (very local to national provision). Despite their increasing popularity, these programmes have underperformed in relation to graduation ambitions.

This chapter is structured as follows. In the next two sections we reflect on the meaning of graduation in social protection programmes and what this means in terms of ‘success’. We argue that there are two levels of outcome that need to be achieved in order for a graduation programme to have reached its objective. The first level relates to consumption and food security; the second level relates to sustained livelihood improvements. Drawing on evidence, we show that first-level outcomes are, on average, successfully achieved; yet evidence to support the fulfilment of second-level outcomes is inconsistent and underwhelming. In the penultimate section we suggest four reasons as to why this is the case and then we conclude by discussing the outlook of graduation programmes in the future.

14.2 WHAT DOES GRADUATION MEAN?

In its most basic conceptual form, graduation is identified as successfully moving from one state to another. In the education sector, for instance, graduation refers to points at which students successfully finish any one specific level of schooling, as measured by a pre-established system of grading. By graduating from one level, they are qualified to progress to the next level. Within programmes for the poor and food insecure, graduation can similarly identify when a household or individual has moved from a point of food insecurity or poverty to a state of food security or ‘non-poverty’. This means that they are eligible to graduate from the programme and that social transfer support can be withdrawn. In this sense, graduation within the education and development sectors are similarly conceived – as successfully attaining a pre-defined outcome. In school, achievement of this level is measured by academic, nationally
set, exams; in poverty programming the graduation threshold is measured by predetermined criteria that are evaluated at specific points in time with the use of household data that allow the construction of poverty statistics, asset levels or food security indicators, for instance.

Beyond this most basic similarity the comparability of graduation within the education and the social protection sectors loses value. Graduates from high school are given nationally and internationally recognised qualifications to enable them to move onto another level of schooling, training or into the job market. Success in exams acts as a sifting and screening device and is a fixed achievement that a student can accumulate. Once gained, the markers for educational success cannot be removed or eroded (unless they are found to be bogus). On the other hand, graduation from a poverty programme is an entirely different and more complex phenomenon. First, ‘successful’ graduation from poverty or a state of food insecurity, for instance, is not a one-off fixed achievement. We know from the wealth of evidence on poverty churning (Baulch and Davis 2008) that shocks, stresses, changes to family structure and poor household decision making mean that households can regularly fall into and out of poverty. Furthermore, the length of time that a household will sustain a position of ‘successful’ graduation will vary. For this reason, a one-off measurement for graduation is not suitable as a measurement for success. Long-term monitoring is required to establish whether a household is on a successful trajectory out of poverty. This is a reason why the concept of graduation within social protection programmes has been expanded to recognise that it is a process – a sustainable trajectory of change that is required to determine success, rather than a one-off change in status (Sabates-Wheeler and Devereux 2013).

The theoretical basis of these graduation programmes is found in ‘asset threshold’ models, which argue that due to the lumpiness of assets and non-linearities in asset accumulation, thresholds exist that need to be crossed if households are to graduate from poverty and dependence.¹ So, for instance, if a farmer needs two oxen to make productive use of his plough there is little point in providing him/her with just one ox. Once over a threshold, the dynamic is to move up to a higher productivity equilibrium, but below the threshold the tendency is to move down to a low-productivity, subsistence-level equilibrium. The literature on poverty traps also emphasises the importance of accumulation of assets as necessary for sustainable mobility out of poverty (Carter and Barrett 2006; Carter and May 2001; Adato et al. 2006). Barrett and Swallow (2006) argue that because assets generate incomes for households, asset dynamics underpin structural income dynamics. Similarly, Carter and Barrett (2006) argue that low-asset households earn low returns on their asset holdings, which perpetuates their poverty because they earn less investible surplus after meeting their immediate consumption needs. This then suggests that thresholds for achieving independent sustainable livelihoods cannot be defined in terms of (essentially arbitrary) income poverty lines, as suggested above, but by the crossing of asset and income thresholds associated with poverty traps. Of course, even once above these thresholds, households can still return to poverty due to a range of factors, including climatic and economic shocks.

¹ This is specifically the case for programmes implemented in rural areas of lower-income countries. In more developed economies ‘graduation’ is frequently associated with the take-up of formal employment. In these contexts a similar debate takes place of whether just any job counts, or whether one needs to measure graduation in relation to the process of people remaining in the job over a longer period of time.
There is often confusion about the exact meaning of the term ‘graduation’. In fact, there are two distinct ways of viewing it, as shown in Figure 14.1. ‘Threshold graduation’ is an administrative benchmark that signals the point at which a beneficiary is no longer eligible for the programme. For example, when a household income rises above a specific benchmark value they are no longer eligible for support. ‘Sustainable graduation’, on the other hand, refers to a state in which livelihoods have been fundamentally transformed through a comprehensive package of interventions which have social protection instruments at the core. This is substantively different from meeting a specified benchmark, as it is about supporting a positive change in livelihoods over time. Sustainable trajectories of change are much more difficult to monitor and evaluate compared to transitions from one state to another. Asset indicators are one method that has been tried with varying success. Given the significant numbers of poor households currently enrolled in graduation programmes around the world, it is imperative to find a way to promote and identify success.

**Figure 14.1  Thresholds and graduation**

**14.3 WHAT DOES SUCCESS LOOK LIKE FOR GRADUATION PROGRAMMES?**

In the early years of social protection, cash and food transfers (as the primary instrument for social protection) were held out as the magic bullet to food security and poverty reduction. Findings from impact evaluations conducted over the last 15 years show a range of positive impacts that are causally achieved through the provision of these transfer programmes. These include impacts on food security, consumption, headcount poverty reduction and school enrolment, among others (Baird et al. 2013; Davis et al. 2016; Bastagli et al. 2016; Hidrobo et al. 2018; Millán et al. 2019). Yet, other evidence suggests that cash transfers have not necessarily
delivered on broader impacts – such as on asset accumulation, productivity, learning and health outcomes (Attah et al. 2016; Millán et al. 2019). In other words, there was a realisation that cash transfers alone would not provide a silver bullet (Adato and Hoddinott 2007) for sustainable transformation of livelihoods.

In response, a range of more comprehensive anti-poverty programmes that include social transfers (cash, food or assets) as a core element, but not limited to this, have emerged in numerous countries as a way to achieve outcomes over and above improvements in food security and reductions in poverty rates. Variousy referred to as graduation model programmes, ‘cash plus’ or integrated social protection programmes, these efforts situate cash transfers at the centre of the intervention but augment the transfers with a range of other provisions that would act synergistically to achieve the desired results.

The most well-known graduation model was developed and implemented by BRAC for the CFPR/TUP in Bangladesh in 2002 (Hashemi and Umaira 2011). Their graduation approach was later adopted by the Consultative Group to Assist the Poor – a global partnership of 34 organisations – and has been piloted in a number of other countries. This specific version of the model combines cash transfers with asset support, savings, microfinance and training. Other graduation programmes combine cash, food and/or asset transfers with additional service components (e.g. credit, training, sensitisation meetings, psychosocial support) or with linkages to social services. These transfers could be conditional or unconditional. Well-known programmes, such as the Vision 2020 Umurenge Programme (VUP) in Rwanda and the Productive Safety Net Programme (PSNP) in Ethiopia, share these similar elements. For instance, the VUP programme provides cash payments to the poorest households: those households with labour are required to perform public works, while those that are labour constrained are given cash with no conditions. Public works beneficiaries are also able to access extension services, credit and support to promote small business development.

Graduation takes place when households move from the poorest poverty categories to a non-poor classification, which is evaluated every two years through the means of a community-verified targeting process that relies on a set of identification questions that allows a social/poverty ranking. In addition to state-supported programmes, there are also a plethora of NGO-funded and supported small-scale graduation pilot programmes that variously combine different elements to meet the various needs of distinct target populations. Due to short funding cycles, these NGO programmes typically ‘require’ that graduation takes place in a two- or three-year time frame.

The stated primary objective of these initiatives is to move extremely poor and vulnerable households out of poverty and vulnerability into sustainable livelihoods, meaning the movement is sustained in the absence of continued support through social transfers (this is the essence of sustainable graduation, as referred to above). Broadly speaking, all programming for graduation has two levels of outcomes that are sequentially achieved if the programme is to be deemed a success. The first level relates to food security and basic needs provision – typically measured in terms of consumption or other poverty indicators. Once this has been achieved, then the second-level outcome becomes improvement in livelihoods and opportunities for the household. The second level requires that beneficiaries are able to productively use the complementary package of support available to them (such as credit, assets, training, etc.) to improve their livelihood opportunities and resilience – typically evidenced through higher investments (income, assets and human capital), asset accumulation and savings.
Clearly, fulfilment of the first outcome reinforces and sustains the ability to fulfil the second outcome. It goes without saying that fulfilment of the first-level outcome is a critical function of development interventions and must be held up as a success for serving the poorest and most vulnerable; yet, what do we know about how graduation programmes deliver on both sets of outcomes? In the next section we show that the evidence indicates that graduation programmes do remarkably well at delivering on food security and consumption for the target populations – primarily through the cash and food transfer component – but fall short of delivering sustainably on the second-level outcome of longer-term positive changes in assets and livelihoods. In other words, beneficiaries of these programmes might be surviving well due to the programmes, but the idea that they are thriving is still a long way off. Similarly to Sabates-Wheeler et al. (2020a), we suggest reasons for why this is the case and suggest that there may be alternative routes to moving people sustainably out of poverty.

14.4 EVIDENCE OF SUCCESS

Results from randomised control trial evaluations in six countries, of BRAC-type graduation model programmes, show statistically significant impacts on the consumption of beneficiary households (Banerjee et al. 2015). These impacts lasted for at least one year after all implementation ended and Banerjee et al. (2015) claim that the programmes have been ‘very effective’. A report by Kidd and Athais (2019) tempers this overly positive portrayal by presenting the actual impact in absolute terms. They show that household consumption only increased (across the six countries) by between USD 0.04 and USD 0.12 per capita per day. Despite this, overall there was a positive and significant change, and an increase of 8 cents a day per capita for a six-person ‘ultra-poor’ household could constitute a significant change in household income. While this suggests that there is some mileage in graduation programmes on consumption, another recent analysis of the BRAC-implemented CFPR programme by Misha et al. (2019) questions the sustainability of the improvements in outcome indicators over a longer time period. They find that while remarkable effects of the CFPR are evident in the short and medium term (up to six years since baseline), longer-term effects are smaller. The headline finding is that a large proportion of participants are reverting to begging, being maids and day labourers – this was not the case after six years but is the case after nine. This suggested that a significant number of beneficiaries are falling back. Furthermore, many other initial benefits from the programme also diminished over this period, for instance, the number of animals owned consistently decreased.

Shoaf and Simanowitz (2019) present findings from a mixed-methods research project designed to understand the longer-term drivers of progress and decline for participants in an extreme poverty ‘graduation’ programme implemented by Fonkoze in Haiti. The programme targets extremely poor households in rural Haiti with a comprehensive package of inputs (including cash transfers) designed to support their ascent out of poverty. The quantitative evaluation reported that five years after graduation just 14 per cent of participants improved their situation, 19 per cent maintained their graduation position and 67 per cent declined from the position they had achieved at graduation. The qualitative data paint a much more positive picture, with 31 per cent improving, 41 per cent maintaining, and 29 per cent declining. One reason for this substantial difference is the measurement used to define improvement. In the quantitative evaluation asset value was the only indicator used, whereas in the qualitative eval-
uation a range of other indicators were used. In addition, the qualitative sample size was much smaller. Despite the difference, it is clear that a significant number of targeted households were unable to sustain a positive change in assets after ‘graduating’ from the programme.

Drawing on two evaluations of graduation model programmes supported by Concern Worldwide in Burundi and Rwanda, Devereux et al. (2019) show that the programmes have significant impacts on a range of food security indicators for the target groups. These food security impacts, including indicators of dietary diversity, meals per day and consumption of protein, are sustained, on average, at two years after graduation. On this basis, overall, the programmes are deemed a success. Yet, the analysis falls short of evaluating the second-level ‘productive’ outcomes of the programmes. Further analysis using the same Rwanda panel survey data by Sabates-Wheeler et al. (2018) tested some hypotheses around enablers and constraints that predict different livelihood pathways. They found that only 28 per cent of beneficiaries managed to sustain second-level programme benefits two years post-programme across all three outcome indicators.

Intensive mixed-methods evaluations, spanning 12 years, show that the PSNP in Ethiopia has been very successful in reducing the food gap, the severity of food insecurity and in improving the diets and nutrition for its beneficiaries (Hoddinott et al. 2013; Gilligan et al. 2009). Furthermore, the programme has helped the poorest to retain and accumulate assets, such as housing and livestock. At a national level, claims are made that the PSNP has been key to the elimination of famine in the country and has contributed 2 per cent to gross domestic product growth. Despite these impressive results, graduation from the programme and into sustainably improved livelihoods has been surprisingly low, and for those who have left the programme it is unclear whether they are in a better situation, on average, than those remaining on the programme. Work by Sabates-Wheeler et al. (2020a) shows that despite high official graduation statistics, some of the graduated households were not food secure and many had asset levels no different from those households who were still in the programme. Across both the quantitative and qualitative samples there are no differences between recent graduates and public works beneficiary households in terms of the value of productive assets owned, or between the perceived level of welfare.

14.5 WHY ARE SUSTAINABLE LIVELIHOOD OUTCOMES SO ELUSIVE?

Programme-specific reasons for poor programme outcomes include poor design, inadequate levels of transfers, poor targeting, dilution of transfers to more than the intended beneficiaries, unpredictability of transfers, etc. All of these are documented reasons why any one graduation programme may not achieve the objectives in the time frame envisioned. Yet, these programme-specific ‘inadequacies’ do not fully explain why, across the board, the objectives for moving poor households into sustainable and productive livelihoods have been so underwhelming. Below we suggest four reasons that we believe are fundamental to explaining the poor performance of graduation programmes to date.
14.5.1 The Standard Graduation Package Does Not Cater to the Heterogeneity in the Target Group

The majority of graduation programmes provide a standard package or menu of resources for an identified population over a specified time frame. This includes a social transfer, training, credit access, small business support and sometimes an asset transfer. However, this package does not account for the heterogeneous needs within the target population, which can strongly undermine the achievement of programme objectives. Put simply, assumptions of homogeneity across programme-eligible households — that is, that they are all equally vulnerable — means that the needs of heterogeneous population groups are not met. In terms of intended programme outcomes, overlooking this heterogeneity in household and context characteristics led to muted (or insignificant) effects.

Unless the provision is big enough this heterogeneity will simply mean that only those already in a relatively advantageous position (closer to the poverty line) or those with needs that more match the programme benefit package will be able to reap the benefits of the change. On the other side, those far below the poverty line/resilience threshold will slowly fall back to their original position unless they are provided substantially higher levels of transfers and support to close the gap. Work by Banerjee et al. (2015) finds some empirical support for this hypothesis. Their evaluation of multi-faceted graduation in six countries showed that even among the very poor targeted by the programmes, the impacts on income, revenues and consumption, though positive everywhere, are lower at the bottom of the distribution. ‘By endline 2, the point estimate of the impact of the program at the 90th percentile of the asset index is more than 10 times at the 10th percentile’ (2015, 14). The problem with the intervention is that it offers the same package of assets and resources to all households regardless of who they are and where they are on the distribution.

The standard assumptions of constant returns to assets and homotheticity of preferences is becoming less plausible with a number of empirical evaluations of graduation programmes showing that livelihood pathways of households diverge markedly post-cash transfer (Sabates-Wheeler et al. 2018; Misha et al. 2019). Using panel survey data from a model graduation programme implemented by an NGO in Rwanda, Sabates-Wheeler et al. (2018) tested some hypotheses around enablers and constraints that predict different livelihood pathways. They found that only 28 per cent of beneficiaries managed to sustain programme benefits two years post-programme across all three outcome indicators. The programme provision was not tailored appropriately to households’ needs, the authors indicated, because heterogeneity in programme participants’ households and circumstances was typically not taken into account during targeting, implementation or beneficiary removal from the social protection programme. The work concluded that ‘graduation’ from social protection programmes requires a full understanding of the heterogeneity of beneficiaries being targeted in different programmes as well as the context in which people live and work. Similar results can be seen in evaluations of Kenya’s Hunger Safety Net Programme (HSNP) (see Merttens et al. 2013).

A related assumption in most graduation programmes is that all the targeted poor population have a latent potential for entrepreneurship: the ‘aptitude for business’ hypothesis. Some people are just not entrepreneurial and would prefer to consume more now, thereby converting assets into consumption, whereas others would prefer to forgo current consumption and patiently await future returns (Misha et al. 2019). In their study of six countries, Banerjee et al. found that Ethiopia presents an exceptional case whereby, through the use of quantile
treatment effects, they find that the ratio of total asset gain to the cost of the transfer increases as they move from the first to the fifth quantile...increasing to above one for the 75th and 90th percentiles (2015, table 4.11). This is not true for the other countries and suggests that in Ethiopia the propensity to ‘consume’ or deplete assets is higher for poorer households. In other words, this suggests that there is heterogeneity across the sample.

Attempts to tailor programme design based on the implications of the above findings is not easy, inasmuch as it would be prohibitively costly and administratively impossible to adapt support to the needs of each and every household. This would require the establishment of a case management system able to identify specific household needs. Chile Solidario (Chile’s integrated social assistance programme) has gone some way to addressing this by ensuring that social workers are part of the ‘package’ of support as a way of understanding better the needs of households. However, even higher-income countries, with relatively well-developed case management, will not be able to provide the granularity of desired packages or results.

Yet, where there are obvious patterns, such as in regard to labour availability, initial asset profiles and gender of household head, different groups can be targeted to receive adapted packages of support for variable time frames. Only with some thought given to appropriate support for specific groups will a programme stand some chance of achieving resilience-building programme objectives.

14.5.2 In Contexts of Widespread Poverty, Constrained Budgets Mean That Targeting for Eligibility and Graduation Has Limited Impact

As convincingly demonstrated by Ellis (2012) in his review of the implications of poverty-targeted cash transfers for social, economic and political difference in rural Malawi, Zambia and Ethiopia, the process of differentiating the target group of the poorest from other, almost as poor, households is an incredibly difficult, at times impossible, task. In many rural contexts, particularly in Sub-Saharan Africa, the income and consumption distribution of poor households is so flat that the task of deciding the cut-off threshold for programme eligibility means that targeting can be both socially and politically divisive. Consider that a cash transfer targeted to the poorest 5–10 per cent of a community might well have poverty-reducing impacts for them and change their poverty status (that is, their place in the local income distribution) relative to the less poor households comprising the 10th to 20th percentiles of the income distribution. Ellis (2012) discusses the likely resentment from poor but non-eligible households in these situations.

Empirical work by Sabates-Wheeler et al. (2015) on poverty targeting in Rwanda shows that, even putting social and political tensions aside, the measurement and identification of proxy indicators that correlate with extreme poverty is technically no small feat. The VUP graduation programme began in 2008 and builds on the same basic design as Ethiopia’s PSNP. The VUP aims to reduce extreme poverty in Rwanda through providing regular and predictable cash transfers, either as payment for short-term public work or through unconditional transfers to labour-constrained households. It also offers financial assistance, via low-interest loans to programme beneficiaries, for investing in productive enterprises. Households eligible for the VUP must be extremely poor.

An attempt was made in 2014 to introduce ‘objective’ indicators into identification of the poor by using a proxy means test methodology. This was for the purposes of targeting for eligibility as well as for graduation. Despite this, Sabates-Wheeler et al. (2015) show that across
a range of basic indicators there are simply no easily identifiable variables (or combinations of variables) that can clearly and accurately distinguish the poorest from those who are better off. Even the construction of simple asset indexes was unable to help with poverty targeting because so many poor households were scored identically. A frequently overlooked reason for this difficulty is the fact that poverty is so widespread among the population, with very little variation in poverty levels at the lower end of the distribution, that any ‘simple’ form of targeting, amid high levels of rationing, is bound to lead to large errors of inclusion and exclusion both in terms of selecting the beneficiaries and again when it comes to identifying those ready for graduating off the programme.

A similar poverty profile threw up comparable challenges for targeting the poorest in northern Kenya’s HSNP, an unconditional cash transfer programme (Merttens et al. 2013; Merttens et al. 2017). Launched in 2009, the HSNP aims to reduce extreme poverty by delivering regular cash transfers to some 300,000 poor and vulnerable individuals in four districts – Mandera, Marsabit, Turkana and Wajir. Targeting in this context presents considerable challenges, not just logistical but also in terms of defining an appropriate and identifiable target population. Despite an attempt to improve the accuracy of targeting for Kenya’s HSNP programme at the end of Phase 1, a targeting analysis by Silva-Leander and Merttens (2016) showed no major improvement in the accuracy of targeting the poorest, again due to the difficulty of targeting in northern Kenya – in particular due to the flat consumption distribution and the wide extent of poverty. Silva-Leander and Merttens offered the following assessment:

The extent and uniformity of poverty in areas targeted by HSNP2 made it difficult to accurately identify the poorest households using either the PMT [proxy means test] or CBT [community-based] targeting mechanisms. Exclusion and inclusion errors are very high, and targeted beneficiaries are not considerably worse off than nonbeneficiaries in terms of monetary poverty. Importantly, the targeting performance appears to be very close to what would have been achieved if a random targeting rule had been used. (2016, 6)

In summary, accurate poverty targeting – for inclusion or for graduation from a programme – in contexts of very high poverty levels proves extremely difficult to implement. The same is obviously true of targeting/selecting households that are ready to graduate from a programme.

This common phenomenon leads one to question the fundamental assumption that there is a poverty trap from which the programme is helping the poor to escape. As suggested by Banerjee et al. (2015), it could be a ‘poverty flat’ – a world in which small changes persist but do not facilitate continued improvements; but neither do these changes dissipate rapidly. Therefore, even though people are in a marginally better position and more ‘secure’ than before the change, progressive long-term changes are not forthcoming as there is no poverty trap, but a poverty flat. In keeping with Ellis’ (2012) hypothesis that ‘We are all poor here’, perhaps the specific poverty trap for the beneficiary group represents just a small portion of the trap, or is one layer of multiple traps, thus when the beneficiaries move out of it they simply join others who are also broadly poor. This resonates with the ‘we are all poor here’ critique of the muted effects of cash transfers. What is needed then is a much bigger and more widespread push than that provided by graduation programmes in order to see a substantial change in the rate at which households move out of poverty.
14.5.3 Graduation Programmes Carry an Implicit Assumption That the Wider Economy Will Be Able to Support Graduates

The majority of graduation programmes – government- or NGO-run – provide beneficiaries with a package of support until a point at which they are evaluated as ‘resilient’ enough to be moved off the support. Some programmes simply end the support overnight; others give a warning and a period of lead-in time (the PSNP provides a one-year notice); and others, somewhat more progressive programmes, move beneficiaries from the programme onto a transitory package. For instance, BRAC’s CFPR/TUP moves beneficiaries from income and consumption support to savings and micro credit and then onto market-provided credit. Once off the programme the household/graduate is expected to remain in a relatively strong livelihood position and even make strides into stronger and more entrepreneurial livelihoods.

However, the vast majority of graduation programmes are not linked to labour market opportunities and state transformation plans for the local and national economy. In other words, the bigger, more structural context to facilitate and promote graduation is overlooked – a story about improvements to systems, natural resource management, service delivery, agricultural production and labour markets, etc. Many graduates are expected to become entrepreneurs using the start-up training and capital provided by the graduation programme. In many countries where the informal economy is expansive, options of joining the formal labour market are not given much attention. Yet, formal jobs do not only represent a cornerstone of sustainable employment, they may also be favoured over self- or informal employment (Sumberg et al. 2015).

How can we expect the local or national economy to absorb a population of ‘poverty graduates’ if there has been limited to no transformation of the economy? If labour markets, land markets and goods markets are sluggish or non-existent, how can graduates sustain independent and productive livelihoods? Another term that has become increasingly used as a synonym for ‘graduation’ is ‘productive inclusion’, where emphasis is put on ensuring, through training, credit provision, financial literacy, business skills development, that households can engage productively in the economy. The problem with this, as with all graduation packages, is that the onus is placed squarely on the household to pull themselves up by their bootstraps, take advantage of the minimal offerings provided by the programme and move themselves into productive, sustainable livelihoods.

This type of paternalistic, compensatory-based provision dominates graduation programmes in middle- and low-income, aid-dependent countries. However, this reflects an erroneous theory of progressive economic inclusion for the deserving few whereby the state sidesteps any responsibility for welfare provision. We see this in the explicit conditions for education and health uptake or in the asset, training and entrepreneurial start-up advice for beneficiaries of graduation programmes (Sabates-Wheeler and Devereux, 2013). On the one hand households are expected, with a little hand holding from states and donors, to grow themselves out of poverty; on the other, the state and donors abdicate any responsibility for providing and ensuring conditions conducive to support household growth out of poverty, such as platforms that build citizen agency and the structures to escape vulnerability (i.e. adequate quality labour markets or education facilities). Of course, there are some exceptions to this, such as India’s National Rural Employment Guarantee Act and, arguably, Brazil’s Bolsa Familia (see Sabates-Wheeler et al. 2020b for a discussion of these), yet, overall, the pattern of state withdrawal from social provision holds. Where do the duties of the state lie towards its
citizens and how can we move from discretionary-based models of service delivery to inclusive, rights-based and transformative social protection? Graduation programmes should be implemented within a wider remit of structural policy, to avoid governments being absolved of their responsibilities and individuals and communities bearing the brunt of creating their own employment.

14.5.4 Graduation Programmes Are Not Sufficiently Flexible in Chronic Shock Contexts

Related to the point above, many graduation programmes are not designed with a ‘revolving door’, that is, once off the programme it is difficult to get back on. Those few national programmes that allow past beneficiaries back on a programme would do so at the time of retargeting, which could be a two–three-year interval. In the case of cyclical climatic events, such as droughts and floods, the frequent experience is that the shock quickly wipes out any accumulated assets, especially livestock and small ruminants, such that the household backslides into a position of diminished assets. While assets may be wiped out, consumption may not be substantially undermined, particularly in the case where a shock-responsive safety net is effectively mobilised. Countries such as Ethiopia face recurrent shocks every two to three years – a phenomenon dubbed as a recurrent recovery crisis.

In the Fonkoze programme in Haiti almost a third of Chemin Lavi Miyo (CLM) participants experienced a decline in their situation post-graduation. While building resilience to shocks is implicit in much of CLM’s programming, there may be value in a more intentional approach, which ensures CLM graduates understand the ease at which they could lose the progress they have made if they are not adequately prepared before a shock occurs and provides them with the tools to prepare. The more recent addition of village savings and loan associations to support the accumulation of cash savings is already a positive step in this direction. In other words, the additive effect of savings and loans to the cash transfer will allow people to invest more in prevention strategies.

Graduation in social protection programmes implies withdrawing support – a ‘one-way door’ out of the programme – and can therefore be considered as offering a pathway out of poverty but no support for those needing continued or renewed protection against poverty (Kidd 2013). Responsible graduation recognises that people might need to come back onto the programme and access the support. Unlike an education qualification, a graduate from a social protection programme can quickly lose their graduation ‘credentials’. Sadly, most graduation programmes are far too ‘clunky’ and not nimble enough to respond to these demands. As argued elsewhere by Roelen et al. (2017), we believe that people should be allowed to move on and off programmes when they are eligible and in need of support. The new agenda on ‘shock-responsive’ social protection systems speaks to this, whereby ‘potential’ programme recipients are registered within a social protection system so that when shocks hit and they require support, they are able to register and make claims on social provisioning. This would apply equally to past graduates who subsequently fall back into eligibility – they should be allowed to reregister.
14.6 CONCLUSION: THE FUTURE OF GRADUATION PROGRAMMES

So, where does this leave the prognosis for the future of graduation programmes? Graduation programmes have been heralded as an answer for both the protection of lives and the promotion of sustainable livelihoods. It must be emphasised, again, that these programmes deliver consistently on first-tier outcomes of food security, consumption support and other basic needs provision. This is a very good thing! Yet, the fact that they have not been able to provide convincing impacts for longer-term movements out of poverty means that we need to reconsider both the content and viability of these programmes.

If we continue to promote the establishment and evolution of graduation programmes then it is clear that more attention needs to be paid to: (1) increasing funding to cover the undercoverage gap (both horizontally through transfer top-ups and vertically for coverage increase); (2) designing and providing different packages and pathways for different groups of households; (3) structural transformation of the local and national economy so there is a real sense of hope for households as they strike out on their own; and (4) political commitment to social protection, in any form, as a right that all people can access when they are in need of support.

Yet, there is a bigger question as to whether, given the underwhelming evidence for graduation, it is time to take any lessons learnt and move on from such complex packages of support that attempt to achieve too much with far too little funding, in too short a time frame. We have deliberately avoided analyses of cost effectiveness of graduation programmes in relation to other development interventions, however, evidence shows that they are very expensive. Estimates suggest that the overall cost per participant ranges from roughly USD 1,500 to USD 6,000, with the labour requirements for the implementation of programmes representing a considerable share of those costs (Banerjee et al. 2015). Kidd and Athias (2019) report that the costs range from USD 379 per household in India to USD 2,865 in Peru. The financial implications give rise to discussions about the value added of the individual components of graduation programmes and the extent to which support can be stripped down or built up while still achieving positive change (see Burchi et al. 2018). Lacking are any studies that compare the cost effectiveness of these programmes to other more standard programmes such as infrastructure and social programmes that may achieve better outcomes for livelihood development.

As long as food security outcomes remain a concern for development interventions – which of course they will – then there may be more efficient and effective ways to achieve these than through a whole package of complex support. A wealth of evidence shows that a basic cash or food transfer is an effective way to help households at the survival threshold, so there is a case for continuing to provide these. Beyond this, helping poorer households to thrive and build productive, sustainable livelihoods remains a challenge. Given the complexity and high cost of graduation and cash plus programmes and the limited coverage and impacts they appear to have, it may be worth considering alternatives for achieving longer-term outcomes for improvements in livelihoods. This could include going back to traditional infrastructure programmes – provision of roads, irrigation systems, assets, etc. At a minimum the relative cost effectiveness of these provisions needs to be evaluated against the ‘productive’ components of a graduation programme. In addition, a renewed emphasis on social provision as a guaranteed right, an entitlement that all people have access to in times of need, would help to realign all social protection provision to ambitions of social justice and redistribution that is necessary for achieving long-term sustainable change for the lives and livelihoods of the poorest.
REFERENCES


15. Taxation and social protection

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15.1 INTRODUCTION

Social protection systems require funding. Regardless of the motivation driving governments to support the expansion of social protection systems, all governments face the question of how to finance these plans. No matter what, this question will (rightly) trigger heated debates. This is the case for all countries, rich or poor.

By contrast, the content of this debate in high-income economies differs substantially from the one in low- and middle-income countries (LICs and MICs). In high-income economies, much of the discussion focuses on how generous a social protection system should be and how it can be financed in an economically efficient and socially fair manner (see Chapter 7). Hence, efficiency and fairness tend to be the two pivotal areas of discussion. In LICs and MICs the debate is rather focused on the sources of funding and whether plans can be financed at all.

In fact, many observers perceive financing as the one key constraint for extending and deepening social protection systems in LICs and MICs (Barrientos 2008). Variability is high among countries and reliable and comparable data on how overall social protection systems are financed is lacking (see Chapter 17). It is still safe to say that most of the systems in these countries are underfinanced and poorly developed. In most cases, the great majority of the funding is generated domestically, predominantly through taxes and social insurance contributions; but in some areas the role of external donors is crucial (Niño-Zarazúa et al. 2012).

Donor funding is particularly relevant for social transfer schemes in some country groups. Beegle et al., looking into African cases, indicate that, on average, donors finance the majority of government spending in this sector with shares being particularly high in ‘in lower-income countries, in fragile and conflict-affected states, and in humanitarian crises’ (2018, 35). The safety net of countries such as the Central African Republic, the Democratic Republic of Congo and Malawi are fully financed by donors. This is not indicative of the funding mechanisms in all Sub-Saharan Africa, as countries such as Namibia, Botswana or Gabon pay the cost associated with their social safety nets completely on their own.

Funding constraints will remain to be significant and limit the capacity of LICs and MICs to expand their social protection system at least in the short run. Practitioners and donors are aware of this fact. LICs and MICs need to increase their domestic revenues in order to afford the expansion of their social protection systems. Social insurance contributions are an alternative way of financing this expansion and will need to play a role as well. However, it is difficult for social insurance schemes to reach out to low-income groups who are in informality and/or too poor to pay for their own social protection. Especially the poorest of the poor can only be reached by tax-financed approaches (Bastagli 2013) and this is the focus of the chapter.

The question is whether there is scope to generate the required amounts of domestic funding in the mid- and long run. The discussion cannot ignore the necessity to have a clear understanding of how the generated funds interact with the goals of the social protection schemes. This is especially relevant with regard to redistributive effects and the fight against
extreme poverty. Moreover, it demands acknowledging that the design of social protection schemes and tax policies also affect each other in terms of restricting the political acceptance and support for the respective measures, and thereby the political feasibility of any reform plans. How much people will accept paying depends on how much they can expect to get in exchange. Similarly, how a social protection system is designed will tend to mirror which actors predominantly pay for it.

Against this background, this chapter discusses the interlinkages between social protection and tax policy in three steps. Section 15.2 focuses on the revenue side and discusses where revenue potential for funding the expansion of the social protection system might come from. Section 15.3 discusses how tax incidence might interact with the distributional effects of social protection systems. Section 15.4 discusses how the shape of a country’s social protection system can impact on citizens’ readiness to pay taxes to extend social protection. Section 15.5 concludes.

15.2 OPTIONS TO MOBILISE MORE DOMESTIC REVENUE

In order to find out how social protection schemes can be financed, it is helpful to analyse where revenue potential is underused. Moore and Prichard identify what they call dangling fruits, defined as ‘those specific potential sources of large additional tax revenue that seem generally to be under-exploited in many low-income countries’ (2017, 8). The authors explicitly do not aim at doing any specific highly technical tax gap analysis to identify the potential of each tax instrument. The goal is rather to indicate broadly where potential additional revenue is located, in order to inspire case-by-case discussions. Thereby the authors mix to some degree categories such as productive sectors, types of taxes or groups of taxpayers as potential dangling fruits. For each of these, they propose some strategies but not a strict recipe on how to best exploit these areas. Concretely the authors estimate that ‘over a period of five to ten years, each [of the dangling fruits] has the potential to increase the tax take by 1–2 percent of GDP [gross domestic product], and perhaps significantly more’ (Moore and Prichard 2017, 8).

This is a remarkable number if we consider that LICs spend on average a dramatically low 0.7 per cent on social protection. Spending in upper and lower MICs is higher with an average of 8.7 and 6.7 points of GDP. Still, this is far from the around 14 points of GDP that high-income countries spend. In this line, activating these revenue sources would be fundamental to cover the estimated four to five points of the GDP financing gap to cover basic social protection in LICs (Ortiz et al. 2019, 25).

The eight ‘dangling fruits’ are as follows.

1 Of course, social protection systems and schemes do not need to prominently pursue these goals. As discussed in Part I of this handbook, the systems and particular schemes can pursue other goals such as risk mitigation.
2 These numbers exclude spending on health and education. It is important to note that the numbers also decrease remarkably in the aftermath of the 2008 financial crisis, which indicates that the funding for social protection systems in MICs and LICs is not only low but also volatile (Ortiz et al. 2019, 25).
3 In essence these short explanations just summarise the main ideas discussed in Moore and Prichard (2017).
15.2.1 Transfer Mispricing in International Economic Transactions

Transfer pricing rules refer to the rules by which multinational corporations allocate profits across tax jurisdictions.\textsuperscript{4} Each tax authority deals with the multinational’s subsidiary operating in its country. Especially large international companies exploit these rules to shift profits via internal transfer prices to subsidiaries located in countries with lower tax pressure. The recognition that these practices represent a large amount of revenue loss among many countries led to the initiation of a major international policy process and discussion to reform the international tax rules. Most prominently, the Organisation for Economic Co-operation and Development (OECD) is conducting for the G20 the Base Erosion and Profit Shifting project which serves as a cornerstone of this process.\textsuperscript{5} Although the revenue potential for LICs and MICs might have been overestimated at the start of these discussions, especially LICs might benefit largely from closing these loopholes. Although there is substantial variation between countries, in some cases such as Zambia, Pakistan or Argentina the potential revenue gains are estimated to be above 4 per cent of GDP in revenue.\textsuperscript{6}

15.2.2 Mining

Revenue from mining is only relevant in some countries, but where it is, it tends to be high. Taxing the mining sector is technically particularly complex due to the large sunk costs and long investment periods required coupled with uncertainty about price levels. A wide range of instruments are used to raise from mining activities including most prominently government participation, corporate income tax and royalties.\textsuperscript{7} The mainstream policy advice for LICs and MICs is to combine an ad valorem royalty, corporate taxation and a resource rent tax to ensure revenue flow from the start of production but also revenues increase in correspondence with higher commodity prices. This best practice is not often implemented. In fact, it is difficult to gain information on the actual legislation in the different countries. It is common practice in this sector to negotiate specific tax agreements with large companies. The technical difficulty added to opacity in negotiations often leads to disadvantageous deals for countries and major problems of corruption.

15.2.3 Tobacco and Alcohol

There is not much reliable comparable information on excise taxes on these products in LICs and MICs. There is wide agreement however that the statutory tax rates on taxes are low and that the revenue raised is below its potential. More broadly there are also public health

\textsuperscript{4} See Picciotto (2018) for an overview of the issue and some recommendations.
\textsuperscript{5} For detailed information on the Base Erosion and Profit Shifting project visit www.oecd.org/tax/beps/
\textsuperscript{6} For instance, Chad, Zambia, Pakistan, Argentina, Namibia, Mozambique and Guatemala are among the countries that would benefit most. Not surprisingly, countries such as Cyprus and Lebanon are among the biggest losers, but also Brazil and Iraq are countries estimated to lose a remarkable amount of revenue if the Base Erosion and Profit Shifting project was fully implemented (Cobham and Janský 2017).
\textsuperscript{7} On strategies to better exploit the revenue potential of the mining sector and more broadly extractive industrial sector see IMF (2012).
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arguments in favour of introducing or raising taxes on these products. The potential is difficult to assess but while for instance countries such as Egypt and Turkey collect around 1 per cent of GDP in tobacco-related taxes, in Africa these revenues lie between 0 and 0.2 per cent of GDP (IMF 2016, 2). It is important to acknowledge that in many LICs, particularly in Africa, consumption is increasing, making it desirable to act fast in order for reform efforts to be less politically and socially salient and thereby avoid stronger political resistance.

15.2.4 Exemptions

There is a wide agreement that especially governments in LICs and MICs grant a high number of, on average, ineffective tax exemptions (IMF et al. 2015). Exemptions lead to revenue potential that the government writes off. Examples include granting tax exemptions to investors, reducing value-added tax (VAT) rates for certain products or exempting certain sectors from paying energy taxes. The amount of revenue that is not collected due to these practices is difficult to assess. Governmental reporting and assessment is poor (von Haldenwang and Redonda 2020). The limited existing data indicate that the values are far from minor. For instance, in the United States in 2017 the value was roughly 8 per cent (Redonda and Neubig 2018). The best data from LICs and MICs come from Latin America and the values range between 6.6 per cent of GDP in the Dominican Republic to 0.7 per cent in Colombia (Peláez Longinotti 2017). Some of these exemptions are certainly legitimate and effective in achieving goals such as attracting investment, securing jobs or fighting poverty. But the monitoring and evaluation systems linked to them are commonly very poor. In addition, and representing probably the biggest problem, the process of granting exemptions and their politics are ‘typically fragmented, individualistic and secretive’ (Moore 2015, 165).

15.2.5 Implementing Value-Added Tax

VAT over time has become the most relevant single source of revenue for the government in LICs and MICs (Keen 2012, 11). Still, compared to the performance in high-income economies, studies indicate that the VAT in LICs and MICs performs below its potential and at low levels of administrative efficiency (Moore and Prichard 2017). Most observers consider that this lower performance in low-income economies is connected to high levels of complexity in the tax design. In particular, the large number of VAT rates for different products and services is raised as a major issue.

15.2.6 Taxing the Rich

Governments in LICs and MICs tend not to tax wealthy individuals heavily, regarding both income and assets. Tax rates on income and wealth are not particularly high, but, more importantly, non-compliance is high. The challenge of taxing wealthy individuals has certainly an administrative dimension to it. Many tax administrations lack the capacity to track how individuals move their wealth offshore or how it is simply hidden. Furthermore, in many cases the political connections of wealthy taxpayers shield them from proper enforcement and strict monitoring, which is an issue that goes beyond administration and points more into the political realm. As an example, Fairfield and Jorratt De Luis (2016) estimate that in Chile,
which certainly is not a country with a particularly weak administrative capacity, the average effective tax rates on the top 1 per cent is a modest 15 to 16 per cent.

15.2.7 Property Taxes

The revenue potential is regarded to be largely untapped in many countries, particularly in LICs and MICs (Norregaard 2013). For instance, revenues from property taxes account for less than 0.5 per cent of GDP in many African countries while in some OECD countries the values are even above 2 per cent (Fjeldstad et al. 2017). Again, a mix of political and administrative challenges explains low collection levels (von Haldenwang et al. 2015). From the administrative side, the key lies in the valuation and revenue collection system. As with VAT a major obstacle is having a system that is too complex and costly to administer (Fjeldstad et al. 2017). Property taxes are often collected at the local level. This makes it particularly attractive and feasible to try to increase compliance and reduce political resistance by making the link between payment and services more evident. In any case, property taxes are considered a highly efficient and progressive tax. In addition, the revenue potential is rapidly increasing given rising urbanisation rates as well as rising property prices in these areas.

15.2.8 Turning Government Organisations into Better Tax Citizens

Improving communication among government institutions as well as better payment behaviour by governmental organisations can help boost revenue significantly. Governments are not unitary actors. State organisations by action or inaction can heavily undermine the performance of tax administrations. As Kangave et al. (2016) illustrate, based on the case of Uganda, silo mentality and differing incentives for different departments, weaknesses in automated processes, limitations to access information from third parties and poor quality of data as well as a lack of human capital to utilise these are the main problems in this area. Moore and Prichard also highlight that some government bodies which themselves pay taxes or collect taxes as intermediaries (e.g. personal income taxes that are deducted at source from public employees) take a long time to inform the tax administration.

It is important to underline that these eight dangling fruits are not necessarily low-hanging fruits. Moore and Prichard indicate that they point at these areas because of their objective potential to increase revenue collection but they do not consider in creating this list the specific difficulties that would exist to activate them. The reasons why the potential is not used are country-specific and in fact vary strongly within countries with reference to different revenue instruments. Although a mix of reasons is always present, in general, as has been alluded to in the discussion above, it is safe to say that the underperformance of revenue systems in LICs and MICs is associated with three main clusters: economic, administrative and political economy (see Di John 2006 for a more comprehensive discussion).

This section has shown that there exists a sizable revenue potential in LICs and MICs. It has also indicated specific areas that, although assessments are needed in a case-by-case fashion, appear to be particularly promising when starting to look for additional revenue. If activated, this revenue potential would be fundamental in funding the expansion of social protection systems. In this sense, the section has also alluded to factors, mainly administrative and political, which hinder these revenue sources from being exploited more robustly. So far, the focus has been purely on the revenue side. The next sections go beyond this and thematise how
just looking at revenue independently as a source of funding social protection can be highly misleading. In particular, the sections discuss two aspects which are crucial for anyone aiming to expand social protection systems in LICs and MICs: (1) the necessity to understand the combined distributional effect of social protection and taxation and (2) the degree to which, beyond the budgetary link, political factors limit the capacity to think and define revenue and social protection systems as policy areas independent of each other.

15.3 THE COMBINED DISTRIBUTIONAL EFFECT OF SOCIAL PROTECTION AND REVENUE SOURCES

What source of revenue should be prioritised to finance the expansion of the social protection system in case the challenges to increase collection described in Section 15.2 could be overcome?8 Should it be direct taxes, commonly assumed to have a more progressive incidence or, by contrast, indirect taxes such as VAT, often praised to be more efficient? I argue that this narrow question is wrong, as it takes only one side of the budget into account. Probably everyone would agree that looking at the joint distributional effect of social protection schemes and taxation would be a relevant criterion to take into account.9 In essence, this means looking at how the distribution and levels of incomes and consumption change after citizens first pay their taxes and (potentially at least some) then benefit from social protection schemes financed by this revenue.

Although obvious, many ignore this joint overall fiscal impact of tax and social protection measures. It is indeed striking that overall fiscal effect is not an issue debated more prominently in policy and academic circles. Of course, everyone agrees that the calculation of the overall fiscal effect demands taking into account the spending and the revenue side, but social policy and revenue mobilisation experts do tend to focus a lot on the incidence of ‘their’ part of the fiscal system.

The most thorough work looking at overall fiscal incidence comes from researchers around the Commitment to Equity (CEQ) Institute at Tulane University. In thinking about the relationship between revenue sources and spending policies, Lustig highlights two main messages:

First, analysing the tax and spending sides simultaneously is not only desirable but necessary. Taxes can be unequalizing, but spending so equalizing that the unequalizing effect of taxes is more than compensated … Second, to assess the impact of the fiscal system on people’s standard of living, it is crucial to measure the effect of taxation and spending not only on inequality but also on poverty: the net fiscal system can be equalizing but impoverishing … Transfers can be equalizing, but when combined with taxes, post-fiscal poverty can be higher than pre-fiscal poverty. (Lustig 2018a, lxvi)

Looking at the first message it actually resonates a common advice given to LICs and MICs which calls for focusing on the spending side of the budget in order to redistribute. Concretely linking it to the topic in this chapter, Barrientos formulates the claim as follows: ‘regressive,

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8 Actually, over the last decades many developing countries have shown remarkable increases in revenue collection (e.g. OECD et al. 2019).
9 Although not necessarily all, a large amount of schemes do aim at achieving certain distributional goals (see Chapter 1). In fact, the distributional effect of social protection schemes is an aspect that receives a lot of attention within the social protection community (see Chapter 34).
but efficient, taxation, coupled with progressive social protection expenditures could be more effective in supporting the extension of social protection in low-income countries’ (2008, 305). The logic behind this advice is straightforward. From a technical perspective, revenue systems should focus on collecting funds efficiently and effectively (without caring so much about incidence) while social protection systems (and more broadly the spending side of the budget) should take care of any potential redistributive and poverty reduction goals. In fact, evidence supports the idea that reducing inequality and poverty levels relying mostly on the tax side of the budget is not a particularly promising avenue, especially in LICs and MICs (e.g. Zolt and Bird 2005).

In her analysis on the incidence of the fiscal system in LICs and MICs, Lustig shows that direct taxes are equalising (meaning helping to reduce inequality) in all 29 cases analysed (Lustig 2018b). Hence direct taxes, including prominently personal income taxes, certainly have a role to play, but it is fundamental to consider that the redistributive impact of fiscal policy depends not just on the incidence of tax and spending but also on their overall magnitude, meaning the size of both elements (Bastagli et al. 2015). If the combined redistributive impact of tax and spending is progressive, then the higher the level of tax and spending in a country the larger is the redistributive impact. This leads to the discussion as to whether a less progressive revenue system coupled with a larger social spending budget would potentially be more desirable than a highly progressive fiscal system with little magnitude. Within the OECD we have some interesting examples that help us to understand this trade-off. In general, two equilibria are visible in modern democratic societies: ‘big government, with redistributive expenditures but not very progressive taxes (Sweden), and small government, with more progressive taxes but less redistributive expenditures (the United States’) (Bird and Zolt 2014, 218–19).

Overall, policy makers who aim to reduce inequality need to take into account that – for a given level of tax and spending – the more the revenue collection is concentrated in progressive taxes (for example, commonly personal income taxes) the greater the redistributive impact of fiscal policy. However, the level of collection is not independent of the respective spending. As will be discussed more thoroughly in Section 15.4, governments cannot simply impose policies on citizens but need to negotiate with them. Their acceptance (or even support) for paying taxes and fees is highly dependent on what they expect that the money will be used for (Berens and von Schiller 2017). As a result, from a government perspective, even when redistribution is considered the priority goal it can be wise to sacrifice incidence to achieve magnitude. One particular insightful set of examples in this regard is social schemes in Latin America. Particularly social assistance cash transfer programmes tend to be highly progressive, but they lack magnitude which leads to only modest effects on overall inequality and levels of poverty (Lindert et al. 2006).

At first glance it seems plausible that, compared to the spending side, taxation is more difficult to target effectively and efficiently. Also, poor tax policy design decisions can do more harm in terms of economic distortions. In practice, there are however good reasons to be sceptical about this idea of relying solely on the spending side to reduce inequality. There are well-known administrative difficulties in setting up and implementing well-targeted progressive social protection schemes (see Chapter 8). Hence, coordinating the subsystems in order to achieve the goal of compensating through spending the revenue collected from the lower-income quintiles is complex and one has to be cautious when relying on this strategy.
A clear failure would be a fiscal system that actually makes the poor poorer. This is not as uncommon as might be expected. For instance, Higgins and Lustig (2016) show, based on data from 17 LICs and MICs, that in 15 of them the fiscal system is poverty reducing and progressive but in 10 of these cases at least one-quarter of the poor pay more in taxes than they receive as transfers. The reasons most often lie in high indirect (prominently consumption) taxes that hit the poor connected to the inability to compensate these payments by effective provision of targeted services to them. In a result that should strike anyone committed to fighting poverty, the accumulated evidence of the CEQ team over 30 countries indicates that 13 of the poor end up being net payers into the fiscal system. This is why, given the growing and central relevance of indirect taxes in the tax structure of LICs and MICs and the issue of how to design indirect taxes and particularly VAT is a heated and crucial debate, there is a growing agreement that a zero rate on basic products is an achievable solution to protect the poor. As Keen puts it, although ‘reduced taxation of some commodities may be a very poorly targeted way of redistributing toward the poor, it could nevertheless be the best available’ (2009, 165).

The debate summarised above highlights the importance of evaluating the impact of taxation and social protection jointly and individually. In many cases it can be advisable to let the tax side focus on collecting effectively while aiming at redistributive goals through the spending side. But this approach has its limits and can lead to undesired outcomes. Especially when both subsystems are supposed to have countervailing effects it is crucial to analyse the overall fiscal effect on inequality and poverty. The joint analysis shows the overall effect of the systems, while only the individual analysis of the components (including individual taxes and social protection measures) will identify elements to act upon. If the spending side is considered to be working very well in terms of desired effects you can be more risky in collecting revenue from the poor to gain more magnitude but this has to be evaluated and monitored closely as, otherwise, part of the poor and semi-poor end up being net fiscal payers.

15.4 HOW THE DESIGN OF THE SOCIAL PROTECTION SYSTEM AFFECTS HOW MUCH REVENUE CITIZENS WILL CONTRIBUTE

Fiscal systems, including both subsystems of revenue and spending, are not purely technical domains. Fiscal systems pursue goals that are defined in the socio-political realm. The decision on what the goals are precedes, although is affected by, the technical discussion. Politics does not define what the best option is but it restricts what is feasible. It indicates what is possible and, hence, any persons working on the expansion of the social protection system should be aware of what potential limitations exist and which reform plans might actually be feasible.

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10 These countries are Armenia, Ethiopia, Ghana, Guatemala, Nicaragua, Tanzania, Uganda, Bolivia, El Salvador, Dominican Republic, Honduras, Peru and Sri Lanka. Inchauste and Lustig (2017) discuss these results in a blog in which links to the relevant individual studies can be found.

11 A reduced indirect tax rate on basic products tends to provide a larger proportional benefit to the poor but a larger absolute benefit to the rich as they consume more of these products, although it represents less of their spending. Thus, if administratively and politically possible, a system with no specific exemption that allows use of the additional revenue to implement targeted measures beneficial for the poor would be, all other things being equal, superior in reducing poverty levels and inequality (Keen 2009, 165–7).
Many taxation and social protection experts implicitly work with the wrong assumption that ‘governments are endowed with sufficient powers to act independently of major social forces’ (Timmons 2005, 533). Expanding social protection systems and reforming tax systems to finance them in this paradigm is just a technical matter. This is not realistic; any substantial changes of these systems is also a political and social endeavour as it implies changing the so-called fiscal contract. A fiscal contract in a society is defined by the exchange of revenues for public services between taxpayers and the government (Timmons 2005). It indicates what should be pursued by state action (including potentially the content of social protection systems) as well as how the associated burden of costs will be distributed in society (prominently through the tax system). The fiscal contract can be conceived as an equilibrium position in a society, which has implications at the individual and the aggregated dimension, as it ‘will not only influence the aggregate level of revenue and spending, but also who finances and benefits individually from state interventions’ (Burchi et al. 2020).

The key question in thinking politically about the reform is: What do actors need to accept a deal involving a certain exchange of taxes for services and changes in the equilibrium position? Theoretically, some actors are not willing to accept a new deal and could be forced to pay anyhow. However, as discussed in Section 15.2, we know that it is difficult for governments to force actors into compliance, especially in contexts of low administrative capacity and where concentration of wealth is high. This is often the case in LICs and MICs. Hence, the more promising approach is convincing actors that the new deal might be preferable for them, even if it implies higher revenue contributions. This way of approaching the question represents a major shift from the common perspective. Normally, we focus on where potential revenue is underexploited and what governments need in order to be able to tax more (see Section 15.2). This approach centres around the idea of finding solutions that are incentive-compatible between potential taxpayers and the state, and that would generate resources based on quasi-voluntary compliance (Levi 1988, 53–4).

In this sense, looking at potential actors to pay, schematically one can think about three groups: the wealthy, the middle class and the poor. What incentives might wealthier citizens have to pay more taxes in order to expand the social protection system? Berens and von Schiller argue that ‘opposition to progressive taxation is not primarily connected to an a priori lack of potential benefits of taxation, but rather to the low level of credibility that high-income earners tend to ascribe to political actors in developing countries’ (Berens and von Schiller 2017, 708). In their analysis the authors point at indirect and direct benefits that wealthy actors might derive from state action enabled by them paying more taxes. These benefits include aspects such as societal peace, public health, insurance against risks – all aspects closely linked to social protection systems. The problem is that in the exchange-based understanding of the relationship with the state, the capacity of the state to convince and motivate the wealthy to pay hinges upon the credibility of the proposal and the trust that the funds will be properly used. This is a basic governance issue that many LICs and MICs have major problems with (Lupu and Riedl 2013; Scartascini et al. 2013; von Schiller 2018). Also, it is difficult to imagine a social protection system that would generate strong enough direct benefits to convince wealthy actors to pay, especially as they can commonly find private solutions for what the social protection system can offer (Bird and Zolt 2015). In this sense, it appears that highlighting indirect benefits would be a more appealing strategy. This might, in fact, go against common intuition, that more universalistic social protection systems might gain more support from the better off (Korpi and Palme 1998). As the wealthy will not expect to benefit
themselves substantially even from a very universalistic social protection system, the key for their support is a social protection system that is very well targeted on those groups that they consider to be ‘deserving’ (Hickey 2008, 253).  

By contrast, more universalistic schemes might be particularly effective for the middle class. Compared to the wealthy, members of the middle class are far more restricted in terms of finding private solutions in areas traditionally covered by social protection systems. This is especially true for the lower middle class (Bird and Zolt 2015). If the number of beneficiaries of schemes would be expanded to include them, they might support more heavily the expansion of schemes and actually accept paying higher tax contributions (Besley and Kanbur 1990; Sen 1995). However, also in this case, it is crucial to stress that the credibility of the state in offering the exchange is essential. Mechanisms such as earmarking can help create that credible commitment although they can come along with strong technical difficulties.

An unresolved question is where to start building this potential virtuous cycle: should governments offer services first and hope that the middle class will accept higher payments later, or should governments ask for higher payments first and only later launch new schemes or provide additional benefits? The limited existing evidence suggests that the mechanism rather originates from the middle class, beginning with asking for more in exchange for their contributions. As Bird and Zolt describe it based on the experience of Latin America, ‘as more people become aware (for example, through expansion of more visible taxes on personal income and property) of the taxes they pay and of the extent to which their well-being and the future of their children depend on good state services, the political balance underlying the fiscal contract may change’ (2015, 330). This indicates that an expansion of social protection systems might also be triggered by pointing to the already existing high levels of tax payments among the middle class, which is not uncommon in many LICs and MICs, and support in strengthening their voice and capacity to influence politics.

When discussing whether basing an expansion of social protection systems on taxing the poor more heavily, the immediate problem that arises is that the potential to raise a remarkable amount of revenue from them is in most cases very limited. In addition, there is a big concern that the implementation of new or reformed social protection schemes should be very effective in order not to increase poverty if the poor entered into this fiscal exchange logic (see discussion in Section 15.3). Furthermore, there is in fact some evidence that this income group is already contributing remarkably considering its potential. For instance, taxes assumed to have a more regressive incidence such as consumption taxes already represent a high relative burden for poor households in low-income economies. Studies on Africa and Latin America indicate that compared to the amount of income they have, lower-income quintiles pay higher relative contributions through VAT (see Gasior et al. 2018 on Africa and Goñi et al. 2011 on Latin America). Along these lines, for instance, in Africa taxes on goods and services account for 53.7 per cent of total tax revenues on average for the year 2017 (OECD et al. 2019). Based on this, one could argue that the poor are already getting too little for what they pay. Hence, as with the middle classes, it could be argued that the expansion of social protection systems in LICs and MICs might be triggered by initiatives that strengthen the voice of the poor in political discussions.

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12 Hickey’s point refers explicitly to political elites but I would consider this is true with regard to any type of elite, which would include the wealthy.
Overall, the middle class, and especially the lower middle class, constitutes the most promising social group to rely on in order to expand social protection systems. This group combines having a certain revenue potential with having an incentive to support this expansion. In line with the discussion in Section 15.3, it seems that also politically, the avenue of strengthening the use of moderate regressive taxes to finance social protection schemes with moderately progressive incidence is particularly appealing as it would not necessarily require a big change in underlying power relations. Of course, no general statements about the existing political scope for reform can be made. A specific analysis for each country and in fact for each sector within the social protection system is required and pointing at moderately regressive tax instruments as a technically and politically feasible ally to expand social protection systems does not imply that other revenue sources discussed in Section 15.2 should be ignored. Still, this section indicates fundamental aspects to consider and points out that – on average – the political scope for reform can be expected to be rather small and needs to be used and investigated carefully.

15.5 CONCLUSION

There is wide-ranging agreement that expanding social protection systems in LICs and MICs is a desirable goal. In discussions about social protection, taxation is most prominently discussed from the perspective of providing necessary funds. As Section 15.2 shows, we know where tax potential is being underused. The main contribution of this chapter is, however, pointing to the necessity to not look at taxation just as a source of funding but carefully considering taxation and social protection simultaneously as heavily intertwined issues. In this regard, I raise two particularly relevant points.

First, the interlinkages are key in order to understand the overall fiscal effect – an aspect that is too commonly ignored. In terms of policy design, discussing the incidence of taxation or social protection systems individually can be highly misleading. Especially in LICs and MICs where any substantial expansion of the social protection system implies generating new funding, the overall effect of the proposed reforms must be carefully considered.

Second, the interlinkages are also fundamental as they shape what is politically feasible. Political support for a social protection system depends on the benefits and costs that individual citizens anticipate from a potential reform. The lower middle classes are the most promising actors on which to build an expansion of the social protection system. They have the economic potential to contribute a meaningful amount of revenue to the state and they can have an interest in the expansion. As in other debates about how to make policies more pro-poor and pro-developmental, also here much appears to hinge on the middle classes as an incipient but ‘indispensable’ actor (Birdsall 2010).

Overall, the account presented here might be perceived as pessimistic. On the contrary, I would claim that it is rather optimistic since – although political economy aspects are considered – still a narrow corridor is identified. Along this line, Rodrick argues that ‘successful policy ideas work precisely because they take politics into account’ (Rodrik 2014, 205). Of course, the ideas presented in this chapter should not be taken as being valid for each case. The reality of countries and individual sectors within countries varies strongly. The potential corridors to expand social protection systems with the support of groups willing to pay more taxes to make that possible will vary accordingly across contexts. In some cases, the scope will be larger, and in other cases – sadly – it will be non-existent. Still, looking for the corridors is
essential as it is only when we find those corridors that reforms will be politically and fiscally sustainable.

REFERENCES


Case study I: Simplified tax regimes and their impact on social insurance in Uruguay

Fernanda Teixeira

1 INTRODUCTION

The world struggles with high levels of informality, one of the biggest threats to workers’ fundamental right to social protection. Informal workers, i.e. workers under employment arrangements outside the formal reach of the law or not covered by law in practice, frequently do not have access to contributory social protection schemes (see Chapter 3). Difficulties in meeting complex and expensive administrative procedures, exclusion from legal coverage and insufficient contributory capacity either on the part of the worker or the company are some of the barriers that prevent informal workers from accessing social insurance benefits. As pointed out by the International Labour Organization (ILO), the lack of social insurance protection is one of the main sources of vulnerability for informal workers, as it deprives them of access to health care and income security, especially when they need it most, as in cases of illness, unemployment, maternity and disability (ILO 2019a).

Informality is most common among low- and middle-income countries, where micro and small enterprises (MSEs) employ a great share of the economically active population and represent the bulk of the economy (Reeg 2015). Latin America is no different; informality is the ‘way of life’ in the region (Perry et al. 2007), with MSEs representing 95 per cent of firms, employing 47 per cent of the working population and with 60 per cent of MSE workforce informally employed (ILO 2014a, 2015).

In order to tackle high levels of informality among MSEs, countries in the region, with few exceptions,1 have implemented special tax regimes for small taxpayers (own-account workers and small firms), simplifying business and employment formalisation, facilitating the payment of taxes (including social insurance contributions), and diminishing the multiplicity and/or the amount of tax due by the MSEs (Cetrángolo et al. 2014). Nevertheless, there is a ‘difference between formalising small enterprises and formalising employment in these firms’ (ILO 2014a, 3). In other words, there is no guarantee that MSEs that opted for the special taxation regimes have declared their accurate number of workers. Despite the countries’ efforts to bring MSEs into formality, many employees within formalised MSEs may have remained under informal employment arrangements and, therefore, excluded from social insurance schemes.

Among Latin American countries, Uruguay, one of the pioneers in introducing special tax regimes that contemplate the financing of the social insurance system, has received much attention due to its significant improvements in informality indicators since 2006, when its simplified tax regime for MSEs was reformulated. Although much has been written about the innovative aspects of Uruguayan tax reform, after more than a decade since its implementa-

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1 According to Cetrángolo et al. (2014), only El Salvador and Venezuela have not implemented a simplified tax regime for small taxpayers.
tion, evidence on the contribution of such reform to expanding the coverage of contributory schemes is so far speculative; for this reason, this research will focus on the first 10 years of the simplified tax regime for MSEs (2006–16).

Therefore, this case study seeks to better understand whether formalising MSEs translates into higher levels of social insurance coverage by analysing the simplified tax schemes implemented in Uruguay and their social insurance coverage indicators. It is argued that tax reforms for MSEs may not have an expressive impact on reduction of employment informality given the low number of workers in MSEs that opted for the simplified tax instruments.

2 FINDINGS AND DISCUSSION

From 2006 to 2016, Uruguay witnessed a significant reduction of informal employment. According to the ILO, informal employment (as percentage of total non-agricultural employment) decreased from 42.4 per cent in 2006 to 24.1 per cent in 2016 (ILO 2019b). Among the policies implemented during the period identified as most relevant in the reduction of informal employment is the approval of a tax reform in 2006.2 With the aim of formalising small taxpayers, the tax reform introduced changes in the main two tax instruments for MSEs:3

Régimen de reducción IVA Mínimo – Pequeña Empresa (Value Added Tax Reduction Regime for Small Enterprises), also known as IVA Minimo (Minimum VAT), and Monotributo (Single Tax). Despite both being focused on bringing as many small taxpayers as possible to formality by simplifying procedures and reducing the amount of tax and social insurance contribution due, IVA Minimo and Monotributo differ in their target audience: while IVA Minimo was designed for MSEs in general, Monotributo is aimed at one-person companies. Later, in 2012, in an effort to formalise own-account workers below the poverty line or in situations of socio-economic vulnerability, Monotributo Social was introduced offering special conditions for payment of social security as well as tax exemptions (see Table I.1).

Based on data from the Continuous Household Survey (CHS), since the implementation of the tax reform in 2006 until the end of 2016, the country experienced a significant reduction in informal work arrangements within MSEs. Among MSE employees, there was a drop of 24.4 per cent in informal employment arrangements (from 38.1 per cent in 2006 to 28.8 per cent in 2016). Similarly, the number of employers (MSE owners) working informally decreased by 26.3 per cent (from 14.8 per cent to 10.9 per cent). On the other hand, among own-account workers (those who hold self-employment jobs and do not engage employees on a continuous

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2 During the period, the country observed a significant economic growth that resulted in a decline in informal employment. According to some authors, the implementation of a set of policies aimed at creating jobs, encouraging investment, reactivating collective bargaining, and the implementation of tax reforms and reforms in the social security system contributed to enhance the benefits of formality, making it more difficult to remain or become informal (Amarante and Arim 2015; ILO 2014b).

3 According to Decree No. 504/07 of 20 December 2007, MSEs are firms with no more than 19 employees and annual turnover not superior to the equivalent of 10.000.000 Indexed Unit (IU).
<table>
<thead>
<tr>
<th></th>
<th>VAT Mínimo</th>
<th>Monotributo</th>
<th>Monotributo Social</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activity</strong></td>
<td>Commercial or industrial activity with capital and labour use</td>
<td>Activity with capital and labour use on public roads, in open spaces or small premises&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Production and/or commercialisation of goods and/or services, even when there is no combination of capital and labour</td>
</tr>
<tr>
<td><strong>Legal status</strong></td>
<td>No restriction</td>
<td>One-person business</td>
<td>One-person business</td>
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<td></td>
<td></td>
<td>Partnerships with up to two partners</td>
<td>Partnerships with up to four partners</td>
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<td>Partnerships with up to three family members</td>
<td>Partnerships with up to five family members</td>
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<tr>
<td><strong>Revenue per year</strong></td>
<td>Less than UYU 1,137,010 (USD 38,780)</td>
<td>One-person business: less than UYU 682,206 (USD 23,268)</td>
<td>One-person business: less than UYU 682,206 (USD 23,268)</td>
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<td>Partnerships: less than UYU 1,137,010 (USD 38,780)</td>
<td>Partnerships: less than UYU 1,137,010 (USD 38,780)</td>
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<tr>
<td><strong>Household condition</strong></td>
<td>No restriction</td>
<td>No restriction</td>
<td>Poor or vulnerable</td>
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<tr>
<td><strong>Consumer sales</strong></td>
<td>No restriction</td>
<td>Only to end consumers</td>
<td>No restriction</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td>No restriction</td>
<td>Assets under UYU 568,505 (USD 19,390)</td>
<td>No restriction</td>
</tr>
<tr>
<td><strong>Workplace</strong></td>
<td>No restriction</td>
<td>Occupied area less than 15 m²; no more than one workplace used simultaneously; not located in large shopping centres</td>
<td>No more than one workplace used simultaneously</td>
</tr>
<tr>
<td><strong>Personnel employed</strong></td>
<td>Unlimited</td>
<td>For one-person business: up to one employee&lt;sup&gt;b&lt;/sup&gt;</td>
<td>No employees</td>
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<td>For partnerships: no employees</td>
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<td>Payment to the General Tax Authority of Uruguay</td>
<td>VAT Mínimo</td>
<td>Monotributo</td>
<td>Monotributo Social</td>
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<tr>
<td></td>
<td>Progressive monthly quota of UYU 3,400 (USD 116):</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td></td>
<td>First year: 25 per cent</td>
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<td></td>
<td>Second year: 50 per cent</td>
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<td>From third year on: 100 per cent</td>
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<th>Payment to the Social Security Bank of Uruguay</th>
<th>VAT Mínimo</th>
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<tr>
<td></td>
<td>Retirement contribution, Labour Reconversion Fund, and National Integrated Health System contribution.</td>
<td>Monthly quota ranging from UYU 1,155 to UYU 3,466 (USD 40 to USD 119) with optional National Integrated Health System contribution.</td>
<td>Progressive monthly quota: UYU 1,463 (USD 50)</td>
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<tr>
<td></td>
<td>In addition, for those with employees: employer retirement contribution, Labour Reconversion Fund, and National Integrated Health System contribution</td>
<td>In addition, for those with employees: employer retirement contribution, Labour Reconversion Fund, and optional National Integrated Health System contribution</td>
<td>First year: 25 per cent</td>
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<td>Second year: 50 per cent</td>
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<td>Third year: 75 per cent</td>
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<td></td>
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<td>From fourth year on: 100 per cent; and optional National Integrated Health System contribution</td>
</tr>
</tbody>
</table>

*Notes: a Some occupations that do not comply with the business activity definition may opt for the Monotributo regime. b This may be raised to three employees during the harvest periods. The conversion rates applied are, as on 31 December 2016, the following: IU 1 = UYU 3.5077 and USD 1 = UYU 29.3201. Source: Author’s own based on data from Banco de Previsión Social and Dirección General Impositiva websites and national legislation.*
Case study I

3 CONCLUSION

During the decade covered by this study, Uruguay experienced a significant economic boom followed by a reduction in unemployment and informality rates. As indicated, the period was marked by the introduction of a very important set of policy reforms that aimed to bring to formality small taxpayers. In conjunction with other economic, fiscal, and social protection reforms, the 2006 tax reform certainly contributed to the formalisation of the MSEs and employment arrangements within these firms. However, as seen, there is some evidence that the tax reform may have had little impact on employment formalisation and on the national social insurance coverage since only around 10 per cent of MSE workers were in MSEs under the simplified tax regime. Besides, as already discussed, MSE formalisation does not always

4 Given the methodology adopted by the Continuous Household Survey, elaborated by the National Institute of Statistics of Uruguay, between 2006 and 2010 the data comprise enterprises with up to 49 personnel employed. Likewise, for all years, due to methodological constraints, the turnover restriction was not considered, but only the limit of personnel employed.

5 Unlike self-employed workers, the employee is not asked whether the company she/he works for is registered with the tax or social security administration. Therefore, the number of informal employees employed in formal MSEs must be estimated.
translate into employment formalisation. To confirm that this is the case in Uruguay, more data need to be made available by the official administration.

In view of this, the competent authorities should consider introducing new or revising the main features of the simplified tax regime in order to remove obstacles to its access and increase its attractiveness. Similarly, regulatory enforcement needs to be intensified through inspections that ensure and promote compliance within MSEs, especially when it concerns the payment of workers’ social insurance contributions.

Lastly, regardless of data limitations and methodological constraints imposed by the main data source used in this research, this study sought to bring to light a topic that has been little addressed in the current literature. The issue that arises from this research is something that should be looked at closely by both practitioners and policy makers in order to improve tax schemes and achieve the formalisation goals that led to the introduction of tax reforms.

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Cécile Cherrier

16.1 INTRODUCTION

An increasing number of countries around the world are experiencing situations of fragility and crisis. This context represents a serious threat to achieve universal social protection. A single shock can jeopardise years of progress, impeding the maintenance and expansion of social protection rights. The changing frequency, nature and complexity of crises have encouraged a shift in the way support is provided to affected people. There is now a growing global momentum to strengthen the linkages between humanitarian assistance. This chapter provides an introduction to the topic.¹ It introduces key related concepts, summarises key drivers and motivations for stronger linkages, presents empirical examples illustrating what such linkages may look like and discusses some of the main prospects of this emerging field.²

16.2 INTRODUCTION TO KEY CONCEPTS

This section presents the concept and nature of humanitarian cash transfers (HCTs) before introducing the shock-responsive social protection (SRSP) agenda that provides a framework for linking HCTs and social protection.

16.2.1 The Concept and Nature of HCTs

The concept of HCTs remains subject to interpretation. Essentially, it depends on whether the term ‘cash transfers’ is considered to encompass vouchers³ (World Bank 2016) and which definition of humanitarian assistance is used – whether it is actor-oriented, purpose-oriented or conflict-centred (Gentilini et al. 2018). The question of the linkages between social protection and HCTs arises differently depending on the definition used for ‘humanitarian’.

It remains that HCTs tend to be used to mitigate and respond to the risk of natural and man-made disasters induced by covariate shocks, such as drought, floods or armed conflict. In contrast, most social protection policies and programmes are designed to support households experiencing shocks as a result of life-cycle events, such as loss of job, illness or death. Still,

¹ It focuses on the linkages between humanitarian cash transfers and national social protection systems.
² For updates and a review of the state of the art, readers are invited to join the dedicated global community of practice on socialprotection.org: https://socialprotection.org/connect/communities/social-protection-crisis-contexts
³ The term ‘cash and voucher assistance’ is also widely used, notably by the Cash Learning Partnership, a global network of humanitarian actors.
social protection is by essence meant to protect people in the event of a shock, be it the death of a breadwinner in the household (idiosyncratic) or global recession (covariant).

Cash assistance to disaster-affected people may thus be labelled differently, notably depending on who is providing or overseeing it. It would often be termed ‘emergency cash transfers’ regardless of whether it is provided through a national social protection system, within a national disaster risk management system or by international actors. However, when considered as an integral part of a national social protection system, it may also be categorised as ‘social cash transfers’. Conversely, the term ‘humanitarian cash transfers’ would tend to refer to cash assistance (co-)funded by the international community and supported by the global humanitarian system and its international actors through the activation of the United Nations clusters. At times, the line between an emergency response and a social protection response may be hard to draw, as with the distinction between HCTs and social cash transfers. This is the case of internationally supported cash transfers provided as part of government-led annual responses to seasonal food insecurity, for instance.

HCTs provided through the global humanitarian system are guided by the principles of humanity, impartiality, neutrality and independence that provide the foundations for humanitarian action. Adherence to these principles is particularly vital in armed conflict-affected settings where international humanitarian law applies. For that reason, humanitarian actors have tended to maintain some critical distance from states. In contrast, social protection actors have a strong focus on working with a state and building the social contract with its citizens. These divergent ways of thinking about the role of the state appear as a major difference between humanitarian assistance and social protection, from which arise ‘equally important and divergent issues around coordination, funding streams, technical tools, partnership arrangements and so forth’ (Longhurst et al. 2020, 3).

Despite the distinction commonly drawn between HCTs and social protection, HCTs can nonetheless be viewed as contributing to the function of social protection. Internationally supported HCTs are provided whenever emergency needs exceed national capacity – when the state is overwhelmed, complicit or lacks control over its territory – and the global humanitarian system is activated. As such, they may be considered as an extra layer of social protection organised globally to fill gaps in national social protection systems; a layer, however, that remains semi-formal and unsatisfactory from the viewpoint of a rights-based approach to social protection. Cash transfers provided by international actors outside the framework of the United Nations cluster system or national social protection policies would only qualify here as charity-based transfers, which might still, by extension, be considered as an informal form of social assistance. The question thus becomes how to turn such transfers into a guaranteed minimum, moving from semi-formal to formal social protection.

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4 Social cash transfers, when elevated to a social guarantee status, constitute an entitlement guaranteed by law that (eligible) citizens can claim, and an obligation on the state.

5 Clusters are groups of humanitarian organisations, including United Nations agencies and others, in each of the main sectors of humanitarian action (food security, shelter, logistics and so on). They are designated by the Inter-Agency Standing Committee and have clear responsibilities for coordination. For more information, visit www.humanitarianresponse.info/fr/coordination/clusters.

6 HCTs might be considered as part of the innermost core of the risk-sharing model advanced by Packard et al. (2019) as an alternative to the traditional model of social protection, articulated around contributory and non-contributory schemes, that are ill-adapted to the new nature of work.
16.2.2 The Shock-Responsive Social Protection Agenda

The more effective a national social protection system is at addressing shocks of different kinds, the less need for additional HCTs. By building people’s resilience, an effective social protection system may simply prevent a shock turning into a disaster. As Levine and Sharp (2015) underline, not every shock results in a crisis, only when the event combines with existing vulnerabilities. Furthermore, an effective social protection system may be able to respond, at least partially, to the needs of people affected by a disaster, through built-in response mechanisms or the introduction of a dedicated social protection scheme.

Ideally, social protection systems should be able to handle any amount of people needing assistance, irrespective of whether their needs are caused by idiosyncratic or covariate shocks. However, the case of covariant shocks presents specific challenges for a social protection system. It implies that an extra number of individuals are in need of social protection benefits simultaneously (or the same number of individuals are in need of extra benefits) while, at the same time, the consequences of the shock may limit the capacity of the system to deliver.

In recent years, the concept of SRSP has emerged in an attempt to bring greater attention to the potential role for social protection systems in the response to shocks that affect a large proportion of the population simultaneously.7 This approach considers ‘the adaptation of routine social protection programmes and systems to cope with changes in context and demand following large-scale shocks. This can be ex-ante by building shock-responsive systems, plans and partnerships in advance of a shock to better prepare for emergency response; or ex-post, to support households once the shock has occurred’8 (O’Brien et al. 2018, 7). The related concept of ‘adaptive social protection’ considers how synergies between disaster risk management, climate change adaptation and social protection can be gained in order to reduce the impacts of shocks and stressors on people’s livelihoods and build resilience (Vincent and Cull 2012).9 Both areas of research, adaptive social protection and SRSP, have informed the literature and practice linking HCTs and social protection.

The topic of ‘linking cash and voucher assistance and social protection’ that has gained considerable momentum within the international humanitarian community can be regarded as one specific aspect of the broader SRSP agenda. It has emerged as part of a wider and long-running discussion about ways to link emergency relief and development. It calls for stronger cooperation between international humanitarian and development actors. The topic is largely focused on how national social protection systems can be leveraged to channel HCTs in response to a disaster. As such, its scope is almost exclusively limited to the links between HCTs and social assistance (also often referred to as safety nets), and the associated social protection systems development.

Ultimately, the SRSP agenda and the topic of linking HCTs and social protection cut across different disciplines, primarily humanitarian assistance, disaster risk management and social

7 The term was popularised by a global research study commissioned by the United Kingdom’s Department for International Development and conducted by a research consortium led by Oxford Policy Management (2018).
8 The terminology ‘shock-sensitive social protection’ is sometimes preferred to ensure that focus does not get narrowed to emergency responses, and that adequate attention is also given, for instance, to reducing the exposure to shocks.
9 See Chapter 42.
protection, and to a certain extent also climate change adaptation and livelihood resilience. The SRSP work was primarily meant to unpack what national governments can do to improve their own emergency responses – whether international actors are involved or not, and whether the international actors get their money from the pot labelled ‘development’ or the pot labelled ‘humanitarian’. It calls for better alignment, coordination and integration of humanitarian assistance, disaster risk management and social protection actors either before or after the crisis occurs.

16.3 DRIVERS AND MOTIVATIONS FOR STRONGER LINKAGES

The increasing complexity, frequency, severity and duration of crises have further encouraged efforts to bring together humanitarian responses and social protection. Most countries requiring international assistance are affected by multiple types of crisis – with many conflict-affected countries also hosting refugees and experiencing disasters associated with natural hazards exacerbated by stressors such as climate change, rapid urbanisation and globalisation. Between 1980 and 2012, the annual frequency of natural disasters increased by 250 per cent while the number of people affected increased by 140 per cent (World Bank 2018). Globally, the numbers of forcibly displaced people grew for the seventh consecutive year to a record 70.8 million in 2018 (UNHCR 2019b). Overall, over 206 million people living in 81 countries were deemed in need of humanitarian assistance that same year (Development Initiatives 2019). Crises are also becoming more protracted: an estimated 88 per cent of official humanitarian assistance went to medium- or long-term recipients in 2015 (Development Initiatives 2017); nearly four in every five refugees are in displacement situations that have lasted for at least five years; and one in five have been in displacement situations that have lasted 20 years or more (UNHCR 2019b). The poorest countries host a third of all refugees worldwide (UNHCR 2019b). These global changes have put the humanitarian system under strain. They have led to an increased recognition that business as usual is no longer an option, and that new ways of working are needed (OCHA 2017).

In that context, the SRSP agenda is appealing. The growing coverage of social cash transfer programmes and the increasing overlap in target populations have made this agenda opportune. It brings the prospect of addressing multi-annual shocks in a more sustainable, integrated manner, anchored in investments in national capacity, systems and ownership wherever possible. It presents the potential of producing better results for people in crises, mitigating the impact of shocks and delivering assistance in a more timely and efficient manner. Humanitarian actors may expect to improve the cost-efficiency of their interventions, or to be able to transfer part of their chronic caseload to the government and its partners. Social protection actors can envision leveraging the humanitarian system to go the ‘last mile’ and

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10 The percentage of unmet humanitarian needs steadily rose from 32 per cent in 2007 to 40 per cent in 2016 (Development Initiatives 2018).

11 For example, Cabot Venton (2018) estimates that every USD 1 spent on social protection and resilience programming in Ethiopia, Kenya and Somalia, when combined with early intervention around the time of the crisis, results in savings in the order of USD 2.30–3.30, compared to an international humanitarian response delivered after a crisis has occurred.
extend their services to hard-to-reach vulnerable groups. Ultimately, better articulations and synergies between HCTs and social protection appear essential not least to protect gains made in social protection, avoid duplication of efforts in contexts of scarce resources and progressively expand basic social protection in situations of extreme fragility, protracted crises and forced displacement towards universal social protection.

Recent global and institutional commitments reflect a growing consensus on the need to better link humanitarian assistance, and HCTs in particular, and social protection. The 2016 World Humanitarian Summit Grand Bargain commitments include increasing the use and coordination of cash-based programming, which involves commitments to use, link or align with local and national mechanisms such as social protection systems (IASC 2016). Specific commitments were also signed for refugee situations (UNGA 2016). Signatories to the Grand Bargain have increasingly reported using existing national social protection systems for humanitarian cash programming (Metcalfe-Hough et al. 2019). In general, humanitarian actors are increasingly required to demonstrate the rationale for not using existing national systems to provide assistance (European Commission 2019; Council of the European Union 2015; World Bank 2016).

16.4 Conceptualisation and Illustrations of the Linkages

SRSP has become a buzzword, and there are still many misconceptions around it. In particular, it is often reduced to the issue of leveraging a social protection system *ex post* to channel HCTs, or that of adding flexible scale-up mechanisms to a flagship social protection programme. This section shows that there is much more to it than that. It underlines all that can be done *ex ante*, stresses the distinction between leveraging the system and expanding a programme and touches on a couple of special cases, those of non-nationals and conflict-affected areas.

16.4.1 Acting *Ex Ante* versus Reacting *Ex Post*

Improving the shock responsiveness of a social protection system is not a one-off exercise; it is an ongoing process that starts by making regular social protection programmes better in terms of their coverage and effectiveness. Strengthening routine social protection is worthwhile in its own right for building resilience and reducing the negative consequences of shocks. Making the regular social protection programmes and their delivery systems resilient to shocks, continuing to function in a crisis, is vital. Incremental adjustments can then be considered to allow the system and its core programmes to be more relevant and effective for large-scale shocks to better respond to covariate shocks (O’Brien et al. 2018). In the Sahel, the adaptive social protection programmes complement regular cash transfers with accompanying measures to help households become more resilient to the effects of climate change (World Bank 2020).

System preparedness work is another important set of activities. Making the system more responsive to shocks may not necessarily require adaptations to existing programmes

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12 See, for instance, O’Brien (2020) for ten important myth-busting messages.
Handbook on social protection systems

(O’Brien, 2020). This can take different forms, such as strengthening social protection databases and their information systems, adapting delivery mechanisms, coordinating with disaster risk management actors, establishing contingency funds, having stand-by partnership agreements in place or linking programmes to early warning systems.

16.4.2 Leveraging the System versus Expanding a Programme

While still work in progress, the conceptualisation of the range of approaches for linking HCTs and social protection has evolved from a set of options popularised by O’Brien et al. (2018) to a pick-and-mix approach articulated by Seyfert et al. (2019). This working framework disaggregates different possible connection points between a national social protection system and the humanitarian system, at the policy, programme design and administration levels. They are then set against a continuum of integration options, from an entirely parallel systems approach of zero integration to an entirely national systems-led approach of full integration (Lowe et al. Forthcoming).

This emphasises the fact that linking HCTs and social protection is not all about ‘expanding a social protection programme’, but would rather often be about ‘leveraging (elements of) the social protection system’. Collaborations may emerge around select programmatic functions, with various degrees of connection within a given function. For instance, it may be possible for a humanitarian response to use the payment system of a contributory pension scheme (as happened in Lesotho in the El Niño crisis in 2016), or the existing network of registration centres (as in Lebanon), or data stored in the national social registry – this is often referred to as ‘piggybacking’.

In Malawi, social protection and humanitarian actors are discussing how to operate an interconnection between the two main systems that are currently delivering cash transfers to food-insecure households: the national social protection system, notably through the Social Cash Transfer Programme; and the emergency system, through the Joint Emergency Food Assistance Programme. The latter is now activated every year in response to seasonal acute food insecurity; yet, it has remained heavily dependent on international partners for funding as well as delivery. In a context of resource constraints, it is not cost-efficient, nor effective, to support the development of both delivery channels, which increasingly tend to reach the same populations. In the immediate future, the government and its partners are exploring how responses triggered by the emergency systems could leverage elements of the national social protection system. However, in this ‘new normal’ context, a more profound reflection is needed to define how the respective roles, responsibilities and ways of working of social protection, disaster management and humanitarian actors need to evolve in the medium term (Cherrier 2019b).

In the aftermath of a disaster, where a social protection programme has large coverage, robust administrative systems and institutional arrangements, and where there is an overlap between shock-affected people and its regular beneficiaries, that programme may be used to channel additional resources (a ‘top up’) to existing beneficiaries – this is often referred to as a ‘vertical expansion’. After Typhoon Haiyan in November 2013, both the World Food Programme and UNICEF funded top-up payments to beneficiaries of the Philippines’ flagship conditional cash transfer programme in affected areas to help meet their immediate
The humanitarian–development nexus

needs and facilitate recovery. The use of existing systems reduced transaction costs compared to delivery through implementing partners. Time was also reduced – the World Food Programme reached over 105,000 households within two months, compared to 85,000 through non-governmental organisations. Besides, the memorandums of understanding established on that occasion with the Philippines’ Department of Social Welfare and Development could be quickly modified and adopted in the subsequent response to Typhoon Ruby in 2014 (Gentilini et al. 2018).

It may also be possible to temporarily include new, shock-affected beneficiaries in an existing scheme – something often referred to as ‘horizontal expansion’. In the immediate aftermath of violent ethnic clashes in Kyrgyzstan, UNICEF agreed with the government to launch an extraordinary campaign to enrol new households meeting the regular eligibility criteria of existing long-term programmes. These households were maintained in these programmes at the end of UNICEF’s intervention. The fact that the government was financially responsible for providing these transfers from the outset, from the national budget, contributed to this sustainability (European Commission 2019).

In protracted emergency situations, built-in scalability mechanisms can allow a programme to mechanically expand and contract independently of emergency actors. This requires pre-enrolling potential beneficiaries (that is, establishing and maintaining a database of all beneficiaries and other vulnerable households), pre-defining objective triggers and agreeing on funding sources and channels ex ante. In Kenya, the Hunger Safety Net Programme, a permanent safety net for chronically vulnerable households, delivers one level of standardised payment to everyone in a geographic area within 10 days once a trigger point is reached – while humanitarian aid used to take three to nine months to reach beneficiaries. Of course, there are challenges with this approach, notably with a conscious trade-off between simplicity, cost and targeting accuracy. It remains that such arrangements have enabled transitioning recurrent humanitarian caseloads from short-term to more systematic assistance.

16.4.3 The Case of Protracted Refugee Situations

In the specific case of protracted refugee situations, working towards a progressive harmonisation of HCTs with the national system is particularly vital. A critical aspect is setting the transfer value and adjusting it over time, gradually harmonising it with amounts available to host populations while accounting for any extra needs refugees may have – if they are not allowed to work, for instance. Communication is crucial in that regard to ensure that both refugees and host communities understand when, where and for how long assistance will be provided (UNHCR 2019a).

In Lebanon in early 2014, at the height of the influx of refugees, with the World Food Programme’s e-card food voucher programme in full swing throughout the country for Syrian refugees, there was increasing evidence of growing tensions among poor Lebanese families and refugees residing within the same communities. In response, the World Bank and the World Food Programme worked with the government to introduce food assistance via the e-card food vouchers to poor Lebanese families enrolled in the National Poverty Targeting Programme.

13 Other affected households who were not on the programme had to be reached through separate interventions.
14 For more information, visit www.hsnp.or.ke
providing a level of assistance parity received by refugees (World Bank 2014). This scale-up was operated not only as a means of reducing poverty and tension between the two communities, but also to strengthen the national system. It included financing operational support, training and capacity development assistance for the Ministry of Social Affairs to assume the overall responsibility for the implementation of key aspects of the food voucher programme (Gentilini et al. 2018). Likewise, a central objective of the European Union’s support has been to achieve equity for the most vulnerable in Lebanon, whatever the background or citizenship of those in need – encouraging, for instance, joint vulnerability assessment for both refugee and national populations (European Commission 2019).

16.4.4 The Case of Fragile, Conflict-Affected Areas

In armed conflict-affected situations where the national social protection system is not yet or no longer functional, it may still be feasible and valuable to establish linkages between HCTs and social protection. The systems developed by humanitarian actors may provide inspiration for longer-term support for the poor and vulnerable.\(^\text{15}\) They may align with national policies to somehow expand social protection to hard-to-reach areas. They may leverage elements of a formerly active social protection system. All this requires strong donor coordination and leadership, as well as close collaboration between humanitarian actors, guided by humanitarian principles, and development-oriented actors, equipped to engage in policy discussions with national authorities, whenever possible.

In Somalia, a roadmap has been developed for incrementally transitioning the numerous HCT projects into a medium-term social assistance programme that is aligned behind the new federal government’s vision and in which both humanitarian and development actors can play a role.\(^\text{16}\) To this end, a Donor Working Group has been convened to liaise with the government and coordinate the development of priority policies and approaches, while a new Technical Assistance Facility is to facilitate dialogue and understanding of governance, systems, policy, financing and technical processes (European Commission 2019).

In Mali, international non-governmental organisations operating cash transfer projects in the insecure north worked hard to establish common designs and administrative processes (logical framework, assessment tools, transfer value, registration method, and monitoring and evaluation) that were aligned with key parameters of the government’s nascent social cash transfer programme in the south. Linking the projects in the north to the national early warning system and surveys also assisted with engaging the government. This has resulted in the genesis of a de facto national programme, and led to a policy commitment to transition out of humanitarian responses over time and progressively strengthen the national social protection system so that it could absorb repeated, and relatively predictable, humanitarian caseloads (European Commission 2019).

In Yemen, humanitarian actors have managed to revive and sustain the national social assistance scheme that the armed conflict had erupted in 2015. UNICEF introduced an HCT programme that, although run as a stand-alone project, leveraged the administrative structures of the no longer funded national scheme (such as scale, proven functioning delivery systems,

\(^{15}\) Such an aspiration is likely to be facilitated by the recent commitment by major United Nations agencies to work towards a common cash system (OCHA et al. 2020).

\(^{16}\) Such an approach is also referred to as ‘shadow alignment’.
human resources and effective design) without compromising humanitarian principles. A number of operational adaptations were necessary for the programme to be effective, including facilitating enrolment processes, reinforcing a payment provider, outsourcing data management functions to non-government personnel and having the programme monitored by a neutral civil society organisation accepted by all parties.

16.5 CONCLUSIONS AND PROSPECTS

The move to cash transfers, and related efforts to link them with national social protection systems, is one of the most significant areas of innovation in humanitarian assistance. It has profound implications that go beyond the humanitarian sphere. As international humanitarian assistance becomes increasingly provided in the form of cash transfers delivered through private financial service providers, overseen by the national social protection system or United Nations agencies, the role of non-governmental organisations might have to evolve. New financial instruments (including, for instance, contingency funds, pooled funding, sovereign risk insurance) also need to be introduced to blend traditional humanitarian and development financial resources strategically in order to enable countries to plan for likely emergency responses rather than relying on the vagaries of humanitarian financing. Preparedness needs to evolve to prepositioning data (rather than goods), such as registries of vulnerable households or inventories of possible payment networks, in close collaboration with social protection and other development actors. The tendency towards multi-purpose cash transfers is changing the way targeting and monitoring and evaluation are approached. In a cross-sectoral approach, targeting, for instance, would be based on socioeconomic criteria, rather than, say, food security indicators alone. As social protection systems become more mature, the provision of emergency cash transfers might increasingly be discussed in connection with broader debates related to a country’s choice of social protection/development model – for instance, between (discretionary) household-based targeting and categorical targeting (towards individual entitlement), or towards universal basic income.

The international community has adopted the SRSP agenda rather enthusiastically, but greater caution is needed moving forward. Such integration poses risks as well as rewards. It cannot be assumed that linking HCTs and social protection is unequivocally positive or universally applicable (Longhurst et al. 2020). While it is valuable for social protection actors to look at how covariate shocks are covered, it might not always be appropriate to use social protection for disaster response (O’Brien 2020). It might be an opportunity to build the national system, or a threat. There may be risks of overburdening what are often nascent social protection systems. However, to date, there is still limited theoretical agreement on how to determine which integration approaches, if any, are likely to be most suitable and effective in a particular context (Lowe et al. Forthcoming).

Linking HCTs and social protection remains a relatively new topic, for which the evidence base is still emerging (European Commission 2019). Only a handful of rigorous research studies have looked at what works, for whom and why in the provision of cash transfers in humanitarian settings (Brück et al. 2019). There are significant knowledge gaps on the ‘how’.

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17 In 2016, over two-thirds of humanitarian aid disbursed as cash transfers and vouchers came from two organisations: the World Food Programme and UNHCR (CaLP 2018).
More experiences and evidence are needed on each of the possible connection points between HCTs and social protection systems, looking at social cash transfer programmes and beyond (social services, social workers, social insurance, labour policies, etc.).

So far, the issue of linking HCTs and social protection has largely been approached from a technical standpoint, but many challenges in deciding whether and how to operate such linkages are not amenable to technical fixes. The SRSP work is as much about managing an inclusive, cross-sectoral process as achieving an outcome. It requires building trust and relationships between sets of actors who often do not know and understand each other well enough. It is about identifying entry points and negotiating compromises. As Longhurst et al. (2020, 3) emphasise, people working on that issue ‘cannot only be trained to come up with the right technical solutions but need to be equipped with the right ethical frameworks, policy acumen and analytical skills to navigate dilemmas and make informed choices about how to engage’. Applying a systemic approach, through an inclusive co-learning and creating movement, could allow hitting three targets with one shot: providing an inclusive analysis of a system; building the capacity of system actors by empowering them to find their own solutions; and resulting in immediate action. Each crisis context is different and rapidly changing, and practitioners will necessarily need to learn by analogy (Cherrier 2019a). In contexts of increasing complexity, focus needs to be on developing approaches to problems rather than seeking solutions, and promoting adaptive management.

Fundamentally, and most importantly, this agenda requires reconciling different viewpoints and translating them into constructive action. From a donor perspective, the question is how governments can be persuaded to be more inclusive; from a government standpoint, it faces disproportionate political and economic risks from being left with the bill; and from the international humanitarian agencies’ viewpoint, there might be dilemmas on how to reconcile commitments to neutrality and independence with those to respecting the primary responsibility of governments (Seyfert et al. 2019). Clarifying the nature of humanitarian needs (occasional or recurring), agreeing on shared goals over the short to medium term and redefining respective roles and responsibilities towards that vision require soft skills to steer dialogue and negotiate differences across actors. It necessitates ambition and realism (notably to avoid the premature overload of a nascent social protection system), as well as patience (in many instances, it cannot be a quick exit strategy for humanitarian actors). Further efforts are also needed to ensure local evidence and voices are brought to the table and heard (especially when humanitarian interventions are intended to lay the foundations for a national social protection system).

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Case study J: Emergency cash transfers in Yemen

Francisco V. Ayala

1 INTRODUCTION

Designing and implementing a social protection programme, especially emergency programmes, is a very elaborate task. Add to that different agencies/actors, beneficiary identification issues, and during a war context, it becomes an even bigger challenge. This chapter describes the experiences gained with designing and implementing an emergency project during war as well as taking into account the coordination of various present and remote agencies/actors.

Because of the serious armed conflict, Yemen has become the poorest nation in the Middle East. Almost 50 per cent of its population has remained extremely economically vulnerable and has also faced severe issues due to food insecurity and the collapse of the public health system, forcing hundreds to leave their homes (Madhok and Al Sharafi 2017). Malnutrition rates are rising, with almost 462,000 children suffering from severe acute malnutrition and at risk of life-threatening complications. The urgent need for assistance to save lives and livelihoods was and is still crucial (Oxfam 2017).

The joint UNICEF–World Bank programme, the Emergency Cash Transfer Project (ECTP), was created to meet the population’s most pressing needs. In Geert Cappelaere’s words (UNICEF Regional Director):

These emergency cash transfers contribute to averting the risk of famine and allow targeted families to buy food and medicine for their children, among them many malnourished. It is also pivotal in avoiding families’ negative coping measures like child labour and early marriage, both on the increase in war-torn Yemen. (UNICEF 2018a)

Although Yemen does not have a defined social protection strategy, by 2015 it had a variety of social protection programmes divided into five main sections: Social Assistance Social Development Programs,1 Grants and Production Support Programs, Social Insurance Programs, Social Protection Programs Targeting People with Special Needs, and Other Sectoral Social Protection Programs (Azaki 2015). With the ongoing conflict in Yemen, the ECTP ensures to support the existing social protection system, as a new component, with the aim of becoming a financial support for families in the emergency context, through the delivery of cash transfers as a way to connect humanitarian assistance and social protection schemes.

1 Within social assistance is the Social Welfare Fund (cash component), while social development programmes include: social fund for development, public works project, and agricultural and irrigation programmes.
2 INTERVENTION BACKGROUND

The Social Welfare Fund (SWF) programme was established in 1996 by the Ministry of Social Affairs and Labor and was the most extensive public cash transfer programme in Yemen, as the main component of the social assistance programme, operating at the time of the crisis. Using categorical scorecard methods for targeting, the programme reached 1.5 million beneficiary families (with an average of six members per household) (Hommad 2008). Unfortunately, due to lack of funding and the war, the programme was suspended in 2015. As a result, around 8 million people were left without income and any social protection support, not to mention the rising prices of food and non-food commodities, the loss of assets and livelihoods, and internal displacement exacerbating the situation even more.

The ECTP was launched to alleviate Yemen’s emergency and positively impact the economy. Initially, UNICEF and the World Bank considered the possibility of using the SWF programme and its structure to be able to continue providing cash benefits to its 1.5 million beneficiaries who relied solely on the SWF for monetary support (Seixas et al. 2018). However, a number of armed groups involved themselves in the ongoing war and UNICEF wanted to maintain neutrality as well as have the flexibility and freedom to distribute benefits throughout the country; but the SWF could not provide this. Therefore, UNICEF decided to create a separate structure to help the same SWF beneficiaries. The ECTP was designed and run in parallel, and only beneficiary information was used from the SWF programme.

The project cycle of the implementation process was divided into six main parts or processes: (1) invitation of SWF beneficiaries for enrolment,2 (2) confirmation of the existence of SWF beneficiaries and their enrolment in the ECTP, (3) community validation of identity (CVI), (4) payments of benefits,3 (5) case management,4 including change of payment receiver and home address, and (6) monitoring. UNICEF decided to hire different private agencies to run each process and have UNICEF staff in Yemen as the field operator coordinating the activities of these agencies.

Intervention activities were also divided into two main parts: preparatory and implementation activities. Preparatory activities started with the generation of the ECTP beneficiary list. Since the country needed an emergency intervention, there was no time to conduct a targeting process to determine the beneficiaries of the programme, and as a result, UNICEF asked the SWF to provide their programme’s beneficiary list, updated in the last quarter of 2014. Operational documents were designed to make it possible to implement the project, always taking into consideration lessons learned during the consultant’s prior experience with the SWF. Operational documents consisted of the main operations manual containing the principles for the execution of the ECTP and a series of technical annexes, detailing the operational procedures and flows for each of the project cycle sub-processes.

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2 This process is called facilitation, which consists of approaching community members at local level to indicate programme objectives and the enrolment process.

3 The ECTP generated three payment cycles during the consultancy. In each cycle, preparatory and implementation activities were executed and adjusted according to the problems and challenges that were pursued in the previous one. The ECTP continues delivering cash to the beneficiaries.

4 This is a process which deals with financial issues (challenges, delays, and incorrect reconciliations), beneficiary issues (mistreatment, service quality, and suspected fraud), as well as grievances and complaints.
Two independent systems were developed, the Main ECT-MIS (management information system; online application) and Minimal ECT-MIS (offline application),\(^5\) to support the main sub-processes of the project cycle. The database and information generated by the project were hosted in different places within Yemen in case of any data loss or unexpected event within Yemen. The ECTP-MIS was built through a prototype methodology which facilitated the understanding of the sub-processes being implemented. The design, programming, and maintenance of the system was done by the consulting firm for a period of 18 months, but later, after a three-month handover process, the UNICEF Special Project Unit took over the responsibility of the system programming and maintenance.

3 CHALLENGES OF THE INTERVENTION

There were several challenges during the design, implementation, and technical assistance stages of the ECTP. All parties needed to join forces to dynamically solve different issues regarding variations within the SWF database, the lack of coordination between agencies, and the need to incorporate the CVI process.

3.1 Issues with the SWF Database

There was a great deal of duplicated and out-of-date information in the SWF database. It was divided into tables that were unrelated to each other. This showed a lack of compliance with general relation rules previously established for these databases. Also, the database contained many temporary registries, which were created for specific purposes and should have been deleted afterwards. All of these issues created an inefficient database with an inadequate design.

Additionally, the SWF did not have documents specifying which information to use and no instruction on how tables, database structures, or fields were defined. Another issue detected was that programme officials rolled out a new unique identification code assigned by the system for beneficiary identification but this was not completed due to the beginning of the war. The task to match the new codes with the ones in the initial data was cumbersome since just 40 per cent of beneficiaries had been assigned to this new unique code number.

3.2 Participation of Different Agencies

The approved design included hiring one external organization to perform activities corresponding to a specific project cycle stage. UNICEF rushed to hire external agencies in a very short period. One agency was in charge of facilitation activities, another agency with registration, the third with payments, and the fourth with monitoring. The UNICEF Special Project Unit coordinated these agencies and was assisted by a specialized consulting firm providing technical assistance.

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\(^5\) The offline application solved the problem of connectivity since internet service in the country was not of good quality. With this solution, it was possible to store the data in the field and then load it into the main MIS online.
Due to the emergency context, some issues and challenges were encountered during the preparatory phase such as logistical difficulties training new personnel hired by each participating agency, coordination between agencies, communication issues due to the geographic isolation of regions, the unavailability of necessary communication technology (internet), and the desire to arbitrarily impose mechanisms that were not in the project operational rules developed for this project. All of these issues were exacerbated due to the war context. As for logistics, some personnel of these agencies could not be present in remote places of the country, delaying the implementation of the project in those places.

The issues were progressively resolved upon lessons learned in the field and robust managerial skills provided by UNICEF officials in regional offices throughout Yemen. Also, ongoing improvements in the MIS, as well as additional training, helped to ease the procedures in the field.

### 3.3 Issues with the Identity of the Beneficiaries

Due to the lessons learned from the first payment to beneficiaries, the UNICEF Special Project Unit, with the assistance of the specialized consulting firm, had to make adjustments in the operational design of the project. A significant number of beneficiaries could not collect their cash benefit for different reasons, for example payment officials not being able to verify their identity. Many recipients failed to bring identification to payment sites; either they had never had them or had lost them during the conflict. Other beneficiaries presented identification that had name spelling differences with what was on the beneficiary list. Elderly and disabled beneficiaries could not travel to sites/centres. For these reasons, the CVI process was designed and implemented while the project was ongoing, in the time between the first payment and the second payment to beneficiaries.

The main objective of the CVI process was to assist beneficiaries who presented problems with their identification and to identify and assist beneficiaries with physical or socio-cultural impediments. In this process, a local authority called Amin/Aqil participated. The Amin/Aqil is mainly a person assigned to lead a particular community/Neighbourhood. The Amin/Aqil has the power to issue a document/letter to a person who does not have identification. This authority knows all the individuals in his community/Neighbourhood and guarantees he knows the person.

Through this process, beneficiaries were able to resolve their identification-related issues and were able to collect their first and second transfers, during the second payment cycle, meaning approximately 89 per cent of this group of beneficiaries was able to collect the cash transfer due to the assistance received during the CVI process (Ayala Consulting 2018).

In the case of beneficiaries who could not approach payment sites due to physical issues (severe illness or because they were elderly), an outreach process was designed. Outreach officials first identify where the person lives, gather information directly in the person’s home, and pay the beneficiary.

### 4 RESULTS OF THE INTERVENTION

Despite the challenges, the programme managed to comply with the planned payments. Table J.1 shows the number of paid beneficiaries and the total value of Yemen rial (YR) that were
Table J.1  Total payments to the beneficiaries per payment cycle

<table>
<thead>
<tr>
<th>Cycle</th>
<th>Target</th>
<th>Number of paid beneficiaries</th>
<th>% paid</th>
<th>Total value of YR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>1,500,916</td>
<td>1,330,601</td>
<td>89</td>
<td>20,498,086,200</td>
</tr>
<tr>
<td>2nd</td>
<td>1,591,749</td>
<td>1,448,995</td>
<td>91</td>
<td>23,736,910,200</td>
</tr>
<tr>
<td>3rd</td>
<td>1,466,599</td>
<td>1,376,796</td>
<td>94</td>
<td>21,203,085,000</td>
</tr>
</tbody>
</table>


paid in each payment cycle. The ECTP managed to help approximately 1.5 million Yemeni families (former SWF beneficiaries).

As evidenced in Table J.1, the percentage of beneficiaries paid in respect to the target increased with each payment cycle; the mechanisms, like the CVI process, designed to increase the number of recipients paid in the second payment cycle (in comparison to the first) achieved its goal.

Based on UNICEF data, the ECTP project brought back hope to families. Families were able to send their children to school, and in some cases were able to fix their equipment to continue working (UNICEF 2018b). These emergency cash transfers were a turning point for families, and they also helped them to meet their most pressing needs (UNICEF 2018a). As a result of the ECTP activities, Yemeni households and communities were better positioned to cope with the crisis, recovering from negative impacts and gaining confidence in the ability of their national partners (UNDP 2017). This approach, however, is only temporary. No public agency is currently participating in this endeavour; only private agencies are working together under the coordination of UNICEF. This approach is undoubtedly the only option when there is no presence of any form of reliable government agency. Once UNICEF decides to finish this intervention, no structure will remain to continue supporting these beneficiaries. Most likely, after the war ends, donors will have to revamp and restructure the SWF before it is able to continue providing benefits.

REFERENCES


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6 At the time of the project, the approximate exchange rate was YR 450 = 1 United States dollar.

Case study K: Palestine’s national cash transfer programme: An example of cash transfer programming in a humanitarian setting

Nicola Jones and Bassam Abu Hamad

1 INTRODUCTION

There is strong evidence that in developed and stable contexts, social protection can enhance human capital and productivity, reduce inequalities, build resilience, and end the intergenerational cycle of poverty (World Bank 2019). However, in humanitarian contexts, i.e. settings where a singular event or series of events such as conflict or natural disaster threaten the health, safety, and well-being of a community, most policy and programming has focused on a shorter-term safety net approach, which largely addresses economic shocks and entry into poverty. In such contexts there has been only limited attention to the social inequalities and socio-political vulnerabilities that also perpetuate poverty and threaten social cohesion because interventions are predominantly emergency and relief-oriented (Holmes and Jones 2009; Devereux et al. 2011; Abu Hamad et al. 2015). Evidence shows that in humanitarian contexts, cash transfers (CTs) alone are no silver bullet; their impacts depend on access to other services including education and health care, psychosocial support, and violence prevention efforts, alongside supportive policies that tackle discrimination (Jones et al. 2019).

There are some promising examples of how social protection, especially CTs, can mitigate the effects of crises. Yet the evidence base is still limited, particularly around the role of social protection in rapid-onset crisis versus protracted conflict environments (Ulrichs and Sabates-Wheeler 2018). This case study therefore provides evidence about the impact of social assistance in Palestine, drawing on three rounds of empirical research conducted by the Overseas Development Institute. The first round (undertaken in 2012) explored the impact of the Palestinian National Cash Transfer Programme (PNCTP) on female-headed households (Abu Hamad and Pavanello 2012; Jones and Shaheen 2012); the second (2013–14) explored its impacts on Palestinian children (Pereznieto et al. 2014); and the third (2015–16) aimed to understand the lives of Palestinian children with disabilities (Jones et al. 2016a).

2 PALESTINIAN CONTEXT

Palestine has seen protracted conflict and ongoing occupation for decades, shaping all aspects of life for the 2.9 million Palestinians living in the West Bank and the 1.9 million living in the Gaza Strip (Palestinian Central Bureau of Statistics 2018). Although the Palestinian Authority is committed to a social protection agenda, many serious challenges arise from Israeli de-development policies that include controlling the Palestinian economy and the ongoing
blockade on Gaza – challenges that are compounded by internal political divisions between the
governments of the West Bank and Gaza.

These factors have led to deep deprivation, with high rates of unemployment – 27 per cent,
rising to 48 per cent in Gaza and over 60 per cent among women and young people (Palestinian
Central Bureau of Statistics 2018). Palestine is classed as a lower middle-income country,
with a very high literacy rate (95 per cent), yet poverty and food insecurity are worsening,
especially in Gaza (affecting more than 50 per cent of all households). Some 20 per cent of
individuals living in female-headed households suffer from extreme poverty, unable to fulfil
minimum living requirements, compared to 17 per cent in male-headed households. The most
recent census found that nearly half of the Palestinian population are children (under 18 years),
while only 5 per cent are aged 60 years and above (Palestinian Central Bureau of Statistics
2018). Of the general population, 5.8 per cent have a disability, with slightly higher rates in
Gaza (6.8 per cent) and among males (7.6 per cent) as a result of conflict-derived impairments.

3  HISTORY OF SOCIAL PROTECTION IN PALESTINE

Drawing on the UNICEF (2012) definition of social protection as the set of public and private
policies and programmes aimed at preventing, reducing, and eliminating economic and social
vulnerabilities to poverty and deprivation, including CTs, food assistance, and subsidized
access to basic services, we now turn to a discussion of the historical evolution of social pro-
tection programming in Palestine.

Like many neighbouring countries, Palestine has a long history of social protection, based
on religious charitable provisions alongside kin-based informal support (Marcus et al. 2011).
Since the 1948 war between Israel and the Arab world, the United Nations has provided assis-
tance to Palestinian refugees, and continues to do so today.

In terms of government provisioning, the social protection sector in the Occupied
Palestinian Territories dates back to 1967, with the start of the Israeli occupation of the West
Bank and Gaza. From 1967 until 1994, social protection was delivered under the auspices of
the Israeli administration, benefiting around 10,000 poor and vulnerable Palestinian families
(Abu Hamad and Pavanello 2012; Jones and Shaheen 2012).

Since 1994, the Palestinian Authority, through the Ministry of Social Development (MoSD),
has extended its social protection programming, including two major CT programmes: the
Social Hardship Case, which was targeted at the most vulnerable (including poor, unem-
ployed, persons with disabilities, and divorced women) and funded by the European Union;
and the World Bank-funded Social Safety Net Reform Project (World Bank 2012). Other
governmental bodies also provide assistance (e.g. the Ministry of Detainees provides support
to ex-prisoners and their families). Zakat committees have also long provided cash and other
support to poor families and vulnerable groups (including widows and orphans) in the West
Bank and Gaza.

Many international organizations, non-governmental organizations, community-based
organizations, and faith-based organizations also provide social protection to vulnerable
Palestinians, as does the private sector (Abu Hamad and Pavanello 2012; Jones and Shaheen
2012). Familial and kinship networks also provide informal social support (e.g. food, house-
hold goods, clothes, etc.), though rising poverty undermines this.
However, in the 2000s, it became apparent that these programmes were fragmented, applying divergent targeting criteria, standards of payments, and entitlement rights. This not only hindered coordination and posed significant challenges to transparency, governance, and accountability, it also limited the overall impact of social protection programming on poverty reduction. A 2012 World Bank study found that in 2007, around half of the beneficiaries of MoSD social assistance in Gaza were not poor, 30 per cent of MoSD transfers were accruing to the richest two expenditure quintiles, and 40 per cent of poor people were not receiving any form of social assistance. To improve governance, in 2011 the Ministry was mandated to lead the development of an ambitious reform of the social protection sector.

4 OVERVIEW OF THE PALESTINIAN NATIONAL CASH TRANSFER PROGRAMME

The PNCTP (launched in 2010 in the West Bank and 2011 in Gaza) aimed to unify the two main CT programmes (Social Safety Net Reform Project and Social Hardship Case) into one central, fair, and accountable programme that would integrate other national CTs and mobilize resources to maximize impact in reducing poverty (MoSD 2012). It is the main component of the national social protection strategy and the largest CT programme administered and implemented by the Ministry, in terms of both coverage and funding (representing approximately 1 per cent of national gross domestic product) (World Bank 2012). It is complemented by a package of complementary entitlements consisting of lump-sum emergency assistance, access to health care and education services, and food. Food assistance for non-refugees is managed by the World Food Programme, while registered refugees come under the United Nations Relief and Works Agency for Palestine Refugees in the Near East. PNCTP beneficiary households are also entitled to government health insurance and university tuition fee waivers.

Beneficiary households are selected according to a consumption-based proxy means test formula involving 35 variables, administered by social workers during regular home visits following a formal application process for inclusion in the programme (Jones and Shaheen 2012). The formula includes poverty-related variables (rather than solely categorical targeting as was the case with previous programmes) but has been developed over time to include other vulnerabilities such as disability and chronic illness (Abu Hamad and Pavanello 2012). Each selected household receives between NIS 750 and 1,800 (Israeli new shekels) per quarter

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1 According to the MoSD (2019), the Palestinian Authority contributes an average of 53 per cent funding to the PNCTP, with the European Union contributing 44 per cent and the World Bank 3 per cent.

2 The complementary entitlements are part of the PNCTP and provided to households based on their vulnerability score as calculated by a proxy means test formula. However, these entitlements are not given to everyone; they are determined according to needs. Governmental health insurance is provided for families who need it, food rations are given through the United Nations Relief and Works Agency for Palestine Refugees in the Near East to refugees and through the World Food Programme to non-refugee beneficiaries, waivers for basic education fees are provided, while waivers for university fees are not guaranteed as universities have their own systems to support poor students.

3 Social workers visit households that apply for the programme at the MoSD premises or through the net (web-based application is an option). Households that apply are visited by social workers and assessed by them. However, poor households who don’t apply are not visited by social workers and the programme doesn’t proactively target them.
(USD 214–USD 514) depending on family size to bridge 50 per cent of the household poverty gap. The PNCTP has grown rapidly and now covers more than 119,000 households (75,000 in Gaza and 44,000 in the West Bank), reaching nearly 600,000 people (more than 310,000 of them children) (MoSD 2019).

5 STRENGTHS OF THE PNCTP AND REMAINING GAPS

5.1 Targeting

The PNCTP does not proactively target impoverished households; before receiving their first cash payment, households deemed eligible have to present supporting documents (such as divorce certificates or school/university enrolment certificates) at different MoSD offices. The vast majority of beneficiaries interviewed by the Overseas Development Institute found this process burdensome, costly, and time-consuming.

A 2012 World Bank study found that the PNCTP had rates of exclusion and inclusion errors that were lower than other programmes widely considered successful. However, the proxy means test formula’s 35 variables are more oriented to assessing chronic poverty, and are not sufficiently sensitive to detect at-risk households affected by the ongoing conflict who may face different kinds of vulnerabilities, especially in Gaza. This is exacerbated by the fact that social worker visits focus on collecting quantitative household data only, rather than qualitative observations.

5.2 Impacts on Children

Jones et al. (2016a, 2019) argue that the PNCTP supports children’s right to survival as it helps poor households buy more nutritious food and pay some indirect costs related to education and health-care access, for example, transportation, medication, snacks at school. It also contributes to household debt repayment – a major source of stress for all poor households in Gaza and the West Bank. The complementary entitlement to health insurance means that households with members (including children) with acute or chronic illness or disability can cover the additional costs related to their care – support that is greatly valued – but the needed co-payment and transportation are unaffordable, drugs covered by health insurance are lacking, and the quality of health care is questionable.

As such, the PNCTP helps vulnerable households meet children’s direct needs and contributes to improving their emotional and mental well-being in an extremely pressured and challenging situation. However, it overlooks the specific needs of children, particularly children with disabilities, with minimal impacts on child development and education, protection, and recreation (Abu Hamad et al. 2014; Pereznieto et al. 2014; Presler-Marshall et al. 2019). For instance, among children with disabilities, 45 per cent of children are enrolled in education, while among the general population, enrolment is almost universal (Jones et al. 2016a). In terms of social connectivity, only 18 per cent use internet social media, while it is almost universally accessed by the general population; and just 13 per cent visit clubs and organizations compared to 24 per cent of peers without disabilities (Jones et al. 2016a; Pereznieto et al. 2014).
5.3 Impacts on People with Disabilities

The proxy means test formula gives specific (but limited) weighting to households with people with disabilities. Jones et al. (2016a), in a nationally representative study, found that 52 per cent of households with people with disabilities were PNCTP beneficiaries. By helping families bridge the poverty gap, the programme is making some contribution to improving well-being among these individuals and their families.

However, our findings confirm that the PNCTP provides only limited support for disability-specific vulnerabilities (Jones et al. 2016a; Abu Hamad et al., 2019). For instance, transfer amounts do not adequately take into account the higher health and personal care costs (including transportation, medicine, assistive device maintenance, etc.) that these households incur compared to households without family members with disabilities. Gaps in provision include psychosocial support for persons with disabilities and their caregivers, and better information on and access to rehabilitation and other available services. More broadly, there is an urgent need for stronger coordination among service providers to address the multidimensional vulnerabilities and needs faced by persons with disabilities (Jones et al. 2016a; Abu Hamad et al., 2019), which are not tackled by the available health services covered by health insurance.

5.4 Impacts on Citizenship and Social Accountability

Many respondents felt that accessing the PNCTP was their right as Palestinian citizens, yet the programme does not seem to have strengthened state–citizen relations (Jones et al. 2016b) – albeit that discussions of such relations are problematic in the Palestine context given the protracted Israeli occupation and the limited mandate and high donor dependency of the Palestinian Authority. Jones et al. (2016b) suggest this is also partly due to limited investment in awareness raising and information dissemination, but also the limited role of social workers in marketing and implementation.

Respondents reported that complaints (via the PNCTP’s grievance mechanism) are seldom responded to in a timely and systematic way, if at all. Many received contradictory information from the MoSD (Samuels and Jones 2013). As one beneficiary from Gaza stated, ‘How can one raise a complaint against the judge?’

There is also a dearth of feedback and social accountability mechanisms which would ensure that programme implementers regularly hear the views of beneficiaries and other community members.

6 CONCLUSIONS AND IMPLICATIONS FOR FUTURE SOCIAL PROTECTION PROGRAMMING IN HUMANITARIAN CONTEXTS

The Palestinian Authority’s flagship social protection programme is exceptional (both in the Middle East and North Africa region and among conflict-affected areas more broadly) in terms of its poverty targeting and scale of coverage, but there remains considerable scope to strengthen programming if it is to meet its full transformative potential. While impacts are largely seen as positive, with 80 per cent of caregivers believing it had improved their chil-
dren’s chances for the future, it forms only a limited part of extremely poor households’ coping repertoire and does not effectively address the multidimensional aspects of vulnerability in crisis contexts (Jones et al. 2019).

This case study has highlighted that the programme would have greater impact if it were more closely linked to other complementary initiatives that address the multidimensional nature of poverty and vulnerability, including education, vocational training and skills building, employment opportunities, psychosocial services, awareness raising, and protection networks. Within this broader yet interlinked lens, programme design must also address the specific vulnerabilities of particular individuals and groups, including children and persons with disabilities.

Finally, this case study has highlighted that programme design and implementation must address the rights of persons affected by protracted humanitarian crises to receive social protection. Crucially, there must be spaces and channels for programme participants to voice their views about programme governance and implementation processes – and have their voices heard by power holders – so as to strengthen social accountability processes and outcomes.

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17. Social budgeting  
Krzysztof Hagemejer and Wolfgang Scholz

17.1 INTRODUCTION

At the beginning of 2020 with the globally spreading pandemic of COVID-19 and all its social and economic consequences, the importance of having comprehensive, universal and effective social protection systems became once again – like during all the major economic and social crises before – very clear (Gentilini et al. 2020; Chapter 43 of this volume). Countries with strong social protection systems, although needing to enhance many benefit provisions and extend coverage to reach those in non-standard forms of employment, still were coping better with the pandemic and had better chances of cushioning the resulting economic downturn. However, we know from past experience that after the crisis is over, austerity measures may focus again on limiting social expenditure under all kinds of excuses.

The level of public social expenditure relative to gross domestic product varies widely across countries (ILO 2010b, 2014a, 2017; World Bank 2018). However, it often consumes (and one can say – should consume) more than half of available public financial resources. Therefore, all social policy decisions have – apart from other important social and economic consequences – significant impacts on overall public finances. That is one of the reasons why social policy requires careful and comprehensive financial planning. Such planning has to be supported by quality statistics, reliable accounting and financial projections for different time horizons: short-term, covering the next budget year, but also medium- and long-term projections. Many social policy decisions have an impact on public finances over many years in the future, often affecting more than one generation (Cichon et al. 1999a).

Social protection (including health care) is one of the key areas of social policies, and also the one which consumes (also: should consume) the most significant resources. That is why the social budgeting approach described in this chapter has been developed to address challenges of coordinated social protection planning. However, the approach can be easily broadened to include other social policy areas like education, housing, water and sanitation and other social services.

There are also close relationships between different social protection programmes. For example, establishing an unemployment benefit programme involves, in addition to funding the cost of unemployment benefits, planning and funding effective employment services. It also requires implementing a whole range of other labour market programmes aimed at providing training, retraining and other services enhancing the employability of job seekers as well as stimulating the willingness of employers to provide decent jobs. Higher expenditure on education and vocational training today may in the long run increase employability and

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1 Including expenditure on social policies like health, non-health social protection, education, housing and other social services.
productivity and reduce poverty and thus decrease the future need for expenditure on poverty alleviation programmes.

Another example relates to the link between the cost of contributory and non-contributory programmes. Reforms of contributory pensions tightening entitlement conditions and strengthening the link between contributions paid and benefits received may significantly decrease both coverage and benefit levels. As a result, there may in the future be a need to allocate more resources to social assistance providing income support to the elderly.

A sound analysis of all the above has to be embedded into the demographic, labour market and economic context. Demographic changes, present and future labour force participation rates, as well as macroeconomic developments have impacts on public expenditure and revenue. Such a comprehensive planning of social protection finances, although practised in some countries – but far from everywhere – was promoted by the International Labour Office (ILO) and International Social Security Association for decades under the name of social budgeting.2

One can look at the social budgeting concept in a number of ways. It can be seen simply as a methodologically consistent compilation of the revenues and expenditures of a country’s social protection system combined with projections and simulations into a medium-term period, and/or simulations under alternative scenarios. It is thus as a tool for the coordinated planning of national social protection systems. It serves also as a tool for monitoring past, current and future social protection finances. It is an indispensable tool for responding to the Social Protection Floors Recommendation No. 202 requirement that countries ‘should monitor progress in implementing social protection floors and achieving other objectives of national social security extension strategies’ (International Labour Organization 2012, art. 19).

Social budgeting allows us to identify – through established expenditure/revenue accounts for all existing social protection schemes – to what aims, within the social protection system of the country, resources are allocated and where these resources come from. In the next stage of the process, social budgeting helps us to identify what resources are needed in the future to finance existing schemes and how much it will cost in the short, medium or longer term to finance new, planned or existing but reformed schemes. Social budgeting thus consists of two basic components:

1. The statistical basis, i.e. the methodologically consistent compilation of the revenues and expenditures of a country’s social protection system over a certain period in the past. Scholz et al. (2000) call this component the social accounting system. One can simply refer to it as financial social protection statistics (or national social protection accounting).3

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2 The term ‘social budgeting’ came to the ILO from the German Ministry of Labour that publishes a summary of social protection accounts under the name of ‘Sozialbudget’ (see Bundesministerium für Arbeit und Soziales 2018). Interestingly, the term ‘social budget’ comes from the literature devoted to social security much earlier, in papers written by the United States actuary W.R. Williamson presenting the social insurance system introduced in the 1930s as part of the New Deal (Williamson 1938, 1946a, 1946b).

3 Of course, there are other key elements of social protection statistics than just data on expenditure and financing sources – key for monitoring social protection system performance but also for making projections of its future costs and availability of fiscal space. One of the most important is statistics on coverage: on scope of coverage (what contingencies are being covered), extent of personal coverage (how many people are covered) and level or quality of coverage (level of benefits, quality of services).
2. The forecast of income and expenditure (budget projection), normally for a period of at least 10–15 years (although the old age pension component of the social budget requires projections with a much longer time horizon), and/or simulations of social expenditure and revenues under alternative economic, demographic and/or policy assumptions. The above book calls this component the social budget.

The following sections describe in detail both components of social budgeting: statistical and accounting foundations and modelling and projections.

17.2 BUILDING NATIONAL SOCIAL PROTECTION STATISTICS AND AN ACCOUNTING SYSTEM

This section looks at the requirements for establishing adequate national social protection statistical and accounting systems and associated challenges: what types of statistics are needed, what the statistical definitions of social protection are, what schemes are to be included and how to classify them to arrive at comprehensive national social protection accounts.

17.2.1 In Demand: Comprehensive National Social Protection Statistics

The efforts of achieving comprehensive and internationally harmonized statistics on social protection – similarly to what was achieved in the case of employment and unemployment or price statistics – go back to 1957 (International Conference of Labour Statisticians 1957). Data on all dimensions of social protection coverage and level of benefits, on expenditure and financing levels and composition are critical to assess and monitor the state of social protection in countries. Such data are of key importance to identify coverage gaps and define policies for improved coverage or enhanced effectiveness and efficiency of national social protection systems. Data in the design aspects of programme implementation such as the legal framework, governance and administrative structure, targeting mechanisms, eligibility criteria, graduation and exit rules are also fundamental for identifying areas of improvement and for building road maps for enhancing both programme performance and the overall provision of social protection across programmes.

The 1957 ‘Resolution concerning the development of social security statistics’ (International Conference of Labour Statisticians 1957) adopted during the Ninth International Conference of Labour Statisticians gives detailed guidelines on the social security system data and information that should be made available from both administrative and household survey sources. While European and some non-European Organisation for Economic Co-operation and Development countries seem to have largely met the requirements of this resolution, in many countries of the Global South information on their overall social protection/security system is still not regularly collected by national statistics organizations or any other responsible institutions. As a result, in many instances, social protection data are not available on a consolidated basis and are unlikely to be consistent and comparable across institutions and over time.

For definitions see the methodological annexes in ILO (2010a, 2017). See also International Conference of Labour Statisticians (1957).
Information and data on protected persons, beneficiaries, benefits paid, and services delivered, revenue raised from different sources and amount spent on benefits and on their administration have to be directly collected from registries, records and accounts of each of the institutions implementing the various social protection programmes. These data are crucial to the functioning of these schemes and for assessing their performance and sustainability. It is equally crucial for planning, budgeting and evaluating the overall social protection systems.

However, in many cases, some of these information and data are either not extracted from the records and accounts on a regular basis or may not be available at all (very often, for example, data on protected persons and on beneficiaries and benefits received disaggregated by their sex and age are not available; what prevents quality projections and budgeting often is the lack of effort made to separate the cost of administration and benefit delivery from the total spending of the benefit scheme).

While the above data from administrative sources are indispensable, the sources, even if high quality, cannot tell us anything about those who are not covered. That is why other important sources of information and data to assess the performance of social protection schemes and systems are regular household surveys (like household budget, income/expenditure, living conditions and labour force surveys). However, many household surveys do not include on a regular and standardized basis questions on social protection programmes which would enable us to identify who and with what labour market status is protected (and who not), by what programme and what the amounts of particular benefits received are, etc. Lack of survey data (especially visible in lower-income countries of the Global South) makes it impossible to estimate effective coverage, coverage gaps and effects of social protection systems and associated fiscal effort on income distribution of these countries.

17.2.2 Inventory of Social Protection Schemes: What to Include in the Social Protection System and How to Classify It

The first step for any country in building its national social protection statistical system is to decide what is the agreed scope of social programmes which one wants to include in the system. There is no one, universally accepted definition of social security and/or social protection.

According to EUROSTAT (2019), the operational definition of social protection for statistical purposes is that social protection encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs. According to this definition what distinguishes social protection from other social arrangements is that: (1) benefits are provided to beneficiaries as transfers, without any simultaneous reciprocal obligation (thus it does not, for example, represent remuneration for work or other services delivered4); and (2) that it is not based on an individual agreement between the protected person and provider (as, for example, a life insurance contract) but the agreement applies to a wider group of people and so has a collective character (in this sense a group health

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4 In this context, it is interesting to discuss to what extent public works schemes and related could be seen as transfer and thus social protection. In the authors’ view public works or similar schemes can be seen as social protection transfers only to the extent to which work is paid more than the remuneration prevailing at the labour market. Thus, if people engaged freely in public works do work for which nobody else would pay, then what they get might be seen as social protection.
insurance, life insurance or pension insurance provided by the employer belongs to social protection).

Access to social protection is, in its essence, a public responsibility, and is typically provided through public institutions, financed either from contributions or taxes. However, the delivery of social protection can be and often is mandated to private entities. Moreover, there are many privately run institutions (group insurance, self-help, community-based or of a mutual character) which can partially assume selected roles usually played by public social protection. This includes, for example, occupational pension schemes, which complement and may substitute in considerable measure for elements of public pension schemes.

Although social protection benefits are transfers and thus should not be linked to any ‘simultaneous reciprocal obligation’, entitlements to those benefits are always conditional either on the payment of social security contributions for prescribed periods (i.e. contributory schemes, most often structured as social insurance arrangements) or on a requirement, sometimes described as ‘residency plus’, under which benefits are provided to all residents of the country who also meet certain other criteria (i.e. non-contributory schemes, social assistance programmes). Other criteria may make benefit entitlements conditional on age, health, labour market, income, assets or other determinants of social or economic status and/or even conformity to certain forms of behaviour (as in the case of unemployment insurance which usually requires from the unemployed beneficiary active search for employment; or in the case of so-called ‘conditional cash transfers’ where beneficiary households are required to enrol in certain public-service programmes like health or education). Such obligations have nothing to do with ‘reciprocity’ although they aim to induce certain behaviour.

After deciding what scope of social protection system it wishes to monitor, every country should build, maintain and regularly update an inventory of its social protection schemes.

Detailed qualitative information about different social protection schemes, in addition to data on expenditure and financing, are crucial for planning and social budgeting. Only by knowing detailed entitlement conditions embedded in the scheme’s qualitative information, is one able to plan the future numbers of beneficiaries and estimate their future benefit amounts and thus assess the level of resources needed to finance each of the schemes belonging to the national social protection system.

Qualitative information on social protection schemes describing their purpose and character allow us to identify what function, purpose or policy area these schemes serve. This is very important from the point of view of the planning and budgeting of national social protection systems to identify the functional structure of public expenditure in general (what public resources are allocated to social protection as compared to other purposes) and, in particular, within social protection how much is allocated to different functions or policy areas like health care, income security of the elderly, families with children, the unemployed, etc. Such knowledge allows us to assess the opportunity costs of various allocative decisions and identify if fiscal space made available for some policy areas is not crowding out the potential fiscal space to meet other, unfulfilled social needs.

A good practice example which may serve as a model for all the countries developing social budgeting and the necessary supporting databases is the Mutual Information System on Social Protection database covering all the European Union (EU) member countries. Internationally,

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5 However, any insurance based on individual and not group contact with the insurer is not recognized as social insurance – see the EUROSTAT definition of social protection above.
for non-EU countries, partial inventories of social protection schemes with detailed qualitative information are included in the Social Security Throughout the World database available either at the United States Social Security Administration web pages or at the International Social Security Association web platform. For social assistance schemes, there have been over the years efforts by various institutions to establish and maintain social assistance scheme inventories in the countries of the Global South and related databases with mainly qualitative information.⁶

17.2.3 Establishing Social Protection Accounts and Aggregated Social Budget

Identified social security schemes, programmes and measures should be seen as a ‘distinct body of rules’ (EUROSTAT 2019) and, therefore, characterized by at least a certain degree of ‘formality’, supported by one or more institutions governing the provision of social protection benefits and their financing.

For the purpose of establishing a comprehensive system of accounts balancing social protection expenditure and financing, it should, in general, be possible to draw up a separate account of receipts and expenditure for each social security scheme. For analytical, evaluation and planning purposes it is also key to be able to separate expenditure on benefits from those on administration or those allocated to other purposes (like transfers to other social protection schemes, to reserves, etc.).

It is equally important to identify what kind of benefits are financed by a scheme (cash or in-kind, means tested or not, periodical or one-off, etc.). On the receipt side one should be able to separate revenue coming from different sources: from social contributions paid by employers, contributions paid by employees and other protected persons, other co-payments or direct out-of-pocket payments from households, from the general or earmarked taxes collected by the governments at the central, state or local level, from donors (multi or bilateral), from private donations, etc.

Ideally, it should be possible for each of the schemes to draw up a separate account of receipts and expenditure (Table 17.1).

Table 17.1 Social protection receipts and expenditure

<table>
<thead>
<tr>
<th>Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security contributions (by type and source).</td>
</tr>
<tr>
<td>Government financing (by type and level of government).</td>
</tr>
<tr>
<td>Transfers from other schemes.</td>
</tr>
<tr>
<td>Other receipts (including property/investment income).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social benefits (by type, by function, by age of beneficiary).</td>
</tr>
<tr>
<td>Administration costs (by type: staff/non-staff).</td>
</tr>
<tr>
<td>Transfer to other schemes.</td>
</tr>
<tr>
<td>Other expenditure.</td>
</tr>
</tbody>
</table>

⁶ See the Social Assistance in Developing Countries database developed by Armando Barrientos and his collaborators at Chronic Poverty Research Centre (www.chronicpoverty.org/publications/search/simple/doctype/10) and the Social Assistance, Politics, and Institutions database at UNU-WIDER (www.wider.unu.edu/project/sapi-social-assistance-politics-and-institutions-database). See also the World Bank’s ASPIRE database and its Safety Nets reports.
It is only sometimes the case that a single social security scheme provides protection against a single risk or need and covers a specific group of beneficiaries administered separately from other schemes. It is then relatively easy to identify patterns and the nature of expenditure and financing, as well as policy objectives of the fiscal effort, that identifies the policy area (function) to which resources were allocated and spent. Often, however, one institution or department administers more than one social protection scheme. For example, in many countries social insurance institutions administer many separate schemes (like old age, survivors’ and disability pension schemes, and sometimes in addition short-term benefits like sickness and maternity payments).

Sometimes all these different schemes are also financed not by separate scheme-specific social contributions but by a generalized social contribution aimed at financing all the social insurance benefits. Often a bundle of quite different social assistance and poverty alleviation schemes are administered by one welfare department of a given ministry and financed from the budget allocation to the supervising line ministry. In the above situations it might be difficult or even impossible to assign administrative costs or particular financing sources to individual benefit schemes. It might also be difficult to link resources allocated to specific functions or policy areas.

Functional classifications of social protection expenditure are extremely important as they allow us to find out if overall allocation of resources responds to policy priorities and objectives attached to different functions of social protection and policy areas. The same applies to the possibility of classifying social expenditure by the age of the main recipients. If benefit expenditure is not classified functionally (and by age) at the scheme level it would be difficult to achieve the classified expenditure at the aggregated level.

In most countries, specific functions of social protection (like providing income security to the elderly, health care to the population, income support to the unemployed, etc.) are not performed by a single scheme but by programmes of very different nature aimed at different groups of employed, economically active or the general population. For example, old age pensions are provided nearly everywhere by more than one scheme and administered by different institutions: often there is a general scheme for employees (sometimes only in the private sector), another separate scheme for government employees and a special one for the self-employed, for farmers, etc. In addition, there are occupational pension schemes.

Health-care systems are often even more fragmented, consisting of a set of social insurance and private insurance subsystems as well as government systems, which are charged with certain delivery functions for the total population and/or to provide comprehensive services for those who cannot afford coverage under the other schemes.

All the social security schemes and institutions in a country are inevitably interlinked and complementary in their objectives, functions and financing, and thus form a national social security system. For reasons of effectiveness and efficiency it is essential that there is close coordination within the system, and that – not least for coordination and planning purposes –

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7 The need for a proper separate accounting of administrative costs and financing sources for each of the benefits serving different social protection purposes discussed above is not contradictory with the need to have a coordinated planning of social protection and governance systems integrated as much as possible. But, within such integrated governance one should establish transparent accounting procedures which allow the identification of what resources are allocated to different policy areas, functions or purposes and how much of these resources are consumed by administration and delivery costs.
the receipts and expenditure accounts of all the schemes are compiled into one social security budget for the country so that its future expenditure and financing of the schemes comprising the social security system are planned in an integrated way.

17.3 PROJECTING SOCIAL PROTECTION ACCOUNTS INTO THE FUTURE

This section looks first at the need for projections over various time horizons for social protection planning and budgeting; it then looks at various approaches and methodologies applied.

Decision making is about the future. Taking decisions about social protection systems today means to make more or less well-informed ‘good guesses’ about their future development with and without these decisions. For example, responding to concerns that pension entitlements might grow to be a burden for future generations, reliable forecasts are necessary if one wants to rebalance social and economic policies early, if necessary.

ILO Convention No. 102 on Minimum Standards in Social Security requires (in its article 71, 3) that:

[The country] shall accept general responsibility for the due provision of the benefits provided in compliance with this Convention, and shall take all measures required for this purpose; it shall ensure, where appropriate, that the necessary actuarial studies and calculations concerning financial equilibrium are made periodically and, in any event, prior to any change in benefits, the rate of insurance contributions, or the taxes allocated to covering the contingencies in question.

The Income Security Recommendation, 1944 (No. 67) specifies here that contribution rates to social insurance schemes should not exceed the rate necessary to ensure what we can call ‘collective financial equivalence’ (Cichon et al. 1999a, 225) – that is, the rate which would yield, in the future, contribution income from all the insured persons such that its expected present value would be equal to the expected present value of the benefits due in the future to all those insured and their dependants. However, Recommendation No. 67 advises also that ‘the rates of contribution of insured persons and employers should be kept as stable as possible, and for this purpose a stabilization fund should be constituted’.

One should note here that although relative stability of the contribution rates is seen as an important objective, in the end the contribution rate is the variable which should be adjusted so that the present value of the future revenue stream matches the present value of the expenditure necessary to provide benefits at desired adequate levels, levels which at least meet the requirements of the ILO minimum standards.

There is a close link between sustainability and adequacy of benefits; one can even say that both notions are two sides of the same coin (Hagemejer and Woodall 2014). Inadequate benefits will not find enough willingness on behalf of contributors and taxpayers to finance them and sooner or later the scheme or system will become unsustainable. On the other hand, when generous benefit promises are not matched with sufficient and sustainable financing, later these promises will not actually be delivered. And this is exactly why every three years the European Commission publishes its reports on the fiscal consequences of the ageing population presenting results of the social expenditure projections for all the EU member countries coming from the social budgeting type model (European Commission 2018a). This is published in parallel with another report on pension adequacy (European Commission 2018b).
The above represents a different approach to sustainability than the one referred to in Boado-Penas and Vidal-Melia’s paper, one of the most widely accepted definitions of sustainability: *a position where there is no need to increase the pension contribution rate in the future* (2012, 451).

Projecting the future development of social protection finances requires quantitative models that allow projecting future streams of revenues and expenditure with a reasonable degree of reliability. Good models should have high explanatory power in forecasting social expenditure and revenue. They do not only provide insights into the possible future development of social protection finances, but also allow us to establish scenarios with different assumptions concerning socio-demographic and economic conditions, and to assess the effects of different policies under these circumstances.

Models allowing detailed projections of social protection expenditure and revenue of the country are in most cases simulation models consisting of population projections, labour market projections/assumptions/scenarios, economic projections/assumptions/scenarios, public finance and fiscal projections/assumptions/scenarios and then separate modules for every social protection scheme covered by the *social budget*. In models described and used by the ILO (Scholz et al. 2000) and by the European Commission (2017) these social protection modules are usually cohort-based, *actuarial* type models (Plamondon et al. 2002).

Some countries used to alternatively project expenditure of certain social protection schemes (mainly pension schemes) through dynamic *micro-simulation* models (see for example Dekkers et al. 2012). In actuarial models, projections over time is the situation of *cohorts* (that is groups of persons born in the same year). In such models, in which cohorts are treated as a homogenous unit, it is thus rather difficult to introduce into analysis and projections the redistributive consequences of the projected/simulated processes. An advantage of micro-simulation models (where that projected is the situation of *individuals* and *households* in the representative sample) is that they allow simulations of both fiscal and redistributive implications.

Alternatively to the simulation models (usually of a ‘what if’ nature), to assess long-term fiscal implications of social protection and its reforms one can use computable general equilibrium models; however, usually such models allow only for a very aggregated approach (see for example Hagemejer et al. 2015; Tyrowicz et al. 2018) but have the advantage of mapping interlinkages between social protection and (at least some aspects of) the economy.\(^8\)

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\(^8\) Computable General Equilibrium (CGE) models specify all their economic relationships in mathematical terms and put them together in a form that allows the model to predict changes in variables such as prices, output and economic welfare resulting from a change in economic policies, given information about technology (the inputs required to produce a unit of output), policies and consumer preferences. They do this by seeking prices at which supply equals demand in every market of goods, factors or foreign exchange. The models have their limitations, however. First, CGE simulations are not unconditional predictions but rather thought experiments about what the world would be like if the policy change had been operative in the assumed circumstances and year. The real world will doubtless have changed by the time we get there. Second, while CGE models are quantitative, they are not empirical in the sense of econometric modelling: they are basically theoretical, with limited possibilities for rigorous testing against experience. (from: www.gtap.agecon.purdue.edu/models/cge_gtap_n.asp).
Whatever analytical modelling approaches are chosen long-term forecasting has to cope with numerous uncertainties (elaborated also in Table 17.1). Peter Heller (2003) lists a number of them:

- **Uncertainty within existing economic and demographic structures and systems.** Models’ parameters are estimated based on past trends; the same applies to assumptions necessary for the projections. We are however always uncertain as to what extent past trends and behavioural patterns will continue in the distant future and what structural changes the future will bring. High uncertainty is, for example, associated with assumptions about the speed of mortality improvements and about fertility rates one makes when producing population projections. When making projections about future costs of health care, we are uncertain if the current age profiles of health expenditure will persist. We can also make only very uncertain assumptions about the future pace of a so-called ‘medical inflation’ (see also Cichon et al. 1999b).

- **Uncertainty about expected changes in structures and systems.** Even if we know that there will be structural changes in the systems we project, it is very difficult to estimate the probability distribution of those changes. We may be sure that downward trends in fertility rates will be stopped or even reversed; it is quite impossible to reasonably guess the size and timing of this reversal (see Heller 2003, ch. 47).

- **Uncertainty about global effects.** Taking into account globalization processes, it is rather difficult to assess how demographic ageing will affect global savings, investments and interest rates. It is equally difficult to say how migration dynamics will develop, taking into account possible growth of income differentials between North and South and thus how this will affect demographic and economic structures (see Heller 2003, ch. 49).

- **Uncertainty about interactions between policy variables and economic and demographic variables.** Our perception of demographic ageing affects our policies: governments try to enhance labour force participation, particularly of women and older workers, to induce people to retire early. There may be similar policies put in place to induce higher fertility. There is however a lot of uncertainty about the impact that these policies will have on people’s behaviour with respect to their labour market decisions or decision to have children. It is also difficult to predict how the expected situations of labour shortages in Europe will change prevailing policies towards migration and how this will affect people’s behaviour towards retirement and other life-cycle decisions.

### 17.4 CONCLUSIONS

Social budgeting and related concepts are rooted in the understanding that social protection is an interlinked system and has to be planned and managed in a coordinated way. Quantitative tools are aimed to support such coordinated planning and ensure good governance of social protection systems, but social protection systems face all kinds of challenges: economic and financial crises, spread of informality and non-standard forms of employment, demographic transitions, globalization, climate change as well as other local, regional and global challenges.

Many countries have introduced social budgeting tools and use them regularly to monitor current and future finances of social protection systems and their longer-term impacts. EU member countries agreed to publish every three years comprehensive long-term projections...
of their age-related (and thus practically all) social expenditure (European Commission 2017, 2018a). Countries at different stages of development of their social protection systems have implemented projects aimed at developing social protection systems of accounts and quantitative models allowing projections and simulations of the financial and fiscal effects of their social protection strategies: Namibia (ILO 2014b), Poland (Wóycicka 1999a, 1999b), Slovakia (ILO 1994), South Africa (Oxford Policy Management 2012), Tanzania (ILO 2008b), Ukraine (ILO 1998), Zambia (ILO 2008a) and Zanzibar (ILO 2010b).

Unfortunately, many of these efforts were implemented as projects and have not succeeded in ensuring continuation. For example, in South Africa, the Department of Social Development commissioned the development of social protection accounts and simulation models to an external team of experts with a plan to build and train the internal unit within the ministry to maintain and update the tools and thus provide analytical support to the government in strengthening the national social protection system and ensure its fiscal sustainability. Unfortunately, although data were collected, models developed and reports prepared, due to a number of institutional obstacles within the government, the hope to enhance departmental capacity has not materialized.

Lessons learned from many country projects aimed at institutionalizing social budgeting are that the conditions for sustainability of such endeavours are (a) the sustained need (demand) for tools supporting coordinated social security planning; (b) the existence of the institution(s) responsible for such planning; and (c) sustained professional capacity to maintain and update the tools. However, the condition is that the necessary information and data are regularly produced by social protection institutions in a harmonized way, that these data are collected, compiled, analysed and published. And this last condition seems to be very difficult to meet in many countries – in particular lower-income countries of the Global South.

There are two main reasons for the data problem. The first is a lack of agreed international standards in measuring social protection expenditure, revenue and coverage – similar to the global standards we have in the areas of national accounting (and even national health accounting) and in measuring unemployment or inflation. The second is the fact that many countries lack the necessary statistical capacity to produce the required information and data. Both require intense international cooperative effort – to agree on statistical standards and make them known and applicable everywhere and to support the lower-income countries in building their technical capacity to implement these standards. The Social Protection Inter-Agency Collaboration Board, at its third meeting in February 2013, outlined the necessary steps aimed at improving the situation (developing globally adopted statistical standards, harmonization of existing international databases and building statistical capacity of lower-income countries) in a document jointly prepared by the ILO and the World Bank (SPIAC-B 2013).

However, not many of the necessary actions discussed have actually been implemented. While there is a growing understanding in all countries of the data requirements for sound governance of social protection systems (see also Chapter 33 in this volume), progress – in particular in lower-income countries – is very slow.
REFERENCES


Databases


European Commission: Mutual Information System on Social Protection: www.missoc.org/

European National Transfer Accounts: www.agenta-project.eu/en/dataexplorer.htm

EUROSTAT statistical database: http://ec.europa.eu/eurostat/data/browse-statistics-by-theme

German social budget over years: www.deutschlandinahlen.de/tab/deutschland/soziales/sozialbudget

sozialausgaben/sozialbudget

Global National Transfer Accounts Project: www.ntacccounts.org/web/nta/show/


International Labour Office: Social Security Inquiry: www.social-protection.org/gimi/ShowTheme.action?id=10

World Health Organization: National Health Accounts: www.who.int/health-accounts/en/
PART IV

GROUPS IN FOCUS
Introduction: Groups in focus

Esther Schüring

While there is a standard set of instruments that can be used in social protection systems, this needs to be adapted and combined in different ways in order to serve different groups in society best. The needs of a young person who is just starting life and should not be trapped from birth in unfavourable socio-economic conditions are different from the social protection requirements of a retired person who has finished the active part of life and requires income and care security for an indefinite time period. While women and men both incur similar life-cycle risks, there are also gender-specific risks and vulnerabilities that social protection systems need to be cognizant of. Last but not least, some groups in society often remain below the social protection radar such as people with disability, workers in the informal sector or refugees. Part IV of this handbook therefore discusses how social protection systems need to be designed so that they pay respect to the different risk profiles, needs and challenges in access of different groups.

Needs and challenges change over time, which requires social protection systems to be flexible and responsive to new societal trends. When initially designed, social protection systems in today’s high-income countries were based on the male breadwinner model. As norms and defined roles in society have changed quite dramatically, Chapter 18 by Jones argues that gender-sensitive social protection needs to go beyond a narrow focus on women in their capacity as mothers and also empower girls and women.

The understanding of disability has equally changed over time as Côte demonstrates in Chapter 19. It has shifted from no longer viewing people with disability as incapacitated members of society but exploring ways that barriers restricting participation can be lowered. This calls for a different social protection approach. Similar to children (discussed in Chapter 20 by Roelen) and the elderly (discussed by Vargas Faulbaum in Chapter 21), people with disability often require care services. This calls for a different social protection package and careful considerations of how care is being organized without putting the person in need of care as well as the (family) carer in a vulnerable position.

While social protection systems often explicitly include the groups mentioned above, even in low- and middle-income countries, the informal sector (discussed in Chapter 22 by Miti, Perkiö, Metteri and Atkins) and refugees (discussed in Chapter 23 by Kool and Nimeh) have been largely excluded from (national) social protection systems. The informal sector is often called the missing middle, too poor to participate in formal insurance mechanisms and not poor enough to qualify for social transfers. Refugees that flee to neighbouring countries mostly benefit from international rather than national support, which risks intensifying conflicts with host communities who might equally fall through the cracks of national protection.

A social protection system that is sensitive to the needs and constraints of these various groups requires that issues are mainstreamed and properly monitored throughout the system, that group-specific interventions are offered and that groups themselves are regularly consulted. Mainstreaming goes beyond just determining that women are the recipients of cash transfers, that disability is an additional qualifier for a social grant and that households
receive top-ups for children. Proper mainstreaming means that social protection interventions should not cause any harm to the groups in question and are designed with an awareness of the complex vulnerabilities that some of these groups face. A gender-friendly approach is sensitive to the power dynamics and calls for both women and men to be involved in decision making. The case study of Iran by Tajmazinani and Ebrahimi demonstrates that this is not easily achievable when societal trends next to policy choices lock women and men into particular roles. A child-sensitive approach requires that interventions that are targeted to parents are mindful of caring obligations towards children and that children are not subjected to conditions that cause stress and discrimination. Disability mainstreaming means that programmes in their attempt to identify the poor and to calculate an adequate transfer amount are aware that people with disability incur higher expenditure.

Some of the group-specific risks and needs require separate interventions and cannot be mainstreamed into existing programmes. Women need for instance protection during pregnancy and childbirth, people with disability require assistive devices, the elderly are dependent on specialized health and care services and unaccompanied refugees need mentorship and sometimes counselling. The informal sector also calls for adapted social protection programmes that offer more flexible payment modalities and benefit conditions. The case study on Zambia by Miti, Perkiö, Metteri and Atkins is a nice illustration of how this can be done in a low- and middle-income country context. These specific transfers and services then also need to be properly linked with the more generic interventions that cater for several groups at the same time. This requires careful case management, in particular when people cannot be easily boxed into one category but face several vulnerabilities at the same time, such as being a child with a disability or an elderly woman working in the informal sector.

Successful programming not only requires a well-deliberated choice between direct and indirect interventions but also calls for empowerment of those vulnerable groups to express their preferences, for analysis that is specific to the different needs of various groups and for political spaces and incentives so that issues expressed are also taken up. The overall maturity of the social protection system equally matters and determines to what extent specific needs but also excluded groups such as the informal sector and refugees can be catered for. Better tailored and mainstreamed policy-making will still require more time in contexts with great financial and human resource constraints. Not too much time should be lost, however, given the strong focus of the Sustainable Development Goals on leaving no-one behind, the demographic dividend (see also Chapter 39 in Part VIII) to be reaped and the young generation’s potential which should not be wasted.
18. Gender and social protection

Nicola Jones

18.1 INTRODUCTION

Social protection programmes seek to reduce vulnerability and poverty and promote individual, household and community resilience to shocks and stresses by improving household income and access to services. Cash and asset transfers and public works programmes have spread rapidly across low- and middle-income countries since the mid-1990s (ILO 2017), reaching millions of people (Barrientos et al. 2010; Molyneux et al. 2016). However, feminist analysts have highlighted that social protection has paid inadequate attention to the gendered patterning of risks and vulnerabilities throughout the life cycle, so it is ‘yet to fully realise its potential to address the underlying causes of vulnerability and the drivers of inequality to achieve social justice and socially equitable outcomes’ (Holmes and Jones 2013, 2). There is growing consensus that for social protection to evolve beyond safety net provision and have a more transformative impact, it must go beyond a narrow focus on women in their capacity as mothers and instead support women’s and girls’ empowerment and gender equality more explicitly and strategically across the life cycle (Molyneux 2007; Holmes and Jones 2013; Cookson 2018; Holmes et al. 2019).

This chapter focuses on the gender dimensions of social protection design and implementation in lower- and middle-income countries. It summarizes available evidence on the extent to which social protection – from cash and asset transfers to public works programmes and social insurance schemes – is promoting girls’ and women’s empowerment and gender equality. Section 18.2 provides an overview of gender-specific risks and vulnerabilities facing girls and boys, and men and women, over the life cycle, and the gendered coping strategies they employ. Section 18.3 discusses the extent to which gender-specific risks and vulnerabilities are typically embedded within programme design. Section 18.4 focuses on the gender dimensions of programme implementation and impacts on people’s lives, also discussing the role of the politics of gender-responsive social protection in shaping programmatic outcomes in specific contexts. Section 18.5 concludes the chapter by reflecting on priorities for strengthening gender-responsive social protection programming.

18.2 GENDER-SPECIFIC RISKS, VULNERABILITIES AND COPING PATTERNS ACROSS THE LIFE CYCLE

Poverty and deprivation are experienced differently by different social groups across the life cycle – as are options for building resilience (Holmes and Jones 2013). This section briefly reviews the evidence on gender-specific risks and vulnerabilities during adolescence – a time when gender norms become increasingly salient – as well as during adulthood and older age. It is important to highlight that gender risks and vulnerabilities may also intersect with other forms of discrimination (e.g. based on disability, ethnicity or refugee status), and these
multiple and overlapping sources of disadvantage should be taken into account in programme
design and implementation (see Jones and Presler-Marshall 2019; Jawad et al. 2019).

18.2.1 Adolescence

Given the immense changes and vulnerability experienced during the second decade of life,
adolescence has increasingly been recognized as a window of opportunity in terms of offset-
ting childhood disadvantage and altering life trajectories (GAGE Consortium 2019). There is
also growing recognition that gendered social norms become increasingly salient during ado-
lescence, as girls and boys are propelled along feminine and masculine pathways to adulthood
(Harper et al. 2018).

A wide body of evidence highlights how gender norms shape adolescents’ experiences of
schooling, with boys generally prioritized over girls in terms of educational spending and time
for study, and girls at risk of dropping out due to marriage (Marcus and Page 2016; UNESCO
2013). Although highly age- and context-dependent, gender norms generally put adolescent
boys at risk of child labour, while girls either risk exclusion from education, skills-building
opportunities and paid employment (due to their domestic and care work burdens) or become
vulnerable to exploitative forms of employment (such as domestic work or engagement in the
commercial sex industry). In terms of health, adolescent girls are at high risk of poor sexual
and reproductive health outcomes, while boys are at high risk of accidental injuries. Gender
norms also increasingly shape girls’ and boys’ psychosocial well-being during adolescence,
with masculine ideals pushing boys to be stoic and independent, while many girls face strong
restrictions on their mobility and become isolated socially. This in turn is closely linked to
threats that young people face to their bodily integrity, with girls at greater risk of sexual vio-
ience and child marriage, and boys at greater risk of physical violence (especially from peers).

18.2.2 Adulthood

In adulthood, differential gender risks and vulnerabilities (social and economic) continue.
In terms of economic vulnerabilities, women face multiple barriers to income generation.
They are less likely to participate in the wage-based labour market than men (49 versus 75
per cent as of 2018) (ILO 2018a) and less likely to have access to formal employment. They
are also often excluded from the most lucrative positions and paid less than men for the same
work (OECD 2019). Women disproportionately shoulder domestic and care responsibilities,
which leaves less time for paid employment and restricts how far they can travel for work
(ILO 2018b). Furthermore, women are more likely to have limited human capital, financial
resources and social ties that would facilitate waged employment, and therefore ‘tend to
engage more in informal activities operated from home, require low capital investments, and
build on skills they already have’ (Eriksen and Silva 2009, cited in Cunguara et al. 2011, 704).
As primary caregivers, women also face disproportionate healthcare costs. Sen and Östlin
(2007, 3) observe that ‘up to 80 percent of healthcare and 90 percent of HIV/AIDS related
illness care is provided in the home’ – almost exclusively by girls and women – at significant
cost either through direct medical expenses or foregone income-generating opportunities.

In terms of social vulnerabilities, women’s care burdens and time poverty play a key role.
Samman et al. (2016) report that across 66 countries covering two-thirds of the world’s pop-
ulation, women take on an extra 10 or more weeks per year of unpaid care work compared to
Gender and social protection

men. Social norms that see women taking on an average of 75 per cent of childcare responsibilities across 37 countries are compounded by limited state recognition and support for the time poverty women typically face as a result of unpaid care work. Globally, only 41.1 per cent of mothers with newborns receive maternity benefits, while 83 million new mothers receive no state support (ILO 2017).

Gender-based violence is also a critical source of (gendered) vulnerability. Women face high rates of sexual and intimate partner violence (WHO 2017b), whereas men are at much greater risk of homicide (accounting for 81 per cent of all homicide victims globally) (United Nations Office on Drugs and Crime 2019) and suicide (13.7 versus 7.5 per 100,000) (WHO 2017a). It is estimated that at least one in three women worldwide experience physical or sexual abuse at some point in their life (UN News 2019). Economic disadvantage, vulnerability to violence and conservative gender norms all contribute to unequal intra-household decision making (Mader and Schneebaum 2013). Women’s limited access to and control over productive assets (such as land, credit and livestock) is one of the main reasons for their lack of decision-making power (World Bank 2017; Laddey et al. 2011).

18.2.3 Third Age

There is increasing recognition of gender-differentiated experiences in older age (Jones and Stavropoulou 2015), with older women in low-income countries likely to have slightly higher healthy life expectancy than older men (GBD 2017 DALYs and HALE Collaborators 2018). Women not only live longer than men but are also less likely to enjoy income security and economic independence in older age. Because of accumulated economic disadvantage over the life course, older women typically have lower incomes and less access to land, housing and other assets, and thus an inadequate standard of living. Older women are also more likely than their male peers to be involved in providing unpaid care, to grandchildren and sick family members, and in domestic work (Rost 2018). These disadvantages are often compounded by pension systems that do not provide equal outcomes for women. In most countries, women are less likely than men to receive a pension; the largest gaps were in Egypt and Jordan, with men seven–eight times more likely to receive a pension than women (UN Women 2015). Elsewhere, women receive lower benefits largely because non-contributory pensions are less generous and often insufficient to support older persons in escaping poverty (ILO 2017). Gendered labour markets and interrupted employment trajectories due to care responsibilities underpin women’s disadvantage in old age, but these impacts are also shaped by pension system design. UN Women (2015) argues that strong links between labour market contributions and pension entitlements mean that women fare poorly due to lower average contributions (exacerbated by earlier mandatory retirement ages for women in some contexts). Women are also disproportionately affected by the depreciation of pension benefits over time as they have higher average life expectancy than men.

18.2.4 Gendered Patterns of Resilience and Coping Strategies

Resilience to vulnerability and risk is gendered, with men and women, boys and girls having differential access to coping strategies and resources (e.g. Antonopolous and Floro 2005; Meinzen-Dick et al. 2011; GAGE Consortium 2019). Holmes and Jones (2013) discuss how women and men use positive coping strategies (such as reliance on social capital, traditional
reciprocity mechanisms, faith and remittances) in different ways to mitigate risk and vulnerability. For example, very poor women may not have the time or resources to build and maintain the relationships and associations required for social capital to function as part of a coping repertoire in times of stress (Bebbington 2007), and may also face discrimination from the community, especially when other forms of disadvantage such as ethnic minority or refugee status intersect with gender (Woolcock and Narayan 2000).

Adverse coping strategies such as distress migration and sale of assets, declining consumption patterns, reliance on low-risk but poorly remunerated work and risky behaviours such as transactional sex also have distinct gendered patterning, with women often shouldering these negative outcomes disproportionately (Holmes and Jones 2013). Similarly, the GAGE Consortium (2019) notes that adolescent girls and boys often adopt gender-specific coping strategies, with girls more likely to opt into child marriage, for example, and boys more likely to do risky or degrading work to address economic deprivations and/or escape dysfunctional family dynamics.

18.3 INTEGRATING A GENDER LENS INTO SOCIAL PROTECTION PROGRAMME DESIGN

Given the gender-specific risks and approaches to resilience discussed above, a key question is how far this evidence is factored into the design of vulnerability assessments and social protection programming. As programmes have become more gender responsive, some key features have been developed to support gender equality and women’s and girls’ empowerment, ranging from increased cash transfer amounts to incentivizing adolescent girls’ education to social protection programme linkages to gender-based violence prevention initiatives.

18.3.1 Targeting Women and Girls to Promote Education and Reproductive Health

A key approach by many programme designers has been to explicitly target females. Many programmes (especially cash transfers and subsidies) have targeted women and girls to enhance their access to education and healthcare, based on evidence of the barriers they face in accessing school and reproductive health services. For example, Bangladesh’s Female Secondary Stipend Programme, introduced in 1994 to improve girls’ access to education, included direct payment of secondary fees for enrolled girls contingent on attendance and exam scores, as well as biannual deposits into savings accounts for girls (Sayed 2016; Hahn et al. 2018). India’s national conditional cash transfer programme, Janani Suraksha Yojana, used cash to incentivize women to give birth in public health facilities as a means of reducing maternal and neonatal mortality (Samuels and Jones 2011). Such programmes have had some positive impacts in improving access to these services and, in some cases, human capital outcomes. The Female Secondary Stipend Programme in Bangladesh has not only delayed girls marrying, but also reduced the age disparity between girls and their husbands (Hahn et al. 2018). In the case of Janani Suraksha Yojana, evidence suggests that impacts are more mixed: while cash incentives were associated with increased uptake of maternity services, there was no strong evidence that the programme was associated with a reduction in neonatal mortality (Powell-Jackson et al. 2015).
In some contexts, targeting of women and girls has been linked to programme condition-alities. Mexico’s Oportunidades or Peru’s Juntos conditional cash transfers have provided vulnerable households with regular cash transfers on the condition that the cash is paid in the woman’s name. However, while these programmes have gained popularity because of gains in access to basic education, health and nutrition services for the most vulnerable people, they have focused on women in their role as caregivers of children rather than in seeking to transform unequal gendered labour markets or the intra-household balance of power (Molyneux 2007; Jones et al. 2008).

18.3.2 Tackling Structural Gender Inequality

To a lesser extent, programme design has, in some cases, been informed by an appreciation of (and a desire to tackle) the existing discriminatory socio-cultural environment, which hinders poverty reduction and prevents poor households exiting poverty. These programmes have coupled economic activities with opportunities to enhance women’s and girls’ bargaining power and position in the household, as well as the wider community. For example, recognizing that in working to address gender-based violence, cash transfers alone cannot overcome gender-based norms (Cross et al. 2018, 22), the International Rescue Committee in Jordan is taking a cash-plus approach. It is combining an unconditional cash transfer with a variety of women- and girl-centred services – including psychosocial support and life skills sessions, economic development activities, awareness raising, parenting classes and health services – to mitigate the risk of gender-based violence and holistically meet the needs of survivors (Yoshikawa 2015). The author notes that cash is in high demand and has helped attract more people to access the psychosocial services that directly address the root causes of gender-based violence. This cash-plus design also attracts men to parenting classes and gender discussion groups – both of which aim to shift gender norms.

Similarly, some programmes are using cash as a platform to advance more progressive masculinities. In Brazil, the Bolsa Família Companion Programme, run by the non-governmental organization Promundo, was among the first to use a conditional cash transfer to directly tackle masculinities, by twinning awareness-raising classes with support groups to change men’s beliefs about their responsibilities for childcare, cooking and domestic chores (Promundo 2016).

18.3.3 Embedding Support for Women’s and Girls’ Care Burden within Programme Design

Other initiatives have recognized the importance of supporting women’s and girls’ care work so as to allow them to participate on more equitable terms in the labour force. Gender-responsive public works initiatives, including Ethiopia’s Productive Safety Net Programme (PSNP) and India’s Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), have explicitly sought to involve both men and women. They have attempted to break the historic bias of such initiatives towards men (due to the hard physical nature of the work) and to challenge perceptions about what is appropriate work for women, while providing free childcare on site to enable women with young children to attend. In Ethiopia, the PSNP also allows more flexible attendance hours for women in recognition of their care responsibilities and they receive direct cash support (rather than cash for work) for up to 10 months during pregnancy
and breastfeeding. In India, to address unequal power relations within the household, the MGNREGS has also supported women to set up bank accounts in their own name, so that they can become more financially independent and access the money they earn through participating in the programme (Jones et al. 2017).

In terms of design, these public works programmes also go beyond the micro-household level to encourage investments in community-level assets. Such programmes provide individuals and/or families with cash and/or food for work that typically involves developing necessary but underfunded community infrastructure (e.g. water harvesting, roads and terracing, school buildings and health clinics) (Antonopoulos 2007). The choice of assets is not typically made through a gender lens (Holmes and Jones 2013); however, in Ethiopia, donor pressure to mainstream gender in the PSNP and promote women’s empowerment led (at least in the design documents) to provisioning for water points and wood fuel sources (to reduce women’s and girls’ time poverty). The programme also allows for public works labour to support female-headed households with ploughing (a proscribed task for women). Moreover, there have also been more recent efforts within the programme to define community assets not just as tangible assets but also investments in community knowledge and behavioural change. Examples include the provision of community education on nutritional practices and dietary diversity, coupled with training in basic gardening and animal husbandry, awareness raising around HIV and protective measures, as well as around maternal and child health (Irenso and Atomsa 2018; Welteji et al. 2017).

Finally, some initiatives, although still relatively rare, explicitly recognize women’s care burden and redefine this as public work in order for women to be eligible for state support. South Africa’s Zibambele Poverty Alleviation Programme, which recognizes women’s care burden especially around HIV and care responsibilities for older persons as part of women’s rights under the constitution, provides a direct grant to women-headed households previously excluded from the labour market as payment for their time spent on caring. It also supports skills training, with the longer-term aim of supporting women’s economic empowerment. The recently discontinued Estancias programme in Mexico provided subsidized childcare allowances to poor urban women to attend crèches run by local female entrepreneurs. This initiative not only supported women to seek paid employment by ensuring affordable and locally available childcare, but also provided employment opportunities for local women to set up their own businesses and to provide a much needed public service (Pereznieto and Campos 2010).

To overcome the gender gap in pensions (which as discussed above are linked to women’s greater lifetime care responsibilities), there have been considerable efforts to promote universal pension coverage through non-contributory or ‘social’ pensions, typically paid to people aged 65 and above. While non-contributory pensions usually offer smaller benefits, they ensure basic income security in old age for women and men who have either worked in the informal economy or done unpaid work, rendering them ineligible for formal sector benefits (Holmes et al. 2019). In South Africa, the Older Person’s Grant, for example, which has a relatively high transfer value, has helped reduce poverty and improve the status of women in rural households. It has also benefited granddaughters through improved health and nutrition (Duflo 2003; Arza 2015).
Despite evidence and advocacy around the developmental importance of gender equality, girls’ and women’s rights and women’s empowerment over the past few decades, social protection programming has had limited effects on girls’ and women’s empowerment and gender equality. Why?

18.4.1 Programme Design Considerations

The answer is complex and shaped by multiple factors, including underinvestment in the institutions and structures that promote gender mainstreaming, and an institutional disconnect between these and social protection institutions. These factors are compounded by differential stakeholder interests and influence in promoting social protection, and diverse ideologies that underpin not just our understanding of poverty and its causes, but also the purpose of social protection and the role of the state in shaping gender relations. For example, in Ghana the Livelihoods Empowerment Against Poverty cash transfer programme has been framed in terms of supporting all citizens to ultimately contribute to national economic development goals but not in terms of directly promoting broader equality and well-being, and thus linkages to complementary services have been largely limited to free access to social health insurance for cash beneficiaries. Support for a more comprehensive approach to tackling gender-specific vulnerabilities is still too often dismissed by policy actors nationally and internationally as ‘beyond the mandate’ of social protection (Holmes et al. 2019). There are some partial exceptions, however. One example is Pakistan’s Benazir Income Support Programme, which is more explicitly focused on eradicating poverty and elevating the status of the most marginalized segments of society, especially women. The programme not only targets women, but has also established complementary links to a small-scale enterprise loan scheme, a vocational training programme for women, investments in increasing primary school enrolment with a focus on girls’ enrolment and the establishment of local beneficiary committees aimed at discussing nutrition, family planning, literacy and women’s empowerment (Bilal 2018).

Although inclusion of women and girls is an important first step, there is a growing consensus that social protection programmes need to go beyond a targeting approach to address deeply entrenched unequal power relations within and outside the household – not just to reduce poverty but to increase women’s and girls’ voice, social status and agency. Poverty and vulnerability assessments are increasingly being undertaken to inform national development plans and social protection strategies, but too often the gender dimensions of vulnerability are reflected only weakly in programme design (at best), despite strong evidence of both the distinct ways in which poor women, men, girls and boys experience poverty and their differential capacities to deal with risks and vulnerability. For example, Hamad et al. (2019) found that while the vulnerability assessment underpinning the United Nations High Commissioner for Refugees and UNICEF cash transfer programme in Jordan for Syrian refugees explores multidimensional vulnerabilities and includes provision for different types of households (for example, inclusion of female or child-led households), in practice the programme has not been implemented in a tailored way to account for differential needs and vulnerabilities. Married
adolescents are often excluded once they set up a new household or invisible in multigeneration households and not counted in the per capita allocation of the transfer (Hamad et al. 2019).

18.4.2 Programme Implementation Considerations

To maximize programme impacts, effective implementation and delivery are vital. Where capacity is weak, it is necessary to invest in building and strengthening institutional capacity in terms of coordination, monitoring and evaluation across sectors and allocating financial resources to gender-sensitive programme features. The forging of strong and well-coordinated institutional linkages with complementary programmes and services is critical given the multidimensional nature of poverty and vulnerability. The evidence base indicates that integrated services within programme design or strategic linkages to complementary services and programmes can be valuable and reinforce programme gains. Roelen et al. (2017), in their discussion of cash-plus programming, reinforce this point by calling for interventions that combine cash with complimentary access to services, including psychosocial support, asset transfers and information sensitization. In this regard, Ghana’s labelled child protection cash transfer, the Livelihoods Empowerment Against Poverty programme, is a good example in so far as it provided beneficiaries with not only cash but access to free health insurance, including maternity care cover, and awareness raising about the risks of child labour and child trafficking as they affect girls and boys.

Although affordability and financing debates have important implications for the design and implementation of gender-sensitive social protection programmes, there has so far been little gender analysis of these. Gender budgeting tools that track and monitor the level of resources allocated to the implementation of gender-related programme provisions have been applied to sectors such as health and education, but this knowledge has not as yet been transferred to the social protection sector. Attention to accountability mechanisms and ensuring that programme participants know their rights – and can claim them – are also critical (Samuels and Jones 2013). Jones et al. (2016) argue that in the case of Palestine’s national cash transfer programme, the establishment of local social protection beneficiary fora with quotas for men and women facilitated the airing of grievances and helped to strengthen programme targeting towards the most vulnerable and socially excluded.

18.4.3 Political Considerations

At a more macro-political level, Holmes et al. (2019), drawing on a ‘three Is’ conceptual framing, shows that institutional arenas and networks (formal and informal), the interests of various actors and the ideas framing social protection strategies and programmes all represent sites for contestation regarding legal change, and policy and resource allocation decisions shape how social protection addresses (or fails to address) gender. The authors emphasize that applying a political economy analysis to understand how these policy decisions are shaped is essential, as technocratic design programming features (while important) are nevertheless inadequate to address the broader political processes that hinder a more gender-responsive approach. They underscore that institutional spaces tend to mirror the nature of the underlying political context in terms of how inclusive they are, and whether they offer opportunities for activists to drive more gender-responsive social protection agendas. The evidence base suggests that sub-national institutions may provide more conducive entry points for cham-
pions of gender-responsive social protection programming to bring about change and hold leaders accountable for commitments, as has been seen in parts of India, for example, with the Self-Employed Women’s Association which provides social insurance protection for informal workers.

The authors further argue that the extent to which gender-responsive social protection is promoted also depends on the interests and strategies of a wide range of actors across diverse institutions. Even where interests are aligned, gender equality activists may not be able to influence social protection policy if they lack resources and have limited influencing power. There are few political incentives to promote a more transformative agenda and to address social protection within wider debates about social justice, inclusion and the redistribution of resources. This is largely because gender-responsive social protection has not provided a solution to urgent threats to political legitimacy, nor has the social protection agenda proved to be a policy tool that political elites can mobilize around at critical junctures to promote gender equality.

Prevailing ideas about poverty, vulnerability and the role of social protection in promoting a more gender-transformative agenda further shape programme design and implementation. Indeed, although internationally the notion of a ‘social protection floor’ has gained considerable traction, rights-based approaches have faltered and, in many contexts, there has been a backlash against long-held entitlements (see ILO 2011; Miller and Redhead 2019).

18.5 CONCLUSIONS AND POLICY IMPLICATIONS

Social protection programmes are increasingly integrating gender-responsive features and there is emerging evidence on improved outcomes as a result. However, such features are still not routinely integrated into policy and programme design. Few programmes aim to transform gender relations within the household and community or have equality or empowerment as their core objectives (Holmes et al. 2019). Most interventions continue to overlook the gender dynamics that underpin how men and women and boys and girls experience and respond to poverty and vulnerability, and the discrimination and disadvantage that women and girls face throughout the life course. This means that social protection largely continues to neglect the important effects of intra-household power relations, resource allocation, gendered social norms and girls’ and women’s unequal access to resources.

To harness potential opportunities to promote a more transformative social protection agenda across the life course, it is essential to develop more politically savvy efforts to improve the design and impact of gender-responsive social protection programming. Vulnerability assessments which underpin social protection programme design need to consider not only gendered vulnerabilities at the household, community and service access levels, but also women’s and gender equality champions’ access to and opportunities for engagement in key institutional spaces so as to adequately mitigate against micro-, meso- and macro-level disadvantages in design considerations. Second, given a substantial body of evidence around the disconnect between gender-responsive design features and practice, there is an urgent need to invest in capacity building with programme implementers to promote buy-in around the rationale for and potential dividends of rolling out gender-responsive programme components. Third, the influencing potential of gender-focused civil society organizations has yet to be realized in social protection dialogue fora and thus it is essential to support gender-focused civil society
organizations to engage in national and local social protection dialogues – and amplify their voices. Finally, donors and commissioners of evaluations of social protection programmes need to routinely adopt a gender and life-cycle lens to identify gaps and gains, measuring not just transformative impacts but also transformative intent.

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Case study L: Gender analysis of social protection in Iran

Ali Akbar Tajmazinani and Maryam Ebrahimi

1 INTRODUCTION

Women face multiple roles and problems throughout their daily lives especially in societies like Iran, where women are expected to play most domestic roles even if they are employed. They usually enjoy a smaller share of financial income, despite doing several activities at work and at home. Statistics show that women face greater poverty relative to men and this situation is exacerbated for female-headed households. A study over a 10-year period shows that the poverty rate of female-headed households has always been higher than that of male-headed households, and being a woman, one is more likely to fall into the poverty trap (Khaajevand 2015). It has been found that 43.3 percent of all female-headed households fall into the two lowest economic deciles, while this figure is 16.8 percent for male-headed households (Ali Akbari Saba 2017). Due to unequal conditions with men in the labor market, cultural constraints and social responsibilities, women have less opportunity to be in the formal economy and enjoy benefits of social security (Jabari 2003).

Accordingly, women face multiple issues and gender-specific risks throughout their lives that require a variety of social security programs. Hence, gender-sensitive policymaking in the area of social protection could improve women’s situation. This study therefore seeks to analyze the gender sensitivity of social protection policies in Iran.

2 CONCEPTUAL FRAMEWORK

There are many important issues in the analysis of social security policies with regard to gender, inter alia: Are women and men treated equally in policies? Who receives social benefits and services and are governmental benefits credited directly to the husband’s account? Do policies consider women in the private or public sphere? Which aspects of different experiences of men and women are considered in policies and in what ways are policies generally sensitive to gender?

One of the most important topics is the gender division of labor that explains the presence of both sexes in the private or public spheres. By assessing this division of labor, the type of citizenship that policymakers prefer for women can be identified. According to Fraser, ‘the family-wage ideal [a wage that is sufficient to provide for a family] was inscribed in the structure of most industrial-era welfare states’ (Fraser 1997, 42). Criticisms about the male breadwinner and female housekeeper roles due to creating subordinate citizenship for women have drawn greater attention to women’s presence in the public sphere and enhanced the universal breadwinner (similar citizenship) model (Fitzpatrick 2004, 149). However, this model is criticized since it asks women to resemble men, especially in terms of waged employment
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and work outside home, to be recognized as an independent individual and enjoy direct social security coverage.

In the caregiver parity (differential citizenship) model, women’s labor in the private sphere is recognized the same as women’s labor in the public sphere, with the main criticism being that such an approach consolidates women’s position in the private sphere. In the next model titled as the universal caregiver (critical synthesis citizenship) model, both men and women have access to the private and public spheres. Although it has been criticized by conservative perspectives as ignoring natural differences between men and women as well as weakening the family institution, proponents argue that through application of this model both sexes somehow share equal responsibilities and opportunities with regard to wage and non-wage work (Fitzpatrick 2004).

Each of the above-mentioned models has different effects on women’s status. In the subordinate citizenship model, women’s individuality is ignored and women’s dependency increases. Fathers also have less opportunity to play their paternal and spousal roles due to their overwhelming presence in the public sphere, which is even more critical given the current financial problems and economic crises in developing countries. The universal breadwinner model ignores the differences between men and women, different feminine experiences as well as higher pressures on women due to their dual responsibilities in the workplace alongside motherhood and care. The universal caregiver model empowers women, especially in the public sphere, while increasing the number of insured persons and offering greater opportunities for insurance funds.

3 FINDINGS

Findings of this case study are derived from broader mixed-method research which used content analysis of all policy documents adopted after the 1979 Islamic Revolution, semi-structured interviews with gender policy key informants as well as secondary analysis of quantitative data on social protection. Data provided by the Social Security Organization show that the number of main insured persons has been rising and that the gender gap has been shrinking. While the number of main male insured persons was 17 times higher than that of females in 1986, it was less than five times more in 2016 (Social Security Organization 2012, 2016). Given that the benefits of compulsory insurance are dependent on wage and salary earnings from employment under the Social Security Law and that women’s employment rate is low, the gap between male and female insurance coverage rates is high.

Various models can be identified in the set of adopted policy documents relating to women and specific social security laws. In some laws, the policymaker has taken a similar citizenship (universal breadwinner model) approach for both sexes. One of these categories is the right to equal entitlement. The right to benefit from social security services is set out in various laws. Among them are Article 29 of the Constitution and various development programs, as well as the Charter of the Rights and Responsibilities of Women that stated the equal right to social security for women. Despite the existence of this general ‘equal rights’ approach, more specific and executive legislation may follow other approaches.

Policymakers considered expanding kindergartens to reduce the burden of women’s caring responsibilities and enforce the dual breadwinner model; in other words, they followed outsourcing care tasks instead of involving men in caring responsibilities. As per Article 78 of
the Labor Law, employers are required to establish childcare centers, but this provision has not been practically enforceable due to economic conditions and a lack of enforcement requirements. According to Kardavani et al. (2017), policies to reduce governmental employment have led to the closure of public kindergartens. The development of public kindergartens does not seem to be a government priority. This policy has gradually reduced the number of public kindergartens and instead introduced childcare benefits to be spent at private kindergartens, which are generally costly. Policymakers have looked at *maternal leave* for the return of women to the public sphere, which has been on the rise in the post-revolutionary period.

Overall, it can be concluded that policymakers, despite a generally supportive approach towards women, have followed the turnaround from the *social assistance approach* to the *social insurance approach*. For example, Article 39 of the Fifth Five-Year Development Plan provides for an actual shift of 10 percent among households from social assistance schemes to social insurance schemes. In fact, the premiums of these people are paid by the government until they are able to become independent.

Another model that can be identified in the existing policies is the *caregiver parity model*. That is to say that policymakers have sought to value women’s domestic work. One of these measures is *equalizing through insurance*. This means that housewives can also insure themselves and receive pensions like employees. Since, according to Seager and Madani Ghahfarkhi (2016), more than half of women have always been housewives, a plan such as *housewives insurance* can cover a large part of the female population. According to Rezaei et al. (2012), the initial proposal was made in 2000 and was budgeted for three years but withdrawn from the agenda due to its financial burden. It returned to policymakers’ attention in the next administration but, again, was not given sufficient priority to secure a consistent and stable budget. Other measures to finance women are *alimony and dowry rights for women* which are mentioned in various laws and could be enforced by the court if the husband refrains from their payment.

The *universal caregiver model* could also be identified to a lesser extent in the existing laws. In some laws, policymakers grant women the right to have their spouses’ support and participation in child upbringing (which may be seen as encouraging men and granting them the right to engage in the private sphere), but due to the dominance of the male breadwinner and female housekeeper model, domestic responsibilities are almost always left to women. Policymakers have raised a type of leave called *paternity leave* in recent years. Although this policy seems to have increased men’s presence at home, its primary motivation was to encourage childbearing.

Nevertheless, the model that prevails over women’s policies as a whole is *subordinate citizenship*. This model also overshadows the specific social security law: in different laws, men are the head of the family and entrusted with the task of breadwinning. Men are considered the main recipients of aid such as child benefit and family allowance, and women only receive benefits if they are the head of the family.

As women are not considered responsible for family livelihood, there is a generous approach towards female survivors in social security laws. According to these laws, the wife and daughters of an insured man can enjoy the right of survivorship as long as they are single and could even qualify after divorce. Boys can benefit from this pension until they are 25 years old. Another difference in the approach of social security policies is *different retirement criteria* for men and women, including in terms of years of employment record and early retirement. Given the assumption that the responsibilities of the private sphere are entrusted to women, policymakers have always sought to increase women’s presence at home.
It can be argued that the social security system in Iran divides women into three general categories. The first group, which comprises a small proportion of the female population, is in wage employment and remuneration and is supported by the formal social security system. In this group, facilities and benefits are similar to those for men. Policymakers, believing in the priority of maternal and caring roles and women’s role in the private sphere, have put in place provisions to reconcile the different roles of women and therefore strengthen the role of women in the private sphere. In other words, policymakers have sought to increase maternity leave and women’s presence at home through part-time employment. They have also sought to reduce the duration of employment and increase women’s presence in the private sphere with such policies as early retirement, distance working and the promotion of home-based jobs.

The second group of women is housewives who are supported by an insured man and are indirectly supported by him based on policymakers’ interpretation, while having the option to be self-insured through the ‘housewife insurance’ scheme, although this is dependent on being able to pay the monthly contribution. The third category of women is the head of the family or self-care females. Post-revolutionary administrations in this area initially focused more on paternalistic and supportive roles, but more recently, policymakers have sought to exclude women with the ability to live independently from their social assistance plans and have instead encouraged them towards social insurance.

From the gender citizenship perspective, policymakers have mainly prioritized women’s *subordinate citizenship* which makes women dependent and locks them into a predefined role. Therefore, specific social protection laws should undergo reform to mitigate the existing subordinate gender status. Moreover, due to the overall economic situation, the social assistance approach is unsafe and unreliable. Facilitating women’s presence in formal employment, in addition to increasing the proportion of social fund support and protecting women against financial crises, should be prioritized on the policy agenda.

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19. Disability inclusion and social protection

Alexandre Côte

19.1 INTRODUCTION

Persons with disabilities comprise 15 per cent of the world’s population, and are more likely to
live in poverty, face catastrophic health expenditures, have lower levels of education and eco-

oneomic participation and live in households more exposed to economic insecurity and shocks
than persons without disabilities (Mizunoya and Mitra 2013; Mizunoya et al. 2016; WHO and
World Bank 2011; UN DESA 2018; Mitra 2018; Trani et al. 2015). These inequalities arise
from multiple barriers such as stigma, inaccessible infrastructure, information and services as
well as lack of support (WHO and World Bank 2011; UN DESA 2018). Disability-, gender- or
ethnicity-related barriers often intersect leading to compound discriminations, in particular for
women and girls with disabilities.

Fewer than one in five persons with significant disabilities access disability-related social
protection benefits in low- and middle-income countries (LICs and MICs) (Durán Valverde,
et al. 2019). Moreover, existing social protection policies focus mostly on incapacity to
work and poverty rather than providing adequate support for inclusion, which limits their
effectiveness and perpetuates prejudices (Banks et al. 2018a, 2018b; Kidd et al. 2018, 2019a;
Hanass-Hancock et al. 2017; Kelly 2019).

In the last decade, implementation of the United Nations Convention on the Rights of
Persons with Disabilities (CRPD) has triggered a wide range of policy changes across
countries. The no one left behind focus of the Sustainable Development Goals (SDGs) has
amplified this momentum and fuelled the consensus about the critical role of social protection
in reducing vulnerability and supporting inclusion of persons with disabilities across the life
cycle (ILO 2017, 2019; UN 2015; UN DESA 2018). Building on the 2019 joint statement on
inclusive social protection (ILO 2019), recent studies and ongoing debates, this chapter there-
fore reviews key elements for developing inclusive and universal social protection systems,
with a focus on LICs and MICs. Section 19.2 presents the status quo and reform needs. Section
19.3 reviews the building blocks of an inclusive social protection system, looking at gaining
better insights in the situation of persons with disabilities, addressing access problems and
shortcomings in current programming.

1 Adopted in 2006 and ratified by 181 countries as of March 2020 (UN DESA 2020).
2 This chapter draws from recent reports from Development Pathways and the International
Centre of Disability Evidence, funded either by the United Kingdom’s Department for International
Development or the Australian Department of Foreign Affairs and Trade, as well as from an ongoing
project implemented by the International Labour Organization and UNICEF. All views expressed and
possible errors remain the sole responsibility of the author.
19.2 RETHINKING THE RATIONALE OF SOCIAL PROTECTION FOR PERSONS WITH DISABILITIES

19.2.1 Coverage

Through a combination of contributory and tax-financed schemes, most high-income countries provide a quasi-universal social protection coverage to persons with disabilities (OECD 2010; Grammenos 2016). In 2019, 68.0 per cent of the European Union population (aged 16 and over) likely to live with a disability would have been at risk of poverty without social protection benefits (Eurostat 2020). By contrast, only 18.5 per cent of persons with significant disabilities in LICs and MICs have access to disability-related social protection benefits, ranging from 95 per cent coverage in Eastern Europe to 7 per cent or less in southern Asia and Sub-Saharan Africa (Durán Valverde et al. 2019). LICs and MICs systems tend to combine contributory (ILO 2017) and poverty-targeted tax-financed schemes leaving the majority of persons with disabilities who are not in formal employment and not poor enough unsupported – the ‘missing middle’ (Larasati et al. 2019; UN DESA 2018; Kidd et al. 2019a).

These differences are reflected in the level of disability-related social protection expenditures which represent on average 2.1 per cent of gross domestic product (GDP) in European Union countries (Grammenos 2016) while few LICs and MICs with tax-financed disability benefits invest more than 0.3 per cent of GDP (Kidd et al. 2019a).

Most recent global estimates consider that a basic universal disability benefit for persons with disabilities would require at least 0.6 per cent of GDP on average in LICs and MICs (Durán Valverde et al. 2020). Next to additional financial resources, inclusive social protection systems also require a departure from outlived concepts of disability and from limited consideration for disability-related costs (Diwakar and Shepherd 2018).

19.2.2 Beyond Incapacity to Work

Historically, social protection policies have considered disability from the perspective of loss of capacity to earn income and the need for rehabilitation and care (UN 2015). This approach has guided the adoption of ILO Conventions 102, 121 and 128 and national disability contributory income security schemes (ILO 2017). While providing essential protection for workers, it has cemented a dichotomy between persons with disabilities deemed able or unable to work and participate in society contributing to schemes fostering ‘dependence, segregation and institutionalization of persons with disabilities’ (Devandas Aguilar 2017, 46).

The human rights-based approach to disability, which contributed to the adoption of disability anti-discrimination legislations in the 1990s and the United Nations CRPD in 2006, challenged this entrenched perspective. It reconceptualised disability as the result of the interaction between persons with impairments and diverse barriers which may restrict their participation. This implies policies across sectors that combine the removal of barriers (awareness raising, non-discrimination, accessibility) with the provision of required support (assistive devices, rehabilitation, support services, social protection).

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3 Calculations are based on the payment of a periodic disability benefit at 100 per cent of the full national poverty line, granted to persons with any severe disability.
While some reforms partly motivated by the intention to cut public expenditures have had adverse effects (Beatty and Fothergill 2018; Hauben et al. 2012), this understanding of disability has led to significant evolutions in social protection for persons with disabilities in Organisation for Economic Co-operation and Development (OECD) countries, with policies that moved from passive compensation of incapacity to work to support for socio-economic inclusion (OECD 2010; Böheim and Leoni 2016).

19.2.3 The Importance of Understanding Disability-Related Costs

Many social protection policies in LICs and MICs have not adequately factored in disability-related costs (Braithwaite and Mont 2009; Mitra et al. 2017; Carraro and Castro Cumpa 2014), which vary depending on support requirements, barriers, health-care needs and the level of participation of persons with disabilities. They comprise:

- Indirect costs, such as loss of earnings due to barriers faced in education and employment, as well as the opportunity cost for family members providing support (Hanass-Hancock et al. 2017).
- Direct costs related to greater consumption of ordinary goods and services such as health care or private transport and disability-specific services such as assistive devices, personal assistance, sign language interpretation, etc.
- These costs, unaffordable for most, limit their capacity to convert income into the same standard of living and level of participation as those without disabilities.

While inclusive public transportation, labour markets and public services will eventually lower some barriers, other expenses such as assistive devices or personal assistance may be incompressible, irrespective of the environment.

Most studies carried out to assess disability-related expenditures use the Standard of Living method, which estimates the additional resources needed by a household with a person with disability to achieve the same standard of living as an otherwise similar household without a person with disability. Additional expenditure ranges from 16 per cent to 70 per cent of average income (Mitra et al. 2017), with greater costs for those with severe disabilities.

Adjusting the poverty line in light of the additional costs increases the poverty rate for households with persons with disabilities from 18 per cent to 34 per cent in Cambodia (Palmer et al. 2015) and 38.5 per cent to 52.9 per cent in Ghana (Asuman, Ackah and Agyire-Tettey 2020). This points to the importance of disability-adjusted poverty lines (Braithwaite and Mont 2009) and higher eligibility thresholds for means tests in social assistance programmes.

One shortcoming of the Standard of Living method is that it does not provide insight into the diversity of costs or what additional expenses are required to achieve equal access and participation. One of the few studies in LICs and MICs (South African Department of Social Development 2016) assessing indirect and direct disability-related costs showed that costs vary greatly according to the level of support required and participation (see Figure 19.1). The minimum costs reflect lower levels of socio-economic participation with costs being pushed onto the family, while the maximum includes for instance transport and paid human assistance used by those who seek participation.

For people with significant support needs, disability-related costs represented up to 15 times the national poverty line (Statistics South Africa 2017). With a disability grant, comparatively higher in South Africa than in most LICs and MICs (UN DESA 2018), many persons with
disabilities, including those living in non-poor households, cannot cover their common and disability-related expenses (Hanass-Hancock et al. 2017).

**Figure 19.1** Disability-related costs per group of persons with disabilities

19.3 TOWARDS INCLUSIVE SOCIAL PROTECTION SYSTEMS

**Supporting Empowerment of Persons with Disabilities**

Making social protection systems inclusive requires first understanding the diversity of persons with disabilities, the inequalities and barriers they face and the support they require. Second, delivery mechanisms must be fully accessible. Finally, it requires investments in a blend of cash transfers, in-kind support, including services.

19.3.1 Understanding the Situation Support Requirements

**Disability statistics**

Since the World Disability Report (WHO and World Bank 2011), there has been a global consensus that 15 per cent of the world adult population\(^4\) live with some form of disability and 3 to 4 per cent experiences significant difficulties. However, disability prevalence at national level remains a debated issue. The few censuses or surveys that identified people as having a disability did so through questions such as ‘Do you have a disability?’ and/or a list of

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\(^4\) Estimates for people aged 60 years were up to 43.4 per cent and for children below 15 years old 5.4 per cent.
predefined disability/impairment/health conditions. Such an approach led to low prevalence estimates capturing mostly persons with very significant disabilities. Additionally, many older people, who do not self-identify as being ‘disabled’, would not be counted.

In the last decade, the Washington Group’s short set of questions, based on a functional approach which does not carry such stigma, has become the standard recommended by most United Nations agencies and the World Bank (Tiberti and Costa 2020) and is increasingly used around the world (Grocce and Mont 2017). It is easily implementable and cost-effective, generating more reliable and internationally comparable estimates (Madans et al. 2011). The requirement to disaggregate statistical and administrative data by disability under the CRPD (Article 31) and for the monitoring of the SDGs has further fuelled its use.

Other stand-alone surveys have been developed to provide more detailed insights into the situation of persons with disabilities and the barriers they face, such as the World Health Organization Model Disability Survey and the SINTEF surveys. This significant progress has contributed to break the invisibility of persons with disabilities in data.

**Direct engagement**

The unique perspective of persons with disabilities’ lived experience is critical to providing data with context and meaning in relation to the barriers they face, the type of support they value or the groups that are most marginalised. As universal and adequate coverage can only be achieved progressively, it is critical to consult with representative organisations of persons with disability to prioritise resource allocation and phase investments. Such consultation at all stages of policy development is an obligation of the national government under the CRPD (Article 4.3) to ensure systematic inclusion. In addition, such meaningful engagement will lead to greater ownership and advocacy that is critical for social protection reforms requiring significant resources and political will.

**Disability assessments**

Disability assessments can produce a better understanding of individual support requirements. Until recently, most countries used medical assessments focused on health conditions and impairments (medical model). While valued for their apparent objectivity, they leave out significant parts of what constitutes disability and provide little information about the actual support required. Medical assessments are often perceived as a burden by overloaded doctors in LICs and MICs, who often do not have specific training (Kelly 2016). The United Nations CRPD committee has consistently recommended going beyond medical assessment and considering support requirements and barriers. Additionally, the need for a medical certificate is a significant barrier for poorer persons or those living in remote areas.

The starting point for reform, which many countries such as Armenia, Georgia and Timor Leste have recently engaged in, should be equal and effective access to all persons with disabilities to the assessment mechanism. A few countries have therefore moved away from medical assessment as the main requirement and introduced simple instruments, used by village

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6 See www.who.int/disabilities/data/mds/en/ for more details.
7 See www.sintef.no/en/projects/studies-on-living-conditions/ for more details.
8 Countries have been adapting or combining tools such as the Functional Independence Measure, the Washington Group’s short set of questions, WHODAS 2.0 and the Disability Creation Process.
committees as in Vietnam (Banks et al. 2018b) or social workers as in Fiji (Pacific Disability Forum 2018). They identify functional limitations and/or the person’s support requirements in carrying out basic daily life activities. A medical certificate is required only when there is no clear decision, or in case of an appeal, and its costs are partly borne by the administration. In Fiji, the process has been implemented in close collaboration with organisations of persons with disabilities guaranteeing strong ownership and support.

Information collected during assessments is not only useful to determine eligibility but can also be used to inform policy planning. Some countries have developed systems to use this information, such as Senegal with a disability registry related to its Equal Opportunity Card, or France which has recently launched a national information system for all the centres in charge of disability assessment. Combined with statistical data, such registries can guide schemes and policy design, facilitate the planning costing and budget by extending social protection. They can also eliminate the need for repetitive assessments and allow fast relief to persons with disability during times of crises, as the recent COVID-19 pandemic has illustrated.

19.3.2 Making Delivery Mechanisms Inclusive

Recent studies highlight distance, administrative complexity, inaccessibility of information and facilities and exclusionary design as important barriers to access (Banks et al. 2018a, 2018b; Kidd et al. 2018, 2019a, 2019b). Many of those barriers stem from a lack of awareness of social protection personnel about the diversity of persons with disabilities and their inclusion requirements, compounded with a lack of disability-disaggregated data. For instance, programmes which require school attendance (conditional cash transfers, school feeding, etc.) may inadvertently discriminate against children with disabilities who are often excluded from education and are invisible to social protection systems. Corrective measures could be to waive the requirement or, better, to ensure that children with disabilities can actually access schools. In Brazil, social workers collaborate with the education system to include children benefiting from the main disability scheme (Wapling and Schjoedt 2020).

Minimum standards for accessibility and non-discrimination in operation manuals and tenders could significantly improve access to public information, administrative forms, websites, payment points and offices. There should also be provisions for persons who are unable to reach offices or payment points. In Fiji, eligibility determination for the disability allowance was based on a home visit and included the delivery of identity documents, opening of a bank account and a review of eligibility for other benefits. During the COVID-19 crisis, Armenia adopted home delivery of cash transfers for persons with disabilities to lessen their risks of being contaminated.

19.3.3 Essential Schemes

Inclusive social protection combines a diversity of schemes to provide basic income security, to cover disability-related costs including support services as well as to grant access to health care and other essential services, as shown in Table 19.1.

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9 Exchange of author and Fiji government disability focal point, February 2020.
### Table 19.1 Different types of social protection schemes that can support persons with disabilities

<table>
<thead>
<tr>
<th></th>
<th>Childhood</th>
<th>Working age</th>
<th>Old age</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income security</strong></td>
<td>Family assistance benefits</td>
<td>Poverty assistance, unemployment benefit, Old age pension</td>
<td>Disability pension</td>
</tr>
<tr>
<td><strong>Coverage of</strong></td>
<td>Child with disability benefit</td>
<td>Disability/inclusion support allowance covering</td>
<td>Concessions</td>
</tr>
<tr>
<td><strong>disability-related</strong></td>
<td>Concessions</td>
<td>disability-related costs and compatible with paid work and other benefits</td>
<td>Concessions</td>
</tr>
<tr>
<td><strong>costs, including</strong></td>
<td>Caregivers benefit</td>
<td>Caregivers benefit</td>
<td>Concessions</td>
</tr>
<tr>
<td><strong>support services</strong></td>
<td>Early identification and intervention, counselling, respite care</td>
<td>Personal assistance schemes, third-person support benefit, caregivers benefit, interpreters, etc.</td>
<td>Concessions</td>
</tr>
<tr>
<td><strong>Health care</strong></td>
<td>Universal health-care coverage, including rehabilitation and assistive technology</td>
<td>Connection with early childhood, development programmes, education</td>
<td>Economic empowerment programmes, return to work programmes, public works, women’s empowerment, etc.</td>
</tr>
<tr>
<td><strong>Interlinkage</strong></td>
<td>Connection with early childhood</td>
<td>Economic empowerment programmes, return to work programmes, public works, women’s empowerment, etc.</td>
<td></td>
</tr>
</tbody>
</table>

*Sources: Author’s own based on ILO (2019); UN DESA (2018); Kidd et al. (2019a).*

Often LICs or MICs do not provide such a combination, and have issues of accessibility, adequacy or coverage. However, countries such as Georgia, Thailand, South Africa, Nepal and Vietnam have developed some of the main building blocks. Considering the low coverage of contributory schemes in most LICs and MICs (see Chapter 3), this section focuses on tax-financed instruments such as cash transfers, in-kind support, concessions and services.

### Cash transfers

Countries have adopted different tax-financed cash transfers which can be broadly divided into three categories depending on their purpose: basic income security, coverage of disability-related costs and hybrids whose purpose depends on the individuals’ circumstances (see Table 19.2). Basic income security can be provided through mainstreamed or disability-targeted cash transfers. The grant to cover additional costs can be universal or means tested.

Hybrid benefits are universal individual disability benefits, which are provided regardless of a person’s income from work such as in Namibia, and regardless of other public support as in Thailand, Georgia and Fiji. For persons with disabilities with no or low income they act as income security. For those who have work or live in non-poor or otherwise supported households they tend to cover disability-related costs.

### In-kind support and concessions

Most high-income countries and many LICs and MICs grant a wide diversity of in-kind support and concessions which can be categorised in three broad groups: free goods and services, discounts or subsidies and exemption on taxation. In-kind support and concessions can respond directly to a disability-related need such as health care, assistive devices or support services which are quite costly and cannot be covered by a basic disability allowance. Other concessions such as free public transportation or tax exemption for disability card holders can contribute to offset some disability-related costs.

Concessions that appear to be the most valued are free or heavily subsidised health care, assistive devices and transport and housing and utility bill subsidies. Income tax exemptions are valued in countries with a wide formal sector as they provide relief to many parents of children with disabilities and increase benefits of entering the formal economy.
Table 19.2  Selected examples of cash transfer schemes for persons with disabilities and their families

<table>
<thead>
<tr>
<th>Cash transfers</th>
<th>Basic income security</th>
<th>Disability-related costs</th>
<th>Hybrid</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Household benefits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainstream and poverty targeted</td>
<td>Philippines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty and partially disability targeted</td>
<td>Ethiopia, Ghana, Rwanda, Tanzania, Malawi and Uganda</td>
<td>Brazil Continuous Cash Benefit</td>
<td>Benefits for households with persons requiring permanent care (Kenya, Indonesia)</td>
</tr>
<tr>
<td>Poverty and disability targeted</td>
<td>Programme for children with disabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affluence tested and disability targeted</td>
<td></td>
<td>Child disability grant (South Africa, Mauritius)</td>
<td></td>
</tr>
<tr>
<td>Mainstream universal</td>
<td>Asignación Universal por Hijo (Argentina)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disability targeted universal</td>
<td>Special maintenance allowance (Namibia)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Individual benefits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainstream and poverty targeted</td>
<td>Old age pension (India)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty and disability targeted</td>
<td>Programme for children with disabilities</td>
<td>Brazil Continuous Cash Benefit</td>
<td></td>
</tr>
<tr>
<td>Affluence tested and disability targeted</td>
<td>Disability grant (South Africa)</td>
<td>Grant-in-aid (South Africa)</td>
<td></td>
</tr>
<tr>
<td>Mainstream universal</td>
<td>Old age pension (Georgia, Lesotho, Mauritius)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Universal disability targeted</td>
<td>Disability pension (Timor Leste)</td>
<td>Third-person support allowance (Mauritius)</td>
<td>Disability allowance (Fiji, Mauritius, Vietnam, Thailand, Georgia, Nepal)</td>
</tr>
</tbody>
</table>

**Sources:** Kidd et al. (2019a); World Bank and ILO (2016); Banks et al. (2018c); Pacific Disability Forum (2018); Chiripanhura and Niño-Zarazúa (2013); Cirillo and Tebaldi (2016).

In many LICs and MICs, concessions have been unsystematically adopted by successive governments leading to a patchwork of measures that might not be the most efficient or progressive. For instance, income tax credits or duty tax exemptions in countries with large informal sectors mostly benefit better-off residents, while free health care and public transportation benefit all persons with disabilities and have the greatest impact on the most vulnerable.

**Access to health care, including rehabilitation and assistive technology**

Persons with disabilities are more likely to have unmet general and disability-related health-care needs and to face catastrophic health expenditures (WHO and World Bank 2011; Bright and Kuper 2018; Kuper and Heydt 2019). The vast majority needing assistive devices do not access them (Rohwerder 2018).

Countries like Vietnam, Tunisia, Ghana and the Philippines have adopted subsidies to public health insurance which are sometimes more valued by persons with disabilities than low disability cash transfer (Banks et al. 2018c), reflecting the importance of covering...
health-care costs. However, national packages often miss essential specific services such as rehabilitation and assistive devices (Bright et al. 2018). The Philippines (Bundoc et al. 2019) and Vietnam (Banks et al. 2018b) have recently expanded those services within their universal health-care package10 while Georgia and Kenya cover or subsidise some assistive devices from different budgetary sources (Kabare 2018).

Access to support services
Support services such as personal assistance, sign language interpreters, circles of support for persons with intellectual disabilities and respite services are critical for both the survival and basic socio-economic participation of many persons with significant disabilities (UN 2017). Unfortunately, globally, most of the support has to be provided by families due to a lack of publicly funded support services, with little to no such services in LICs and MICs (WHO and World Bank 2011). This deprives persons with disabilities of equal opportunities for education, work and independent life, creates significant opportunity costs for households, increases the risks of neglect and abuse of children and adults alike (Kelly 2019) and burns out family members who are providing support, often women and girls. In some regions, such as in Europe and Central Asia, the lack of investment in support services maintains an overreliance on residential institutions (UNICEF 2013, 2019; Petrowski et al. 2017).

In OECD countries, social protection has played a key role in the development and financing of existing support services. In the Global South, few research or pilot programmes exist on how best to provide such support, including via cash-plus interventions (Roelen et al. 2017) (see Chapter 14). Thailand and Tunisia are among the few LICs and MICs that are working on developing personal assistance service schemes. Recently attention has grown in LICs and MICs on the significant gap in long-term care services for older persons (Feng 2019). This could open a window of opportunity to think more broadly about the development of support services across the life cycle providing that it is framed with the objective of inclusion in the community and not institutionalisation. The challenge remains in any case to find culturally acceptable and viable approaches that progressively develop services while fostering choice and control of persons with disabilities as well as gender equality.

19.3.4 Inclusive Programming

Inclusive combinations of scheme
In their efforts to provide more support to persons with disabilities and their families, LICs and MICs have taken different approaches in phasing and combining the different schemes. Senegal and the Philippines have adopted a disability or equal opportunity card to provide access to in-kind support and concessions, including health care, and are now moving towards the adoption of cash transfers. South Africa, Brazil, Nepal and Georgia started early on with disability benefits for children and adults with disabilities, complemented with concessions. Fiji started with household poverty assistance benefits partially targeting disability and old age, before creating a stand-alone disability allowance and social pension, together with transport and health-care concessions. All, however, converge towards a combination of

10 The World Health Organization has developed a priority assistive product list to guide inclusion in a universal health-care package, see www.who.int/phi/implementation/assistive_technology/low_res _english.pdf
Many countries are also developing more accessible disability assessments that consider support requirements, together with national disability registries and disability/equality opportunity cards to streamline access of persons with disabilities to different benefits. Those evolutions increasingly acknowledge the central issue of disability-related costs. Still, significant differences exist as to whether those evolutions are framed by a shift towards inclusion.

Many countries have adopted schemes that are often poverty targeted, with low coverage and low value, based on a dichotomy between those deemed able and unable to work, and that emphasise the need for care. Some countries are in-between such as South Africa or Brazil: both have cash transfers that are relatively high in value, wide in coverage and also that cover children with disability, but cash transfers to adults with disability are based on their incapacity to work. While Brazil has poverty-targeted disability schemes compared to affluence-tested schemes in South Africa, it has initiated a challenging reform process to support persons with disabilities who start working.

Fiji, Georgia, Nepal, Thailand, Vietnam and Mauritius, among others, started shifting towards support for inclusion and economic empowerment, adopting a combination of universal schemes across the life cycle that are compatible with work and sometimes with other benefits.

Inclusive design choices
There are some general design choices to be considered that can have significant impact on effective support for inclusion of a given scheme. These include:

- **Individual versus household as recipient:** While cash transfers for children with disabilities are paid to parents, it is critical that benefits for adults are paid to themselves, including caregiver grants or vouchers, to foster control over the benefits. Some countries have adapted their household schemes to reflect disability-related costs with higher eligibility thresholds, as in Moldova (Carraro and Castro Cumpa 2014), Tunisia and Palestine (ESCWA 2017), or a disability top-up such as in Indonesia (Rahayu Kusumastuti et al. 2018). If this approach seems convenient at first, it is unlikely that it would effectively empower persons with disabilities, as they have very low control over benefits received by households. Even if individual disability benefits are often too low to foster autonomy and may be used for household consumption (Kidd et al. 2018; Banks et al. 2018a, 2018b), the person’s contribution can have a positive impact on their agency and social position (Banks et al. 2018a, 2018b) and may help them secure support from family members (Kelly 2019).

- **Universal versus poverty targeting:** While income security schemes are often means tested or poverty targeted, schemes aimed at coverage of disability-related costs or hybrid schemes tend to be universal or affluence tested. Georgia, Mauritius and South Africa’s well-resourced universal or affluence-tested schemes cover around 3 per cent of the working age population on a par with many OECD countries. Countries with poverty-targeted schemes such as Kenya, India or Indonesia have expectedly much lower coverage, with a high risk of exclusion errors due to a combination of inherent challenges of poverty targeting with issues in disability determination (Kidd et al. 2019a).

- **Adequacy:** Whether universal or poverty targeted, most existing schemes offer low benefits, insufficient for covering basic expenses let alone disability-related extra costs. Few
countricest provide relatively high coverage and high levels of benefits such as Georgia, Mauritius, South Africa (50 per cent of minimum wage) and Brazil (minimum wage).

- **Compatibility with work**: Many schemes have incapacity to work as an explicit or implicit criterion and are often the only support available. While the overall impact on labour supply might be low in countries with high structural unemployment (Mitra 2010), this criterion may create undesirable disincentives for persons with disability and their households. Engaging in economic activity means risking losing the main stable source of income. Also, such benefits are often incompatible with programmes such as vocational training or support for small businesses. On top of this, a fair assessment of the inability to work is challenging (Kelly 2016). A few LMICs have avoided these issues by adopting universal disability benefits compatible with paid work.

- **Compatibility with other benefits**: To be effective, cash transfers covering disability-related costs should also be compatible with other cash benefits. In Thailand or South Africa, old age pension recipients requiring human assistance are eligible for additional disability benefit. Unfortunately, in many countries cash transfers are mutually exclusive which undermines their effectiveness.

### 19.4 CONCLUSION

The review of LMICs experiences shows that while no system has it all, their efforts to support inclusion of persons with disabilities are slowly drawing a road towards an inclusive social protection system. This includes:

1. Better understanding of the situation of persons with disabilities and their extra costs through collection and analysis of disability data, consultation with persons with disabilities and easily accessible disability assessments focused on support requirements.
2. National disability registries and disability/equal opportunity cards that facilitate access to diverse schemes and greater responsiveness in crisis.
3. Investment ensuring accessibility and non-discrimination across social protection schemes so that persons with disabilities can make the most of existing programmes.
4. A meaningful combination of cash transfers, in-kind support, including support services, and concessions. Considering LIC and MIC resource limitations, the hybrid universal disability support allowance scheme – compatible with work and further public support – together with free or heavily subsidised health care, assistive devices, public transportation and support services seems to have become a blueprint.
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20. Child-sensitive social protection

Keetie Roelen

20.1 INTRODUCTION

Child-sensitive social protection (CSSP) seeks to promote programmes and systems that improve children’s lives, both at present as well as in the future. Despite important strides in the fight against poverty in the past two decades, many children still face multiple deprivations and live in vulnerable conditions. An estimated 385 million children aged 0–17 live in extreme poverty (using USD 1.90 per day per person as the poverty line) (UNICEF 2019b) while 665 million children in this age group experience multidimensional poverty (based on the Multidimensional Poverty Index) (OPHI 2018). Children are disproportionately affected by poverty: children aged 0–14 account for 46 per cent of all those living in extreme poverty (World Bank 2018) and are more than twice as likely to experience poverty than adults are (UNICEF 2019b).

The pervasiveness of poverty among children is problematic for various reasons. First, physical and biological vulnerabilities mean that children are more susceptible to negative consequences of living in poverty (Roelen and Sabates-Wheeler 2012). Poverty in childhood is detrimental for biological and cognitive development (Walker et al. 2007), thereby undermining children’s wellbeing at present as well as their potential to grow into healthy and productive adults. It often leads to irreversible damage, locking children and families into intergenerational poverty.

Second, children are mostly dependent on others for the provision of their basic needs. This dependence affords them limited autonomy in securing their own wellbeing and mitigating the effects of poverty, also putting them at greater risk of abuse and misuse of power (Roelen and Sabates-Wheeler 2012).

The importance of ensuring good lives for children is enshrined in the 1989 Convention on the Rights of the Child (CRC). Based on Articles 26 and 27 of the CRC, children have the right to social security and an adequate standard of living (Global Coalition to End Child Poverty 2017). As the CRC was ratified by all countries in the world (except for Saudi Arabia and the United States of America), there is a moral and ethical imperative for governments to reduce poverty among their child populations.

A focus on reducing child poverty in all its forms also emerges from the Sustainable Development Goals (SDGs). SDG 1 calls for ending poverty in all its forms everywhere. Target 1.2 within SDG 1 stipulates: ‘By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions’ (United Nations 2019). The explicit mention of children in SDG 1 and its targets calls on governments to pay special attention to child poverty and to formulate policies and programmes to ensure good lives for children.

SDG 1 also articulates the importance of social protection for achieving the goal of ending poverty by 2030, including child poverty. Target 1.3 calls for: ‘Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve
substantial coverage of the poor and the vulnerable’ (United Nations 2019). In the last decade, social protection has become an indispensable part of the policy toolkit in order to improve children’s lives in the short and medium term, and to break the intergenerational cycle of poverty. Many positive impacts have been reported, such as improved school attendance, more (and more frequent) use of health services and greater dietary diversity (Bastagli et al. 2016).

20.2 WHAT IS CHILD-SENSITIVE SOCIAL PROTECTION?

20.2.1 Concepts and Definitions

The concept of CSSP first emerged in 2009 when a group of international organisations, including UNICEF, the World Bank, International Labour Organization, Department for International Development and Save the Children, published the Joint Statement on Advancing Child-Sensitive Social Protection (DFID et al. 2009). Following the emerging evidence base of positive effects of social protection on children’s lives in low- and middle-income countries, these organisations joined hands to formulate a set of basic principles that should guide the design, implementation and evaluation of social protection programmes to ensure that they benefit children.

In the last decade, the field of CSSP has developed further with additional definitions and approaches having been developed by various international agencies and organisations, notably Save the Children and UNICEF. At the core of all approaches lies the notion that CSSP aims to maximise positive impacts on children as well as minimise any unintended harm or adverse consequences for children. This means that CSSP does not only apply to interventions that are targeted at children or households with children, but that it extends to all programmes that can affect children. This is captured in the following definition: ‘Child-sensitive social protection (CSSP) encompasses programmes that aim to maximise positive impacts on children and to minimise potential unintended side effects (DFID et al. 2009). This includes both direct interventions (i.e. child-focused or targeted) and indirect interventions (e.g. social pensions, public works)’ (Roelen and Karki Chettri 2016, 13).

This definition implies that CSSP is relevant across all components of social protection, ranging from social assistance to social insurance and labour market interventions.

The broad remit of CSSP is also evident from a briefing paper published by the Global Coalition to End Child Poverty (2017), which emphasises the need for a child focus across all aspects of programme and policy cycles: ‘[CSSP] is an approach under which all social protection measures aim to maximise impacts and minimise any possible harms for girls and boys, across all ages, by systematically incorporating child risk and benefit (impact) analysis into each stage of policy and programme design, implementation and monitoring’ (Global Coalition to End Child Poverty 2017, 4). In other words, CSSP is not a distinct type of social protection but instead offers a framework for guiding all aspects of design and implementation of social protection through a children’s lens.
20.2.2 Key Principles

While concepts and definitions provide the foundation for CSSP, further development of guiding principles or design and implementation criteria are required to put theory into practice.

Recent programmatic frameworks and guidance notes, such as by the Global Coalition to End Child Poverty (2017), Save the Children (2015) and UNICEF (2019a), offer practical pointers towards operationalisation of CSSP. We can distil a set of commonly agreed design and implementation principles, as follows.

Act in the best interest of the child and do no harm
This principle follows directly from the notion that programmes should be designed and implemented so that they both maximise benefits for children and intend to prevent any adverse consequences. This holds across child- or family-focused interventions as well as interventions that target individuals who may not have a direct link to children.

For example, conditional cash transfers that have an explicit focus on promoting outcomes for children have been found to have positive impacts in terms of education and health, among other things (Bastagli et al. 2016). At the same time they can also cause perverse incentives as a result of the need to meet conditions to receive transfers, such as sending children to school when sick (which was observed in Hungary) or keeping children malnourished (which was observed in Brazil and in Dadaab refugee camp in Kenya) (Roelen 2015).

Conversely, public work programmes do not have an explicit focus on children but can have both positive and negative impacts. In Nepal, for example, public works presented a potential mechanism for keeping families together as a provision of work throughout the year could prevent seasonal migration from fathers or adult men to neighbouring India. However, as the programme only offered work for a limited period of time, most participants were adult women, resulting in conflicts between undertaking work and providing childcare (Roelen and Karki Chettri 2016).

Realise coverage progressively
This principle reflects that all children should have access to social protection but also recognises that it will take time for budgets and funding to be in place to make this a reality. This principle calls on governments to set priorities and sequence policy development, budget allocations and implementation to progressively put in place a package of social protection that provides universal coverage and that is child sensitive. One mechanism for doing so could be to gradually extend age thresholds that determine eligibility. In Myanmar, for example, the age threshold for old age pension was lowered from 90 in 2017 to 85 in 2019 as budget allocation expanded. In South Africa, the age limit for the Child Support Grant gradually increased from 7 to 18 after its inception in 1998 (DSD et al. 2012).

Actively include children who are marginalised and socially excluded
This principle explicitly recognises that children and other individuals with certain attributes or belonging to vulnerable groups (1) may have different needs and (2) may be at a higher risk of being excluded from social protection, even in universal systems. Gender, ethnicity, geographic location, disability status, chronic illness and living outside of family care represent dimensions of social vulnerability that could lead to exclusion and marginalisation. This
principle calls for social protection to adequately respond to differential needs and to reach out to vulnerable and marginalised groups in order to ensure their inclusion and redress structural inequalities. In Nepal, for example, the Child Grant Programme specifically targeted children under five in Karnali region and poor children from Dalit households across the country in recognition of heightened levels of marginalisation and exclusion along lines of geography and caste (Roelen and Karki Chettri 2016).

**Build comprehensive, adaptive and responsive systems of social protection**

This principle emphasises the importance of a systems approach to social protection (see Chapter 11). It advocates for systems that provide comprehensive packages of support that allow its beneficiaries to adapt their livelihoods to changing circumstances (notably climate change) and to respond to shocks, such as weather-related shocks or conflict. While this principle is not child-specific, the long-lasting adverse consequences for children (as discussed above) that result from fragmentation, loss of livelihood or exposure to shock makes this principle even more urgent for children.

**Include children’s voices and perspectives**

Finally, this principle indicates that voices and opinions of children and their caregivers should be included in an explicit and deliberate manner throughout the process of policy design, implementation, monitoring and evaluation. Until now, child participation in decision-making processes around social protection has been marginal, and children’s voices have mostly been overlooked (Hulshof 2019). With CSSP being grounded in children’s rights, children should be engaged rather than proclaimed as rights holders when it comes to developing, monitoring and evaluating interventions (Hulshof 2019). Child-friendly and participatory processes of consultation and social audits that explicitly seek to include and give weight to children’s voices is one way of doing so.

20.2.3 **Distinguishing Child-Sensitive Social Protection and Child Protection**

Social protection, and CSSP in particular, is often confused with the policy area of child protection. Although there are strong overlaps between both policy areas, they also differ in important ways.

The policy areas of social protection and child protection are part and parcel of the response to children and their vulnerabilities. Social protection primarily aims to reduce poverty and lack of basic needs and child protection seeks to prevent and respond to child protection violations. Such violations include child labour, trafficking, abuse and neglect, among others. The overlap of both policy areas exists in the interconnection of vulnerabilities at the level of the child as well as in programmatic synergies when responding to such vulnerabilities.

Poverty and economic vulnerability are important factors in causing or reinforcing child protection violations. Given social protection’s remit in relation to poverty, it can help prevent child protection violations as well as support recovery and redress. Although evidence regarding the impact of social protection on child protection outcomes is limited, interventions – cash transfers in particular – have been found to reduce family separation and child marriage (Barrientos et al. 2014). In Ghana, for example, the Livelihoods Empowerment Against Poverty (LEAP) programme helped to counteract the effects of poverty in relation to large family sizes and allowed children to stay with their biological parents (Roelen et al. 2016).
The potential for linkages between social protection and child protection also exist in operational terms, with the frontline response to issues of poverty and vulnerability as well as child protection concerns often being provided by social workers or community volunteers. A more holistic approach to creating a protective environment for children that minimises risk and vulnerability would be served by close linkages between social protection and child protection (Barrientos et al. 2014).

Indeed, various social transfer interventions are designed to include mechanisms to respond to child protection violations. As articulated in UNICEF’s Global Social Protection Programming Framework, the role of social service workers presents a crucial connection between social protection and child protection (UNICEF 2019a). The Improved Nutrition through Integrated Basic Social Services with Social Cash Transfer pilot in Ethiopia, for example, explicitly included components to respond to child protection concerns such as abuse or abduction. Case management by social workers and Community Care Coalitions seek to facilitate linkages to services, including police and judicial services, and to coordinate a response in case of child protection violations (UNICEF Ethiopia 2017).

In other cases, community committees are established in the name of child protection while also responding to concerns that would normally belong to the remit of social protection. In Mozambique, for example, Community Child Protection Committees primarily provided basic needs such as food and clothing as opposed to tailored responses to issues of violence or abuse (Roelen 2011).

Notwithstanding positive success stories, the extent to which social transfer interventions are able to respond adequately to child protection issues appears limited. Capacity constraints, both in terms of numbers of staff as well as their skills to respond to complex child protection concerns, mean that the response to child protection will be fragmented and relatively shallow. High caseloads represented a significant barrier for social workers in Ethiopia to focus more intensely on the identification of and response to child protection concerns among Integrated Basic Social Services with Social Cash Transfer beneficiaries (UNICEF Ethiopia 2017). In Botswana, the extension of social workers’ tasks and responsibilities to include implementation and administration of social protection has put social workers under increased pressure (Roelen et al. 2011). In Mozambique, illiteracy, resource constraints, lack of awareness and weak statutory services were identified as the main obstacles for Community Child Protection Committees to provide support beyond trying to meet children’s basic needs (Roelen 2011).

It should also be noted that certain areas of child protection are firmly beyond the remit of social protection, including systems of alternative care and legal frameworks underpinning justice for and security of children. Although stronger linkages between social protection and child protection policies have often been called for as part of CSSP, they do not advocate for integration of both policy areas.

20.3 POLICY OPTIONS AND THEIR EFFECTIVENESS

As noted above, CSSP covers the whole range of social protection interventions and considers their effects on children. The relevance of CSSP across all forms of social protection is highlighted in UNICEF’s Global Social Protection Programme Framework (UNICEF 2019a). While child grants and youth employment schemes have a direct focus on children and adoles-
cents, cash-for-work or insurance programmes that are targeted at adults of working age will also hold implications for children.

We explore the effectiveness of policies in relation to children by zooming in on a type of programming that tends to be directly targeted at children (or families with children) – namely human development-focused ‘cash plus’ programmes – as well as on schemes that are not focused on children – namely ‘graduation’ programmes. The objective of examining these types of interventions is two-fold. First, they offer examples of how a child-sensitive lens can be adopted in examining programmes that have children as their primary target group and those that do not. Second, ‘cash plus’ and ‘graduation’ programmes are schemes that can be characterised as representative of a new wave of social assistance interventions that combine cash with other services in order to boost impact (see Chapter 14).

20.3.1 ‘Cash Plus’ Programmes

‘Cash plus’ programmes provide regular transfers in combination with additional support or linkages to services that seek to augment the income effects of cash transfers. The need for programmes to move beyond the provision of cash only has been increasingly recognised in order to make social protection truly transformative (Molyneux et al. 2016). Complementary support can be integral to ‘cash plus’ programmes and be provided alongside the cash transfer, or they can be external and be provided through other sectors.

We can distinguish between programmes that primarily aim to improve human development and interventions that seek to enhance livelihoods and productive activities (Carter et al. 2019). Support that may be provided within ‘cash plus’ programmes with a human development focus include provision of information, such as through behaviour change communication, provision of additional in-kind benefits (such as supplementary feeding) or provision of psychosocial support (Roelen et al. 2017). ‘Cash plus’ interventions may also focus on increasing productivity and strengthening livelihoods (FAO 2017). In this case, complementary support includes provision of agricultural inputs, productive assets and extension services. ‘Cash plus’ schemes with a human development focus are likely to be more ‘child sensitive’ as improvements to children’s lives, for example in the area of nutrition, represent the primary objectives of such schemes. Interventions with a more productive focus may benefit children as a result of improved livelihoods at household level, but may also have adverse consequences due to increased pressures on time and productive resources.

Examples of human development-focused ‘cash plus’ interventions include the Maternal and Child Cash Transfer (MCCT) programme in Myanmar, which aims to improve nutrition outcomes for mothers and children. It provides monthly cash transfers to pregnant women and regular social and behaviour change communication to women and their families until children are two years old (Tasker 2017). The programme’s central focus on young children ensures that due consideration has been given to how programme benefits can be maximised. Interventions may also link beneficiaries to external support by facilitating access to services (such as through health insurance) or implementation of case management (ensuring referrals to other sectors) (Roelen et al. 2017). LEAP in Ghana, for example, provides access to health services by automatically enrolling its participants in the National Health Insurance Scheme. LEAP beneficiaries are entitled to free health insurance through the Scheme and are enrolled without having to pay premiums or processing costs (Ragno et al. 2016). This support extends
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to all household members but is likely to benefit those in most need of health care, including children.

‘Cash plus’ programming has expanded rapidly in the last five years, particularly aimed at improving hard-to-achieve outcomes for children. Notable examples include interventions to improve nutritional outcomes and to improve outcomes for adolescents.

20.3.2 ‘Cash Plus’ Programming for Nutrition

Malnutrition remains a widespread problem across the globe. In 2016, 155 million children were stunted (e.g. low height for age) and malnutrition accounted for 45 per cent of all deaths among children under age five (WHO 2018). While cash transfer programmes have been found to improve food security and dietary diversity, they have little impact on nutritional outcomes (de Groot et al. 2017). This lack of impact is largely explained by cash transfers only addressing one pathway towards better nutrition – namely greater food security through reduced poverty – but not addressing other pathways related to care and health. In recognition of the need to engage with multiple pathways to improve nutritional outcomes for children, various forms of ‘cash plus’ schemes are being tested with respect to nutrition – also dubbed ‘cash plus for nutrition’ (Hypher et al. 2019). Such interventions particularly integrate components or link to other services that improve infant and young child feeding practices, sanitation practices, health-seeking behaviour and treatment for acute malnutrition.

Emerging evidence of these programmes is promising. In Myanmar, a midline evaluation found that the MCCT programme led to impressive improvements for reported dietary diversity and knowledge and behaviour regarding infant and young child feeding practices (Tasker 2017). In Nigeria, the Child Grant Development Programme, which also combines regular transfers with behaviour change communication, led to large improvements in nutrition and health outcomes, including stunting (Carneiro et al. 2019). A wider review of literature on ‘cash plus for nutrition’ suggests that positive impacts are a result of the combination of support (Hypher et al. 2019), suggesting that these interventions have a high degree of child sensitivity.

However, the success of ‘cash plus’ interventions in reducing malnutrition is highly reliant on the intensity of support and strength of implementation. In the case of the MCCT programme in Myanmar, an increase in the intensity of support through social and behaviour change communication was considered crucial for achieving impacts on nutritional outcomes such as stunting (Tasker 2017). Findings from the evaluation of the Child Grant Development Programme in Nigeria indicated that it is important to deliver social and behaviour change communication through multiple channels, ranging from cooking demonstrations to radio messages (OPM 2019). In other words, programmes could be made more child sensitive by maximising positive impacts further.

20.3.3 ‘Cash Plus’ Programming for Adolescence

Another area in which ‘cash plus’ programming is being tested to achieve greater impact is in relation to adolescents and youth. Although the proportion of adolescents in the global population has been on the decline since 1980, the absolute number of individuals aged 10–19 continues to increase and is currently estimated to stand at 1.2 billion (UNICEF 2019b). Adolescence represents the transition from childhood to adulthood, marking changes in family
composition, education and employment status and behaviour in terms of sexual and reproductive health. It is also a critical window of opportunity during which policies aiming to support young people’s development may help equalise opportunities and generate high economic and social returns (Sheehan et al. 2017).

An expanding body of research points towards a mixed picture in terms of the impact of cash transfers on safe transitions to adulthood, delay of sexual debut and pregnancy, reductions in intimate partner violence and HIV risk among adolescent girls, and they are not sufficient for youth to overcome interrelated social, economic and health risks (Tanzania Cash Plus Evaluation Team 2018). This draws into question their degree of child (or rather adolescent) sensitivity. In response, various ‘cash plus’ models for adolescents are being tested. In Tanzania, for example, a ‘cash plus’ programme for adolescents is implemented as part of the country’s Productive Social Safety Net programme. It aims to support a safe, healthy and productive passage to adulthood. The programme components include livelihood training, training focused on sexual and reproductive health, coaching by a community-based mentor and provision of linkages to services for sexual and reproductive health and HIV (Tanzania Cash Plus Evaluation Team 2018).

20.3.4 ‘Graduation’ Programmes

Interventions without a specific focus on children but with far-reaching implications for children’s lives include so-called ‘graduation’ programmes. These interventions seek to set households on a positive trajectory out of poverty through economic strengthening and by supporting the establishment of productive activities. Programmes commonly include a package of cash transfers, asset transfers, access to savings and credit, livelihood training and coaching. As such, they share commonalities with productivity-focused ‘cash plus’ programmes. However, ‘graduation’ programmes are usually more restrictive in terms of the period during which they provide support with many interventions only lasting 18 to 21 months.

A cross-country evaluation shows that programmes increase household-level outcomes such as food security, asset holdings and living conditions, and that these impacts are at least partly sustained after the programme has ended (Banerjee et al. 2015). As such, these programmes hold great potential to improve children’s lives. But they may also present risks to children as a narrow focus on economic strengthening and greater demand on caregivers’ time and resources may undermine care for children (Roelen 2015). Their degree of child sensitivity therefore depends on how positive and adverse effects weigh up against each other.

‘Graduation’ programmes have been found to positively impact children’s lives, particularly in the context of widespread and deep poverty. In Burundi, for example, the Terintambwe programme led to children consuming more meals per day and improved sanitation practices, including washing hands after toileting (Devereux et al. 2015). More generally, programmes have positive effects on the basic needs of children, including food security, dietary diversity, access to education and access to health care (Roelen et al. 2020). They are less successful, however, in improving parenting practices in terms of responsive caregiving, early stimulation and improving safety and security (Roelen et al. 2020). This is not necessarily surprising as programmes were not designed to achieve impact in these areas.

Programmes can also have negative effects on children, and especially infants. In Haiti, female programme participants in the Chemin Lavi Miyo programme struggled to combine income-generating activities with providing care for infants, particularly as many activities
take place away from the home. Infants may be left in the care of other adults but often they go unsupervised or are left with young siblings. Women also struggled to prepare diverse meals and to take care of domestic chores that are vital to sanitation and health. Experiences with this programme suggest that the combination of income generation and provision of childcare can be at odds with each other, especially when programmes target women and in the absence of additional support or interventions that aim to address this juggling act.

20.4 CONCLUDING REMARKS

CSSP is now a well-established and core concept within the social protection landscape. The need to focus on children can be argued based on moral, rights-based, economic and social grounds. As has become clear from the discussion in this chapter, CSSP does not represent a type of programming but instead offers a way to think about and evaluate social protection to ensure that all interventions – regardless of whether they are child-focused or not – serve the best interests of the child. Examples from across the world indicate that social protection has enormous potential to improve children’s lives – from infancy through to adolescence – but that a child-sensitive lens is crucial to expand positive impacts and reduce any negative side effects.

REFERENCES


21. The elderly and social protection

Luis H. Vargas Faulbaum

21.1 INTRODUCTION

Over the last decades, the living conditions of a vast proportion of the population have been improving, reducing child mortality and the prevalence of communicable diseases, raising the life expectancy of the people by the time they retire. This process of demographic ageing is particularly marked in high- and upper-middle-income countries which have adopted policies to provide income security, access to adequate health care and specialised long-term care. In low- and middle-income countries (LICs and MICs), the same challenges will arise in the following decades, so there is a demographic dividend to capture, which translates into a higher number of working-age people when compared to dependent people (elderly and children). Hence, the productive population contributes to the economy, leaving more fiscal space to allocate the necessary resources to support the life conditions of dependants.

Ageing is an ongoing process that is affecting, deeply, high and upper-middle countries. However, the main challenge for developing countries is the pace that this process is happening. In particular, passing from 7 to 14 per cent of the elderly as a share of the overall population is a process that took Western European societies more than one century. It will happen in less than one generation among developing countries. Consequently, of the expected 2 billion older people globally, three-quarters ‘will live in the developing world by 2050. Such countries will not be faced predominantly with supporting large numbers of active healthy retired people, but frail dependent elders in real need’ (Harper 2006, 31). Many of these countries are yet to establish minimal social protection schemes and face real challenges. The expected higher number of older people puts direct pressure to enhance policies on pensions and health care in developing countries that need to establish a basic set of social protection schemes to overcome future challenges regarding social protection for old-age people. Hence, the main challenges for developing countries are, on the one hand, to face the consequences of the epidemiological transition, such as high levels of infectious diseases and a growing share of non-communicable ones. On the other hand, this increasing share of the elderly population brings along a rising demand for economic security and care that governments must solve.

In a nutshell, social protection for the elderly population needs to provide access to affordable and qualified health care, income security through the provision of adequate contributory and non-contributory old-age pensions and national schemes for long-term care. These three policy areas are crucial when setting up the foundations and extension of social protection for people in old age, particularly relevant for LICs and MICs. There are different issues that need to be addressed in these policy fields.

The main issues that health-care policies need to address in LICs and MICs are the availability of health-care workers, the extension of out-of-pocket health expenditure, the rise in prevalence of non-communicable disease among old-age people and a lack of adequacy of specialised health services such as geriatrics.
Second, when it comes to income security, the effective coverage of pensions by contributors of the working-age population in developing regions (28.9 per cent in Latin America and the Caribbean, 9.6 per cent in Africa and 7.8 per cent in Southern Asia) is significantly lower than the levels achieved in areas like Western Europe (64.4 per cent) or North America (76.2 per cent) (ILO 2017). Hence, the main constraints for this expansion are the low levels of active contributors due to the extent of the informal labour market and the likelihood of not meeting the requirements for a contributory pension. Countries have been adopting several strategies to achieve universal social protection for old-age people (ILO 2018).

Finally, the constraints on long-term care are considerable, calling for policies on the supply side to meet growing demands, such as the need for infrastructure and provision of training and job incentives for specialised practitioners responsible for performing the related tasks.

Following Lloyd-Sherlock (2000), the adoption of an intersectoral view is crucial to increase the impact of social policies. In particular, health and long-term care policies should consider the well-being of older people and their close relatives in order to contribute to a positive and active old age, preventing older people taking a passive and dependent role.

The rest of this chapter is organised as follows. First, I will introduce the needs of old-age people (Section 21.2) that justify different social protection responses (Section 21.3) with a focus on LICs and MICs. Section 21.3 entails a general characterisation of the types of policy instruments that benefit the elderly and the existing gaps that should be considered by policymakers, with in-depth cases to consider as examples. In particular, I will consider non-contributory pensions to tackle income security for the most vulnerable old-age people in LICs and MICs, followed by health-care access and long-term care systems. Finally, Section 21.4 concludes with general policy recommendations.

21.2 THE NEEDS OF OLD-AGE PEOPLE

The constraints that need to be overcome by social protection for old-age people are concentrated on providing economic security after the active stage of life, granting access to qualified health care to increase their well-being and access to specialised centres or personnel for long-term care when they are unable to deal with their daily tasks. Focusing on LICs and MICs, this subsection depicts the global issues that old-age people need to face and solve through the guarantees provided by social protection policies.

As people retire and are no longer actively participating in the labour market, they smooth out consumption and increase their risk of being in a poverty situation. The living conditions of old-age people will depend on their family and employment history, including assets accumulated through their active lifetime. Nevertheless, not all people have individual savings and assets for their old age. It becomes more crucial in the current context of a growing elderly population, particularly in MICs, that governments provide a guarantee of income to reduce the likelihood of poverty after retirement. The way to tackle economic insecurity is to expand pension coverage and raise the adequacy of the amounts through a mix of voluntary and mandatory arrangements (Barr and Diamond 2008). This expansion is performed within a context of uncertainty in terms of earnings, life span or the future needs that the person will need to meet. Consequently, pensions (in particular, social pensions) need to be the central policy in
providing economic security through redistribution, insurance, poverty relief and consumption smoothing.

A growing share of the elderly population carries several challenges that governments must address, such as adequacy of the health-care facilities due to the rise of non-communicable diseases and comorbidity. It is crucial to create fiscal space to allow sustainable funding of public health insurance. For instance, the World Health Organization showed that old-age people face significant barriers for health-care utilisation, such as transportation costs, self-perception of good health and negative past events with practitioners in health-care centres (World Health Organization 2015). According to the World Bank (2019), out-of-pocket expenditure as a percentage of current health expenditure represents between 41 and 56.2 per cent in low- and lower-middle-income countries, respectively.

As living conditions improve in LICs and MICs, it is likely that non-communicable disease prevalence will rise, especially among people with lower educational and income levels living in countries with advanced urbanisation (Wong et al. 2011). Nevertheless, the situation of the elderly is more severe as they do not have a secure source of income (if they are receiving a pension) and they utilise health-care facilities and resources more frequently than younger cohorts. LICs and MICs still have a window of opportunity to work on affordability and access to health care as the elderly population does not represent a significant percentage of the overall population.

Older adults will need to have access to specialised care as their self-reliance will diminish over the years, especially if they are suffering from a non-communicable disease or dementia that deteriorates their quality of life and independence. However, there are challenges for policies to tackle this growing demand, such as access provision for old-age people, to innovation on having sustainable funding from different sources and recognition of informal care workers by considering them part of the policy implementation. Also, access to long-term care services for the elderly in LICs and MICs remains a significant issue that is mainly solved by the families, with the financial inequities that this involves at the national level for old-age care.

21.3 SOCIAL PROTECTION RESPONSES TO THE NEEDS OF THE ELDERLY

21.3.1 Achieving Economic Security for Old-Age People

Economic security for old-age people may take the form of access to contributory pensions (with eligibility criteria typically being at least 15 years of contributions, depending on the national legislation). Contributory schemes may adopt a different forms, depending on whether they are fully funded or pay as you go.

Fully-funded schemes are those based on savings which are invested in financial instruments, whose returns are credited to collective or individual funds to meet future obligations. According to Barr and Diamond (2008), the link between liabilities and funding could be reached through defined contributions (adjustments of obligations) or defined benefits (adjustments on funds). Pay-as-you-go schemes are based on taxation of the current working population for funding current retirements. These contributions do not accumulate on any collective or individual funds owned by taxpayers. There is in effect an intergenerational redistribution of resources from active workers to retirees. Nevertheless, most of the allocation parameters
are uncertain and depend on current and future decisions. Hence, as Barr and Diamond (2008) noted, ‘systems regularly adjust both contributions and benefits (and, in public systems, government transfers) to preserve a financial balance. Moreover, since legislation will occur in the future, the design of a public system can influence future political outcomes’ (Barr and Diamond 2008, 39).

Pension systems usually have multiple pillars that allow them to meet different goals of economic security and avoid risks of poverty for the elderly. The World Bank offers a five-pillar model that countries may adapt and consider for reform options. The advantage of a multi-pillar model is the flexibility to meet the needs of most groups of the population and to have different instruments for the different risks that pension systems may have to face. These five pillars are (1) zero pillar or non-contributory pension benefit; (2) mandatory first pillar, which is typically funded on a pay-as-you-go basis; (3) mandatory second pillar, which is fully funded on a defined-contribution basis for individual savings for future returns and benefits; (4) voluntary third pillar, which may include risks other than old age, such as disability or death; and (5) non-financial fourth pillar, formed by granted access to other public services, individual financial assets and informal programmes, such as family support (Hinz and Holzmann 2005).

However, contributory pensions are not fully suitable for significant periods of informality affecting access to income-related pensions. MICs, since the mid-2000s, have begun to realise that the traditional scheme of pensions centred on formal employment and payroll contributions or earmarked taxes (Pillars 1 and 2) is not enough to face the increasing challenges of an ageing population. Hence, the relevance of alternatives to previous contribution records for income security for the elderly is a crucial issue to be solved by governments in LICs and MICs. Within this context, the adoption of non-contributory pension schemes is one of the primary responses, but the situation is heterogeneous across nations. The coverage of contributory schemes is mainly restricted to those employed in the formal sector, in countries with a labour market marked by the extended informal sector. Hence, social pensions partly overcome issues on eligibility based on formal employment and irregular contributions history. According to data released by the World Bank but derived from the ILOSTAT database of the ILO, the share of vulnerable employment (contributing family workers and own-account workers) in LICs and MICs represented 51.5 per cent of the total employment in those countries (in LICs only it represented 77.9 per cent of the total employment), whereas in high-income countries it represented 9.1 per cent. As a result, pension schemes built upon mandatory contributions for formal workers are not entirely suitable for countries with large informal labour markets. For the provision of economic security for old-age people that do not meet the contributory requirements, governments are enacting tax-funded social pensions to smooth consumption after retirement.

Only a handful of LICs have been adopting social pensions as part of their social protection system (see Box 21.1). According to Pension Watch (2018), by 2018, 113 social pensions were operating in the world. Figure 21.1 shows the distribution of the implementation of social pensions among the different country income groups. In particular, there are four LICs, 27 lower-middle-income countries, 34 upper-middle-income countries and 39 countries that belong to upper-income groups that have active social pensions.
BOX 21.1 NEPAL: OLD-AGE ALLOWANCE IN A LOW-INCOME COUNTRY

In 1995 Nepal introduced the Old Age Allowance programme for people aged 70 and over, except for residents of the Karmali area and Dalits. The monthly benefits are equivalent to 30.8 per cent of gross domestic product (GDP) per capita, to a total of USD 63.6, followed by a stipend of 50 per cent of this amount for health expenses. The elderly are also beneficiaries of free health-care services granted by the Senior Citizen Health Care Programme. The coverage of the population older than the age of eligibility (70 years old) is 79.9 per cent, which makes this programme a nearly universal grant at the cost of around 0.7 per cent of the Nepalese GDP.

The impact on children’s welfare has been greater, with a rise in the survival rate of seven to eight percentage points (Li and Mora 2016). Samson (2012) shows that among poor households, the spending is concentrated on essential food consumption and agricultural inputs, but there is an internal redistribution as it supports young children’s education and access to health care.

Dhungana et al. (2019) find a large utilisation of the allowance for personal items (91.4 per cent), access to health care and medicines (75 per cent) and attendance at religious services (62 per cent). Beneficiaries expect an increase of the pension amount, but there are positive impacts including more inclusion of old-age people with their families and local communities.

The Nepalese experience is remarkable as a low-income country that was able to introduce a quasi-universal non-contributory scheme which has positive outcomes on the well-being and economic security of the elderly population.

Among MICs, the main challenge is the coverage extension and adequacy of the amounts, including the establishment of proper indexation mechanisms (such as the variation of the Consumer Price Index or any wage index) so there is fiscal space for further expansion. According to International Labour Organization guidelines, a benchmark of liabilities equivalent to 1 per cent of GDP could be quite achievable to provide economic security for the elderly population. This standard would continue having a direct impact on the reduction of old-age poverty, on older people’s economic autonomy and on improvement of the household situation. Expanding on this, Packard et al. (2019) acknowledge a broad set of pooling-risk instruments for financing this policy, arguing that countries may opt for a combination of universal basic income or tapered universal basic income with universal social insurance and tapered universal social insurance.

Focusing on LICs, the data gathered by Pension Watch states that the average amount of the benefit is USD 34, which represents 18.2 per cent of GDP per capita of this group of countries. The coverage, measured as a percentage of the population aged 60 or more, represents between 0.43 per cent (Zanzibar Universal Pension Scheme – Tanzania) and 31.2 per cent (Old Age Allowance – Nepal). The total cost, on average, is equivalent to 0.253 per cent of GDP.

Among lower-middle-income countries, the average of the benefits granted by social pensions is USD 72, which is equivalent to 15.3 per cent of GDP per capita. The average coverage represented 29.2 per cent among the population aged 60 and more; however, there is a wide variance in this regard. On the one hand, there are countries with coverage higher than 80 per cent, such as Timor-Leste (102 per cent), Bolivia (97 per cent) and Georgia (87 per cent). On
the other hand, there are countries whose national social pensions cover less than 5 per cent of the population aged 60 or more, such as Indonesia (0.1 per cent), Moldova (0.7 per cent), Mongolia (1 per cent) and Myanmar (0.6 per cent). The total cost of social pensions among lower-middle-income countries, on average, represented 0.01 per cent of GDP, so there is still fiscal space for further expansions of these initiatives. Lastly, the current landscape of social pensions among upper-middle-income countries has, on average, a cost of only 0.006 per cent of GDP, with a coverage of 41 per cent among the population aged 60 and older. The benefits are more generous than those granted by lower-middle- and low-income countries, as the average is USD 157.7, equivalent to 13.7 per cent of GDP per capita of this group of countries.

There is a growing need to introduce non-contributory pillars in the form of means-tested or universal schemes, both as a complement or as the only available option. These are innovative options for risk-pooling finance, with measures to be taken in contributory schemes to incentivise inter- and intragenerational solidarity through cross-subsidies. These coverage gaps were highly concentrated on women and informal workers, so a non-earnings-related pension was becoming more necessary in order to avoid future issues regarding access. MICs have particular challenges, such as the ‘need to address three issues: how to better target social pensions to reduce fiscal costs; how to better integrate social pensions with other social assistance programs; and how to better integrate social pensions with contributory programs in order to improve incentives to contribute and save and thus reduce the long-term costs of the programs’
Consequently, MICs are under pressure to adopt broader non-contributory pension schemes, as they have a growing share of the elderly population and high expectations, but they cannot fund generous and comprehensive benefits as costs are likely to rise.

21.3.2 Progress towards Universal Health Coverage and Elderly Population

Regarding access to health care, old-age people need particular arrangements to promote utilisation by removing barriers. In LICs these barriers are geographical with high transportation costs, lack of availability and unaffordable medication and diagnostic tests, among other difficulties that disincentivise old-age people to seek proper health attention (HelpAge International 2017). In terms of funding, ageing is crucial in triggering an epidemiological transition that will change the burden of diseases among the local population. Even more, the financial burden for health-care systems is significant, as in LICs and MICs they are more prepared for infectious diseases. Consequently, health-care systems are encouraged to universalise their access and to find sustainable funding by combining a pooled risk of resources.

Detailing the particular challenges of the policy responses of universal health care in this group of countries, Savedoff et al. (2012) argued that LICs and MICs have more serious epidemiological challenges than high-income countries, but they have been making faster achievements with higher financial constraints. South Korea, Malaysia, Mexico, Thailand, Colombia, Indonesia and Brazil are examples of countries who have expanded their health-care services through effective policy mechanisms for pooling resources. LICs and MICs have been creating a basic health package according to their domestic needs and achieving important outcomes efficiently. The Thai experience (see Box 21.2) is an insightful case of the universalisation of access to health care to informal workers and people who are not contributing actively, such as retired people. Nonetheless, with different results on the mechanisms for pooling resources, the outcome depends on the role that governments adopt such as regulating the health-care sector or acting as the direct provider.

BOX 21.2 THE THAI EXPERIENCE IN UNIVERSAL HEALTH CARE

Thailand established the Universal Healthcare Coverage Scheme in 2002 in order to cover the previously non-insured population. Its main objective was the provision of ‘equal access to quality care according to individuals’ needs, regardless of their income and socioeconomic status. Thus, this government-funded program covers people working in the informal sector as well as those who were previously uninsured’ (Damrongplasit and Melnick 2015, 158). Thailand is experiencing a rapidly aging population which will add a significant financial burden on the future sustainability of the health-care system. In particular, authors like Hsu et al. (2015) suggest that informal employment affects the system financing, resulting in constraints on the government’s ability to finance health care, especially for the elderly population, and a labour tax burden reduction of more than 40 per cent. Consequently, the main weakness for the pursuit of universal health care in middle-income countries, even good cases such as Thailand, is the emergence of potential finance imbalance if there is not immediate action to secure funding sources. The expansion of the funding must come from a set of instruments based on general revenues and payroll taxation and
continuing efforts to manage the reduction of health-care costs (Reich et al. 2016).

The Universal Healthcare Coverage Scheme improved the public hospital admission rate by one percentage point, and even more significantly for the elderly population (Tangcharoensathien et al. 2018). Also, a benefit-incidence analysis determines that this policy is mostly pro-poor as utilisation of health services is higher in the most deprived quintiles compared to the richer ones, with the main factors being the extensive geographical distribution of primary centres and a benefits package free of charge. As a result, out-of-pocket household payments were reduced from 34 per cent (2000) to 12 per cent (2014) of the total health expenditure. This reduction of out-of-pocket expenditure has as an outcome the reduction of medical impoverishment marked by catastrophic health expenditures for the families (Tangcharoensathien et al. 2018).

In conclusion, LICs and MICs are facing an epidemiological transition, particularly from infectious to non-communicable diseases, within a shorter time frame. Certainly, this has an impact on the health-care system as treatment costs for the family and the system are higher and involve more exogenous factors to be successful. Also, the social determinants of health play a crucial role in the risk factors that have a variation in the development of degenerative or chronic diseases in adulthood. As societies put their effort into maternity and child health, including major infectious diseases, now the challenge is to strengthen ‘existing health-care systems in their ability to provide comprehensive, accessible, community-based, family health care – preventive, curative and rehabilitative – for both communicable and non-communicable diseases’ (Miranda et al. 2008, 1232).

21.3.3 Old-Age Long-Term Care

The evidence suggests that a rapid ageing process generates a swift demand for long-term care, but widespread access is absent. In addition, access to market-based options are unaffordable for the vast majority of families, resulting in long-term income inequalities. Families in LICs and MICs, in the absence of policies on this topic, are obliged to provide the necessary care and attention to elderly members who are not self-sufficient. Consequently, families perform tasks that are too overwhelming to cope with, reproducing long-term income inequalities by accessing informal care providers that may not meet the specific requirements that old-age care demands (Rossel and Filgueira 2015). Nevertheless, there is a deficit in research on the implications of the foundation of long-term care systems in developing countries for several reasons, such as a delay in the recognition of a rapid ageing process from the policymakers’ perspective, followed by ‘a tendency to assume that informal support networks continue to function relatively well in most developing countries, reducing the need for specific policies and interventions’ (Redondo and Lloyd-Sherlock 2009, 4).

South Korea built its long-term care system by expanding the supply side to ensure its proper implementation, followed by funding based on unique social insurance for long-term care similar to the health insurance system. Contributions are tripartite and collected by the National Health Insurance Service. Poor people do not fully contribute as it is subsidised by the government. Access to the care centres is funded through a co-payment scheme that ranges between 15 and 20 per cent. Long-term care services were politically and electorally attractive and gained traction because the elderly population was one of the main groups with higher turnout in elections (Rhee et al. 2015).
Despite cases in South Korea, Costa Rica (see Box 21.3), Thailand, Uruguay and Argentina that prove the benefits for establishing long-term care institutions, this policy area needs more considerable attention in LICs and MICs. The establishment of these systems is an essential asset to enhance old-age well-being, reducing the role of families as primary caregivers. Moreover, it reduces the care burden for families that cannot afford private long-term care institutions.

**BOX 21.3 THE COSTA RICAN EXPERIENCE IN ESTABLISHING A LONG-TERM CARE SYSTEM**

Costa Rica is considered a middle-income country but its population is at an advanced stage of ageing and life expectancy is rising. In 1999, the National Council of the Elderly was created, which in 2010 sponsored a comprehensive care network for the elderly. This initiative looks at the establishment of ‘community-based long-term care networks with a focus on impoverished and highly vulnerable older people. Among other activities, the networks train retired teachers to act as unpaid community volunteer pensioners’ (Lloyd-Sherlock et al. 2017, 775). These volunteers conduct one home visit per month providing personal assistance which includes nutrition, personal hygiene recommendations and monitoring intake of medicines. They receive in-kind and cash incentives for their work and are funded by a special tax on tobacco and alcohol, as well as a family allowance contribution (5 per cent of gross salary) paid by formal workers. According to Lloyd-Sherlock et al. (2017), the lessons for low- and middle-income countries of this kind of initiative are that community volunteers are an excellent asset to build the foundations of a long-term care system for old-age people in resource-constrained countries.

Regarding the funding of these schemes, it is noteworthy to consider risk-pooling systems on this issue for the following reasons: it is unknown whether an old-age person will need professional care due to illness or disability. Also, individual costs for long-term care are unaffordable for the vast majority of people with special needs for care services. Hence, faced with unpredictable and large sums involved, governments are encouraged to design and provide a public risk-pooling scheme to reduce out-of-pocket expenditures and compensate the opportunity costs of informal care (Muir 2017).

Another determinant is the capacity of the family to shoulder the opportunity cost associated with family caregivers. The public long-term care system will largely replace the tasks performed by informal caregivers that may not fully accomplish the specific demands for qualified services. In particular, these public-funded schemes will allow poor old-age people to access certified services, reducing the families’ commitment and responsibility, especially for rural households which are ‘relatively large and there may be other available family members to take on caregiving tasks’ (Hosseinpoor et al. 2013, 337). Thus, the establishment of long-term care policies and institutions will reduce the domestic burden of women, who are the primary caregivers in LICs and MICs. These reforms will involve a pro-gender policy with a direct impact on improving the growing need for elderly care and diminishing the family commitment on out-of-pocket expenditures to finance risks in old age.
21.4 CONCLUSIONS

In sum, social protection for elderly people living in LICs and MICs is tackling growing needs, partly pushed by the rapid ageing rate that these countries are experiencing. The main issues are the provision of income security to amend the negative effects caused by segmented benefits in the contributory scheme, partly due to membership of occupational groups or by non-fulfilment of the basic requirements of contributions. Elderly people need to overcome several barriers to have access to health care, such as transportation, medicines and availability of general practitioners and specialists such as geriatrics. Also, these systems have to be adequately funded with the provisions to face non-communicable diseases in limited resource contexts. Finally, long-term care systems for the elderly population need to start to overcome the issues generated by the shortage of the supply side of centres and personnel, followed by encouraging the use of the specialised public care provided and reducing the burden of family or community commitments. As the share of old-age people as a percentage of the population increases, it becomes more difficult to implement these reforms due to deepening budget constraints.

REFERENCES


22. The informal sector and social protection

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22.1 INTRODUCTION

There is growing interest to extend social protection coverage to people working in the informal economy. This interest has risen through the realization that the right to social protection is not yet a reality for 71 per cent of the world’s population (International Labour Organization 2017). In the Asia and Pacific region, for example, only 38.9 per cent of the population are effectively covered by at least one social protection cash benefit compared to 67.6 per cent in the Americas; while Africa has only 17.8 per cent of the population covered (International Labour Organization 2017). Access to social protection is still a challenge, more so for the informal sector, who are not poor enough to qualify for social transfer schemes and not rich enough to participate in existing contributory schemes (OECD 2019).

Recent experience with the COVID-19 crisis, especially in low- and middle-income countries, has exposed the fractured labour market and social protection systems that do not cover the ‘missing middle’ (Rutkowski 2020). Lock-downs that characterized responses to the COVID-19 pandemic meant permanent or temporal loss of work and income for some people in the informal economy. In the North, lock-downs meant that taxis lost 80 per cent of customers, but neighbouring sector food delivery increased (Svynarenko and Perkiö 2020), suggesting that not all informal sectors suffered equally. In some countries, restaurant workers, street vendors and domestic workers could not report for work while farmers in rural areas experienced low sales of their farm produce due to restrictions in movement (ActionAid 2020). At the same time, unpaid care work increased due to closure of schools and other facilities.

Governments responded differently when it came to mitigating social-economic challenges caused by the COVID-19 crisis. Reports suggest that cash transfers were being adapted to the COVID-19 response. Administrative adaptations such as flexibility in the time of collection took place in Algeria, while home delivery of cash for seniors was implemented in Armenia (Allahoum et al. 2020). At the same time, Egypt, for example, increased benefits among pre-existing programmes. However, most people remained uncovered by social protection programmes leaving them vulnerable to various shocks. Therefore, extending social protection coverage to the informal economy, including to agricultural workers, presents an opportunity to reduce poverty and vulnerability.

This chapter examines contributory social protection coverage, for informal economy workers, including the agricultural sector focusing on alternatives for contributory schemes for this population. In Section 22.3 we discuss the characteristics of the informal economy. Section 22.4 shows the magnitude of informal economy workers across the globe, and Section 22.5 highlights challenges in coverage extension for this group. Section 22.6 presents policy options for extending coverage and argues for an integrated approach comprising tax-financed social transfers, contributory social insurance and micro-finance to cover informal economy workers. Section 22.7 suggests modes of social protection delivery and argues that a public–private mix provides an opportunity to extend social protection coverage in an efficient and
22.2 DEFINITIONS

The concept of social protection refers to the set of interventions instituted by the state in order to prevent or address the condition of vulnerability and poverty in a socio-economic and geographical environment. We use the terms ‘informal sector’, ‘informal employment’ and ‘informal economy’ referring to the same unit of focus in literature on labour and social protection (Alfers et al. 2017; Pellissery and Walker 2007). Informal economy is a broad term that encompasses both the informal sector and informal employment. The term comprises all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements (Chen 2012; Phe Goursat and Pellerano 2016). The informal economy includes workers who work for their own account, employees in informal establishments, contributing family workers and employees in formal establishments without social protection or other legal requirements, compensation pay or paid annual leave.

22.3 CHARACTERISTICS OF THE INFORMAL ECONOMY

Informal economy workers fulfil two or more of the following characteristics: (1) low and irregular wages; (2) no written contract; (3) no entitlement to annual vacations; or (4) no or inadequate social protection coverage. Workers can function in the formal or informal sector. In the formal sector, for example, gardeners may work for a company without a formalized contract or annual leave.

Informal economy workers often have low and fluctuating incomes, because their employment and its permanence are unpredictable (Van Ginneken 1999). Low incomes are fostered by ill-defined or lack of written employment contracts and fluid work arrangements (Pellissery and Walker 2007). In Mexico, for example, informal economy workers such as domestic workers have very low wages (Rojas-García and Toledo González 2018). Mexico’s situation is similar to Zambia where some general workers and cleaners can earn as little as USD 30 per month despite the existence of laws to regulate wages. Efforts are being made e.g. in South Africa to formalize domestic worker agreements and to provide some protection for employees including a minimum wage (Department of Labour 2017).

However, not all informal workers have low incomes, as highly skilled workers may conduct undeclared self-employment and informal wage work (Winkler et al. 2017), in the grey economy. The common feature between low- and high-earning informal economy workers is that they are all vulnerable to income shocks from unemployment, illness and old age. The situation suggests that regardless of income level and sector of operation, they require protection against economic shocks.

There are many similarities between the characteristics and experiences of informal economy workers across low- and middle-income countries, but the group itself can be seen as heterogeneous. Categories of informal workers include (1) subcontracted workers and/or home-based or self-employed workers engaged in production, (2) service workers in restaurants, and as street vendors, waste pickers and recyclers, massage workers, public motorcycle
riders and cab taxi drivers or domestic workers; and (3) agricultural workers (Kongtip et al. 2015). They may operate in different settings, from the home to factories or streets.

Another prominent feature for informal economy work is lack of representation. Some countries do not have strong labour movements, which can contribute towards advocacy and rights for informal economy workers. This is the case for informal agricultural workers, as most of them are self-employed or working in family farms (International Labour Organization 2017). In such settings, having labour representation through trade unions may be considered unnecessary and socially inappropriate. For example in Zambia, reports suggest that the majority of workers in the agricultural sector are self-employed (53.8 per cent) or unpaid family workers (41.6 per cent) (Phe Goursat and Pellerano 2016). Further, 97 per cent (representing 2,821,566) of agriculture, forestry and fishery industry workers are informally employed.

Other subcategories of informal economy workers facing the challenge of representation include domestic workers’ associations. In Zambia, for example, associations for domestic workers have administrative challenges and low membership, making it difficult to function to a level impacting significantly on wage and working conditions for domestic workers (Mweetwa 2012). Elsewhere, it has been argued that existing labour movements for the informal economy are ‘bogus unions’ in that they do not represent workers’ interests despite high subscription fees (Wetlesen 2010). This situation is worse for domestic workers as they operate from homes as private settings. Domestic workers therefore operate ‘behind closed doors’ and are susceptible to the will of the employer (WIEGO 2020). They may be subjected to unhealthy and harmful working conditions. The lack of representation and bargaining power can affect workers’ morale and confidence as they are not protected from vulnerability.

However, there are isolated cases of strong labour movements for informal economy workers across the world. The International Domestic Workers’ Federation engages at the global level to influence policy. In Mexico the Domestic Worker Union influences various aspects of policy and wage and employment conditions, including extension of social insurance to household workers. It is important to strengthen informal economy workers’ associations as they play a critical advocacy and social support role for their members.

22.4 MAGNITUDE OF THE INFORMAL ECONOMY

The global community has high informal employment rates, with implications on the design of social protection systems. Two billion workers (61.2 per cent of the world’s employed population) are in informal employment, including the agricultural sector (International Labour Organization 2019). This type of employment is dominant in low- and middle-income countries, where it constitutes the base of the economy providing livelihoods and survival for most people (Patankar and Patwardhan 2016; Pellissey and Walker 2007; Smit and Mpedi 2015).

Informal employment ranges from an average of 18.3 per cent, to 67.4 per cent to as high as 89.9 per cent in high-, middle- and low-income economies, respectively. There are regional disparities suggesting that various factors account for informal economy worker numbers across the globe. For example, Africa has 85.8 per cent of the labour force in informal employment, ranging from 81 per cent in Ghana to more than 90 per cent in Benin, Burundi, Democratic Republic of Congo, Uganda and Zimbabwe (International Labour Organization 2019). The average number of informally employed is lower in the Asia and Pacific (68.2 per cent) and the Americas (40 per cent) (International Labour Organization 2019). As in other
regions, there are significant differences between countries. In Europe and Central Asia, 25 per cent of all employed people are in informal employment, with only 15.6 per cent of workers in high-income countries. Overall, more than one in three workers in emerging economies (36.8 per cent) work in the informal economy.

Agriculture is a field that helps demonstrate the magnitude of informal work. We chose agriculture as an indicator sector because it (1) shares characteristics with other informal economy sectors and (2) remains one of the most dominant sources of employment in low- and middle-income countries. Globally, most agriculture workers are in low- and middle-income countries. Agriculture is an economic stay for most people in rural communities of Asia and Sub-Saharan Africa (Mundy 2017).

Figure 22.1 suggests that the number of persons employed in the agricultural sector is reducing, especially in middle-income countries. However, the number of agricultural workers in low-income countries remains high due to low technological advancements and restricted opportunities in other sectors. Smallholder farms constitute approximately 80 per cent of all farms in Sub-Saharan Africa and employ approximately 175 million people directly (Food and Agriculture Organization 2020b).

The magnitude of informal employment, including agriculture, has implications on the design and implementation of social protection interventions. Therefore, we need to understand why the world has more people working in the informal economy than in the formal economy. Three policy reasons for the persistence of a high number of people working in informal employment are espoused.

First, low-tech agriculture has been the dominant economic activity in most low- and middle-income countries (Robyn et al. 2012; Steinbach 2019), where it has been performed as non-paid work by farmers and their family members supplemented by casual work labourers.
without formal employment contracts. This is particularly the case for most people in rural areas who lack access to essential social and economic opportunities. Therefore, some scholars argue that the informal economy persists because of ‘exclusion’ from the formal economy and state benefits (Williams and Bezeredi 2018).

Second, Structural Adjustment Programmes promulgated by the World Bank and International Monetary Fund added to informal employment. The Programmes led to the reorganization of production and social reproduction, which impacted on the livelihoods and wellbeing of people in low- and middle-income countries (Asfaw and Von Braun 2004; Lebaron and Ayers 2013). These market-centered policies promoted deregulation of the labour market, reduced social expenditure such as in health and education and promoted liberalization of the economy and sale of parastatals. The consequence was experiences of employment losses, shrinking of the formal labour, increased inequality and systematic drop in household earnings (Ossome 2010; Shaba 2013).

The third possible reason is the voluntary exit explanation. The view posits that people exit from the formal sector as a result of rational economic choice (De Soto 2001; Maloney 2004). Some people may find it beneficial to work in the informal economy as they avoid paying taxes, contributions and being subject to stricter regulations. However, the numbers of persons that have voluntarily moved to the informal-sector may be small compared to those that have been ‘forced’ to embrace informal employment, as suggested by Southern African data (Smit and Mpedi 2015).

These three policy explanations suggest the need for a broad range of policies to improve the conditions of work. They also call for holistic interventions including provision of training to prevent further expansion of the informal economy.

22.5 CHALLENGES IN EXTENDING SOCIAL PROTECTION

Informal economy workers are excluded or only partially covered by social protection systems. They are largely excluded from contributory social insurance schemes. The lack of coverage in social protection is a result of five different contributing factors that we describe below.

22.5.1 Inadequate Legal Coverage

A country’s legal framework can be ambiguous or explicitly exclude informal economy workers from social insurance coverage (Elveren 2013; Kongtip et al. 2015; Walker and Pellissey 2008). In Zambia, for example, there was ambiguity in relation to self-employed persons’ enrolment in the pension scheme until November 2019. In Turkey, the pension system is based on a male-breadwinner model where women are defined extensively as dependants (Elveren 2013), thereby excluded from coverage. This situation can mean that some working women temporarily employed in agriculture, those who earn less than minimum wage, unpaid family workers and informal workers are excluded from pension scheme entitlements. Also, periods of child rearing do not contribute to pension schemes.
22.5.2 Lack of Compliance and Inadequate Monitoring Mechanisms

In some situations, the law may include informal economy workers’ social insurance coverage, but employers and employees do not comply. The casual nature of jobs makes registration and compliance difficult (Walker and Pellissery 2008). On the one hand employers may avoid the costs of registering and contributing for an employee whose contract may be terminated soon, while employees may prefer receiving money immediately, instead of saving for the future through contributing to a pension fund.

The existing administrative systems for registering and collecting contributions and monitoring compliance are not robust enough for the informal economy (Castel and To 2012; Kongtip et al. 2015; Macha et al. 2012). Some countries do not have registers for people in the informal economy. In other countries registration systems and processes are cumbersome for informal economy workers. For example, Ghana’s health insurance registration process required that in order to enrol, one must go in person to a District Mutual Health Insurance Scheme office, complete registration paperwork (often after a substantial waiting time) and pay a small annual registration fee (Holmes and Scott 2016). This means long distances and transport expenditure, which is difficult for informal workers to invest in. This can be particularly the case for agricultural workers, whose presence is needed at the farms and who live in rural areas, far from offices.

Concurrently, inspection systems are not always coordinated. Countries such as Nicaragua, Zambia and Malawi have two or more institutions monitoring compliance for different objectives: taxes, conditions of work and social protection. As such, inspection can be cumbersome for employers who have to report to different institutions (Phe Goursat and Pellerano 2016). Furthermore, these institutions are often understaffed, without the necessary technology that facilitates monitoring and at times do not have the incentive to report on defaulters.

22.5.3 Lack of Knowledge

Informal economy workers may not be aware of their social insurance entitlements, including health insurance, pensions and unemployment insurance. In India, around 80 per cent of informal sector employees did not know what a pension was (Hu and Stewart 2009). There are similar indications in other countries such as Indonesia, Philippines and Zambia suggesting that most informal economy workers are unlikely to claim social protection benefits if they are unaware of their entitlements (Dartanto et al. 2016; Conchada and Tiongco 2015; Phe Goursat and Pellerano 2016). The lack of awareness could be a result of employers withholding information, weak social protection institutions or unions with poor communication campaigns about social protection.

22.5.4 High Contribution Rates: Design of Financially Sound Products

Many informal economy workers have low and fluctuating incomes (Hu and Stewart 2009; Lofgren et al. 2008). For self-employed persons, making a double contribution of employer and employee as designed in most pension schemes is costly (Conchada and Tiongco 2015; Phe Goursat and Pellerano 2016), and due to fluctuating income contribution rates may be difficult to determine or meet (Hu and Stewart 2009). As is the case with others employed in the informal economy, they have competing priorities between immediate needs and contributing
to social insurance. Employers may also find contributing for their employees a costly venture. Evidence from China showed that contribution rates for social insurance was high both for workers and employers, which was considered a burden (Giles et al. 2013). To avoid such high contributions, employers under-report wages and play with the system (Castel and To 2012). This suggests that high contribution costs and rates can incentivize informalization. Employers might become less willing to employ someone long term because of the implications on wages, social insurance and taxation, and lack of the possibility of dismissal without stringent legal implications. These factors are important to consider in connection with contributory social protection schemes.

22.5.5 Unattractive Benefit Packages and Mistrust

Informal workers may avoid the social insurance schemes available to them because they do not appear sufficiently attractive, being designed for formal workers. The unattractiveness of benefits is worsened by lack of trust in social protection institutions and health service care providers. Evidence from health insurance shows how the benefit package and mistrust may affect willingness to participate. Problems on the service delivery side such as absence and attitudes of medical personnel and lack of medical supplies are disincentives towards health insurance contributions (Kotoh et al. 2017; Mundy 2017). The health insurance experience in Ghana suggests that overpricing and charging extra fees and selling drugs while these are covered under the National Health Insurance Scheme (Kotoh et al. 2017) raised questions about the credibility of the entire system. In pension schemes, corruption and embezzlement of funds were reported to occur in Nigeria (Fapohunda 2013). Such news erodes trust in public institutions, affecting willingness to contribute towards social protection. This suggests that people’s experience with the health-care system influences the level of acceptability of contributory programmes.

In pension schemes, traditional benefits focus on meeting income needs for old age, neglecting immediate or short-term needs. Such packages are unlikely to attract informal economy workers who perceive social protection benefits as ‘too far’ to reach. Informal economy workers such as domestic workers and bus and taxi drivers find such schemes unattractive (Miti et al. Forthcoming), suggesting the need for short-term benefits as incentives that can enable members to meet some of the immediate needs.

22.6 POLICY OPTIONS FOR EXTENDING COVERAGE

The challenges for extending coverage in the current models and policies described above can be addressed through policy options and modes of delivery in different combinations depending on the local context. We discuss some pertinent options below.

22.6.1 Legal Coverage: Contributory Social Insurance

Social insurance systems have two basic goals: consumption smoothing and poverty prevention (Winkler et al. 2017). The modus operandi for social insurance has been provision through mandatory or voluntary contributions (see Chapter 3). This suggests the need for a legal framework that supports the inclusion of informal economy workers in social insurance
schemes on a mandatory or voluntary basis. Incremental approaches have been successful in high-income countries, such as South Korea, where mandatory contributory social insurance successfully covers informal workers. This process initially targeted industrial workers in large corporations but was later extended to the self-employed, until it covered the entire population (Kwon 2009). Some factors that account for this success include political will, low contribution without major subsidization, limited role of government in the scheme, rapid economic growth and creation of a single fund (Kwon 2009). These factors may not be transferable but provide insight into possible considerations in designing schemes.

Voluntary pension schemes can be found, for example, in Kenya (Kwena and Turner 2013), where the Mbao pension plan led to enrolment of over 35,000 informal economy workers into the pension scheme between 2010 and 2013 (Akbas et al. 2015). Its success is attributed to flexibility of contribution amounts and use of mobile money solutions (M-Pesa) to facilitate payment (Winkler et al. 2017). While comparing South Korea to low- and middle-income countries could be seen as distal, there are valuable lessons that can be learnt from this country without undermining the socio-economic and political contexts of low- and middle-income countries. A careful contextual analysis should be conducted before implementing voluntary or mandatory schemes to avoid crowding out members. For example, Moldovan studies show that when the social protection coverage of farmers was changed from mandatory to voluntary in 2009, almost all farmers stopped paying contributions (International Labour Organization 2016).

22.6.2 Attractive Benefit Packages and Contribution Rates

Informal economy workers could be attracted to the traditional social insurance if it has short-term benefits and low contribution rates (Phe Goursat and Pellerano 2016). This is because most people in the informal economy have fluctuations in income, such that saving for a distal future for pensions becomes a challenge as they also have various immediate needs. Benefit packages for social insurance could also be coupled with state subsidy as a viable option to extend coverage. Evidence shows that Tunisia gradually extended social protection through health insurance, pensions, maternity and employment injury benefits to over 84 per cent in 1999 (Van Ginneken 2003b). One of the factors that led to this success was the improved benefits provided by the social protection system, which eventually led to a mind-set shift towards desire for coverage amongst people. In Mexico, social health insurance was extended through the Seguro Popular, a voluntary programme targeting individuals without access to any social protection programme (Parker et al. 2018). Seguro Popular is an innovative approach with low contributions and government subsidy that led to expanded coverage of health insurance, almost reaching its goal of universal health coverage (Winkler et al. 2017).

Short-term benefits may include access to finance, and links to other essential services (Holmes and Scott 2016; Phe Goursat and Pellerano 2016). Inclusion of short-term benefits is relevant for both health insurance and pension schemes because people in the informal economy would prefer to see benefits almost immediately. For example, research in Zambia (Phe Goursat and Pellerano 2016) and the experience in South Korea (Kwon 2009) provide insight into the importance and need for short-term benefits. This is why Zambia has included short-term benefits such as access to credit, family funeral grants and maternity benefit into pensions for informal workers (see Case Study M on the extension of the contributory pension scheme to small-scale farmers in Zambia). This is how a pension scheme becomes a more
generic social policy programme meeting several needs of the informal economy workers. Short-term benefits allow members to experience tangible benefits in their day-to-day lives, instead of a pension payment in 10 years. In the health insurance sector, South Korea included outpatient care coverage from the beginning, which was a short-term and immediate benefit rather than restricting benefits to cover for inpatient or catastrophic expenses. This provided enrollees with more opportunities to experience the benefits of health insurance, and helped to minimize dropouts (Kwon 2009).

22.6.3 Improved Administrative and Monitoring Mechanisms

There is recognition that low- and middle-income countries do not have the much-needed administrative and financial capacity to enforce mandatory schemes among informal economy workers (International Labour Organization 2017; Pellissery and Walker 2007; Smit and Mpedi 2015). This suggests that countries intending to extend coverage should work towards improving administrative systems including human resources and embrace the use of information communication technology. This could also counter the challenge of long distances to centres, especially a challenge for agricultural workers in rural areas.

22.6.4 Reducing the Social Protection Knowledge Gap

There is a need to undertake deliberate programmes to sensitize informal economy workers about social protection in general and their right to social protection in particular, and the way in which social protection can meet their needs, whether in the agricultural or other sectors. This will allow the general citizenry to claim benefits and where necessary register for contributory schemes. These sensitzations can take various forms using different platforms. Evidence in education and health show that sensitization increases participation in social interventions (Wiesmann and Jütting 2000). Thus, there is also recognition in social protection that awareness raising is important as it can lead to participation from employers and workers in social protection services (Ulrichs 2016). Awareness raising opens up spaces for people to raise their voices to ensure social protection meets their needs.

22.6.5 Social Transfers

Non-contributory social voucher or cash transfer schemes are another way to provide social protection (International Labour Organization 2017). They are tax financed and can be provided as conditional or unconditional (see Chapter 2). Social transfers target different groups for varying reasons. For example, child grants may be given to households with children who fall under some defined criteria such as health or education; old age grants can target elderly people not covered under social insurance; while other grants may be universal, without any targeting. During the COVID-19 crisis, countries such as Argentina and Brazil introduced emergency support to families, including informal economy workers; in Burkina Faso, cash transfers were directed at informal-sector workers (particularly women fruit and vegetable sellers) to help them during the crisis. Other countries including Togo and Tunisia also introduced cash transfers targeting informal economy workers during the crisis (Food and Agriculture Organization 2020a).
Social transfers are necessary to complement social protection to reduce poverty and vulnerability of the elderly, some of whom could have been engaged in informal employment. These interventions can help release some of the pressure on children to financially maintain their parents during retirement (Van Ginneken 2003a).

Some countries such as South Africa have used social transfers to extend social protection, for example child benefit (Zembe-Mkabile et al. 2015). Similarly, in Brazil and Mexico in the *Bolsa Familia* and *Progresa* programmes (Banerjee and Duflo 2013; International Labour Organization 2017; OECD 2019), mainly conditional social transfers are used in supporting access to education and health care. People in the informal economy stood to benefit through other criteria, and not because they were in the informal economy. Nordic welfare states, often described as ‘transfer heavy’, use conditional and unconditional social transfers as part of their social policy palette (see for example Medgyesi 2016; Kangas and Palme 2005). In the extension of coverage, social transfers could be attached to other services that would enable informal economy workers to improve their productivity such as enhancing their business and capital, training and improvement in their work conditions rather than tax-financed transfers alone.

### 22.6.6 Micro-Insurance

Commercial and community-based (micro-)insurance schemes have the potential to contribute to informal worker coverage (see Chapter 6). The work of the Grameen Bank in covering informal and low-income households is a good example (Sane and Thomas 2015). The Grameen Bank in Bangladesh provides an old age pension scheme (Hu and Stewart 2009), guaranteeing an interest rate of 8 per cent for a deposit period of one to three years, 10 per cent of three to five years and 12 per cent if longer than five years. These interest rates are considered as contributing to increasing the membership base (Hu and Stewart 2009). The example suggests that commercial and community-based insurance schemes may service social objectives and mitigate problems of poverty and vulnerability in old age. At the same time products such as livestock insurance and crop insurance may incentivize people in the agricultural sector for membership. Such interventions also enhance understanding of context and establish trust between members and institutions for social protection.

### 22.7 MODES OF DELIVERY

Countries may need to assess possibilities of using an organization and management system that has a public–private mix, private or public management (see Chapter 10). Partnership between social protection institutions and organizations such as associations, cooperatives and unions representing informal economy workers’ interests are vital in the extension of coverage. Such organizations operate as intermediaries and help to attain long-term goals (Mundy 2017). They can raise awareness, collect contributions and address grievances. These intermediaries are usually associations that are well known and trusted by informal economy workers, where societal trust in institutions and the state may be low. In Zambia, the National Pensions Scheme Authority works with dairy cooperatives to extend pension schemes to small-scale dairy farmers. These cooperatives work as intermediaries to sensitize farmers and facilitate farmer contributions through deductions of proceeds of monthly milk supply. In South Africa,
partnerships with traders’ associations were instrumental in improving health and safety for 6000–8000 informal traders operating daily (Alfers et al. 2017). In the absence of such associations, there is a need to examine the social-economic context and establish common areas of interest among informal economy workers and make that an entry point in disseminating information and coverage for social protection.

22.8 CONCLUSION: A ROADMAP FOR ACHIEVING SOCIAL PROTECTION COVERAGE FOR INFORMAL WORKERS

Informal economy is a source of livelihood for many people, especially those in low- and middle-income countries. Extending social insurance to these workers is essential, using the available and contextualized options and evidence from different settings. Extending coverage may not eradicate poverty and vulnerability entirely, but rolling out social protection can contribute to reducing these (Carter et al. 2018). Because of the heterogeneity of informal economy workers, a one-size-fits-all approach in extending coverage is not possible, but trends in successful programmes can be identified.

New social insurance schemes may be tailored with a narrow focus. Alternatively, new social insurance schemes may be fitted to a more generic social policy environment. Quality education and health care can for instance increase willingness to enrol in contributory social protection among informal economy workers. Pension schemes could consider an educational component as a short-term benefit. Members could use this facility to either benefit themselves or children/dependants. Also, labour and employment arrangements impact the success of coverage extension, as most informal economy workers are subjected to harsh employment conditions including low income and employment insecurity as described in this chapter. These experiences have the potential to thwart willingness to contribute to social insurance. This suggests a need for improved enforcement of labour laws, and building political capacity of workers to demand their entitlements.

REFERENCES


1 INTRODUCTION

Zambia embarked on an ambitious plan to extend the pension scheme to informal economy workers traditionally excluded from the scheme, including small-scale farmers. Estimates suggest that there are at least 1.5 million small-scale farms in Zambia, and that over 80 per cent of the rural population depends on agriculture-related activities (Central Statistical Office Zambia 2015). This case study presents and analyses the ongoing initiative to extend pension schemes to small-scale farmers in Zambia.

2 SOCIAL PROTECTION IN ZAMBIA

Zambia has no overarching legal framework to support comprehensive provision of social protection, including pensions. This situation is worsened by the lack of recognition of the economic, social and cultural rights in the constitution (Ministry of Community Development Mother and Child Health 2014). Consequently, citizens are not guaranteed social protection despite most being vulnerable to social and economic risks, as reports show that over 54 per cent of the population lives in poverty (Central Statistical Office Zambia 2018).

Despite the lack of a unified legal framework, existing laws support contributory social security. It is mandatory for all formally employed individuals (currently about 15 per cent of the labour force) to contribute to one of the three public schemes: (1) the Public Service Pension Fund, (2) the Local Authority Superannuation Fund; or (3) the National Pension Scheme. The National Pension Scheme Authority (NAPSA) is responsible for extending coverage to those in informal employment and it provides three principal benefits: retirement, invalidity and survivors (NAPSA 2019) and a funeral grant. Additionally, the Workers’ Compensation Act, No. 10 of 1999 establishes the Workers Compensation Fund, administered by the Workers Compensation Fund Control Board. This institution provides for a wide range of benefits including life pension or lump-sum invalidity payments to workers with static or permanent injuries or diseases, widow’s or widower’s monthly pensions, child allowances, reimbursement of medical expenses incurred by employers on treatment and hospitalisation of injured or disabled workers (Phe Goursat and Pellerano 2016).

Challenges are multifold. While these institutions complement each other, pension systems suffer fragmentation and actuarial deficits (National Assembly 2010). Coordination is difficult as these institutions are supervised by different ministries. For example, the Ministry of Labour and Social Security, the Ministry of Local Government and Housing and the Cabinet Office supervise different pension institutions (National Assembly 2010). Additionally,
pension schemes have a history of delaying the process of giving pension benefits, thereby creating mistrust among contributing members.

The traditional pension scheme excluded people in the informal economy due to inadequacies in the legal framework as well as atypical employment arrangements and income patterns. Pension schemes were structured around the employer–employee relationship, which is often fluid or non-existent for people in the informal economy. Additionally, it is reported that informal economy workers were excluded because they could not afford to pay, had poor knowledge on social security rights and requirements, low trust in government institutions as well as weak workers’ representation. This was coupled with weak enforcement mechanisms, employers who shied the cost of compliance and financial constraints (Phe Goursat and Pellerano 2016). These challenges presented the need to rethink pension schemes to address the needs of people in the informal economy, including small-scale farmers, vulnerable to poverty and destitution in old age.

3 PENSION SCHEMES FOR INFORMAL ECONOMY WORKERS

3.1 Overview

Research, political will, policy and legal dialogue led to the enactment of Statutory Instrument No. 72 of 2019, allowing informal economy workers to enrol in pension schemes. The extension was also inspired by the African Union’s Social Protection Plan for the Informal Economy and Rural Workers to promote social protection for excluded people of rural areas. The informal economy workers’ pension scheme for small-scale farmers began as a pilot in the Southern Province of Zambia.

The pension scheme for informal economy workers (based on SI 72/2019) has a low contribution rate as there is no employer contribution, it has a shorter vesting period of 10 years compared with 15 years for formal-sector employees and it introduces short-term benefits such as maternity protection, family funeral grants and access to credit/finance without implications on the contribution amount (Table M.1).

3.2 Coverage

Legally, the informal economy worker pension scheme covers domestic and shop workers, small-scale farmers, bus and taxi drivers, sawmill workers and the self-employed. The scheme targets 2 million workers in informal employment of which about 80 per cent is in agricultural, forestry and fishing activities (Central Statistical Office Zambia 2017). In Southern province, the scheme targets about 1000 small-scale dairy farmers in districts with infrastructure to support implementation.

1 Within this framework, the pension extension to small-scale farmers was also initiated as the NAPSA ZAMBIA-FINLAND SPIREWORK project with the support of the National Institute for Health and Welfare of Finland, in collaboration with the International Labour Organization.
Table M.1  Pension scheme for informal economy workers – Zambia

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Contribution amount</th>
<th>Benefit amount</th>
<th>Rules and conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Age, Survivors, Invalidity +</td>
<td>K 42.7 (monthly) = USD 3</td>
<td>K 357.90 (monthly) = USD 24</td>
<td>Old age/retirement&lt;br&gt;● 120 contributions or 10 years of contributions&lt;br&gt;● Retirement age of 60 or 65; early retirement paid within 5 years of retirement&lt;br&gt;● Minimum monthly pension is one-third of the minimum pension prescribed in the Act&lt;br&gt;● Lump-sum payment will be made to members who have not made more than 120 contributions at the time of retirement For invalidity&lt;br&gt;● Permanent invalidity certified by medical board; member is under pensionable age&lt;br&gt;● Minimum of 60 contributions; 12 or more contributions should have been paid in the 36 months before contingency For survivor’s benefit&lt;br&gt;● Paid on the death of a pensioner or a member entitled to a pension&lt;br&gt;● A surviving spouse or child or registered dependant of the deceased may receive this pension&lt;br&gt;● Total benefit is shared among eligible beneficiaries&lt;br&gt;● Eligible children are below 18 years, and up to 25 years if they are in school&lt;br&gt;Maternity = K 395.7 (Monthly) = USD 26.4</td>
</tr>
<tr>
<td>Maternity + Family Funeral</td>
<td>K 512.4 (yearly) = USD 34</td>
<td>K 2147.60 (spouse and member) = USD 143&lt;br&gt;K 1073.80 (child) = USD 71.6</td>
<td>Maternity + Family Funeral&lt;br&gt;● Member will have made at least 12 months of contributions in the previous 36 months&lt;br&gt;● 24 month ‘buffer’ period in-between pregnancies&lt;br&gt;● This benefit will be payable to a female contributing member&lt;br&gt;● Paid for 3.5 months at 50% of the monthly income applicable in a respective year&lt;br&gt;Family funeral = K 2147.60 = USD 143 (spouse and member)&lt;br&gt;K 1073.80 (child) = USD 71.6</td>
</tr>
</tbody>
</table>
3.3 Benefits

The current scheme’s benefits include traditional contingencies such as survivor, old age and invalidity benefits and maternity protection with access to credit. The scheme is tagged to the Weather Index Insurance, as a short-term benefit, administrated by a private insurance company. Members pay for the Weather Index Insurance benefit separately. Details of the benefit package can be seen in Table M.1. Registered spouses and children/dependants can receive benefits.

The adequacy of the transfers can, however, be questioned. Table M.1 shows that a member contributing USD 3 monthly has a monthly pension of USD 24 after a vesting period of 10 years. Therefore, a pensioner would have access to USD 0.8 per day, below the poverty line of USD 1.90. This suggests benefits are inadequate to hedge people against old age poverty.

Including credit access is an advantage to the scheme as it can motivate registration (Phe Goursat and Pellerano 2016). Credit can supplement or reduce dependence on *chilimba*, a social group saving and lending arrangement which does not cover sudden needs because people have to wait for their turn to receive the money. To meet financial needs for emergency situations, people sell property or borrow from informal money lenders. Access to credit is therefore an important addition to pension schemes, as it hedges members against unexpected expenditure.

3.4 Financing

Member contributions are 5 per cent of basic earnings, unlike in the formal sector where members’ contributions are 10 per cent (5 per cent employer and 5 per cent employee share) (NAPSA 2019). Excluding the employers’ contribution share means that small-scale farmers needed a minimum monthly contribution of USD 3 as of 2019. This figure is adjusted annually based on national average earnings. However, most small-scale farmers have seasonal earnings. Small-scale dairy farmers have high milk sales during the rainy season and they earn more money than in the dry season. Innovatively, the NAPSA scheme takes these dynamics into account and allows farmers to contribute upfront – a farmer can make advance contributions up to the end of a given year. The system of contributing upfront might foster compliance among farmers. NAPSA’s pension scheme does not have a state subsidy.

Another dimension to financing is the contribution medium. Small-scale farmers can pay through mobile money solutions and deductions from milk proceeds from Milk Collection Centers (MCC). Mobile phones and their financial services have spread across most parts of the country and are viewed as convenient, reliable and affordable. Most small-scale farmers

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Contribution amount</th>
<th>Benefit amount</th>
<th>Rules and conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weather Index Insurance</td>
<td>K 50.00 = USD 3.3</td>
<td>K 500 = USD 33.3</td>
<td>This benefit is provided in collaboration with an insurance company to cover conditions such as drought, dry spells and access rainfall</td>
</tr>
<tr>
<td>Access to credit</td>
<td></td>
<td></td>
<td>Membership to the scheme will be a prerequisite for informal economy workers to access this benefit</td>
</tr>
</tbody>
</table>
have mobile phones or have a close relative with one. They receive some of their agricultural information through phones and use mobile money services. NAPSA allows members to contribute through such platforms. Also in Kenya the M-Pesa system is used to collect contributions for the Mbao pension plan and health insurance among informal economy workers (Kwena and Turner 2013; Phe Goursat and Pellerano 2016).

The option for deductions through MCCs is based on the existing practice where dairy farmers bring milk regularly to the MCC and receive their payments monthly. The amount paid is dependent on the quantity of milk supplied in a respective month. Thus, MCCs can deduct each enrolled farmer’s monthly contribution to the pension scheme. If a farmer has not supplied any milk in a particular month, their contributions to NAPSA will be zero, but farmers can self-administer contributions in this case. The scheme does not have a penalty for members who default contributions.

3.5 Administration

Zambia has a mixture of private and public insurance schemes. However, administration coverage extension to small-scale farmers is government-led through NAPSA. NAPSA is a quasi-governmental institution that registers and collects contributions, processes benefits and manages related concerns. It relies on existing infrastructure, with an additional unit to lead the coverage extension, which may be more effective and less costly than owning infrastructure, as noted in India (Hu and Stewart 2009).

NAPSA entered into alliance with various institutions including informal economy workers’ associations, dairy farmers’ associations and the private sector to support coverage extension. Dairy farmers’ associations facilitate collaboration activities with MCCs that raise awareness, collect contributions and handle basic grievances where NAPSA platforms are not present. Such alliances are relevant as they provide NAPSA with a continuous presence in rural communities and help to market the product, but they are not easy to maintain. NAPSA is also engaging financial institutions to be able to provide access to credit/finance as a short-term benefit.

4 CHALLENGES

1. Inadequate human resources, infrastructure and equipment. NAPSA has established a new unit with the sole aim of coordinating all activities related to extension of coverage. However, this unit is lean in staffing levels in relation to the target population of farmers across the country. In addition, some NAPSA regional offices and allied MCCs lack adequate human resources, infrastructure and equipment to support administrative activities for extension of coverage.

2. Lack of social protection awareness. NAPSA has taken various initiatives through radio shows, mobile phone messaging and meetings to raise awareness. However, most farmers do not know social protection is their right. Constant engagement is needed for awareness raising, in the local language and considering the socio-cultural milieu.

3. Mistrust of institutions and delay in registration confirmation. Some informal economy workers mistrust the state and private institutions, including NAPSA, based on their experience with services such as banking and Weather Index Insurance. The history of
pension schemes in Zambia is also characterised by some negative elements such as delays in making payouts and mismanagement of funds. In addition, informal economy workers who attempt to register experience delays in confirmation of their registration status. Therefore, this experience affects potential members' level of confidence in the scheme.

4. Managing collaborations with private actors. Absence of common interest may hinder collaboration with private actors. For example, financial institutions aim for profit generation, not social objectives. These institutions prefer high membership and high returns on engagements. Thus, small-scale farmers’ schemes may not be their market priority. As a result, ensuring access to credit is a daunting task for NAPSA because of the quest for alliances with financial institutions to provide this service. At the same time, poor financial standing of potential financial institution partners is also a challenge as this could risk the pension scheme.

5. Force majeure. Acts of nature such as droughts and pandemics can impact negatively on the agricultural productivity of farmers. This in turn may affect their income, and consequently their contributions to the scheme.

5. CONCLUSION: POLICY IMPLICATIONS

In order to achieve coverage, the following needs to be considered:

1. Seasonality of income as an opportunity. Small-scale farmers’ income is largely seasonal. Therefore, the design of contribution modalities should allow farmers to make advance contributions when they have income e.g. from the sale of farm produce.

2. Registration Confirmation. This should be prompt, so that a new member feels s/he belongs to the scheme. Quick enrolment reduces the time required to be away from work losing earnings (Winkler et al. 2017).

3. Alliances and institutional readiness. Alliances with informal economy associations and others are essential in extending coverage to small-scale farmers. This also suggests the need to build institutional readiness, including in situations where services such as access to credit and Weather Index Insurance are outsourced.

4. Prompt processing of benefits. The scheme should be prompt at processing benefits in order to build trust and creativity in the observability of results of contributing to the scheme. This should be the case for both retirement benefits and short-term benefits such as access to credit and Weather Index Insurance, which can be vital when faced with acts of nature such as droughts. If undertaken, prompt processing of benefits will help to build public trust and confidence in the pension scheme.

REFERENCES


23. Refugees and social protection

*Tamara A. Kool and Zina Nimeh*

### 23.1 INTRODUCTION

Social protection is a right enshrined in international human rights law; yet, in practice, its provision is often state-led and citizenship-based. This means that refugees and other ‘non-citizens’ are mostly excluded from access to benefits that the host population receives. This fact posits a national and international policy challenge. In 2018, 65.6 million people were displaced of which 29.4 million persons worldwide were forcibly displaced outside their home country and classified as refugees\(^1\) or asylum seekers. Of these, 15.9 million refugees found themselves in a protracted refugee situation\(^2\) having been displaced for at least five years (UNHCR 2019) and an average duration of 10 years (DeVictor 2019). As a result, those refugees have lived in exile for a prolonged time, often in camps or basic housing in urban centres and are often dependent on others to find solutions to their predicament (Merheb and Loughna 2006). Social protection can help refugees to improve their living situation. Therefore, the social protection needs of refugees must be considered as a critical component of the global and national policy agendas from a durable perspective.

While many countries in Europe have put in place measures to provide some degree of social protection to refugees, countries in low- and middle-income countries (LICs and MICs) often face constraints in their ability to do the same. This problem concerns about 80 per cent of all refugees because most refugees end up in neighbouring countries to their country of origin rather than other parts of the world (UNHCR 2019; Puerto Gomez and Christensen 2010).

Although a pledge was made under Sustainable Development Goal (SDG) 1 to expand social protection for all until 2030, this target is still far from being realised. Refugees commonly find themselves in a legally compromised status, which is often combined with asset and income scarcity. As displacement becomes protracted, their resources are further depleted. This places them in increasingly vulnerable positions within the host community. While this situation is often mitigated with short-term humanitarian aid schemes by international actors that are aimed at coping with risk, most of the time refugees become stuck in this coping limbo of aid, with limited possibility to transition from humanitarian assistance to development programmes (Christensen and Harild 2009; Lakhani 2013; Newland 2015). As a result, many refugees are placed in very disadvantaged positions, which not only impacts their ability to

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\(^1\) Of which 4.4 million fall under the responsibility of the UNRWA (UNHCR 2019).

\(^2\) In other words if a group of at least 25,000 individuals of the same nationality has resided in a particular host country for five years or longer (ExCom 2004).

\(^3\) While addressing protracted refugee situations per se is beyond the scope of this chapter, it is important to acknowledge that refugees trapped in these protracted situations often suffer severe restrictions of their human rights.
Refugees and social protection

achieve adequate levels of well-being, but also results in disenfranchised groups living often a life of poverty, marginalisation, discrimination and denial of human rights.

In 2016, following the World Humanitarian Summit, the Social Protection Inter-Agency Cooperation Board released a joint statement in which they called for the inclusion of social protection within any strategy on forced displacement (Social Protection Inter-Agency Coordination Board 2016). A ‘scale-up of social protection in contexts of fragility and forced displacement [is thus needed] to ensure no one is left behind’ (Brück et al. 2019, 2). And while impact evaluations on social protection among refugees in LICs and MICs are limited (Brück et al. 2019; Doocy and Tappis 2016), there has been increased attention by the international community to social protection in contexts of fragility and displacement, including discussions on the connection between humanitarian assistance and social protection being provided to displaced populations (e.g. Gentilini et al. 2018; Long and Sabates-Wheeler 2017; Ulrichs and Sabates-Wheeler 2018; see Chapter 16). Yet to date, a comprehensive perspective on the role of social protection for refugees has been lacking.

In line with this, the chapter focuses on social protection in the context of forced displacement. Section 23.2 sets out to first distinguish between the legal definitions of a refugee and an asylum seeker. Section 23.3 outlines the differing social protection rights for both classifications. This is done with an underlying supposition that inclusivity depends on a state’s capacity and national legal implementation, along with the support provided by international actors for refugees to access some form of social protection. Section 23.4 specifically delineates between the contexts of LICs and MICs versus Europe. It illustrates that access for refugees to social protection varies and depends on a multiplicity of factors, including the host country’s legal framework, the maturity of the social protection system in place and the ability to incorporate shock-responsive social protection (SRSP) mechanisms within social protection programming. Finally, Section 23.5 reflects on success factors and mechanisms for integrating refugees in social protection systems, and further explores possible linkages between social protection and humanitarian aid in different contexts.

23.2 A RIGHTS-BASED APPROACH TO SOCIAL PROTECTION FOR REFUGEES

The right to social protection is dependent on the legal status of the individual being a refugee or an asylum seeker.

23.2.1 Classification of Refugee and Asylum Seeker

An asylum seeker is a person who is in the process of being recognised as a refugee by national authorities, with, if necessary, support by the United Nations High Commissioner for Refugees (UNHCR). During the procedure of status recognition, a person may be granted temporary residence and protection while awaiting the decision.

The legal definition underlying the concept of a refugee is mainly shaped by the 1951 United Nations (UN) Convention Relating to the Status of Refugees and its 1967 Protocol Relating to the Status of Refugees. Under Article 1(A)(1), a refugee is a person who ‘owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is
unable, or owing to such fear, is unwilling to avail himself of the protection of that country’. Under the Refugee Convention, a refugee has access to the rights stipulated in the convention as well as those indicated in the national law of the host country. While the status of refugee is based on an individual’s claim to asylum, sometimes, due to the nature of conflict, displaced persons from the same country may receive *prima facie* refugee status.\(^4\)

By 2015, only 148 out of 196 countries had ratified the 1951 Convention and/or the 1967 Protocol (UNHCR 2015a). However, the UNHCR may have put in place a Memorandum of Understanding with the respective host governments that are not signatory to the convention to at least protect the right of *non-refoulement*, i.e. forcible return to the country of origin. In such a case, refugees are primarily dependent on the national law of the host country.

The above definition is widely adhered to. However, in certain regional contexts, an even broader definition has been adopted. In 1969, the Organisation of African Unity expanded its understanding of a refugee in the Convention Governing the Specific Aspects of Refugee Problems in Africa to include any ‘person who, owing to external aggression, occupation, foreign domination or events seriously disturbing public order … is compelled to leave his place of habitual residence in order to seek refuge in another place outside his country of origin or nationality’ under Article 1(2).

Further, the 1984 Cartagena Declaration in Latin America expanded the definition of refugees to those ‘who have fled their country because their lives, safety or freedom have been threatened by generalised violence, foreign aggression, internal conflicts, massive violation of human rights or other circumstances which have seriously disturbed public order’.

An exception pertains to Palestinian refugees residing in the Levant. As per Article 1(d) of the 1951 Convention, they are not eligible to receive support from the UNHCR and fall under the responsibility of the UN agency for Palestinian Refugees in the Near East (UNRWA).\(^5\)

This led to some additional challenges in recent crises, for example for the Syrian Palestinians who fled to Jordan or Lebanon fall under UNRWA responsibility rather than UNHCR.

### 23.2.2 The Right to Social Protection

From a rights-based approach to social protection, social protection rights were initially granted to all individuals, citizens and non-citizens under Articles 22 and 23 of the Universal Declaration of Human Rights (see Chapter 9). While the International Covenant on Economic, Social and Cultural Rights in particular holds for state-led interventions, refugees who have fled borders are still to be granted the right to social security, including social insurance, as per Article 9.

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\(^4\) In other words, a person who has fled no longer has the individual burden to provide a case for refugee status but rather ‘on the basis of readily apparent, objective circumstances in the country of origin’, displaced persons are recognised to fall within the criteria of refugee status (UNHCR 2015b).

\(^5\) For reference of the precise definition of Palestinian refugee, please refer to the Consolidated Eligibility and Registration Instructions (UNRWA 2010).
Table 23.1  Rights to social protection under the 1951 Refugee Convention

<table>
<thead>
<tr>
<th>Article</th>
<th>Right</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>Rationing system</td>
<td>Same treatment as nationals</td>
</tr>
<tr>
<td>21</td>
<td>Housing</td>
<td>As favourable as possible and not less favourable than that of aliens</td>
</tr>
<tr>
<td>22(1)</td>
<td>Elementary education</td>
<td>Same treatment as nationals</td>
</tr>
<tr>
<td>22(2)</td>
<td>Higher levels of education and the</td>
<td>As favourable as possible and not less favourable than that of aliens</td>
</tr>
<tr>
<td></td>
<td>recognition of certificates and degrees</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Public relief and assistance</td>
<td>Same treatment as nationals</td>
</tr>
<tr>
<td>24(1)</td>
<td>Working conditions and social security</td>
<td>Same as nationals provided that appropriate arrangements are in place for the acquis of rights or national laws prescribe special arrangements for pension</td>
</tr>
</tbody>
</table>

Source: Authors’ own based on the 1951 Refugee Convention.

The Committee on Economic, Social and Cultural Rights stated in General Comment No. 19 that this encompasses:

the right to access and maintain benefits, whether in cash or in kind, from (a) lack of work-related income caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member; (b) unaffordable access to health care; (c) insufficient family support, particularly children and adult dependents. (2008, para. 2)

Regardless of status, all individuals should have access to a minimum standard of non-contributory social assistance equally and without discrimination (Sepúlveda and Nyst 2012; Committee on Economic, Social and Cultural Rights 2008, see also Chapter 9); thus, by default, this includes refugees and asylum seekers which under para. 31 of the General Comment are amongst those groups that should be granted special attention. While refugees and asylum seekers may not immediately be able to benefit from social insurance schemes as this would require prior payment of contributions (see Chapter 3), they should in fact enjoy equal treatment with regards to access to non-contributory schemes (para. 38 of General Comment 19). This is in line with Article 8(1)(c) of the 1985 Declaration on the Human Rights of Individuals who are not Nationals of the Country in which They Live (UN General Assembly 1985). This article states that refugees should be granted the right to health protection, social security and education provided no undue strain is placed on the resources of the state and the person meets the requirement as per the legislation in place (see Chapter 9).

The 1951 Convention makes specific reference to the right to social protection in Articles 20 to 24. The extent to which refugees are entitled to rights depends on the conditions mentioned within the article – see Table 23.1. Regardless, while the Convention has been signed by the majority of UN member states, several countries have put in place reservations with regards to certain rights, sometimes on the ground that these rights are only limited and available to citizens themselves. While the equitableness of this stance could be arguable from a human rights perspective, it is enduring from a legal standpoint, as countries are at liberty to ratify conventions with reservations.

While the right to social security, including social assistance, is seemingly guaranteed in international law, the effective access of refugees and asylum seekers to social protection is dependent on national law and regional law instruments. In principle, the host state bears the primary responsibility to provide these rights. However, in practice, social protection provisions tend to be exclusive to citizens and residents of a particular state, and often exclude non-citizens (Weissbrodt 2008). This type of exclusion from national provisions is manifested in most LICs and MICs, whereas in high-income countries, despite the different ways refugees and asylum seekers are officially included in social protection provisions, exclusion could be a result of multiple considerations including discriminatory practices, political economy as well as limited resources. Hence, the international community and its influence becomes a major party in assisting host states and/or taking over part of their responsibility in providing for refugees.

23.3 POSITIONING REFUGEES IN THE DISCOURSE ON SOCIAL PROTECTION

Before exploring how refugees can be integrated into social protection systems, it is useful to examine how they are included in the discourse on social protection in general. Alongside the humanitarian obligation of meeting the human rights and immediate basic needs of refugees, a key premise of the SDGs leaving no one behind is found in activating people’s agency as economic actors. This can arguably be achieved by adopting a transformative social protection approach, to move from a humanitarian aid position into the potential of human development, while incorporating protective, preventive and promotive elements of social protection (see Chapter 1).

Tapping into the refugees’ agency as economic actors and supporting their capacity (see also the Global Compact on Refugees (UN General Assembly 2018)) requires further examination of the right to work. While recognising that the ability to engage in formal work is essential to be able to contribute to and benefit from national social insurance schemes, this right is often curtailed (Zetter and Ruaudel 2016). Article 2(3) of the International Covenant on Economic, Social and Cultural Rights allows LICs and MICs to curtail the right to work of non-nationals depending on the strength of the national economy. While in developed countries, refugees should enjoy the same opportunity to work as nationals under Article 17 of the 1951 Convention, some limitations can still be put in place. According to the Reception Conditions Directive of the European Union (EU), asylum seekers should be granted equal access to the labour market no later than nine months after they have started the asylum procedure in the destination country unless they themselves are responsible for the delay (Poptcheva and Stuchlik 2015).

In practice, refugees in LICs and MICs continue to face limited access to labour markets as well as encampment policies (Jacobsen 2002, 2014; Long and Sabates-Wheeler 2017), which in turns increases their vulnerability and results in the so-called dependency on aid. This, together with an increased competition on the (in)formal labour market and increased rent and food prices, contributes to increased tensions within host communities (e.g. Lakhani 2013; Turner 2015). By extending the coverage of national social protection programmes to refugees, part of the stigmatisation from the perspective of the host community can be addressed. Refugees would no longer sit aside as recipients of aid from various agencies as they are
Refugees and social protection

incorporated under the national programme similar to the host community. Furthermore, if engaging in a transformative approach, issues pertaining to social exclusion and social equity can be addressed (Loewe et al. 2020 for the case of Jordan).

23.4 INTEGRATING REFUGEES INTO EXISTING SOCIAL PROTECTION SYSTEMS

The international legal framework makes governments of host countries responsible for the provision of social protection to refugees but the extent to which they are able to include refugees depends on the social protection systems in place. The different social protection contexts in the host country tend to leverage the pathways forward (Long and Sabates-Wheeler 2017; Seyfert et al. 2019). From a transformative social protection perspective, the ideal social protection system for refugees would be highly shock-responsive and targeted at vulnerabilities during different stages of the life cycle. This type of system would comprise flexible social protection, active labour market policy, skills provision, social inclusion and integration. States with strong social protection systems may prefer including refugees over developing parallel programmes or shadow alignment (Long and Sabates-Wheeler 2017). Presently, the majority of refugees who find themselves in neighbouring host countries are located in LICs and MICs. These countries tend to have fragmented or nascent social protection systems, which are mainly aimed at helping households to cope with risks and providing shelter, cash transfers and food aid.

As further explained below, the potential for building upon existing state-led social protection programmes for refugees stems from two aspects. First, the fact that many social protection programmes in the European context are under increasing strain and face the maturity of their schemes. Second, the different SRSP mechanisms that may be utilised to set up social protection systems for refugees if the host country’s social protection systems lack inclusivity, as for example in LICs and MICs. In such cases, the role of international actors should be considered from a pathway perspective.

23.4.1 The European Context

Within the EU, the extent to which refugees and asylum seekers have access to social protection services is largely shaped by national and European law. The majority of European countries have ratified fully or at least partially the European Social Charter from 1996 – 33 countries in total (see also European Union Agency for Fundamental Rights and European Court of Human Rights 2015). The extent to which the national law covers also non-citizens depends partly on the strength of the citizenship paradigm in place (Kidd 2017) as well as the comprehensiveness and type of the respective welfare regime.

To understand which social protection tools are accessible within the various European countries, it is crucial to differentiate between asylum seekers and refugees. Refugees should be largely treated as equal to citizens. If there is any exclusion of refugees in accessing certain

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7 A citizenship paradigm is characterised by three components. First, it sees social protection as a redistribution of the public good. Second, it takes an inclusive, life-cycle approach to social protection. And third, it places citizens or those legally resident in the country as right holders (see also Kidd 2017).
rights, the justification for this therefore needs to be done vigilantly to avoid an issue of discrimination on grounds of nationality under EU law. An asylum seeker, on the other hand, is not necessarily eligible to social protection other than the material conditions defined by Article 17 of the Receptions Conditions Directive. This may be in the form of in-kind cash. If in the form of financial allowance, the concrete amount is determined by the respective member state. The comparative case study by Poptcheva and Stuchlik (2015) underlines this as in the various countries, asylum seekers may receive a monthly or daily amount that may differ between whether someone resides in a reception centre or not (cf. Bulgaria where someone outside a reception centre is no longer eligible for cash assistance versus Germany where asylum seekers both in and outside reception centres are eligible for subsistence allowance albeit different amounts). Refugees, on the other hand, are entitled by Article 29 of the revised Qualification Directive, as well as Article 11(1)(d) of the Long Term Residents Directive, to social assistance that is similar to the one given to nationals (European Union Agency for Fundamental Rights and European Court of Human Rights 2015; Poptcheva and Stuchlik 2015).

Overall, the responsibility for the provision of social protection within the EU largely falls to the state. The comparative case study on seven different EU member states highlights how the state’s welfare regime in place (including its corresponding laws) greatly influences access for refugees and asylum seekers with differing coverages depending on the country context (see Poptcheva and Stuchlik 2015). While most states within Europe have sought to include refugees and asylum seekers in social protection systems to some extent, exceptions prevail. One exception is Greece, where refugees and asylum seekers have only limited access to social assistance, although this is arguably not in line with the legal provisions of the EU and results from the limited capacity of the national social protection system (Sitaropoulos 2002).

In the case of Greece, the role for non-state actors becomes important in realising a decent level of well-being for refugees and, thus, is more similar to the situation in LICs and MICs, as the next section seeks to set out. Cash assistance to refugees is provided through international agencies, such as the UNHCR. The Greece Cash Alliance, for example, aims at covering the costs of basic food, transport, communication, school materials and medicine, clothing and hygiene products. Its objective is to prevent asylum seekers from unsustainable coping strategies such as child labour. Moreover, it seeks to integrate refugees into local communities by providing them with cash instead of in-kind support that allows them to spend it on the local markets (UNHCR 2017) with positive effects on local economic development (Loewe et al. 2020). Eligibility for the cash transfer is conditional upon having the necessary registration documents, being unemployed as well as living in designated areas (UNHCR 2017). However, this faces the challenge that if someone is settled outside the designated areas that person is not eligible. Thus, the way the programme is shaped risks excluding certain groups, which would be amongst the most vulnerable.

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9 The study was conducted on Bulgaria, France, Germany, the Netherlands, Poland, Spain and Sweden.
23.4.2  Low-Income and Middle-Income Countries and the Role of Shock-Responsive Social Protection

The previous section highlighted the extent of the social protection coverage for refugees depending both on the legal framework and social protection system in place. In LICs and MICs, the extent to which refugees and asylum seekers are included in national social protection systems is even more complex. South Africa is one of the few cases where refugees are legally entitled to some social protection benefits generated by the programmes that are meant, first of all, to cover nationals. However, this right for refugees is largely on paper because, in practice, few government social workers know about it and, hence, often refuse the provision of due services to non-nationals (Makhema 2009; see Case Study G).

This country example aside, in most countries limited efforts have been explicitly made to include refugees in national social protection programmes. In these cases, provision by or collaboration with other actors may be preferred as countries may be reluctant to either take on the financial burden of including non-nationals particularly with an eye on the open-endedness of a conflict, or to avoid pressure on already weak social contract structures (see also Jawad et al. 2018; Seyfert et al. 2019). UNHCR, other intergovernmental organisations, development agencies and non-governmental organisations (NGOs) may assist the government in providing assistance. As a result, there is a tendency to rely on short-term programming with limited funding (see also Makhema 2009; Long and Sabates-Wheeler 2017). Humanitarian aid has moved more and more towards cash-based interventions (Cash Learning Partnership 2018; UNHCR 2016). This not only allows for integration in the local markets and provides refugees with an element of choice, but moreover may indirectly affect psychological well-being and contribute to social cohesion, as other case studies indicate (Hagen-Zanker et al. 2017; Loewe et al. 2020; Valli et al. 2019). It additionally has the potential to allow for ease of integrating the cash transfer systems into regular social protection in the longer term.

Taking a durable perspective, the current academic debate centres around bridging the humanitarian–development nexus. In case of social protection, this tends to focus on the alignment between humanitarian programming and national social protection systems (cf. Gentilini et al. 2018; Nimeh et al. 2020; Ulrichs and Sabates-Wheeler 2018). SRSP mechanisms such as piggy backing, horizontal expansion or shadow alignment are seen as a pathway forward (see Chapter 16; Oxford Policy Management 2015; O’Brien et al. 2018). Their advantage is that these mechanisms allow for more flexibility in response to the effects of crises on people’s well-being, and potentially avoid duplication of efforts (Long and Sabates-Wheeler 2017; O’Brien et al. 2018; Ulrichs and Sabates-Wheeler 2018). And while the social protection programme put in place for refugees may combine components from various SRSP mechanisms rather than preferring one model over another, as Ulrichs and Sabates-Wheeler phrased it: ‘[the] question is … not necessarily how to move from short- to long-term support, but rather how to put in place sustainable structures and systems that can deliver both depending on the needs’ (2018, 16).

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10 Piggy backing is a programming response that uses parts of the existing system while providing a new programme. Horizontal expansion occurs when new beneficiaries are included in existing systems for a limited period of time. Shadow alignment is the development of a parallel system that is aligned to existing or future social protection systems. For a typology overview of the different shock-responsive mechanisms, we refer to table 4 in O’Brien et al. (2018, 40–1).
For example, Turkey’s Emergency Social Safety Net Programme (ESSN), which was launched in 2016, is a multi-purpose cash assistance scheme for 1.4 million refugees and asylum seekers that enables people from both groups to meet their basic needs. Also, the Conditional Cash Transfer for Education (CCTE) scheme directed towards Afghan and Syrian refugees was launched in 2017 enabling Afghan and Syrian children to have access to public schooling (International Labour Office and UNICEF 2019; Smith 2017). This scheme is an extension of the national CCTE for Turkish citizens by the Ministry of Family and Social Policies and is able to build on the existing national programme’s rules and implementation structures (Smith 2017; Capacity4DEV 2017). As such, the CCTE programme can be seen as both a horizontal expansion as well as piggy backing on the national system. The Emergency Social Safety Net Programme, however, would be part of a parallel system that is run by non-governmental actors – the International Federation of Red Cross and Red Crescent Societies, the Turkish Red Crescent Society – in collaboration with Turkish government institutions.

23.4.3 International Responsibility When the Provision by the State Is Lacking

While ideally from an integration perspective state-led social protection may be preferred, this is not always the optimal approach. Delivering assistance through a state-led social protection programme may not only jeopardise the four main humanitarian principles – humanity, neutrality, impartiality and independence (Ulrichs and Sabates-Wheeler 2018) – but also may not fulfil the humanitarian basic needs requirements. Budget constraints and social tensions within the host community may result in governments refraining from including refugees in the national system. Further, refugees may feel unable to raise complaints and appeals with government authorities, thus excluding them more from society (Seyfert et al. 2019).

Recognising that different actors may be involved in the process of delivering social protection services to refugees in countries where the state is not the main provider, a closer examination is required of their interaction. As can be observed in Table 23.2 (for definitions please refer to Chapter 16), within each mechanism under the SRSP different actors may be involved in each stage of implementation. The strength of the system determines to what extent a social protection programme can fully develop and to what extent changes in national regulations and legislation may be required (Seyfert et al. 2019). This may depend on the administrative capacity and enabling environment in place (see for example Ovadiya et al. 2015).

While piggy backing would come closer to a state-led social protection programme as it utilises the national system, shadow alignment may be seen as a more beneficial mechanism to host government and NGOs in countries with a less mature social protection system. Shadow alignment like piggy backing is a standalone response; yet, it is aligned to existing or future programmes in place. It could be a stepping stone from humanitarian programming in the short term to more long-term sustainable integration into national-led programming (as also argued by Nimeh et al. 2020 and Seyfert et al. 2019). The better prepared development partners are prior to the outbreak of a crisis in terms of understanding the social protection systems in place, the more likely a government can utilise these mechanisms to adapt in times of crisis (Smith 2017; Nimeh et al. 2020).

By utilising existing administrative systems and processes in place and by strengthening national systems, a longer-term perspective may be achieved. The challenge remains how to set up parallel systems in a way that is to the benefit of both refugees and host commu-
Table 23.2  Main actors responsible for each paragraph

<table>
<thead>
<tr>
<th>Delivery approaches</th>
<th>Shadow alignment</th>
<th>Piggy backing</th>
<th>National-led systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing</td>
<td>Donors</td>
<td>Donors and in-kind contribution from government</td>
<td>Government or donors</td>
</tr>
<tr>
<td>Legal and policy framework</td>
<td>NGOs and donors</td>
<td>Line ministries and UN</td>
<td>Line ministries</td>
</tr>
<tr>
<td>Setting eligibility criteria and qualifying conditions</td>
<td>NGOs, in coordination with donors</td>
<td>Line ministries and implementers</td>
<td>Line ministries</td>
</tr>
<tr>
<td>Setting transfer type, level, frequency, duration</td>
<td>Implementing agencies</td>
<td>Line ministries and implementers</td>
<td>Line ministries</td>
</tr>
<tr>
<td>Governance and coordination</td>
<td>Steering committee (UN, NGOs and government line ministries)</td>
<td>Steering committee (UN, NGOs and government line ministries)</td>
<td>Line ministries, potentially senior cabinet</td>
</tr>
<tr>
<td>Outreach</td>
<td>NGOs</td>
<td>Government or humanitarian actors</td>
<td>Line ministries and regional social protection offices</td>
</tr>
<tr>
<td>Registration</td>
<td>NGOs or UNHCR</td>
<td>National staff</td>
<td>Regional social protection offices</td>
</tr>
<tr>
<td>Enrolment</td>
<td>NGOs, sometimes UN</td>
<td>Government agencies</td>
<td>Government agencies</td>
</tr>
<tr>
<td>Payment</td>
<td>Various third-party financial providers or the payment provider of the government</td>
<td>Payment provider of the government, with UN/NGO support</td>
<td>Government financial provider</td>
</tr>
<tr>
<td>Case management</td>
<td>NGOs or UN</td>
<td>National mechanisms, with UN/NGO support</td>
<td>National mechanisms</td>
</tr>
<tr>
<td>Complaints and appeals</td>
<td>NGOS</td>
<td>National mechanisms, with UN/NGO support</td>
<td>National mechanisms</td>
</tr>
<tr>
<td>Protection</td>
<td>NGOs, sometimes UN</td>
<td>National social care services</td>
<td>National social care services</td>
</tr>
<tr>
<td>Vulnerability assessment measurement and monitoring and evaluation</td>
<td>NGOs, sometimes UN</td>
<td>NGO hired by donors</td>
<td>Government-led</td>
</tr>
<tr>
<td>Information management</td>
<td>NGOs, sometimes UN</td>
<td>Government data systems and capacity</td>
<td>Government data systems and capacity</td>
</tr>
</tbody>
</table>

Source: Authors’ own based on Seyfert et al. (2019).

Programmes directed at refugees may benefit from national-led structures, whereas programmes aimed at citizens of the host country may benefit from measures by international actors put in place for refugees.

The case of Lebanon demonstrates nicely this interaction between programmes directed at refugees and social protection systems put in place for citizens. Multiple programmes were put in place to address the influx and impact of Syrian refugees. Simultaneously, UNICEF, the World Food Programme and the government of Lebanon initiated No Lost Generation, or Min Ila, in Lebanon. Cash assistance is conditional upon a Syrian child going to the afternoon shift at public primary schools. This led to an increase in attendance as families did not necessarily face foregone earnings as a result of a child attending school and not working. Thus, it limited negative coping strategies. Nonetheless, the success of the programme is dependent on supply-side capacity as constraints may limit the scope of impact on enrolment of Syrian refugees (de Hoop et al. 2019).

At the same time, to address some of the tensions that arose between the host communities and refugees, the government of Lebanon, supported by the World Bank, temporarily scaled up the National Poverty Targeting Project in 2014. The scale up utilised the World Food Programme e-card food voucher system that had been put in place for the Syrians. The cash
transfer was targeted at those households affected by the Syrian refugees (Gentilini et al. 2018).

Collaboration and partnership between various actors is thus key in developing the trajectory towards development-oriented programming that is aimed at contributing to a sustainable future for both refugees and host communities. The long-term perspective should be aimed at prevention and transformation.

23.5 CONCLUDING STATEMENT

On an international level, two debates tend to prevail when it comes to the refugee as recipient of aid. First, the move towards self-reliance of refugees as the solution to aid dependency. Second, there is an increased debate on incorporating social protection mechanisms to derive a sustainable solution to overcome dependency on short-term humanitarian programming. These elements cannot be seen as separate from each other from a transformative social protection approach. Even though the right to work should be supported, this should be critically assessed alongside the right to social protection, including social insurance. The interlinkages between state-led social protection systems and those developed by international actors should therefore be explored in the move to include refugees in social protection.

To conclude, the access for refugees to social protection varies dependent on the respective national legal framework, the existing social protection system, and subject to the national context and the ability to incorporate SRSP mechanisms within social protection programming. While under international law a large share of responsibility falls to host state actors, too often many international agencies such as the World Food Programme and UNHCR are needed to assist the host state in addressing the vulnerabilities that refugees face. The mechanism of shadow alignment may provide a tool that could benefit both refugees and national social protection programming. Only once this has been achieved can the goal to provide social protection for all by 2030 as set out under SDG 1 be accomplished.

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Introduction: Administration

Valentina Barca

Often overlooked by academic literature, yet critical to the effectiveness and ultimate impact of social protection systems, is the role of administration: the nuts and bolts of delivering social assistance and social insurance measures. Having a range of different instruments (see Part I) that form a well-designed system (Part II) that coherently addresses life-cycle risks, vulnerabilities and broader shocks (Parts III and IV) is essential. However, unless that system is adequately implemented by a high-capacity workforce that understands its roles and responsibilities and effectively works to achieve those by following agreed-upon ‘business processes’ and leveraging information technology where useful, it is unlikely that desired outcomes will be achieved. In fact, sub-optimal delivery risks undermining intended outcomes, corroding people’s trust in the process. Administration is therefore the core topic of this part of the handbook. Across a range of chapters and an accompanying case study, different aspects that are relevant to effective delivery are discussed, as briefly outlined below.

First of all, we start with a chapter on the delivery of social transfers by Barca and Hebbar, stressing the key functions that need to be performed in order to provide benefits and/or services in a way that is timely, efficient and effective: (1) outreach and communications; (2) inclusive processes for registration and subsequent eligibility determination; (3) timely enrolment of beneficiaries; (4) robust delivery of payments/services; (5) case management that fully addresses individual and household multidimensional needs; (6) accountability-enhancing complaints and appeals; and (7) an overarching monitoring and evaluation system. Building on the growing grey literature on these topics, the chapter discusses each step of the so-called ‘delivery chain’ alongside considerations on recent trends and future directions. Overall, while important steps forward have been made to strengthen the core building blocks for the delivery of social transfers in low- and middle-income countries, there is still a long way to go and much disparity across countries – especially with regards to those processes that are often considered ‘non-essential’ (case management, complaints and appeals, monitoring and evaluation). The COVID-19 crisis has particularly stressed this, with countries that had invested in their delivery systems able to respond to the shock more swiftly and universally.

Mirroring the chapter above from a delivery of social insurance perspective, Chapter 25 by La Salle introduces the six core business processes common to all social insurance schemes (enrolment, contribution collection, benefit management, payments, complaints and appeals and monitoring and evaluation), focusing on the role of various stakeholders in the process and the most common challenges requiring priority attention by policy makers and administrators. It provides strong recommendations for a people-centric and integrated approach to delivery, building on best practice and guidance developed by the International Social Security Association over the years.

Cutting across these two, with a particular focus on social assistance, Chapter 26 subsequently focuses on integrated information management for the sector by Chirchir. There has been a swift acceleration in recent years in the digitisation of delivery processes – and integration of these across multiple programmes to reap economies of scope and scale. Such sectoral
integrated information systems (and their underlying registries) act as a backbone for delivery. ‘Getting these right’ and ensuring that the key risks and challenges these entail (for example, respect for data protection) are fully addressed is a critical task for administrative staff.

Once again cross-cutting, but from a different perspective, is the fundamental topic of portability of social assistance and social insurance entitlements, discussed in Chapter 27 by La Salle. Focusing on cross-institutional and cross-jurisdictional portability, the chapter advocates that adequate protection needs to be provided during individuals’ life transitions: from school to work, across different jobs, during maternity and other episodes of ‘leave’, across different levels of government and national boundaries, etc. Ultimately, the process and ‘machinery’ needed to enact such portability of entitlements (the infrastructure, technology and people) is similar – no matter what the transition – and needs to be strengthened.

Chapter 28 by Wyatt concludes by digging deeper from the administrative governance perspective, analysing issues of decentralisation and how these interact with the delivery of social assistance and insurance. Countries seldom face a simple unrestricted choice between a centralised or a decentralised approach. Government ministers, their officials, advisers and in some cases development partners will instead find that their policy choices are constrained by a range of endogenous and exogeneous factors that influence the optimal level of decentralisation. These are analysed within the chapter, drawing conclusions for the organisational structuring and staffing of ministries and agencies involved in the delivery of social protection.

A recurrent theme across the chapters in Part V is the importance of adequate capacity at all levels of implementation involved in the design and delivery of social protection. A case study on capacity development for social protection in Zambia by Chisanga and Miti zones into this issue, offering a useful lens as to how the issue of capacity development was tackled in Zambia, starting from an in-depth training needs assessment and focusing investment on an in-house and sustainable approach to capacity building via a tailored curriculum offered by the University of Zambia.
24. Delivering social transfers

Valentina Barca and Madhumitha Hebbar

24.1 INTRODUCTION

Irrespective of the type of social transfer programme and its specific approach to targeting, there are some core functions – embedded in a set of ‘business processes’ – that need to be performed in order to provide benefits and/or services in a way that is timely, efficient, effective, inclusive and sustainable. This is especially the case for social transfers, the core focus of this chapter. Sometimes classified in different ways across the relevant literature (Samson et al. 2010; Barrett and Kidd 2015; ISPA n.d.; Bastagli et al. 2016; TRANSFORM 2017b; Lindert et al. 2020), these functions broadly follow the social protection delivery chain: outreach and communications, registration and subsequent eligibility determination, enrolment, delivery of payments/services, case management, complaints and appeals and overarching monitoring and evaluation (M&E).

This contribution to Part V provides an overview of practice and evidence to date on each of these core functions along the delivery chain, with a particular focus on low- and middle-income countries. To simplify the narrative, a primary focus is placed on social cash transfers (see Chapter 2), noting much of the narrative could also be applied to other categories of social transfer, and also offers some important overlaps with the delivery chain for social insurance discussed in Chapter 25.

It is worth mentioning that each of the administrative functions discussed can apply to individual programmes, but could also be integrated across different programmes (see Chapters 12 and 13) and could even be leveraged by other sectors in countries with more mature social protection systems. This trajectory towards integrated delivery – often facilitated by integrated information systems serving the sector as a whole (see Chapter 26) – is being followed by an increasing number of countries, with considerable gains in terms of ensuring transparent, accountable, efficient and effective administration (while also posing some new challenges) (TRANSFORM 2017b; Barca 2017; Lindert et al. 2020). The reminder of this chapter is structured around the social protection delivery chain illustrated in Figure 24.1: Section 24.2 discusses outreach and communications; Section 24.3 outlines the registration, eligibility determination and enrolment functions; Section 24.4 presents the payments (and service delivery phase); Section 24.5 deals with case management; Section 24.6 discusses complaints and appeals; Section 24.7 examines the cross-cutting M&E function; and Section 24.8 concludes.

24.2 OUTREACH AND COMMUNICATIONS

While often overlooked within social protection budgets, outreach and communications have increasingly been shown to play a fundamental function – especially in terms of guaranteeing inclusiveness and programme accountability. A high-quality outreach and communications strategy facilitates awareness, understanding and access for programme target populations,
and therefore plays a crucial role in ensuring comprehensive coverage (Samson et al. 2010; TRANSFORM 2017b; Lindert et al. 2020). The importance of effective outreach is also embedded in International Labour Organization (ILO) Recommendation 202 on Social Protection Floors (2012) and enshrined in the ‘Standards of Accessibility, Adaptability and Acceptability’ of the Committee on Economic, Social and Cultural Rights under the United Nations Economic and Social Council.

Outreach and communications encompasses all activities aimed at actual and potential beneficiaries, informing them of programme objectives, rights, rules, roles and responsibilities, as well as practical details on how to engage with all core delivery processes (TRANSFORM 2017b; Lindert et al. 2020). Outreach activities can take on several forms, including door-to-door or community outreach campaigns, television, newspaper and radio messaging, leaflets and posters in strategic locations (schools, hospitals, municipal building, etc.), letters, social media campaigns, dedicated call centres and even information printed on payslips and utility bills.

No matter what outreach modalities are used, system assessments and evaluations consistently stress the importance of adopting inclusive strategies that reach the most vulnerable and marginalised – those for whom social transfers are primarily designed. Different people have different information needs that need to be explicitly catered for – e.g. programme beneficiaries versus non-beneficiaries, literate versus illiterate, urban versus rural, men versus women, disabled versus able-bodied, ethnic/religious/linguistic majority versus minority (Dubois and Ludwinek 2015; Barca and Hebbar 2020). For instance, where high levels of poverty and

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1 Communications could also be aimed at programme staff, especially in countries with large implementation cadres that are motivated and well informed (for e.g. newsletters, ongoing training, seminars and conferences).
under-registration in social transfers overlap, Brazil proactively undertakes door-to-door visits and mobile camps to ensure that no one is left behind on the country’s social registry (Lindert et al. 2020). In Nepal, outreach camps are organised in various locations throughout the district so that applicants to the disability allowance can submit their applications and undergo an assessment of disability without travel to the district headquarters (Banks et al. 2019).

24.3 REGISTRATION, ELIGIBILITY DETERMINATION AND ENROLMENT

While the targeting strategy for a social transfer defines who is eligible for benefits, its implementation entails three distinct administrative functions, i.e. registration, eligibility determination and enrolment. These functions are often lumped together as ‘targeting’, and it is important to distinguish them as they present very different barriers to improving programme uptake (Kidd and Hossain 2014; Barca 2017; Lindert et al. 2020).

24.3.1 Registration

Registration is the process of identifying and collecting initial information on potential beneficiaries for one or more programmes. This is the information some countries enter in a ‘social registry’ of potential beneficiaries (Barca 2017; Leite et al. 2017). This phase can be performed in different ways, depending on a country’s history, context, capacity and priorities. ‘On-demand registration’ (sometimes defined as ‘pull’), where applicants initiate the registration process themselves – either through municipal/social welfare offices or online portals – ensures flexibility and dynamic inclusion as applicants can request support whenever the need arises. Census survey registration (sometimes defined as ‘push’ or ‘administrator-driven’) entails a periodic labour-intensive process of enumerators visiting potential applicants within their households to collect their information. Data can also be extracted from existing government databases to complement and validate the information collected in countries with the capacity to do so. As outlined in Table 24.1, each approach has very distinct advantages and challenges – and can be operationalised in many different ways, accentuating these. For example, a census survey registration process that collects data on a small percentage of the population (e.g. less than 30 per cent) at long intervals (e.g. every seven years) is exclusionary by design: given the dynamic nature of poverty and vulnerability, any system that bases eligibility decisions on a static snapshot will likely face serious challenges in providing support to those most in need (TRANSFORM 2017a; Barca 2017; Leite et al. 2017; Barca and Hebbar 2020; Lindert et al. 2020). While on-demand mechanisms enable dynamic inclusion, they suffer from lower uptake by beneficiaries due to lack of information, costliness and complexities of access (e.g. distance, documentation needed) and perceived stigma associated with actively requesting social assistance (Dubois and Ludwinek 2015; Barca and Hebbar 2020; Kidd and Hossain 2014). Acknowledging that neither method is perfect, in recent years countries have been complementing census surveys with on-demand approaches to maximise programme coverage, e.g. while the social registry in Colombia primarily draws on census surveys conducted every three years, the country’s 1,100 municipal offices provide registration and update facilities in the interim period (Barca and Hebbar 2020).
Table 24.1 Comparing registration approaches

<table>
<thead>
<tr>
<th>Key distinguishing features</th>
<th>On-demand/pull approaches</th>
<th>Census survey/push/administrator-driven approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiative</td>
<td>people approach the state</td>
<td>the state approaches the people</td>
</tr>
<tr>
<td>People</td>
<td>specific individuals, families or households</td>
<td>groups of people registered en mass</td>
</tr>
<tr>
<td>Timetable</td>
<td>applicant’s own timing – anyone can apply when in need</td>
<td>registration conducted every 2–8 years, depending on policy and investment choices</td>
</tr>
</tbody>
</table>

Relative advantages

<table>
<thead>
<tr>
<th></th>
<th>On-demand/pull approaches</th>
<th>Census survey/push/administrator-driven approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamic entry and easy to update</td>
<td></td>
<td>Better chance of reaching the poorest and other vulnerable groups who are less likely to proactively apply</td>
</tr>
<tr>
<td>More democratic nationally – everyone has the right to be interviewed at any time</td>
<td></td>
<td>Relatively higher chance of detecting positive changes that are less likely to be self-reported</td>
</tr>
<tr>
<td>Lower total costs</td>
<td></td>
<td>Relatively lower chances of misreporting due to household-level checks</td>
</tr>
<tr>
<td>Builds permanent administrative and logistical structures</td>
<td></td>
<td>Expensive to implement, particularly at frequent intervals</td>
</tr>
</tbody>
</table>

Relative disadvantages

<table>
<thead>
<tr>
<th></th>
<th>On-demand/pull approaches</th>
<th>Census survey/push/administrator-driven approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low uptake due to lack of information, cost of access and fear of stigma</td>
<td></td>
<td>Static data implies that the newly poor and vulnerable cannot be catered to between census sweeps</td>
</tr>
<tr>
<td>Costs can be higher if social workers must verify (via home visits) information provided</td>
<td></td>
<td>Coverage can be undermined if households are not at home during the survey</td>
</tr>
<tr>
<td>Requires large network of trained staff at local level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unlikely for people to report positive changes to household conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficult to truly implement in many low- and middle-income countries where social assistance provision is rationed based on available budgets and therefore risks creating unrealistic expectations among beneficiaries</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Barca and Hebbar (2020), building on Lindert et al. (2020) and Barca (2017).

24.3.2 Eligibility Determination

Eligibility determination is the process of applying the underlying qualifying criteria designed for each specific programme. The eligibility assessment can be done manually either by social workers or local community structures, especially for programmes with simple qualifying criteria (e.g. categorical programmes with age cut-off). Increasingly, this process is being fully automated by applying dedicated algorithms to data collected during the registration stage, especially for poverty-targeted programmes with more complex underlying criteria. For programmes with a variable benefit structure, this phase may also include determining the amount of assistance received (e.g. calculating the benefit value based on adult equivalence scales, etc.).

24.3.3 Enrolment

Enrolment is the subsequent process of formalising enrolment into a specific programme (or set of programmes if these are explicitly linked). This requires an initial notification, additional data collection (practical information such as bank account details for processing payments) and further ‘onboarding’ (e.g. provision of a programme card and explanation of
roles and responsibilities). At the end of this phase, new beneficiary records are updated in the Beneficiary Registry (Barrett and Kidd 2015; Lindert et al. 2020).

The exact way in which these processes are conducted varies widely across countries and programme type. Despite this variance, there is accumulating evidence on the importance of ensuring ease of access for anyone in need at any time (dynamic inclusion via on-demand systems), via a user-focused ‘front office’ that simplifies and integrates the experience of entering the social protection system. Approaches that emulate these principles are largely limited to certain programmes in post-Soviet and Latin American countries. Many low- and lower middle-income countries with evolving social protection systems are unable to flexibly absorb new beneficiaries due to limited budgets and limited staff capacity (Barca and Hebbar 2020). Successful pilots of ‘single window services’ and ‘one-stop shops’ in some countries are increasingly paving the way for reforms in this direction (Taieb and Schmitt 2012; Ekben 2014; Barca and Hebbar 2020; Lindert et al. 2020; ILO n.d.).

24.4 PAYMENTS AND SERVICE DELIVERY

The activities in the ‘delivery phase’ of the programme cycle depend on the underlying programme. Given the focus on social cash transfers, we focus on the topic of payments. Widely debated in the literature and not only in the field of social protection (e.g. Zimmerman et al. 2014; ISPA 2016; Klapper and Singer 2017; Baur-Yazbeck et al. 2019; Pulver 2019), government-to-person (G2P) payments aim to ‘successfully distribute the correct amount of benefits to the right people at the right time and with the right frequency, while minimising costs to both the program and the beneficiaries’ (Grosh et al. 2008, 156).

Cash transfer payments can be offered through various payment instruments (e.g. cash, voucher, e-voucher, cards and mobile money), using different payment delivery modalities (e.g. manual distribution, point-of-service device, automated teller machine and phone) and distributed at a variety of payment points (e.g. mobile units, post offices, government buildings, local shops, bank branches and mobile money agents). Each of these have distinct advantages and challenges and can be leveraged depending on a country’s legal framing, infrastructure and beneficiary profile. While many low- and middle-income countries have traditionally delivered cash ‘manually’, distributing cash in-house via armoured vehicles or leveraging traditional providers such as post offices, there has been a rapidly increasing trend towards outsourcing payments to external providers (e.g. banks, mobile money providers) adopting digital payments. The share of social transfer recipients in low- and middle-income countries receiving benefits solely in cash declined from 37 per cent to 19 per cent between 2014 and 2017, reflecting the shift towards digital mechanisms. Public-sector institutions have played an instrumental role in driving this shift, both through regulatory measures to

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2 For instance, in the case of public works, this phase would also include management of works.

3 ‘Globally, nearly a quarter of adults receive payments from the government – whether public sector wages, a public sector pension, or government transfers (social benefits such as subsidies, unemployment benefits, or payments for educational or medical expenses), according to the 2017 Global Findex Survey’ (Lindert et al. 2020, 199).

4 Pre-paid, magstripe or smart card, offering very different functionalities (TRANSFORM 2017b; ISPA 2016).

promote innovative payment mechanisms and through policies that incentivise and improve the convenience of adopting digital payments (Janis and Shah 2016). Recent trends in digital G2P payments have seen a further step, giving people greater choice over how to receive government payments: ‘Instead of the government selecting one financial service provider and opening accounts for recipients, these systems allow people to choose where they open accounts and access their payments’ (Baur-Yazbeck et al. 2019, 9). This is sometimes referred to as G2P ‘3.0’ (Lindert et al. 2020).

Digital payments offer many advantages, including an increased focus on improving access to financial services and the potential for significantly lower transaction costs, time spent and fraud. While there are many advantages to digital payments, they do risk creating further barriers for those who are already at the margins of society – for example those who are illiterate and/or digitally illiterate (ISPA 2016; TRANSFORM 2017b; Lindert et al. 2020). In many cases, the evidence is also showing that whether these advantages materialise depends on the ‘deal’ made (terms of reference, contract, etc.) with the private-sector payment provider: for example, negotiating down transaction costs, ensuring there are no hidden fees and clauses and enacting service delivery standards that support client access including in remote locations. The initial transition towards digital payments can be particularly demanding in low- and lower middle-income countries where the enabling environment – in terms of institutional arrangements, finance and banking regulatory network, payment provider network, mobile and broadband infrastructure, unique identification and interoperable payment systems – is less developed (Klapper and Singer 2017; Rodriguez et al. 2019). For instance, a social transfer programme in Kenya was unable to make mobile money payments between 2010 and 2012 due to network connectivity issues, despite the country being a frontrunner in mobile money adoption. Even in contexts where digitisation of social transfer payments is ubiquitous risks can continue to persist; for instance, 19 per cent of the cash withdrawals using a new biometrically enabled technology fail in India due to biometric failures (Balasubramanian et al. 2018).

Future reforms will need to pay attention to leveraging technology in the best interest of the people that social transfers serve: ensuring accessibility (e.g. low cost of access, appropriateness to different user needs determined by factors such as age, levels of functional and digital literacy and access to digital technology, ensuring respect for user rights and dignity); robustness (e.g. high-speed and seamless transactions, protection from fraud and corruption, management of fiduciary risk and reconciliation, etc.) and integration (e.g. financial inclusion without overstepping user choice, integration across different programmes’ payment system, etc.) (Barca et al. 2013; ISPA 2016).

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6 There have been cases of private-sector providers overstepping their mandate and locking beneficiaries into ‘contracts’ they were not fully aware they had signed up to (e.g. in South Africa). In other cases, ‘clawback clauses’ enabled commercial banks to use social transfers to pay back clients’ past debt, rather than reaching the beneficiary.

7 E.g. minimising public ‘shaming’.
24.5 CASE MANAGEMENT

Defined differently by different actors and within different sectors8 (e.g. including within the literature on social assistance versus social services), case management can be broadly referred to as the process of managing individual beneficiaries and/or households/families (i.e. cases) for the purpose of fully addressing their multidimensional needs via a tailored approach.

Each beneficiary accessing a social transfer programme comes with a particular history and set of needs, which are not necessarily all addressed through standard programme operations – or social transfers alone. In fact, social transfers are only one component of a holistic response to social welfare needs. Moreover, ‘a common problem with existing programmes is the disconnect that beneficiaries can feel following initial registration and enrolment and the lack of ongoing programme engagement and support – which can ultimately negatively affect its impacts’ (TRANSFORM 2017b, 24). Case management can help to address these issues (see Chapters 5, 12, 14) by providing a human ‘touchpoint’ (a social worker) that fully understands individual ‘cases’ and can assess and address complex needs over time, both (a) within a given programme (e.g. providing tailored guidance/information/support while addressing case-specific issues such as updating relevant information, monitoring conditionality, etc.), and (b) outside the programme, linking beneficiaries to a wider set of complementary services/programmes available (through some form of a ‘Linkage and Referral System’) (Roelen et al. 2012, 2017; TRANSFORM 2017b; Lindert et al. 2020).

While case management in low- and middle-income countries is most often limited to within-programme engagement, countries are increasingly pursuing ‘cash plus’ initiatives as the limitations of cash provision alone in achieving long-term human development are becoming evident (Roelen et al. 2017; Chapter 14). For instance, Chile’s poverty-targeted social transfer, Chile Solidario, supplemented cash transfers with psycho-social support in the form of sequential home visits by social workers; the social workers played an instrumental role in linking programme beneficiaries with other relevant interventions. In another example, beneficiaries of the Livelihoods Empowerment Against Poverty programme are linked to the National Health Insurance Scheme in Ghana (Roelens et al. 2017). Several other countries are currently piloting models where linkages and referral systems are embedded into case management systems of existing social transfers (for e.g. Zambia, Malawi and Ethiopia). While setting up well-functioning case management systems is crucial for strengthening the delivery of social transfers, the role of adequate financing and a strong social welfare workforce in driving this agenda cannot be overstated.

24.6 COMPLAINTS AND APPEALS – AND BROADER ACCOUNTABILITY

A strong system for channelling and addressing complaints and appeals (grievances) is crucial to provide a predictable, trusted and credible process to all parties, resulting in outcomes that are seen as fair, effective and lasting (TRANSFORM 2017b). For complaint and appeal mech-

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8 To avoid confusion, the recent World Bank Sourcebook on Social Protection Delivery System has opted for the term ‘beneficiary monitoring and management’ instead, although this is limited to managing the programmes’ internal operations rather than linking beneficiaries to other relevant programmes.
organisms to be effective, ILO Recommendation 202 specifies that they should be ‘impartial, transparent, effective, simple, rapid, accessible’ and ‘free of charge for applicants’ – while the broader literature on the topic stresses a wider variety of principles (e.g. proportionality, confidentiality) that should govern grievance processes (Giannozzi and Khan 2011; Ringold et al. 2012; Bassett et al. 2012; Ayliffe et al. 2018; Lindert et al. 2020).

In most low- and middle-income countries complaints and appeals mechanisms are still underdeveloped or underused, due to both demand-side factors (e.g. recipients not feeling entitled to complain, not having the right information, fearing repercussions and mistrust in outcomes, among other reasons) and supply-side factors (e.g. agencies’ resistance to criticism, lack of standardised processes and adequate staffing, etc.) (Barca and Notosusanto 2012; Pfeil et al. 2016; Ayliffe et al. 2018).

This sometimes results in a myriad of fragmented ‘box-ticking exercises’ that work within different programmes (each with its own ‘channel’ – a social worker, complaints box, hotline or community grievance committee) without systematically addressing key issues across programmes. This superficial approach fails to acknowledge the fact that different issues require very different processes for grievance collection and resolution: for instance, complaints on payments may be resolved by the payment service provider or may need escalating to programme administrators, compared to complaints regarding the need for support during non-enrolment periods which are beyond the remit of programme administrators. Further, the individual mechanisms are often insufficient in the absence of broader accountability mechanisms that can galvanise the collective action necessary to catalyse structural change (e.g. mechanisms such as social audits or citizen report cards, a functioning court system, ombudsman, etc.) (Barca and Notosusanto 2012; Ayliffe et al. 2018).

While the significance of a strong complaints and appeals mechanism in relaying citizen feedback – and ensuring their ‘voice’ is channelled back into the policy-making process – cannot be disputed, it is important to emphasise that it is one among the subset of tools to ensure accountability for social protection (TRANSFORM 2017b). In mature social protection systems, there is an increasing awareness of the need to broaden the toolbox (e.g. to include social audits, community implementation committees) so that citizens can be ‘active agents in the making and shaping of policies’, truly ‘participating in the design, implementation and revision of programmes’ rather than as passive consumers of top-down technocratic programmes (Sabates-Wheeler et al. 2020).

24.7 MONITORING AND EVALUATION

Supporting all the core administrative functions discussed above, a programme (and ideally sectoral) M&E system is critical to safeguarding compliance with existing policy and/or legislation, guaranteeing transparency and accountability, as well as building a basis for the continuous improvement of social assistance programmes and systems (via improved planning and budgeting on one side and implementation on the other) (Attah et al. 2015; TRANSFORM 2017b). It is also a function embedded in ILO’s Recommendation 202, which calls countries

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9 ‘For citizens to act they need to be informed, mobilised and enabled to interact with providers; and for providers to respond they need the incentives, information, authorities and capacities to do so’ (Ayliffe et al. 2018).
to regularly ‘collect, compile, analyse and publish an appropriate range of data statistics and indicators’.

The literature on the core indicators that should be used to measure progress against sectoral targets and Sustainable Development Goals is abundant (see Chapter 33). However, studies consistently demonstrate that countries do not adequately measure and monitor impacts, outcomes and underlying implementation processes (e.g. Grosh et al. 2008; ILO 2013, 2014; Bierbaum et al. 2016; European Commission 2017; OECD 2019). In part, this is attributed to challenging data limitations in many low- and middle-income countries – especially where digital information systems have not been developed or have not been adequately designed to perform these functions (Attah et al. 2015; Barca 2017).

Of course, recent years have seen a large wave of rigorous evaluations of cash transfer programmes10 (i.e. adopting experimental or quasi-experimental methods triangulated with qualitative research) as well as an increased use of ex ante modelling of potential impacts and tax-benefit scenarios via micro-simulations (Davis et al. 2016; Bastagli et al. 2016; OECD 2019) (see Part VII). While this has been a very welcome shift, in most countries it has not yet been accompanied by the development of an institutionalised ‘M&E system’: one that is widely used by all key stakeholders to inform day-to-day activities and long-term planning, and consistently measures against targets, standards and indicators that have been jointly agreed and prioritised, via a set of high-quality and triangulated national data sources and well-defined institutional arrangements (Attah et al. 2015; TRANSFORM 2017c).

24.8 CONCLUSIONS

The administrative functions discussed in this chapter are integral to the timely, effective, efficient and inclusive delivery of social transfers. The approach to setting up these functions can vary widely across countries depending on the legal foundations for social protection, institutional and organisational capacity, incentives and resources.

While countries with mature systems place emphasis on all functions underlying the delivery chain, the lack of administrative capacity and resources, in particular, continue to be key bottlenecks in building robust systems – especially in terms of on-demand registration, case management, complaints and appeals and M&E – in many countries.11 As national social protection systems evolve, it is crucial to emphasise these aspects so as to ensure that they are fully responsive to the needs of the poor, vulnerable and marginalised.

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10 This is partly due to the inherent ease with which these can be designed to support experimental design.

11 For instance, only 27 per cent and 10 per cent of social transfer recipients in Sub-Saharan Africa and South Asia had access to a social worker in 2015, respectively (Barca and Hebbar 2020).
REFERENCES


25. Delivering social insurance

Dominique La Salle

25.1 INTRODUCTION

This chapter focuses on practical aspects in the delivery of social insurance programmes (see Chapter 3). Policy development and programme delivery are two sides of the same coin and are interdependent. Unfortunately, more often than not, the two are treated in the same way that they are conducted in the institutions: as two solitudes. Successful delivery is the result of a sustained collaborative effort. To help align those efforts amongst all stakeholders, this chapter looks at six core business processes, found in one form or another in all social insurance. It is useful to examine social protection through the lens of these common business processes as it can help to simplify the management of the programmes, reduce the burden on the insured, generate savings in their administration and reduce risk. Importantly, it provides a sound basis for the development of software applications and technological tools that can be shared between programmes. For example, maternity benefits (ISSA 2019b), unemployment and pensions are completely different programmes (Ruggia-Frick 2016), yet they all involve the payment of a benefit. Focusing on the payment function as a common business process allows for the development of a single, common payment platform for all those programmes with consequent enhanced integrity, reduced costs and improved quality of service. An examination of the operations of a programme along these six processes will help to identify differences between programmes so that they can be minimized. Differences that would impede the development of a common platform should be investigated further, as they are unlikely to have a strong policy or operational rationale.

However, great delivery today does not guarantee great delivery in the future. We will look at some of the common challenges that impact the delivery of social insurance programmes. The chapter concludes with the importance of strengthening the social protection machinery (people, technology, infrastructure and governance) so that it can fully discharge its role as a strategic component of the crisis management toolkit that should be available in every nation, around the clock. Necessity is the mother of invention and the COVID-19 crisis has demonstrated that a quantum leap is possible in the delivery of social insurance: new programmes were designed in days rather than months or years. This teaches us important lessons on how to work together on a common objective.
25.2 BUSINESS PROCESSES IN SOCIAL INSURANCE DELIVERY

25.2.1 Core Business Processes

The six core business processes are described in the following.

Enrolment
This initial step is to provide or validate basic information such as mailing address, phone, e-mail, bank account, etc. and, in return, the institution assigns a unique file number. The provision of the basic information, often requiring supporting documentation, can be tedious and its treatment constitutes a heavy workload on the institution. As a result, efforts are made to streamline registration by pre-populating the information to the greatest extent possible, using available data from various data repositories. The same repositories can be used to validate the information provided by the insured by data matching against various databases. This requires the legal authority to use the data collected for a specific programme to be used for a different purpose, in line with the universal principle to use the information only for the purpose for which it was collected. Using information for additional purposes allows for the ‘tell-us-once’ approach, where changes made in a programme become automatically available for another, for example a change of address or phone number. This requires a strong identity management framework and cyber-security systems subject to appropriate, independent oversight.1

It should be noted that in some cases, such as unemployment insurance, the employer performs the enrolment at the time of recruitment.

Contribution collection
Some countries have a common collection system for all social protection (ISSA 2016c; ACOSS2 in France), some set up separate collecting agencies by schemes, others mandate the tax agency to collect the contribution (Canada Revenue Agency3). The latter approach has the advantage of building on the expertise and methods of tax collectors, particularly in the area of enforcement and detection of contribution evasion and fraud. Aside from the purely accounting and financial transactions involved, the contribution history has to be permanently recorded in the contributor’s file as it constitutes proof of coverage and is necessary to establish the amount of entitlement accrued, for example pension benefits.

The collection of the contribution from employer and employee relies heavily on the employer to provide the administrative support such as performing various reporting requirements, file keeping, accounting reconciliation and remittance of funds to the institution. In the case of the self-employed, the administrative burden of reporting and remitting rests exclusively with the individual. The self-employed must perform similar administrative tasks without the benefit of an employer’s back-office support. The challenge is to develop user-friendly solutions to simplify administrative processes to the greatest extent possible and to remove bureaucratic obstacles to the payment of contributions.

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Management of benefits
This involves making a claim for a benefit, the verification of the eligibility to the benefit and the calculation/adjudication of the entitlement. There is considerable room to simplify the verification of eligibility. For example, in the case of a residence-based programme, the ‘proof of residence’ can be difficult to produce for some. A good proxy for time spent in the country is a record of employment: it is reasonable to assume that being gainfully employed in a country is equivalent to residing in the country. Tax data can be used as an alternative benchmark to establish years of residence. This can be replaced by using proof of employment, which is itself demonstrated by the regular payment of taxes. In this specific case, all that would be required is an exchange of information between the tax agency and the institution, with the assumption that one has to be resident to be gainfully employed.

Obviously, a claim should lead to the same result no matter where, to whom and how it is submitted. This is referred to as ‘repeatable business processes’. In large, decentralized institutions, a common challenge is to reduce to a minimum the variation in the interpretation of the rules, which can emerge depending on the channels used to submit the claim (e-mail, phone, online, in-person, regular mail), the geographical location or the individual actually performing the adjudication. In other words, the same application, submitted through various channels, can yield different entitlements/outcomes. Preventing this requires adequate training, quality control and, perhaps most importantly, by building the business rules governing the adjudication and calculation into the system software itself. This is easily done when the adjudication criteria are quantitative. It is however much more difficult when the adjudication of the claim involves non-quantitative elements such as in the case in disability benefits which requires the assessment of the claimant’s medical condition and ability to work, which does not generally lend itself to automation. It is widely anticipated that artificial intelligence will eventually be central in this type of assessment, with the potential for accelerated treatment of claims and reductions in appeals. Until then, these more complex adjudications are best performed by a group of specialized adjudicators, to ensure that the decisions taken meet the programmes’ parameters, are consistent and do not create precedents.

Payment of benefits
The payment of benefits to the individual is subject to strong internal control, audit trails and secure channels with financial institutions. The addition of new schemes in the social protection portfolio typically generates the addition of new ‘payment engines’, i.e. the part of the system that generates the payment and sends the order to the financial institution. A whole-of-government, common payment engine/platform, is highly desirable as it allows for more effective control of error and fraud and can greatly simplify access to benefits when coupled with direct deposits or transfers to a mobile device. A single-payment platform allows the quick deployment and maintenance of state-of-the-art cyber security.

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4 Proxy: an acceptable substitute.
Managing appeals, complaints and redress
Any business process is subject to errors. It is therefore fundamental to provide a reasonable opportunity to seek redress. It is usually subject to an escalation process: at its most basic, the administrative unit in charge of the adjudication reviews the file for clerical mistakes. An escalation could be a review of the case by an internal appeal board; finally, the ultimate step could be through an independent administrative tribunal. The appeal process can yield useful information to identify systemic operational weaknesses such as incorrect interpretations of the rules, lack of training, inadequate communication material (ISSA 2016b), etc. or point to policy deficiencies requiring attention. For example, a high incidence of appeals on a particular type of decision may point to some deficiencies requiring attention.

Monitoring and evaluation
Through this process, the performance and satisfaction with the services provided are evaluated and assessed to ensure the programmes are reaching the intended policy outcomes. As is always the case, the indicators selected must be easy to gather and sufficiently meaningful to be useful. Some indicators relate to the control of internal business processes, such as the number of claims received, processed and rejected, the number of appeals submitted and rejected, etc.; others will monitor the client’s experience such as waiting time, ease of submitting a claim, accessibility to services, etc. An analysis of administrative data should be regularly performed to identify areas for continuous improvement.

25.2.2 Categorization along Length of Benefits

Some programmes respond to punctual, short-term events such as unemployment benefits; others generate a life-long stream of payments such as retirement pensions or disability benefits; and some others provide both short- and long-term benefits. Programmes can therefore be grouped as follows:

- Short-term benefits providing an income replacement for a limited time period during which the insured person is not able to work due to sickness, maternity and unemployment.
- Long-term benefits payable for life or for a considerable number of years, such as old-age pension, work injury, disability benefits and survivors’ pensions.
- Hybrid benefits such as health insurance. The benefits may consist of short- and long-term entitlements covering beneficiaries.

Naturally, this has an impact on the risk profile of the activity. For short-term benefits, it makes sense to ‘front-load’ the compliance activities. In the case of long-term benefits, this has to be complemented with ongoing compliance activities. For instance, the cost associated with the use of fraudulent identity can be very high in the case of life-long pensions relative to a time-limited unemployment benefit. This has to be balanced with the probability of the fraud being perpetrated. In reviewing the business processes, it will be important to ensure that risks are adequately mitigated and not lost as part of the development of a common process.

Table 25.1 maps the business processes against the type of programme implementation.

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<table>
<thead>
<tr>
<th>Business processes</th>
<th>Long-term benefits</th>
<th>Hybrid benefits</th>
<th>Short-term benefits</th>
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<tbody>
<tr>
<td></td>
<td>Pensions</td>
<td>Disability</td>
<td>Family</td>
</tr>
<tr>
<td>Enrolment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution</td>
<td>Common implementation in all schemes</td>
<td>Common implementation in all schemes</td>
<td>Common implementation in all schemes, sometimes automatic activation based on life events known by the institution</td>
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<tr>
<td>Collection</td>
<td></td>
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<tr>
<td>Application</td>
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<td></td>
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<tr>
<td>Eligibility controls</td>
<td>Worked periods</td>
<td>Medical certificate</td>
<td>Child birth</td>
</tr>
<tr>
<td></td>
<td>Family status</td>
<td>Conditionalities: schooling, vaccination</td>
<td>Proof of expenses if based on reimbursement</td>
</tr>
<tr>
<td>Calculation of benefits</td>
<td>Based on working history and salary</td>
<td>Base benefit amount</td>
<td>Family status</td>
</tr>
<tr>
<td>Payment</td>
<td>Common implementation in all schemes</td>
<td>Common implementation in all schemes</td>
<td>Common implementation in all schemes</td>
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<tr>
<td>Appeals and</td>
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<tr>
<td>complaints</td>
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<td>Process and</td>
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<td></td>
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<tr>
<td>programme evaluation</td>
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</tbody>
</table>

Source: ISSA (2019).
25.2.3 Categorization of Processes by Stakeholders

The stakeholders involved in the delivery of social insurance can be categorized as the insured, the employer, the social security institution, other governmental departments/agencies and the external stakeholders. The latter category is very broad and may include financial institutions, service delivery agents, non-governmental organizations (NGOs), other levels of government, mutuals, etc. For example, the service delivery chain is likely very different in a unitary state and a federation (see Chapter 28). In the former, it is conceivable that the delivery of services at the local level is performed in the institution’s own local office network (deconcentrated); for the latter, national programmes are often delivered by a regional or municipal government (devolved). In some other cases the delivery of the benefits or services is done through NGOs or private-sector organizations.

25.3 ENSURING QUALITY

For most, social insurance is the face of government. As a result, its performance has a broader impact on trust in public institutions. It also brings increased scrutiny and, in the era of social media, even small slip-ups can become major headaches. While the increased scrutiny is welcome, there is a risk that institutions become overly conservative in their approaches and be leery of innovation. There is no better remedy to this other than good governance (ISSA 2013) and a relentless commitment to service quality. Concretely, the contributors must be aware of the value of enrolling and contributing into the scheme. It is important that the benefits provided not only be commensurate to the contribution paid but that the institution manages the contributors’ resources with probity, is responsive to the needs of the insured, demonstrates empathy and keeps up to date with modern business standards.

The principles of service quality remain the same irrespective of the programme delivered. It starts by gaining a good understanding of the needs of the stakeholders through an objective analysis of what may sometimes be contradictory needs and expectations. This collaborative approach allows for the early identification of constraints, interdependencies, priorities and capacities, and is essential for the emergence of shared objectives and to bring clarity in the roles and responsibilities. The result is convergence of all efforts in the delivery of the programme.

There are a wide range of benefits from relatively simple cash transfers to complex multi-agency in-person services. In the latter case, the delivery requires some degree of coordination: the needs of the individual are assessed and the services are organized taking into account the specific circumstances of the insured. For example, a disability insurance claim can lead to rehabilitation, adaptation of the workplace/residence, retraining, involvement of employment services, home care visits, etc. By placing the insured at the centre of the interventions, all stakeholders can coordinate amongst themselves, establish priority interventions and how and when to intervene. The providers should coordinate their approach from the beneficiary point of view rather than looking at their intervention from just the institutional perspective.

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Setting and meeting expectations and delivering service quality is best achieved through differentiated responses based on the needs of the clients. The differentiated approach targets people with complex needs and tailors additional service interventions to them while making processes simpler for those whose needs can be serviced through standard service offerings. This approach mitigates the inefficiency and opportunity costs of the one-size-fits-all approach, which puts people through a standardized set of business processes irrespective of their individual circumstances.

### 25.3.1 Developing a Service Delivery Plan

The service delivery plan of the institution should take into account the structure (national, regional and local levels), and roles and responsibilities based on subsidiarity principles, i.e. assumed by the entity that is the closest to the insured. This plan usually involves other organizations/institutions (e.g. local administration, community-based schemes, etc.) to reduce costs, avoid overlaps and enhance synergies. In this respect, a major trend is the emergence of shared operational platforms to perform common processes supported by multi-channel delivery options.\(^9\) In areas with a high density of population, it is convenient to set up integrated multi-agency in-person services in locations that are easily accessible to the target groups, such as malls or offices in proximity to the places where the targeted people live or work. In sparsely populated areas with limited infrastructure, the use of mobile offices or the development of enhanced telephone and video service delivery, including online free-of-charge chat services, can provide a reliable and cost-effective method to serve people who might otherwise have to travel a long distance to reach a field office.

Services that are related can be bundled together, for example, around important life events such as maternity, retirement or death. In these life transitions, a series of related actions are required and the ‘bundling’ facilitates their access.

### 25.4 KEY CHALLENGES

The challenges associated with the provision of social insurance relate to awareness, myopia, accessibility and enforcement. This section does not go into managerial weaknesses or lack of capacity within the institution.

#### 25.4.1 Lack of Awareness

Social insurance programmes are notable for their complexity. This complexity is often the result of amendments and modifications made over time which add layers of rules that only experienced staff can understand. The language used to explain programmes is often arcane, legalistic and off limits to the general population. A major effort must be pursued to educate the public on the virtues of risk pooling and solidarity to mitigate risks that are too large for an individual to manage. To reach its objectives, this effort must be adapted to the target audience through segmentation, taking into account the characteristics of the audience, be it in the

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language used or method of communicating. For example, reaching a younger, media-savvy audience is not the same as reaching out to an older population who may not have access to the internet.

25.4.2 Myopia

It is a common human trait to ‘want it all and want it now’. How can young people be convinced that it is important to save for old age? The answer is simple: it’s nearly impossible. An exclusively voluntary approach to retirement saving is bound to fail. Fortunately, interesting work in the area of behavioural economics has shown that another human characteristic can come to the rescue: inertia.\textsuperscript{10} By switching the default provision of voluntary programmes from being ‘out’ and having to submit an application, to being ‘in’ without having to do anything, has been demonstrated to result in major increases in enrolment.

The main flaw of the voluntary approach is that it reduces the scope of risk pooling due to self-selection, those who stand to gain would have an incentive to contribute. In circumstances such as those, the practical solution is to establish mandatory participation in the public schemes.\textsuperscript{11}

25.4.3 Value-for-Money: Unattractive Benefit Package for the Insured

The benefit must provide an adequate protection to the risk it covers and maintain its value over time through indexation and at a reasonable cost.

The system must remain sustainable, otherwise, sooner or later, there could be an abrupt realignment of contribution rates and levels of benefit. Unfortunately, the tendency in many countries is to postpone the implementation of required changes. In the case of demographic changes, it is only postponing the inevitable, but more painful reckoning. That is why, whenever possible, it is best for benefits and contribution rates to be governed by independent and transparent automatic adjustment mechanisms\textsuperscript{12} to keep the system in balance. Other approaches include an automatic increase in the age of eligibility based of the cohort’s life expectancy. The automatic adjustment mechanism itself should be protected from transitory political whims in the same way the Constitution of a country is, that is, the threshold to make a change must be much higher than a simple majority vote. Canada has a very strong governance regime for the Canada Pension Plan (CPP): it is the same as for amending its Constitution: two thirds of provinces, totalling no less than two thirds of the population must ratify the measures for them to be adopted. This more rigid governance regime comes with an important caveat: design mistakes are more difficult to correct.

\textsuperscript{10} Yes, good old laziness!


\textsuperscript{12} Canada’s Pension Plan has a rigorous adjustment mechanism that forces ministers of finance to solve any imbalance in the long-term sustainability of the plan by giving them a set period of time after which, by law, an automatic adjustment is made, sharing the burden between contributors (increased contribution rate) and pensioners (pause in the indexation). Sweden adjusts automatically the age of eligibility to take into account increases in life expectancy.
25.4.4 Digital Platform Workers

Programmes are designed for a world made up of employees and of self-employed. The advent of the digital platform blurs the distinction between the two: the platform worker needs the platform to find work but the work is performed for a third party, not for the platform. In the absence of clear definitions this allows the platform to claim that it is not the employer and therefore does not have to pay the employer contribution leaving the platform worker to pay the entire contribution. Countries are actively looking at filling this regulatory gap that has broad consequences with regard to many other Labour Code protections such as minimum wage and safety and security provisions.

Bringing clarity to the definition of employer and employee is critical to the maintenance of coverage and the financial sustainability of systems. Yet, the collection and remittance of contributions on a series of tasks is not easy as such frequent changes result in a cascade of challenges in registration, record keeping, collection of contributions and totalization, which is an important eligibility criteria for a number of programmes.

For social security administrations, the latter is important as failure to properly totalized years of service may result in ineligibility for certain programmes such as social pensions.

25.4.5 Accessibility

Many potential participants are not reachable through the usual means available to the institution (ISSA 2016a). For example the street vendor, the migrant, etc. (see Chapter 22). A mix of approaches can be used, from mobile registration to outreach activities with local governments and NGOs. The rapid adoption of mobile technology has facilitated access to registration, collection of contributions and payments.

However, technology alone is not the answer: there will always remain pockets of people who need active support to enroll into a programme. This may be because of a low level of literacy, not being aware of the existence of the scheme itself or the inability to complete the formalities required, lack of access to digital networks and technology, foreign languages or lack of access to formal banking.

Unfortunately, the individuals who are not reachable through traditional means are often the same that do not ‘exist’ in the database: they are essentially invisible to the institution. Reaching these people is best achieved through local organizations that provide frontline services such as meals on wheels, hostels, migrant associations, etc.

Interestingly, the unprecedented COVID-19 pandemic and the stringent constraints it imposed provides much to reflect on here: faced with the necessity to use digital tools due to the temporary closure of in-person services, online tools were overwhelmingly used by people who would normally would have insisted on face-to-face, in-person services.13

25.4.6 Affordability

For the working poor, the payment of social insurance contributions constitutes, in and of itself, a barrier to the acquisition of adequate protection. Special provisions are required to

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lower this barrier. This can be done through an exemption or reduction of contributions below a certain level of income.

Another barrier to affordability is the fluctuating contributory capacity, for example, seasonal workers on farms and fisheries, temporary foreign workers, etc. Solutions include adjusting the contribution levels and the corresponding benefit structures to accommodate the contributory capacity of workers with fluctuating income flows such as seasonal workers.

25.4.7 Evasion and Fraud

In countries where large sectors of the economy are informal and where wages in the formal sectors are low, employers and employees can collude to avoid paying their respective shares of social insurance. In an environment dominated by the informal economy, it is easy to attract labour who will forego the benefits of coverage in exchange for ‘off-the-record’ employment.

It is important that the compliance activities prevent, detect and serve as a strong deterrent to evasion and fraud. To that effect, information-sharing agreements between the tax agency, employment services, business registry and institutions are commonplace.

The International Social Security Association advocates for the establishment of a risk-based approach for monitoring compliance and controlling fraud in its Guidelines on Error, Evasion and Fraud. Where compliance gaps are identified, social security institutions must take firm action to ensure that eligible people and their employers contribute to the system and it is useful to let it be known that delinquents are exposed to penalties.

A word of caution: where the ‘infraction’ is involuntary it is important to provide sufficiently flexible reimbursement to not inflict hardship on the vulnerable, for example, a senior citizen on fixed income. Such flexibility usually consists of limiting the reimbursement of overpayment to 5–10 per cent of the monthly benefits such that the overpayment is refunded over a longer period of time, and the suspension of interest payments and the waiving of penalties. In the case of undercontribution, the money owed to the schemes should be collected over a period of time so that the payment does not exceed 5–10 per cent of the monthly benefit. Fraud committed with intent should be pursued without such leniency.

25.5 CONCLUSION

There is much to be gained by reviewing those requirements with a view of standardizing the common areas. In addition to savings and cost avoidance in the future, it can improve the overall service experience. Even more importantly, it strengthens the social protection machinery’s capacity to continue delivering in times of crisis. At the institutional level it requires the exercise of leadership to bridge institutional silos commonly encountered between policy and operations and bring cohesion across all functional areas of the institution in working collaboratively toward achieving the mission.

At government level it requires strong central leadership to bring various institutions to work collaboratively together. The COVID-19 crisis has shown us what we can achieve when fighting with common resolve.

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14 See ISSA 2019a.
15 The silos extend across other functional areas: human resources, information technology, legal, etc.
REFERENCES

26. Integrated information management

Richard Chirchir

26.1 INTRODUCTION

As part of their design and delivery, all social protection programmes need information to either efficiently run their operations or make informed policy decisions. The standard practice is to design an information management system whose main purpose is to translate the data into information and support various social protection scheme processes. The information system (typically referred to as a management information system (MIS) by many social protection actors) is one of the many systems of a larger social protection system. Other building blocks of a social protection system include the institutional arrangements, human resource capacity, training strategy, public communication strategy, financial management and monitoring and evaluation.

Whereas information systems for social protection programmes have been predominantly paper-based, there has been a shift towards digitisation, even in developing countries. Digitisation is underpinned by the need to help reduce errors and simplify and speed up processes, while better transforming data into information among other things (Chirchir and Barca 2020). Although digitisation is advantageous to each individual social protection programme, greater economies of scale can be realised when selected information functions along the social protection delivery chain and other government systems are linked or integrated. It can also generate a better understanding of the demand for social protection and lead to better coordination and monitoring of the supply of programmes to address those needs across sectors.

Table 26.1 summarises the benefits that can be realised when a digital and integrated information system for social protection is established. Essentially, a digital and integrated information system can promote inclusivity within a social protection system by providing timely information to respond to shocks and stressors; ensure efficiency and effectiveness of the social protection system by reducing the burden on applicants and staff; support integrity and accuracy of the operational processes by providing mechanisms for verifying data; and provide mechanisms for accountability and citizen empowerment by providing reports, feedback and knowledge.

The design of an digital and integrated information system for social protection often entails weaving together three key components: (1) setting up a functional programme MIS for social protection programmes; (2) creating integrated information frameworks for multiple social protection functions within the delivery chain; and (3) expanding the linkages to broader government registries and information systems.

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1 From an information technology perspective MIS is one of many types of information systems.
2 This chapter significantly builds on the paper by Chirchir and Barca (2020).
Table 26.1  Benefits of a digital and integrated information system for social protection

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusion</td>
<td>- Responsiveness to shocks and support to the resilience agenda</td>
</tr>
<tr>
<td></td>
<td>- Coordination and linkages between and among social protection schemes</td>
</tr>
<tr>
<td></td>
<td>- Equity: supporting investment – based on objective, comprehensive and comparable information groups and administrative areas</td>
</tr>
<tr>
<td>Efficiency and effectiveness</td>
<td>- Reduced burden on people, e.g. identification verification and number of supporting documents</td>
</tr>
<tr>
<td></td>
<td>- Reduced burden on staff and government systems, e.g. automation of payrolls, pre-loading of captured information from other government databases</td>
</tr>
<tr>
<td></td>
<td>- Evidence-informed decision making and management</td>
</tr>
<tr>
<td></td>
<td>- Reduced duplication in processes, e.g. registering needy persons multiple times</td>
</tr>
<tr>
<td>Accuracy and integrity</td>
<td>- Management of error and fraud: supporting improved processes for identification, verification, validation, processing and analysis to better manage and prevent error and fraud</td>
</tr>
<tr>
<td>Accountability and citizen empowerment</td>
<td>- Transparency to beneficiaries, civil society, the government and funders</td>
</tr>
<tr>
<td></td>
<td>- Oversight, reporting and planning</td>
</tr>
<tr>
<td></td>
<td>- Feedback, grievances and appeals</td>
</tr>
<tr>
<td></td>
<td>- Knowledge: improving understanding of poverty and vulnerability</td>
</tr>
<tr>
<td></td>
<td>- Digital innovations: supporting broader e-government agenda</td>
</tr>
</tbody>
</table>

Source: Adapted from Chirchir and Barca (2020).

The chapter provides a definition of various integrated information management system (IIMS) elements and enumerates their functions. It also explains potential sector registries and information systems that the social protection sector can link to and the steps followed when building IIMS and associated challenges.

26.2  DEFINITIONS AND ELEMENTS OF AN INTEGRATED INFORMATION SYSTEM

In order to understand how ‘integrated’ information systems work, it is important to take one step back and understand how these systems work at programme level.

An MIS\(^3\) is a system that supports the effective delivery of social protection programmes by ensuring the high-quality delivery of the key operational processes within the social protection delivery chain. Irrespective of the type of social protection programme, the social protection delivery chain typically consists of the following seven processes and functions (Chirchir and Kidd 2011; Chirchir and Farooq 2016; Barca 2017; Lindert et al. 2020):

1. **Outreach and registration**: Outreach and subsequent registration of beneficiaries.
2. **Assessment of needs and conditions**: Assessment of data from registered applicants to determine the need, i.e. poverty or vulnerability.
3. **Eligibility assessment and enrolment**: Eligibility determination based on programme-specific programme criteria and enrolment with the payment service provider.

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\(^3\) In the broader ICT discipline, MIS is just one type of information system that facilitates the input, processing and output of information for managers in an organisation. Other types of information systems include transaction processing systems, decision support systems and executive information systems.
4. **Payments and service delivery**: Production of lists of those who should receive payments and the level of payment to be given. It also entails reconciliation to determine whether those on the payroll received their entitlements.

5. **Complaints and appeals**: Management of grievance mechanism, i.e. registration, escalation, resolution of complaints and feedback.

6. **Beneficiary management**: Management of beneficiaries based on programme rules, e.g. compliance, updates, referrals.

7. **Monitoring and data analytics**: Analysis of data based on defined monitoring and evaluation framework and provision of reports to be used for management and monitoring and feedback/communication to beneficiaries.

*Figure 26.1 Typical administrative processes and systems of a social protection scheme*
As illustrated in Figure 26.1, at an ‘integrated level’, an IIMS for social protection is a system that manages the flow of information between different integrated information management functions within and across social protection programmes. Whereas an MIS supports the social protection programme operational functions within the delivery chain, an IIMS links multiple social protection programme functions to each other to ensure better coordination, links between beneficiaries and the provision of additional complementary services, as well as the planning and monitoring of social protection interventions.

IIMS goes beyond the technical requirements and infrastructure but also requires brainware and a conducive institutional setup. Whereas a lot of attention has been paid to the infrastructure, database/registry and software in the past, less effort has been made on the importance of brainware and institutional setting on the design and implementation of MIS or IIMS.

An IIMS for social protection primarily consists of the following components (Chirchir and Barca 2020; Chirchir and Kidd 2011):

- **Registry/database**: Registries and databases are broadly interchangeable terms indicating a data repository and a system to organise, store and retrieve large amounts of data easily. Examples include Microsoft’s Structured Query Language Server and Oracle, and open source ones such as MySQL and PostgreSQL. In the social protection sector, the term ‘registry’ is primarily used when referring to IIMS while ‘database’ is used when referring to programme MIS.

- **Integrated software**: In addition to MIS software for each programme, there is often a need for software for the integration between one or multiple integrated information management elements or that provides an enabling environment for such systematic linkages. Because the integrated software underpinning an IIMS could be linked to multiple other MIS, it must support interoperability, meaning the capability of one software to exchange information seamlessly with another. As an MIS is linked to a database such as a cash transfer programme database, an IIMS could be linked to a registry or registries such as a civil registry to support its desired functionality. However, IIMS integrated software should only be linked to registries if the IIMS needs to store data. IIMS integrated software often incorporates advanced software such as web services and software intermediaries such as application programming interfaces.

- **Advanced hardware**: An IIMS requires advanced hardware infrastructure to support its complex interprogramme operations. Such standard hardware includes servers, firewalls, advanced switches and security systems.

- **Advanced transmission systems**: An IIMS requires advanced network infrastructure such as LANs, WANs, reliable internet connection and a virtual private network for optimal connectivity to ensure reliable access to information between and among social protection programmes.

- **Brainware**: Besides operational, administration and management staff, IIMS requires additional competencies on research and promotion. In fact, IIMS creates a massive resource requirement that requires additional skills to analyse and inform social protection policies. Data-sharing protocols must also be put in place to ensure data privacy and confidentiality principles as they relate to personal data adhered to in the design of IIMS.

- **Institutional setting**: Weaving across all the other components is the institutional setting that underpins the information system. When setting up an IIMS, there is a need for political will, accompanied by efforts to guarantee sustainability beyond electoral cycles. The
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key elements in an institutional setting include systems in policy and legislation, a clear governance framework, allocating a multi-year budget, enforcing procedures, putting in place data security and sharing protocols, standards and principles to ensure sustainability beyond electoral cycles.

26.3 FUNCTIONS OF INTEGRATED INFORMATION MANAGEMENT SYSTEMS

As set out in Figure 26.2, nearly every process/function within a social protection delivery chain can be woven into an IIMS.

The IIMS components consist of the following integrated information functions:

- **Social registries**: Social registries integrate registration and overarching assessment of needs and conditions functions across several programmes. They effectively collect and compile individual- and household-level data on the socio-economic conditions of potential beneficiaries. They can serve as tools for assessing the demand for social programmes by profiling the specific needs and conditions of various population groups (Leite et al. 2017; Barca 2017).

- **Payments platform**: This is an information management element that integrates the payment functions across several programmes (mainly production of payrolls, linkages to payment service providers to track disbursements and reconciliations to determine if recipients received their entitlements), while also potentially supporting payments across several channels. In some cases, these may build on broader platforms for government-to-person payments adopted by other sectors.

- **Grievance and appeals platform**: This information management platform provides a digital interface to capture, process and resolve feedback, complaints and appeals. It is open to all members of the public and across several programmes. In some cases, it may build on broader, whole-of-government and grievance systems by linkages to ombudsmen, anti-corruption complaints systems and other statutory organs created to address public complaints and grievances across multiple sectors.

- **Beneficiary management platform**: This is an integrated information platform that is used to manage beneficiary updates across multiple programmes. This could include verification and tracking of compliance with conditionalities for conditional cash transfers and activation requirements in labour programmes for multiple programmes, as well as handling referrals across programmes, case management of complex needs and supporting exit based on pre-established criteria such as death.

- **Integrated beneficiary registry**: Integrated beneficiary registries integrate the data analytics function across several programmes. They provide a consolidated overview of ‘who receives what’ benefits to support coordination, planning and integrated monitoring. As an example, they can help to assess overlaps, gaps and duplications across multiple programmes, while also supporting the consolidation of other functions along the delivery chain, especially the beneficiary management, grievance and appeals platform and payments gateway (Barca 2017; Leite et al. 2017).

Depending on the contextual constraints and opportunities, institutional setup and level of maturity of the social protection system in the country, these integrated information system
Figure 26.2  A potential model of an integrated information management system
26.4 LINKAGES TO BROADER REGISTRIES AND INFORMATION SYSTEMS FROM OTHER SECTORS

IIMS could also be linked to broader government platforms and services, which in many countries are created as single windows (one-stop shops for services) and other forms of electronic government platforms. These information systems principally consist of health, education and social services (see Chapter 5). Examples of broader government platforms and services that social protection information systems could link to include (Chirchir and Barca 2020):

- **Civil registry**: These are databases underpinned by appropriate information systems that store vital information across the life cycle (births, marriages and deaths) of citizens and residents. Social protection programmes with eligibility criteria related to age (e.g. child benefits or old age pensions) need birth certificates to enable beneficiaries to prove their eligibility (ISPAP 2016). Similarly, digitised death certificates are very useful for pension programmes as it helps in verifying ineligible beneficiaries who are deceased such as widow grants, single-parent grants, survivors’ pensions, etc.

- **National identification registry**: International evidence (Barca and Chirchir 2014) indicates that some form of unique identification (ID) for individuals is needed to integrate information and data within and among social protection programmes, and beneficiaries with other systems and programmes. Best practice is typically to adopt the existing foundational ID rather than creating functional ID. Foundational ID – such as national ID cards – are increasingly linked to social protection systems for verification of applicants’ authenticity. On the other hand, some integration information elements such as social registries can generate functional ID which could be used as a reference number by multiple social protection programmes.

- **Disability registry**: Disability is an important social protection issue (see Chapter 19). For instance, in some countries, persons with disabilities are provided with disability grants and tailor-made applications and services while in others, such as Zambia’s Social Cash Transfer Programme, disability is mainstreamed, and top-up allowances are provided to persons with disabilities. To coordinate disability issues, many countries set up agencies responsible for the registration of disabled persons and mainstreaming of support services to persons with disabilities in partnership with state and non-state actors. In order to deliver on their mandates, especially within the social protection sector, it is typical for disability agencies to establish a disability registry. In an ideal scenario, this registry should be linked to IIMS or a programme MIS in order to enable social protection schemes to support disabled persons.

- **Income tax registry**: For social protection programmes that depend on income as a key proxy for the determination of eligibility, cross-reference against the tax database is nec-
Integrated information management

necessary especially in middle and developed countries. For instance, South Africa’s Social Security Agency runs cross-checks of its recipients against the South Africa Revenue System database to validate income levels, which are used in means testing to determine the eligibility of applicants. China also has a fully fledged household income and asset verification system used for the verification of income and property information based on a complete personal ID system (Chirchir and Hongwei 2019).

- **Education, health, and social services**: Serving the multi-dimensional needs of individuals and households is not something that can be achieved solely via the social protection sector. Data exchange with other social sector information systems can enhance overall coordination and planning, while also enabling practical benefits such as monitoring compliance of co-responsibilities (as in Turkey), pre-populating selected information (e.g. education status) and supporting the assessment of needs and conditions, as well as linkage with other sectors’ schemes (e.g. scholarships, social health insurance).

- **Humanitarian and disaster risk management information systems (e.g. early warning systems)**: The humanitarian and disaster risk management sector often collects and manages information that can be usefully linked to the social protection sector. Important examples include information from early warning systems, which can be used to trigger responses to shocks via the social protection sector, and information from past humanitarian responses (e.g. vulnerability assessments), which can be used to feed information into existing social protection registries. Although Covid-19 has been a challenging pandemic that disaster risk management and early warning systems may not have been designed to support, technology and other information systems have been deployed in many countries to leverage existing platforms to extend coverage to more vulnerable people, increase benefit packages and simplify administrative requirements for new beneficiaries. This has been achieved by leveraging existing IIMS and payment platforms, reusing administrative registries and self-registration technology mechanisms and rapidly building specific technology to reach new needy applicants (Chirchir 2020).

### 26.5 CHALLENGES OF BUILDING INTEGRATED INFORMATION MANAGEMENT SYSTEMS

Building integrated information systems is no different to other computerised information systems. Depending on the level of maturity of the social protection system, governance framework and context, the design of IIMS may require adequate financial resources, strong coordination mechanisms at national and local levels and significant upscaling of staff capacities. As such, it should be preceded by a needs assessment and feasibility study (Barca and Chirchir 2014; Barca 2017). The needs assessment and feasibility study helps to answer the question why an IIMS is needed, defines the suitable model, documents the operational, information and policy requirements, sets out an implementation roadmap in line with digital principles, establishes the requirements and addresses challenges. Even when needs assessment and feasibility studies
are developed, the design and development of an IIMS in developing countries could be faced by several challenges (Chirchir and Barca 2020):

- **Immature policy and delivery systems**: Policy and delivery systems and social policies evolve over time. The evolution is not linear and starting points do not matter. Whereas a number of developing countries are developing IIMS, most are based on nascent social protection policies and strategies which are still evolving. Investments and efforts to develop simple, but well-designed systems, based on a clear assessment of the status quo and future needs, are essential before adding other features.

- **Costs and sustainability**: The time and cost, not only for setup, but also for take-up, maintenance and continuous adaptation, need to be addressed. In a number of developing countries, the initial setup of IIMS is being treated as projects with funding from donors with the expectation that governments would be able to provide support. However, for the IIMS projects to be sustainable, budgets must be set aside for software maintenance, capacity building, hardware upgrades, data collection and updates. These budgets must be part of government fiscal plans.

- **Governance and institutional arrangements**: Another challenge might be an unwillingness to share data and cooperate to achieve common objectives because of the recognition of power that comes with information.

- **Lack of capacity and staff turnover**: In contexts where the required capacity is not housed in existing units, agencies or ministries, development and maintenance tasks can be contracted out to the private sector (see Chapter 10) or supported by development partners (often tied to conditions) posing serious threats in terms of system ownership and longer-term sustainability. Even in contexts with a strong capacity-building strategy, staff turnover makes operationalisation of the IIMS challenging.

- **Lack of telecommunication infrastructure**: Telecommunication links are often unreliable in many rural areas, a factor that hampers the capacity to fully operate an online information system. Although many IIMS software are designed with the capability to function in an offline mode, there is still the need to regularly access programme data at the subnational levels. Therefore, lack of reliable internet at the subnational levels contributes to irregular transmission of data from the subnational to national level. This is especially complicated if the software implementation approach is distributed. This is because users from remote localities may not have internet access, leading to the operation of redundant software versions.

- **Vertical and horizontal coordination**: Implementation of IIMS requires significant coordination at both national and subnational levels on the one hand and among various levels of administration. Whereas vertical coordination may work well in countries with centralised governance structures, this is challenging in countries with decentralised governance structures (see Chapter 28) because each subnational unit could effectively function as a semi-autonomous agency. Overall, monitoring strategies must be implemented to ensure that IIMS implementation works across all government levels.
26.6 CONCLUSION

There is no doubt that establishing an IIMS for social protection can bring about significant efficiency gains while also enabling governments to monitor national social protection systems more effectively. But designing such a system is not a walk in the park. It often entails weaving together three crucial components: (1) setting up a functional programme MIS for social protection programmes; (2) creating integrated information frameworks for multiple social protection functions within the delivery chain; and (3) expanding the linkages to broader government registries and information systems. Key challenges include immature policy and delivery systems, costs and sustainability concerns, weak governance and institutional frameworks, lack of capacity and high staff turnover, lack of telecommunication infrastructure and weak vertical and horizontal coordination. It is worth noting that a number of countries have systematically addressed these challenges and have functional integrated information systems for social protection. Key examples include Chile, Uzbekistan, Turkey, Mauritius and Uruguay. Finally, it is worth noting that it does not matter which integrated information system component a country starts with and the point at which they start. What matters is having a leadership that is committed to the resolution of challenges and building a sustainable social protection system for its citizenry.

REFERENCES

27. Portability

Dominique La Salle

27.1 INTRODUCTION

The issue of portability of social protection is usually confined to the continuity of coverage across international borders and is mostly concerned with long-term social insurance such as old-age, survivor and disability pensions. This chapter makes the case that, by taking a broader view of portability, we not only facilitate movement of people between countries, but also between social protection institutions, within the same country.

Whether external (through international agreements) or internal (through interinstitutional agreements) the issues are of similar nature: development of standards, exchange of information, protection of privacy, cyber-security, etc.

Strange as it may seem, it is often easier to enter into an agreement with a foreign country than it is with another institution in one’s own country. This may be a reflection that the negotiating teams have a clear mandate and the objectives are well understood. Institutions, however, each have to compete for scarce governmental resources for which they will be held accountable, so their overriding interest is centred on their own needs. In this context, bringing everyone to work together requires strong leadership at the highest level of government to set the direction and incentives to make it a reality. The recent COVID-19 pandemic brought to the fore the interdependencies that exist between services, some of which were quite surprising. For example, the interdependency between the ability to continue to deliver essential services and the availability of child-care services: in many case, front-line workers with young children could not go to work without these services. In times of crisis, the entire apparatus must pull together to deliver the relief needed. Now is the time to enhance the machinery of social protection and be ready to handle the next crisis.

Given that the various phases of our lives are inextricably interrelated and are important determinants of our wellbeing, it only makes sense that programmes that are intended to help us navigate these events be somehow interconnected. From birth to early childhood development, from education to employment, from unemployment to retraining, from injury and rehabilitation, from work to retirement, from pension to long-term care, etc.

In each of the following situations, portability would help:

- Work increasingly knows no boundaries. In the emerging digital economy, work is increasingly fragmented into tasks. How will a series of tasks be consolidated to meet minimum eligibility requirements?
- The accumulation and continuation of coverage requires the ability to totalize work experiences to meet eligibility requirements and/or tally contributions. How do migrant workers maintain coverage?

1 Machinery of social protection: the enablers of social protection: people, technology, infrastructure and governance.
- Individuals are increasingly mobile and pensioners often resettle to a lower cost location or to be close to family. How is their ongoing eligibility verified?
- Mass migration of hundreds of millions of people is now predictable given the rising sea level brought by climate change. How will we keep track of the ‘climate refugees’ and provide social protection?

27.2 SCOPE OF PORTABILITY

The scope of portability as envisioned is:

1. **Cross-border portability**: This supports the international mobility of people by allowing the migrant worker to acquire, maintain and benefit from social security rights, which are accrued either from the payment of contributions or years of residence in a country. It eliminates double payments of contributions during temporary deployment to a foreign country. It facilitates the payment of benefits to retirees and strengthens controls. It is governed by international social security agreements, most of which are bilateral with limited regional exceptions such as CIPRES, CARICOM and Mercosur. The effectiveness of these instruments is largely unknown: as numbers of agreements and participants increase, it is important that they be supported by interoperable technologies, a feat that remains very limited. The day-to-day management of agreements still involves considerable manual interventions when compared to ordinary business.

2. Portability within borders.
   a. **Across institutional boundaries.** This is very much focused on interoperability (ISSA 2019) and allows for e-government and tell-us-once approaches.² It includes portability across schemes, i.e. contributory and non-contributory, employee versus self-employed, etc. Since social protection is organized to address specific risks – unemployment, retirement, disability, which are often related to life’s transition – the ability to ‘connect’ across institutions opens the door to life-course social protection. Times of greater vulnerability are often associated with life transitions. Thus, providing adequate support in those transitions ensures that the social investment made to increase an individual’s resilience is not lost but rather is nurtured and continues to yield dividends for the individual and for society.
   b. **Across levels of governments.** This allows nationally delivered programmes to be complemented with regional and municipal programmes. For example, cash-transfer programmes are relatively easy to manage at the national level; however, the provision of services is, by its very nature, a local, in-person activity. Once the status of ‘low income’ of an individual has been established by the national government, there should be no need to again verify eligibility for low-income programmes at the local level. In other words, a senior citizen receiving cash payments from the national government should be automatically enrolled for ‘top-ups’ at the local level without having to reapply. This is particularly helpful in federations where differing levels of government have distinct areas of jurisdiction.

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² The tell-us-once approach means that information is provided once and reused by various entities. It is one of the ‘low-hanging fruits’ of e-government.
27.3 TYPES OF AGREEMENTS

This section will look in turn at external and internal agreements.

27.3.1 International Social Security Agreements

Social security rights across international borders are negotiated between nations on a case-by-case basis and are embodied in treaties called international social security agreements (Holzmann and Wels 2020). Their main purpose is to enable and protect the continuity of coverage when working abroad. They do so by eliminating a potential penalty associated with working outside of the home country by allowing continued payment of contributions at home while exempting payment in the temporary locale, thus avoiding double contributions. In so doing they ensure that the working time spent outside the home country counts as time residing in one’s home country for the purpose of eligibility for residence-based programmes, which are typically social pensions, i.e. non-contributory old-age and survivor benefits.

However, portability should not be misconstrued as meaning that all rights and entitlements accrued in a country become payable abroad. For example, an income-tested payment targeted at low-income populations in a country is obviously not payable when the beneficiary leaves the country.

In addition, portability can be limited due to the impossibility of establishing an equivalence between rights derived from different activities, carried out at different times, in different jurisdictions.

While the components of these agreements are very similar in their main purpose and intent, they are negotiated as one-offs, which greatly complicates their implementation. In an increasingly mobile world, both the number of agreements and the number of people taking advantage of them increases constantly, making them a growing challenge to manage, and they can be a source of errors and delays. For example, a requirement for the continued payment of a life-long pension is, naturally, to be alive. The way this is conveyed to the other party to the agreement varies considerably: phone, fax, emails, letters. Needless to say, this requires manual treatment of the information, increases the risk of error and is costly to administer.

As their number increases, so does the potential for error and fraud. As a result, an important focus of current efforts is to automate the management of these agreements. This requires the development of standard clauses, definitions and protocols for the exchange, storage, use and protection of data.

The issue of the protection of privacy is probably the most challenging issue, mixing governance and technology with complex ethical issues. For example, the contact tracing apps deployed to fight the spread of the pandemic raised the issue of balancing individual freedom and the collective good: questCOVI. Where do we draw the line when life itself can be undermined by the freedom of the few?

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3 The exceptions are the regional social security agreements.
27.3.2 Interinstitutional Agreements

The pursuit of interinstitutional agreements improves the capacity of institutions to provide a more complete and seamless protection across a range of risks through information sharing and coordination of services.

These agreements seal the partnership with other social security institutions and provide a framework for the exchange of data, the development of common back-office\(^4\) business processes, the bundling services from various institutions and/or level of government or the sharing of office space for ‘one-stop’ multi-agencies delivery points. The agreement lays the foundation for standards and exchange of information on which the collaboration will be built. In so doing, the social protection fabric of the country is stronger, increasing its reach and impact at the same time as it improves service quality.

The parties need to have confidence that the information exchanged is accurate, that the chain of interdependencies remains unbroken and that the benefits are delivered in the right amount, at the right time and to the right person, time after time.

In practice, this requires the use of digital technology.

27.4 PORTABILITY IN ACTION

Whether one pursues a work opportunity, escapes a catastrophic situation or simply chooses to relocate, portability is required (ISSA 2019).

27.4.1 Portability in the Ageing Context

Interinstitutional portability allows for the coordination necessary to meet the challenges of an ageing population. As we age, most of us experience a normal and gradual loss of functionalities that blurs the line between health and social services. Figure 27.1 shows just how quickly this issue is growing. The challenge is to ensure that the continuum between health and social services covers the full range of care required by the older population. The current approach is largely medical-centric: the entry point for care is the hospital with the result that hospitals are overwhelmed, causing delays and bottlenecks. The end result is often that the older patient is quickly transferred to a long-term care institution when a bed becomes available. This should come as no surprise: the hospital is designed to deliver specialized, short-term, acute care, not chronic care.

The challenge is to reduce the pressure on the health system and to postpone as much as possible long-term care in an institution. Part of the solution to this dilemma is home-based care. Turning this into reality requires collaboration between levels of government – none the least because national governments are great at providing cash transfers but are often too remote to provide in-person services that might be better provided by regional and municipal governments, community organizations, non-governmental organizations, etc.

\(^4\) Back office refers to operations that are strictly internal to the organization with no contact with the public.
Source: UN (2019).

Figure 27.1 Population aged over 80
Service providers will need an unprecedented ability to coordinate their activities (La Salle 2019) and ensure that the right entity delivers the right services, at the right time, while minimizing the burden on the older citizen.

Various management models have been developed to support the provision of home-based long-term care. Central to any approach is case management: a central assessment of the needs of the individual that becomes the operational canvas for interventions by the various stakeholders, supported by an information system providing constantly up-to-date information to authorized service providers and professionals. Increasingly, the case management data may be fed automatically through remote health sensors and other internet-of-things and automation technologies.

In times of crisis, the same coordination enables the provision of emergency response, be it cash transfers, tracking of vaccinations and of those who have been infected, provision of child-care services for first responders and essential services.

27.4.2 Enabling Life-Course Approach and Protecting Human Capital

Consider the investment made to educate, train and prepare a young person to enter the labour market. The transition into the first job is a time of vulnerability. Failure to engage the first job seeker may lead to a disengagement with the consequent ‘loss’ of the investment made in human capital. For another example, consider the employee who suffers a work injury and as a result, the employee stops working and is provided with disability benefit. Failure to rehabilitate and retrain this employee for reintegration in the work-force could translate into a loss of human capital: loss of expertise for the firm and long-term dependency for the former employee.

Other life transitions includes maternity, birth, early childhood education, training, the first job, unemployment, sickness, rehabilitation, return to work, retirement and the longest transition of all: ageing. All these transitions are times of increased vulnerability for which we prepare ourselves to various degree and with varying abilities. Portability supports transitions by enabling the ‘passing of the baton’ between the various actors in social protection for the greater benefit of the individual and society.

27.4.3 Reaching the Difficult to Reach

The data sharing that underpin portability, allows seemingly unrelated organizations to zero-in on the vulnerable populations – the homeless, the informal workers, the refugees, etc. to establish contact and play an active part in the registration process essential to accessing social protection and for the activation of targeted measures to break the cycle of poverty.

27.5 THE BUILDING BLOCKS OF PORTABILITY

Building for portability requires a focus on a few common attributes. For example, the issuance of a unique identifier\textsuperscript{5} is a practical way to link records relevant to an individual. A single,

\textsuperscript{5} A unique identifier is a numeric or alphanumeric string that is associated with a single entity within a given system.
national identifier ensures that basic information related to an individual is easier to access, irrespective of the programme. Perhaps even more importantly, it ‘forces’ the various social protection stakeholders on a common path toward interoperability,\textsuperscript{6} which greatly facilitates portability. For the citizen this translates into easier access, faster and more adapted services. Unfortunately, it can also lead to potential abuse that must be mitigated through protection of privacy and cyber-security measures.

This section lists some elements required. Note that these pre-requisites are programme-blind: it does not matter what programme or branch of social protection is involved.

27.5.1 Identity Management Infrastructure

Identity management infrastructure\textsuperscript{7} is a foundational requirement that ensures that the information, coverage and benefits are attributed to the person concerned and no one else. In all cases, the provision of social protection requires the capacity to confirm the identity of the recipient. This ensures that the support reaches the target population while protecting the integrity of the system by eliminating fraud such as double dipping and minimizing errors. When linked to other information such as a mobile number/banking information, etc., it enables the collection of contributions and payment of benefits. Unfortunately, this also raises security issues over the misuse of data, which is a risk that must be actively mitigated.

Identity management involves far more than the issuance of a unique identifier – it also requires the maintenance of the information and the ability to reconfirm the living status. A key challenge is to define the authoritative source for each type of data. For example, there are many sources of information for death: hospital, police, agencies in various jurisdictions, etc. If there is a discrepancy, who has the last word? This may seem like a small issue. It is not: erroneous information may stop the payment of pensions to an isolated older citizen on fixed income. For that individual, the result could be tragic.

27.5.2 Common Definitions and Standards to Send, Receive and Accumulate Information

The efforts to have common definitions and standards for the data element is an important requirement to automate data exchange and support the development of interfaces that can ‘talk to each other’. The ISSA has led an initiative to develop common clauses, common definitions and protocols defining the data elements to be exchanged. This work is ongoing and is essential to ensure that increasing portability is supported without a corresponding increase in workload and risks.

The reliability of the exchange of information between stakeholders means it must not only be accurate, there also has to be certainty that it has not been tampered with and that it has

\textsuperscript{6} Interoperability involves the ability of distinct institutions to work seamlessly. At its simplest, the information exchanged between institutions is in an agreed format. It is usually complemented by business processes that validate the legitimacy and accuracy of the information, the ability to ‘track’ the status of the processing, etc.

\textsuperscript{7} This involves the issuance of a unique identifier, the ability to accurately confirm the identity of the individual, the ability to aggregate information related to that individual and the ability to confirm the living status of the said individual.
been sent and has been received. This is very important as the response to a query to confirm the living status of a pensioner can be used to extend or terminate payments. Therefore, these information exchanges must be documented in such a way to withstand scrutiny and be dependable. New technologies such as the distributed ledger, also known as block-chain, offers strong potential in that respect and is the subject of innovation labs at the ISSA.

For example, imagine that someone has had a working career involving many employers or types of self-employment. Already, there has to be portability of the information across the various employment types. This individual will have accumulated entitlements that will determine the amount of public pension that will be paid. Upon retiring, this individual moves to another country where the pension continues to be paid until the death of the individual. The continued payment is contingent on having the means to verify that the individual is alive, which is often referred to as the ‘living status’ of the pensioner. This is critical to ensure the accuracy and integrity of the system. Some countries require the beneficiary to report physically to a consulate, others require a signed declaration and others are using biometrics to provide this insurance. The latter has the advantage of being performed entirely in the digital domain that allows it to be embedded in the information system and automated.

27.5.3 Protection of Personal Information

Perhaps the most complex issue of all is the protection of personal information. Any time personal information can be accessed through a unique identifier, there is a risk of misuse. A balance must be reached between information sharing and provision of services. While we routinely open our private lives to Google, VISA/MasterCard and Facebook, for example, who then sell that information, we do not trust our own public institutions with our personal information.

The recent COVID-19 pandemic showed us that information on the individual can be vital to many in the sense that this information helps in building the framework governing the balance between the protection of privacy versus the protection of life. It may be that, out of necessity, citizens will agree that there is more to be gained than lost in doing so. There are many grey areas here and a balance must be found. The European experience of the General Data Protection Regulations\(^8\) will undoubtedly help in this important field of research.

The protection of personal information\(^9\) and the ability of the individual to have a say in the use of personal information needs to be monitored and enforced with independent oversight.

27.5.4 Legal Authority

The legal authority to collect, maintain, store and access information related to an individual requires collaborative efforts to clearly outline the benefit of the information sharing, the minimum information required and a comprehensive plan demonstrating how it will be protected, every step of the way. A good approach is to include this type of enabling provision as

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\(^9\) This relates to the framework that protects the privacy of one’s own personal information. It establishes who and for what purpose personal information can be accessed. Privacy is not an issue when the information cannot be related to an individual. Much personal information can be ‘depersonalized’ and used for statistical purposes, operational requirements or policy development.
part of an umbrella legislation governing the use of data, including reference to an independent supervisory entity with investigating powers, that reports publicly on challenges, practices and complaints.

27.5.5 Business Continuity and Cyber-Security

Business continuity is the ability to continue to deliver services in times of crisis. In other words, it is a measure of the resilience of the machinery of social protection. The COVID crisis has brought worldwide attention to the importance of going further in the assessment of risks and interdependencies. Many blind spots have emerged: from dependency on a just-in-time supply chain, to a lack of national supply of lifesaving goods, from infrastructure that were ill prepared for tele-working to lack of mobile equipment.

Cyber-threat\(^\text{10}\) forces all data processing to be protected fully, at every step. It requires ongoing investment in the maintenance of the system and the deployment of the latest data protection technologies.

27.6 CONCLUSION

Portability is a key enabler of coverage extension especially for difficult-to-cover groups, whose members tend to move more frequently among different work and places, between formal and informal economic activity or between different countries. This is due to its ability to establish and maintain a one-on-one link between the individual and the social protection entity and the ability of the individual to ‘carry’ the information required to establish and maintain the eligibility to the programmes.

The administration of programmes is greatly facilitated by the simplification of programmes. They are easier to understand and to explain and they facilitate access to the hard-to-reach population. Irrespective of the programmes or policies pursued, it has become evident that the machinery of social protection is part of the strategic tools required to deliver a wide range of responses in times of crisis. A concerted effort to ensure that our programmes are designed with portability in mind would be a game changer in that respect. The COVID-19 pandemic has demonstrated the importance of having the capacity to quickly deliver relief to individuals to maintain consumption when mandatory confinement brought the economy to a stop. Important dependencies between contingency plans emerged and had to be addressed in the middle of the crisis. For example, with the closure of schools, the provision of child-care services for essential staff who are parents of young children. Portability, through the machinery and functionalities it involves, would have facilitated the exchange of this time-sensitive information to fill these gaps.

Finally, by virtue of its attributes, portability will allow research to be conducted on the determinant of health and poverty and will generate the kind of longitudinal data required by the academic and policy-maker community to develop new programmes that meet evolving needs. It could point to high-impact/low-cost investment in social protection to improve the long-term welfare of the population.

\(^{10}\) Cyber-security refers to the encryption of information to ensure that only the legitimate recipient is able to decode the information. It includes the measures taken to prevent the usurpation of identity (hacking), the protection of information technology infrastructure from unauthorized actions or catastrophic events.
REFERENCES


28. Decentralization

Andrew Wyatt

28.1 INTRODUCTION

The introduction or reform of a social protection system represents a major policy decision for government, with profound political as well as technical implications. As in any policy domain, considerations of how and by whom the policy is to be implemented cannot be separated from other aspects of policy design, such as setting goals and objectives, identifying principal beneficiary groups, agreeing resource requirements, and selecting instruments. The extent to which implementation can and should be decentralized is a fundamental question, with profound implications for the effectiveness of social protection systems, and one with which governments and development partners across the globe have been struggling for many years.

However, those involved in the design of social protection systems, or services or programmes within them, seldom if ever face a simple unrestricted choice between a centralized or a decentralized approach. Government ministers, their officials, advisers, and in some cases development partners will instead find that their policy choices are constrained by a range of endogenous and exogeneous factors. These factors interact in complex ways to determine the boundaries within which decisions can be taken.

Endogenous factors are those which are intrinsic to the nature of the service itself: for example, the intensity and frequency of face-to-face interaction that is required between a beneficiary or service user and a social worker or other functionary. Many social protection functions – from domiciliary social care to psychosocial services, from child protection interventions to registration and enrolment onto social assistance programmes – demand a high degree of direct contact between service providers and service users or beneficiaries, and thus a workforce that is widely distributed geographically.

Exogenous factors are those which arise from the wider constitutional and institutional environment within which a social protection system is being developed or operated. These may include, for example, a pre-existing constitutional settlement which allocates particular social policy functions to either central or sub-national levels of government, or the principles driving a programme of public-sector reform.

This chapter aims to identify the most important of these factors, the constraints they place on decision makers, and some of the practical consequences of decentralization. The chapter draws on examples mainly from African countries, but the issues they illustrate are of more general application. It is necessary, though, to start by defining some key terms and concepts.
28.2 DEFINING KEY TERMS

28.2.1 Centralization

A fully centralized system, in any domain of public administration, would be one in which all aspects of policy and strategy formulation, programme planning, and direct service delivery rest with a single central government entity at national level, with a single organizational management and accountability structure, operating on one site or a few satellite sites. The different forms of decentralization can best be understood in contrast to this notional form of organization.

28.2.2 Forms of Decentralization

Decentralization can be defined quite simply as ‘the assignment of fiscal, political, and administrative responsibilities to lower levels of government’ (Litvack et al. 1998, 4) or ‘the transfer of authority and functional responsibility from the central government to other government organizations, including local government or autonomous agencies’ (UNCDF 2012). In other words, decentralization can be seen largely as an issue of ‘vertical coordination’ in government (Transform 2017a, 58). In practice it is a complex phenomenon the details of which vary greatly from country to country; it may be driven by many different political or economic motives and can be achieved through several different routes.

A long-established and frequently adopted classification of different approaches to decentralization distinguishes between deconcentration, delegation, and devolution (Rondinelli 1981).

Within this taxonomy, deconcentration refers to the delivery of a central government service through a network of geographically dispersed offices, which remain directly accountable to the national headquarters in a single organizational structure, with local operational management but little or no discretion as to the nature of the services that are provided. Deconcentration may be coupled with delegation to a varying extent, depending on the degree of authority and freedom of action accorded to the heads of subordinate offices.

Delegation applies when a central government ministry or department transfers responsibility for decision making and management control of services to a semi-autonomous administrative agency or statutory body within the central government structure, or to local government authorities. Entities with delegated responsibility have a degree of discretion in decision making, usually coupled with an obligation to report on performance of delegated tasks against agreed performance measures and targets, but this discretion can be withdrawn or overruled by the delegator.

In addition to these forms of institutional delegation between governmental entities, it has been common for public administration reforms in many countries since the late 1980s to promote enhanced delegation of managerial authority and accountability for results within organizations, as well as (for example) between a parent ministry and its subordinate agencies.

Under devolution, the state transfers authority for decision making and management from central government to autonomous sub-national government bodies with legal personality and their own political legitimacy, in the shape of (for example) elected mayors and councils, or in some jurisdictions ministers and a provincial assembly. In principle the transfer is irreversible and allows for no retained authority to override devolved decisions and no concurrent exercise
of powers (although in practice it is possible for a devolution settlement to be reversed, given a shift in political circumstances and an adequate electoral mandate). Accountability of entities exercising devolved powers is generally to the local electorate.

Devolution differs from federalism, in that in a federal system a capital division of powers and responsibilities between national and sub-national authorities is guaranteed in the constitution, determining at which level responsibility for specific services is located. While devolution could exceptionally be reversed through the repeal of the legislation transferring powers from the centre, the mandates of federal sub-units can only be withdrawn through the (usually) more onerous process of constitutional amendment.

As an example, the government decentralization programme in Zanzibar is intended to transfer responsibilities – including the social protection functions performed by district social welfare officers and district women and children’s officers – incrementally from regional and district offices (which are deconcentrated organs of central government) to elected district and municipal councils. This strategy is explicitly known as decentralization by devolution, which puts the institutional and political implications of the change beyond doubt (Revolutionary Government of Zanzibar 2016).¹

Useful though it is, this three-way classification does not quite align with those definitions which present decentralization as a transfer of responsibilities away from a central government entity (typically a ministry or central department) to other governmental bodies or levels of government (typically regional or local governments). Deconcentration represents a solely geographical distribution of functions and responsibilities within a single organizational structure and system of accountability. It does not diversify decision making on policy, strategy, or resource allocation, facilitate voice and participation at local level, or widen the basis of accountability for public services.² It would thus be logically attractive to differentiate instead between deconcentration on the one hand, and decentralization (by delegation or by devolution) on the other. This would be consistent with the Decentralization Index constructed by researchers at Brown University, which accords a high value to local political autonomy as an indicator of decentralization (Arzaghi and Henderson 2002; Kearney 1999). However, the three-fold taxonomy of decentralization favoured by Rondinelli and others has been so widely accepted that it will be retained for the remainder of this discussion.

### 28.3 FACTORS AFFECTING DECENTRALIZATION DECISIONS

The previous section sought to establish a lexicon of key terms to describe and define differing modes of decentralization. This provides a basis on which to consider the factors that will influence or constrain decisions on the way in which a social protection system – or component programmes or services within it – should be structured. Occasions for such decisions may arise when a new programme or service is being developed, or an existing one is

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¹ Zanzibar is effectively an autonomous region within the federal United Republic of Tanzania, providing all social protection services in its territory with the exception of the Productive Social Safety Net scheme implemented by the Tanzania Social Action Fund, which is a Union programme.

² Arguably deconcentration does enable the public to exert greater direct pressure on local management than would otherwise be possible, especially when coupled with citizens’ charter-type reforms that emphasize greater transparency and responsiveness.
being reformed. While a degree of decentralization is inescapable for some social protection services, decision makers have some discretion over the means by which this is achieved. Constraints will, though, still arise from exogenous factors, related to the wider constitutional and institutional landscape within which social protection is situated, the progress of public administration reform initiatives, and the existing or emerging policy and legal framework (Kaltenborn et al. 2017). Social protection services will by and large have to ‘go with the grain’ of the machinery for the management and delivery of public services more generally, as well as respecting the large-scale political forces shaping the institutional environment. For example, the distribution of functions between central and local government is a fundamental feature of a country’s institutional architecture, and changes to this are likely to be both complicated to deliver and politically highly contested. The bureaucratic procedures and structure of public administration are also usually deeply entrenched, if to a slightly lesser extent, and reforms require determined leadership to overcome inertia and vested interests. In neither domain will policymakers have a free hand to pursue what they may perceive to be the best interests of the social protection sector.

The remainder of this section examines in turn key considerations related first to the possibility of increasing centralization, and then to decentralization by devolution, deconcentration, and delegation. It is not the intention to provide a checklist of pros and cons for each approach, but rather to indicate some of the principal factors that bind policymakers’ decision space.

### 28.3.1 Centralization

By their very nature, many elements of a social protection system – especially social assistance and social services – will not be susceptible to a wholly centralized approach. Endogenous factors, in particular the need for benefits and services to be delivered from locations physically close to their users or beneficiaries, usually require some degree of decentralization, at least by deconcentration to local offices. These functions do not lend themselves to monolithic central provision, and a certain degree of decentralization is thus inevitable. Exceptions may be found only in the geographically smallest states with correspondingly small populations, such as for instance Grenada in the Caribbean, where the Ministry of Social Development, Housing and Community Empowerment has no local presence.

Moreover, some specific social protection programmes such as contributory social insurance schemes may lend themselves to centralized administration, particularly when supported by modern computerized systems to manage both the collection of contributions and the payment of benefits. These are typically impersonal financial transactions which require little face-to-face interaction with beneficiaries. Zanzibar again provides a helpful example, and a contrast. On the one hand there is the Zanzibar Social Security Fund, founded in 1998, which operates two contributory social security schemes. The mandatory main scheme is a defined benefit social insurance scheme, with contributions from employers and employees, which pays a range of old-age, disability, survivors’, and maternity benefits. There is also a voluntary defined contribution supplementary scheme, which extends possible participation to the informal sector. This organization operates wholly from its central headquarters building, with just a single branch office. On the other hand, in 2016 the government of Zanzibar introduced a Universal Pension, the administration of which is a complex and partly decentralized process involving officers of the Social Protection Unit in the ministry concerned as well as district social welfare officers and shehas (officials responsible for administration below district
level) in the registration of beneficiaries and issuing of payments. In this instance it is not just a lack of readiness or capacity in the ministry to switch to e-government but also the nature of the target group of beneficiaries – persons over the age of 70, many or most of whom can be presumed not to have access to internet or banking services or to be or to have been in formal employment – that makes wholly centralized and technology-driven administration impractical.

Moving in the direction of greater centralization is less common than the opposite, but circumstances may arise when it becomes politically and administratively desirable. An example is the South African Social Security Agency (SASSA), which represents a form of institutional centralization alongside elements of delegation and deconcentration and illustrates how real-world administrative solutions often evade simple analytical categories (see Box 28.1).

**BOX 28.1 THE EXAMPLE OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY**

SASSA is a statutory administrative agency of central government, set up by the South African Social Security Agency Act 2004 and headed by a chief executive who is appointed by, accountable to, and subject to a written performance agreement with the Minister of Social Development. SASSA was set up to reallocate the devolved social protection function from South Africa’s nine elected provincial governments to the national level, as provincial administration of the system had led to delays in payments, possible fraud and corruption, inhumane pay point facilities, and huge administration costs. At the same time, SASSA illustrates aspects of decentralization; the minister has formally delegated responsibility for the management of service delivery, and its organizational structure is deconcentrated. SASSA has one national headquarters office, nine regional offices, district and local offices, and the mobile one-stop service units of the Integrated Community Registration Outreach Programme which represent an extreme example of bringing services closer to users (Transform 2017b; International Labour Office n.d.).

Even where service delivery is decentralized, policymakers may still face choices regarding the extent to which some functions – such as funding and resource allocation, high-level policy regarding which services to provide, or the setting, oversight, and enforcement of service standards – are retained at or returned to the centre. There are many possible permutations in the structuring of social protection services, and it is not inevitable that responsibility for all functions should be located at the same level. Moreover, crisis situations, such as the 2020 Covid-19 pandemic, may require central governments to strengthen or reassume control, permanently or for a limited period, to ensure coordination and harmonization of responses and manage the competition for scarce resources.

### 28.3.2 Devolution

The effectiveness of different forms of decentralization in promoting allocative efficiency and economic stability has long been debated by economists (Litvack et al. 1998). In many cases, however, decisions to decentralize will be taken primarily for political rather than economic management reasons. These may be expressed in terms of improving the quality of governance
by bringing government closer to the people and enhancing political participation and democracy, but not infrequently the main driver is the need ‘to accommodate pressure for regional autonomy and, hence, perhaps increase the legitimacy and sustainability of heterogeneous national states’ (Litvack et al. 1998, 5). This formulation describes quite accurately the devolution of large swathes of domestic policy (including social care and psychosocial services but not the social security system or pensions) to the nations of the United Kingdom in 1998.

Devolution often emerges from a highly politically charged process of constitutional reform, but different countries adopt different solutions to comparable pressures. In Nepal, on the one hand, adoption of the 2015 Constitution, in the aftermath of a long period of insurgency and civil war, has created a federal structure based on seven provinces and 753 elected local authorities; this has been seen as a means of restoring social cohesion by increasing political participation and enabling a degree of self-determination (Hatlebakk 2017). In Kenya, by contrast, the 2010 Constitution stopped short of a fully federal division of sovereignty between federal and sub-national governments, but devolved extensive governmental functions to county executives and assemblies, not least as a means of relieving ethno-political tensions which had led to serious post-election violence in 2008. However, even in a context of quite radical devolution social protection remains a function of the national government; responsibility rests with the Ministry of Labour and Social Protection, which delivers its services through social development officers and children’s officers at county and sub-county level (with sub-counties essentially the successors to former districts).

In Kenya’s social protection sector there is thus a well-established (even if drastically under-resourced) deconcentrated administrative structure operating alongside the more recently created devolved administration. However, the co-existence is to some extent an uneasy one; there has been pressure from some local political leaders for social protection functions to be ceded to the county level, and attempts in at least some locations to set up complementary or rival programmes, in spite of the general scarcity of resources. This can be seen as a testament to the perceived power of social protection programmes as a potential vote winner. At the same time, some beneficiaries of cash transfer programmes have expressed alarm at the prospect of these functions passing into local control, as they perceive that the funds would be diverted to rewarding loyalists of the controlling faction. It is interesting that the central government programme is seen at least by some as possessing greater integrity than a potential locally administered one, but it is likely that the political economy of this is complex and that levels of trust vary between ethnic groups and across locations.

This Kenyan instance (like the creation of SASSA in South Africa) highlights the more general point that decentralization can increase the risk of inconsistencies, unequal treatment of different groups, and possible irregularities in financial management. In deconcentrated or delegated systems such anomalies occur at the level of implementation, through aberrations in the management of what is intended to be a uniform national system. When a function is truly devolved, in addition to these operational risks there is inevitably scope for variations in policy to be introduced, and there can be no guarantee of the continuation of a uniform national system. The trade-offs between local control and loss of consistency are illustrated in Figure 28.1.

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3 The process of shifting responsibility for public services from deconcentrated central government district offices to new federalized local government entities will be a gradual one; there does not yet appear to be consensus about how services will finally be structured in all sectors.
Deconcentration lies at the opposite end of the scale of decentralization options to devolution, in that administrative responsibility for service delivery is distributed to local, district, or regional offices within the organizational structure of a central government ministry or department. All policy and management functions are retained within a single entity, of which the geographical sub-units function as a local presence.

An example of this approach is the provincial and district office structure of the Department of Social Services in Zimbabwe. These administrative units remain directly accountable to the national level; they implement policies and interventions devised at the centre with little or no freedom to determine the services that are provided locally (Wyatt et al. 2010). As already discussed, a degree of deconcentration is essential if many social protection services or benefits are to be physically accessible to their intended beneficiaries. At the same time, retaining a single harmonized administrative structure preserves the benefits of a unitary centralized system: it enables common standards to be maintained, facilitates transparency about results, and provides the scope for potential cost savings through economies of scale, such as a single payment mechanism and management information system. (The benefits of integrated information management systems for social protection are discussed in Chapter 26.)

The corresponding drawback of monolithic bureaucratic structures of this kind is that they are generally regarded as stifling local initiative and flexibility on the part of managers, as being unwieldy and slow to respond to changing conditions, and (because of their size and geographic dispersal) as making process changes to improve efficiency difficult to introduce. They can also be seen as unresponsive to the needs of service users, as the length of reporting
lines to decision makers at headquarters means it can take a long time to resolve exceptional cases which fall outside of standard operating procedures or the discretion of local officials (Transform 2017b).

For deconcentration to be effective, it is therefore necessary to balance the need for clear rules and regulations, set and enforced nationally, with the need to give discretion to local administrative structures to respond to local variations in conditions and make rational decisions about priorities and the deployment of the available resources. In consequence, public-sector reform initiatives in many parts of the world since the 1980s have aimed to strengthen the delegation of authority and freedom of action to subordinate levels within organizations, usually supported by results-based performance management systems and sometimes by the creation of semi-autonomous executive agencies.

When deciding to introduce or retain a deconcentrated structure, those concerned therefore need to consider how far they can go in providing for localized managerial decision making while not jeopardizing the consistency and integrity of the system and ensuring standards of objectivity and equity are upheld. They should also consider how an element of local community representation and voice in the operation of the system can be provided, at least on an advisory basis and outside of the formal structure of control and accountability. In Kenya, the Constituency Social Assistance Committees, Beneficiary Welfare Committees and location-level committees linked to the cash transfer programmes within the National Safety Net Programme offer this kind of opportunity for local engagement, as well as providing indispensable operational support for targeting and case management (Kardan et al. 2017). Similar community-level structures – most often volunteer-based – can be found across a number of countries.

**28.3.4 Delegation**

As already established, delegation may take place at the institutional level when a government ministry or department transfers responsibility and management control of services either to another semi-autonomous entity within the central government structure (for example a civil service executive agency like the former Benefits Agency in the United Kingdom, or a statutory body with separate legal personality like SASSA), or to local government authorities.

Organizations with delegated responsibility have a degree of discretion in decision making, but this can (by definition) be withdrawn or overruled by the delegator. Framework agreements, joint management agreements, or service-level agreements may be used to establish service standards and the terms under which the delegation is made, in order to maintain a degree of consistency in service provision. Some social protection functions might also be delegated through outsourcing to a non-governmental organization or commercial undertaking, in which case the arrangement should be mediated by an arm’s-length justiciable contract.

Delegated arrangements are usually characterized by the intended separation of service delivery from policymaking and the distancing of operational decisions from close political involvement (although both can be hard to achieve in practice). Political considerations may also come into play if delegation is to a local government body with its own electoral mandate, and there is tension between the preferences of the local electorate and the policy requirements or resource allocation priorities of the central government delegator.
28.4 SOME CONSEQUENCES OF DECENTRALIZATION

This section addresses three areas in which increasing decentralization will have practical and political consequences which it is important not to overlook in the policy formulation and planning stages. These concern changes in coordination mechanisms and the capacity requirements of the social protection system, and the nature of accountability for the performance of the system. The last of these has significant political implications which are likely to be a determining factor in any consideration of decentralization.

28.4.1 Coordination

Decentralization has hitherto been discussed largely as a matter of vertical coordination between levels of government, but issues of horizontal coordination also come into play. Delivery of some aspects of social protection can involve quite high levels of coordination and cooperation between multiple agencies at operational level, whether within a centralized system or under any mode of decentralization. For example, in The Gambia, operating a local payment day for a conditional maternal and infant nutrition cash transfer programme known as BReST requires the participation on site of officials from the centralized Department of Social Welfare, the National Nutrition Agency, the health service, and the police. In Zimbabwe, similarly, social services officers working at district level in a deconcentrated central government structure were observed to coordinate and collaborate extensively with the police, the court system, and the health service in interventions to protect the rights of children, though these interactions could reportedly sometimes lead to interagency friction and conflict (Wyatt et al. 2010).

Another aspect of local-level operational coordination can be seen in countries such as Kenya and Zambia, where an important function of central government officials at sub-county or district level is the mobilization, coordination, leadership, and support of the local voluntary structures which play an essential role in the delivery of cash transfer programmes (Kardan et al. 2017).

However, decentralization of social protection, either by devolution or delegation, can place new demands on the institutional architecture of the state, and may require the development of new structures. In The Gambia, coordination across a range of sectors is provided at regional level by a Technical Advisory Committee which advises the appointed governor, and district-level Multi-Disciplinary Facilitation Teams where these have the resources to function. Despite the existence of these structures, the government has felt the need to create a national Social Protection Secretariat, housed in the Office of the Vice President, to provide improved policy and programme-level coordination and leadership for a sector that is widely regarded as fragmentary, uncoordinated, and unsystematic (Wyatt et al. 2018). In Moldova, the government decided in 2016 to set up a National Social Assistance Agency as an agency of the Ministry of Labour, Social Protection, and Family, largely to provide guidance, support, and training to the local authorities at raion (district) or municipal level who hold devolved responsibility for social assistance, family support, and child protection. This initiative reflected a need to raise the standard and consistency of services across the country; it was perceived that weaknesses in the understanding of social assistance policies and legislation and low levels of professional education at local level were resulting in poor targeting of available resources.
Unless a central government is willing to relinquish all responsibility for the maintenance of national standards and the coordination and consistency of devolved services, it will need some institutional machinery to discharge these functions (and either the consent of the devolved bodies to cooperate with them or the legislative authority to compel this). The approach it takes will reflect the degree to which it will still be held accountable in the public mind for any shortcomings, and how far it has been able to transfer that electoral risk to sub-national authorities.

28.4.2 Capacity

Some of the individual and organizational capacity requirements of a country’s social protection system – the numbers of staff with specific knowledge and skills, the material resources (such as office equipment or vehicles) they need, the processes for monitoring and evaluation, record keeping, case management and financial control, and so on – remain constant regardless of how the system is configured. However, increasing decentralization brings with it some changes in resource requirements which need to be planned for. Systems need to be developed to allow for the flow of instructions in one direction and information for management and accountability purposes in the other. Even deconcentration within a unified structure demands some arrangements for regular reporting, oversight by central management, and ensuring the maintenance of consistent standards. Delegation establishes some form of principal–agent relationship, which then requires staff resources on both sides, for reporting, monitoring, managing financial flows, dispute resolution, and negotiation. It is a moot point, with any agency creation initiative, to what extent efficiency gains from greater managerial autonomy offset these increases in transaction costs.

With devolution the requirement for central control vanishes altogether – unless, as in Moldova, there is a perceived need to create new institutional capacity at the centre of government to improve standards, coordinate professional development, and so on – but a new demand arises for greater numbers of people at the devolved level with relatively high-level skills in, for example, strategic planning and budgeting, which were previously only required at a central point. There may be a limited number of available individuals with the requisite skills. It is also often difficult to retain highly skilled staff in more remote regional locations with few amenities for themselves and their families.

28.4.3 Accountability

Different approaches to decentralization have differing implications for accountability. Establishing to whom local officials are ultimately accountable can be a very helpful aid to understanding the system. In a devolved system, the chain of accountability will end with the (usually elected) local authority concerned; in a deconcentrated one accountability will flow upwards through the organization’s management to headquarters, and ultimately (in a typical governance structure) to ministers and to scrutiny by the national legislature. Local officials will not, however, always be entirely clear about which applies, especially so in jurisdictions where the staff of local government remain part of an integrated civil or public service (Transform 2017b, 21). In some cases, also, especially where there has been institutional delegation from central to local government, there can be confusion about the extent to which an administrative office answers primarily to a central government ministry, department or
agency, or to local elected representatives. These uncertainties can expose deeper problems in national governance arrangements.

The appetite of the national political leadership for divesting itself of accountability for the services concerned is a factor in decisions about decentralization. If national politicians see making good on pledges to improve social protection as an inescapable obligation, or as a way of securing popular goodwill, it will be important to retain visible accountability and responsibility for the relevant services in order to reap the electoral credit. These factors can be seen at work in the rapid large-scale expansion of cash transfer programmes in Kenya through deconcentrated mechanisms in 2014, and the current drive to consolidate and expand social protection programmes in The Gambia. Conversely, where the performance of the system is seen as a liability, or where there is a serious funding gap, there may be a temptation to divert popular discontent by shifting ownership of the system to local government and transferring electoral risk. This will be especially attractive where many local authorities are controlled by opposition political parties.

28.5 CONCLUSION

When an opportunity to design or redesign all or part of a social protection system arises, the question of how far and by what means the services concerned should be decentralized needs to be addressed. The issues identified in this chapter suggest that this in turn requires several subsidiary questions to be considered, which can be grouped broadly as follows:

- **Politics**: How great is the appetite of the political leadership to relinquish control of (and any potential credit or blame for) social protection to other political actors at sub-national level? Is this more compatible with a devolution solution or with less radical forms of decentralization?

- **Functional requirements**: To what extent does the nature of the service concerned make centralized administration the most efficient and economic solution? To what extent, conversely, does it require a widely dispersed workforce providing direct face-to-face contact with beneficiaries and managed through a decentralized structure? How far is this likely to change with increasing internet connectivity and the advent of web-based benefit administration?

- **Institutional context**: How well does any proposed approach to decentralization correspond with the norms for public administration nationally, and how well is it aligned with the direction of travel of other reform initiatives?

- **Capacity**: What are the projected capacity and administrative cost consequences of the proposed solution? How well understood are the implications of the changes by the local officials who have to implement them?

The form of organization adopted will be highly dependent on the interplay of numerous factors in the local context, but in general terms the relative strengths and weaknesses of the different options discussed in this chapter can be summed up as in Table 28.1.
<table>
<thead>
<tr>
<th>Form of organization</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
| Centralized          | ● Economic and efficient provision of some types of service, especially those using digital technologies  
● Consistency of service standards and application of policies  
● Inflexible, unresponsive to local conditions, slow to reform  
● Incompatible with large, dispersed workforce  
● Only effective in small territories, or for services not requiring interpersonal contacts | |
| Deconcentrated       | ● Enables effective management of dispersed workforce  
● Increased possibility of direct contact with beneficiaries  
● Retains central control over policy, strategy, and resource allocation  
● Reduced control over application of service standards and policies  
● Limited scope for local decision making or participation  
● Increased costs of coordination, reporting, and oversight | |
| Delegated            | ● Enables effective management of dispersed workforce  
● Increased possibility of direct contact with beneficiaries  
● Permits greater flexibility and responsiveness to local conditions, within bounds of agreed service standards  
● Reduced control over application of service standards and policies  
● Some scope for local decision making or participation, as far as permitted by terms of delegation  
● Requires mechanisms for reporting, oversight, and management of principal–agent relationship  
● Scope for political conflict between delegator and delegate | |
| Devolved             | ● Increased political participation and democratic legitimacy  
● Accountability to local or regional elected authorities  
● Increased sensitivity to local conditions and needs  
● Possible increase in scope for corruption, malpractice, and poor service standards  
● Possible loss of nation-wide consistency in policy and resource allocation  
● Loss of central accountability for system performance  
● Increased need for policy, strategic planning, and budgeting skills | |

*Source:* Author’s own.

**REFERENCES**


Case study N: Capacity development for social protection in Zambia

Benson Chisanga and Jairous J. Miti

1 INTRODUCTION

In 2014, the Government of the Republic of Zambia formulated the National Social Protection Policy, coordinated by the Ministry of Community Development and Social Welfare, to guide the provision of effective social protection services to reduce poverty, inequality, and vulnerability in Zambia (MCDSW 2014).

The design and implementation of effective social protection services require availability of adequate national technical capacity, developed through systematic training at varied levels. In Zambia, the level of technical capacity in the social protection sector is somewhat low. The social protection sector training needs assessment that was carried out for Zambia indicates that the available social protection specialists are few and foreign trained; and pre-service social protection specialty training at tertiary level of education is non-existent (Chisanga et al. 2016a).

Consequently, Zambia relies much on external experts when it comes to policy making, programme design, and implementation in the social protection sector. In order to ensure that Zambia has sufficient capacity to implement the new policy and save on huge foreign exchange expenditure associated with off-shore training, the government requested the University of Zambia (UNZA) to introduce pre-service social protection specialty education at the undergraduate and graduate levels.

This case study reports on the processes of designing the curricula, reflecting on the institutional framework, design methods, curricula structure and contents, and some lessons learned.

2 INSTITUTIONAL FRAMEWORK

The design of the curricula for pre-service social protection specialty education was a collaborative effort of the non-state and state institutions and organizations. UNZA instituted an interdisciplinary core team of five academics to coordinate the curricula design process. The team was drawn from the Departments of Social Work and Sociology, Development Studies, and Economics. Given the multi-sector nature of the social protection field, such a team was essential to bring to bear diverse knowledge and skills on curricula design. The non-state actors included relevant local civil society organizations, academics, social protection practitioners, and international social protection training institutions at the invitation of UNZA. The state actors were two key social protection sector portfolio line ministries of Community Development and Social Welfare and Labour and Social Security. The ministries provided logistical support including sensitization and mobilization for participation of other relevant government institutions and organizations.
Also, the government of Zambia requested the European Union Social Protection Systems Programme to provide logistical and financial support to UNZA to facilitate its collaboration with international social protection training institutions in curricula design, as follows:

- Hochschule Bonn-Rhein-Sieg University of Applied Sciences, Department of Social Policy and Social Security Studies.
- University of Helsinki, Department of Social Policy.
- University of Tampere, Department of Global Health and Development.
- Tanzania Institute of Finance, Dar es Salaam.

This was a novel approach to the curricula design in Zambia in many respects. It was the first time such an extensive and inclusive collaboration had taken place in designing academic programmes in Zambia. Before then, collaboration among UNZA schools and academic departments was rare, with schools and departments preferring to work in silos in spite of the widely recognized need for interdisciplinary knowledge and skills for effective practice. Similarly, the nature and degree of UNZA collaboration with the government and other stakeholder institutions and organizations in identifying training needs and designing the curricula for social protection sector capacity building is unprecedented. Also, although UNZA has a tradition of collaboration with international academic and training institutions in varied fields, the collaboration with four such institutions in designing a particular training programme is equally unprecedented.

3 CURRICULA DESIGN METHODS

3.1 Training Needs Assessment

The curricula design process started with the identification of the social protection sector capacity needs, with a focus on the required essential core knowledge and skills. The 2014 National Social Protection Policy was used as the conceptual framework. Various needs assessment methods and techniques were used, including focus group discussions and semi-structured interviews with senior strategic-level staff and mid-lower operational-level staff responsible for the planning and delivery of contributory and non-contributory social protection services in Zambia.

Also interviewed were the senior technical staff of the multilateral and bilateral cooperating partner organizations and institutions in the social protection sector. The relevant training needs were identified for the contributory and non-contributory social protection sub-sectors, as well as the generic training needs relevant to both sub-sectors (Chisanga et al. 2016b). In addition, a snap social protection market survey was conducted to gauge the level of interest among prospective learners. About 50 people, who did not possess social protection specialty qualifications, participated in the survey. These were randomly selected from state and non-state social protection sector institutions and organizations in Zambia. Over 90 per cent of the respondents expressed interest in undertaking social protection specialty training at undergraduate and graduate levels (Chisanga and Miti 2019). Although the finding may not have met the standards for external validity, it was indicative of the potential market for social protection specialty training in Zambia.
3.2 Desktop Social Protection Curricula Survey

A desktop survey of the pre-service social protection training curricula at regional and international levels was conducted focusing on the curricula models, curricula structures and content, training durations, and knowledge and skills base. Four international social protection training programmes were purposively selected for their good training credentials, as follows:

- Master of Science in Social Protection Policy Design and Financing, Maastricht University, Graduate School of Governance, the Netherlands.
- Master of Science in Social Protection Financing, University of Mauritius Trust, Mauritius.
- International Labour Organization TRANSFORM (In-service Training) Course Modules.

3.3 National Consultative Process

Many social protection sector stakeholders participated in preparing the curricula. They included representatives of government line ministries, bilateral/multilateral organizations, civil society organizations, public/private academic institutions, and independent social protection experts/consultants. Participation was through the curricula design workshops and further workshops on the detailed course outlines and other learning materials. The first workshop reviewed the proposed curricula models, admission and graduation requirements, training duration, curricula structure and course content, and field practicum/internships. The second and third workshops reviewed the draft social protection course outlines and validated the final draft social protection curricula, respectively.

3.4 International Exchange

As noted earlier, the curricula design process also involved active collaboration with some reputable international social protection training institutions and experts, through the Peer-to-Peer Learning Exchange Workshops with the UNZA curricula design coordinating team. The first workshop reviewed the first draft curricula structure and course content. The second workshop reviewed and validated the second draft curricula structure and course content.

4 CURRICULA STRUCTURE AND CONTENT

4.1 Background

Two pre-service social protection specialty curricula were developed for training at the undergraduate and graduate levels, including the Bachelor of Arts in Social Policy Design and Administration, and Master of Arts in Social Protection Management. The curricula were conceived as applied; interdisciplinary social science-based. They are designed to train social protection practitioners to use broad-based knowledge and skills to solve intractable human development problems in Zambia relating to poverty, inequality, and vulnerability across the
life span. The curricula have since been approved for implementation by UNZA and accredited by the Ministry of Higher Education, the higher education authority in Zambia.

### 4.2 Bachelor of Arts Degree

The curriculum for the Bachelor of Arts in Social Policy Design and Administration is for the training of mid-lower technical/operational-level personnel who will be directly or indirectly involved in the planning and delivery of both contributory and non-contributory-based social protection services. The curriculum structure consists of the interdisciplinary course work and field practicum/internship to be completed over a period of four years or eight academic semesters, as shown in Table N.1.

**Table N.1 Bachelor of Arts course sequence for major-minor curriculum structure**

<table>
<thead>
<tr>
<th>Year 1 (30 weeks)</th>
<th>Year 2 (30 weeks)</th>
<th>Year 3 (30 weeks)</th>
<th>Year 4 (30 weeks)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social policy major degree courses</td>
<td>Social policy major degree courses</td>
<td>Social policy major degree courses</td>
<td>Social policy major degree courses</td>
</tr>
<tr>
<td>Elective courses</td>
<td>Elective courses</td>
<td>Elective courses</td>
<td>Elective courses</td>
</tr>
<tr>
<td>Two courses from relevant degree programmes, inclusive of required course(s) from a prospective minor degree programme</td>
<td>Minor degree programme course</td>
<td>Minor degree programme course</td>
<td>Minor degree programme course</td>
</tr>
<tr>
<td>Elective course</td>
<td>Elective course</td>
<td>Elective course</td>
<td>Elective course</td>
</tr>
<tr>
<td>One course from relevant degree programmes, including Population Studies; Economics; Mathematics; Sociology; Social Work; Adult Education; Agriculture; Development Studies; etc.</td>
<td>One course from relevant degree programmes including Economics; Population Studies; Mathematics; Sociology; Social Work; Law; Adult Education; Agriculture; Development Studies; etc.</td>
<td>One course from relevant degree programmes including Economics; Population Studies; Mathematics; Sociology; Social Work; Law; Adult Education; Agriculture; Development Studies; etc.</td>
<td>One course from relevant degree programmes including Economics; Population Studies; Mathematics; Sociology; Social Work; Law; Adult Education; Agriculture; Development Studies; etc.</td>
</tr>
</tbody>
</table>

*Source: University of Zambia, School of Humanities and Social Sciences (2019a)*.

The Bachelor of Arts in Social Policy Design and Administration is based on the UNZA model for the undergraduate social science degree programmes. It requires students to major in a particular degree programme as well as in a minor degree programme of interest. The Bachelor of Arts in Social Policy Design and Administration constitutes the major degree programme. The focus of this major degree programme is on social protection as one of the instruments or fields of social policy.
5 MASTER OF ARTS DEGREE

The curriculum for the Master of Arts in Social Protection Management is for the training of technical/strategic-level social protection practitioners, equipped with advanced knowledge and skills in the design and management of innovative social protection programmes and services. The curriculum structure consists of interdisciplinary course work, thesis research, and field practicum/internship to be completed over a period of two years or four academic semesters, as shown in Table N.2.

Table N.2 Master of Arts degree programme term – course sequence

<table>
<thead>
<tr>
<th>Core courses</th>
<th>Core courses</th>
<th>Core courses</th>
<th>Core courses</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSP 5021: Poverty and Inequality Methods</td>
<td>MSP 5022: Social Protection Financing</td>
<td>MSP 5141: Monitoring and Evaluation Research</td>
<td></td>
</tr>
<tr>
<td><strong>One elective course</strong></td>
<td>Systems</td>
<td><strong>One elective course</strong></td>
<td>Systems</td>
</tr>
<tr>
<td>Economics</td>
<td>MSP 5112: Social Protection Management</td>
<td>Economic Studies</td>
<td>MSP 5124: Field Practicum³</td>
</tr>
<tr>
<td>Social Work</td>
<td>Management</td>
<td>Development Studies</td>
<td></td>
</tr>
<tr>
<td>Population Studies</td>
<td></td>
<td>Mathematics</td>
<td></td>
</tr>
<tr>
<td>Adult Education</td>
<td></td>
<td>Public Administration</td>
<td></td>
</tr>
<tr>
<td>Political Science</td>
<td></td>
<td>Agro/Nutrition Studies</td>
<td></td>
</tr>
<tr>
<td>Gender Studies</td>
<td></td>
<td>Etc.</td>
<td></td>
</tr>
</tbody>
</table>

Notes: All taught courses are term/semester courses. 1 The dissertation research project starts in the third term and continues in the fourth term. 2 Given the interdisciplinary nature of the social protection field, provision is made in the first term for an elective course from relevant academic fields. 3 This is not a taught course. Students are required to register during the second term and undertake the practicum at the end of the second term and before beginning of the third term for a period of 12 weeks.

Source: University of Zambia, School of Humanities and Social Sciences (2019b).

6 LESSONS LEARNED

Designing the curricula included some formidable challenges, as well as lessons for designing appropriate pre-service social protection specialty education in developing countries.

6.1 Challenges

There were several challenges encountered in the process of designing the curricula, relating to the operational costs, sustainability of collaboration, and consensus building.

The curricula were designed over a period of four years, as opposed to the planned three-year duration. This resulted in increased operational costs associated with holding the
national consultative meetings, peer-to-peer learning exchange workshops in Zambia and off-shore and needs assessment and market surveys. However, the design activities continued thanks to a broad resource base including in-kind contributions by UNZA in the form of workshop venues, equipment, office space, and communication and the financial support of the European Union Social Protection Systems Programme.

Sustaining collaboration among national stakeholders during the design process was another challenge. The problem was compounded by a prolonged period for the completion of design activities, as well as competing work activities of participants. However, their commitment was somewhat sustained by a strong sense of common ownership of the design process and outcomes that was developed through sensitization before and during the design process.

Reaching consensus among stakeholders on the curricula structures and contents and training duration was perhaps the most formidable challenge. The problem was compounded by the varied knowledge, experience, and expectations of the participants. Consensus was reached following lengthy debates and the outcomes of the training needs assessment survey, desktop survey of international training programmes, and peer-to-peer learning exchange.

6.2 Future Prospects

The impact of the designed curricula on social protection sector capacity building in Zambia will only be ascertained over time with the implementation of the same. However, there are good prospects for the positive outcomes having applied some of the best practices for curricula design, as follows.

Instituting an interdisciplinary core team of relevant experts/academics to coordinate the design of the training activities is imperative. The institution of such a team by UNZA accounts for the apparent success in the design of the pre-service social protection curricula in Zambia. The curricula design process was enriched by tapping the knowledge and skills from diverse academic and professional disciplines. The basic assumption is that no single academic or professional discipline could claim a monopoly on the knowledge and skills for effective social protection practice, given the multi-sector nature of the social protection field.

Starting with identifying local capacity needs with the active participation of relevant state and non-state stakeholders equally proved essential. This ensured that the capacity-building activities were demand-based, hence broadening the prospects for collective ownership of the same. Also, it avoided the pitfalls associated with some externally conceived and funded capacity development efforts in developing countries that lacked long-term sustainability after initial implementation. In addition, it was imperative to conduct a social protection training market survey at the formative stage of the curricula design process to ascertain the general and effective demand, desired levels of training, and modes of delivery.

The local-driven capacity-building efforts needed to be supplemented by an external peer-to-peer learning exchange. This was essential particularly for countries like Zambia where social protection capacity building was to be undertaken for the first time through pre-service training at tertiary level. Such support not only enhanced the capacity of the local curricula design teams but ensured that the social protection curricula design processes and outcomes were informed by international best practice.
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PART VI

POLITICAL ECONOMY
Designing a social protection system is of course not only a technical exercise but a very political affair. A systems approach to social protection is shaped by the political elites and the respective coalitions of change, the political institutions as well as the political system of a country. This explains why also seemingly similar countries in terms of their risk profile, poverty situation and economic situation can adopt very different social protection systems or make very different progress with respect to social protection expansion. Not only are the established welfare states of the Global North but also the nascent social protection systems in the Global South a testimony of this variety.

While most international actors have realized the importance of the political economy of social protection, international organizations have turned a blind eye to the fact that they are part of the political game. Chapter 29 on international actors and social protection by Seekings demonstrates that international organizations have tried to depoliticize their support, presenting themselves as technical experts. International actors have sold the expansion of social protection systems as technically sound and norm-wise appropriate, delegitimizing any possible skepticism that naturally arises when redistributive policies are at stake. Donors themselves cannot claim to have been purely technical in their approach either. While efforts were undertaken to harmonize approaches and appear united, ideological differences surfaced, in particular between the International Labour Organization’s rights-based and the World Bank’s needs-based approaches. International actors have been equally competing for ideas and it is also noticeable when looking at the design of social protection systems in different countries which agency and also which consultant was in the lead. This does not mean, however, that international actors have had unlimited power over social protection systems in low- and middle-income countries. They managed to place social protection on the political agenda but were much less powerful in convincing parliaments and government ministries to expand social protection to the degree they desired.

An area which has received less attention and has also been overlooked by international actors is public preferences for social protection, which are discussed in Chapter 30 by Bender. The initial focus was primarily to get social protection onto the political agenda and to worry less about public support for it. However, when it comes to sustaining reform efforts in social protection, it is important to understand redistributive preferences and the underlying factors. Individuals but also societies differ with respect to preferences, calling into question to what extent social protection systems can be standardized in the first place. Preferences depend on present and expected future income levels, social norms as well as the level of information that is provided about a particular policy but also the situation at hand that the policy is responding to. The respective weight of these factors varies and more research is needed to detect clear patterns. Further research needs to also critically look into how preferences are best measured and in what way preferences influence policy responses. One lesson to be learned is, however, that in order to increase the acceptability of social protection reforms, communication and policy framing seem critical.
This is also demonstrated in Chapter 32 on the *acceptability of social protection reforms* by Timár, who illustrates with various country examples that reform communication can decide on the success or failure of a social protection reform. Next to this, it is important to identify and potentially compensate reform losers in a sensible manner. While reforms can take on many different forms, reform winners and losers are not so easily determined. This requires careful consideration of which costs and benefits are factored in and how gains and losses are valued. Whether a reform is successfully launched, depends on the political settlement as the *case study on the political economy of non-take-up of the BIG in South Africa* by Mathebula exemplifies. It takes just one dominant political player to not be in favor of the policy reform to destroy the reform initiative, even when a policy is deemed suitable in light of high inequality, unemployment, and the urge to extend coverage to the black majority and when favorable institutions such as a constitutional basis are in place.

There are of course other factors which have an influence on whether social protection is adopted. Niño-Zarazúa and Santillán Hernández discuss in Chapter 31 on the *political economy of social protection adoption* the role of democratization in influencing the expansion of social transfer schemes. Conducting empirical analysis, they conclude that in particular when it comes to the design of social transfer schemes, democratization matters, next to state capacity, tax structure and the demographic characteristics of voters. Not only formal but also informal institutions are important as the *case study on the political economy of social protection in Kenya* by Rohregger shows. Traditional authorities are important gate keepers in social protection programs; they have an inclusionary function due to the knowledge of their communities and the respect they enjoy but their involvement sometimes leads to exclusionary effects due to nepotism. It is therefore important to find a politically astute way of combining the formal and informal authorities.
29. International actors and social protection

Jeremy Seekings

29.1 INTRODUCTION

Social protection policy has long been shaped and sometimes driven by international or transnational actors (see Chapter 10). Imperial states sometimes imposed policies on their colonies, the International Labour Organization (ILO) actively promoted employment-related models of social protection (drawing heavily on the German model) and, from the 1960s, the World Food Programme (WFP) led responses to drought that over time often evolved into ongoing social protection programmes. In the 1990s, the World Bank promoted the privatization of heavily subsidized social insurance systems, including especially contributory or employment-linked old-age pensions. Across much of Latin America and the post-Communist countries of Central and Eastern Europe and Central Asia, public programmes were dismantled, sometimes without any significant alternatives (Cook 2007; Orenstein 2008).

In the 2000s, the landscape of social protection reform shifted, from retrenchment to expansion, and involving many more international and transnational actors. These actors – including inter-governmental agencies (including the World Bank and United Nations (UN) agencies), government aid agencies operating internationally (such as Britain’s Department for International Development, DfID), and international non-governmental organizations (such as HelpAge International or the Friedrich-Ebert-Stiftung, linked to the German Social Democratic Party) – have assumed newly important roles in driving and reshaping the social protection agenda. They have commissioned research on the design and effects of programmes, collated data on their reach and cost, supported policy experts, published evidence-based but nonetheless promotional literature and funded seminars, workshops and training courses to promote not only social protection in general but their favoured models in particular. Moreover, many international organizations worked to incorporate the idea of a right to social protection into international agreements, especially the ILO Recommendation on Social Protection Floors (in 2012) and Sustainable Development Goal 1.3 (in 2015). Social protection – like other fields of social policy – has indeed become ‘global’, generating a growing scholarly literature (and even a specialist journal, Global Social Policy).

The crescendo of attention from diverse international organizations has encouraged national governments to expand social protection. When national governments have been reluctant or unable to do so, international organizations have often stepped in to introduce or operate programmes. In many African countries, ‘pilot’ programmes were initiated by international organizations, with external funding and ‘technical’ assistance. In some countries, dedicated ‘government’ or parastatal agencies have been established, run by international organizations with the approval of national governments. In other countries, international organizations have operated primarily through local civil society organizations, some of which were established for the express purpose of implementing foreign-funded programmes. International organizations have generally taken the lead in monitoring and evaluating the programmes they have
funded. Faced with underenthusiastic national governments, international organizations have sponsored local civil society organizations to mobilize pressure within the affected countries.

International organizations hold many of the strong cards in this game. But they are rarely strong enough to bend national governments – even in low-income countries – to their will. In most countries, social protection reforms are ‘negotiated’, not only between domestic political actors but also between them and international organizations (Hickey et al. 2019a). Sometimes national governments even introduce reforms that are opposed by international organizations. In these negotiations, it is rare for either international organizations or the national government to speak with one voice. Rather, diverse international organizations promote varied approaches and models, whilst government departments and individual politicians differ in their enthusiasm for reform. The result is a complex political landscape marked by considerable uncertainty as well as variation in the scale and form of reform.

This chapter surveys the roles of international organizations in the expansionary phase of social protection reform in the 2000s, focusing primarily on Sub-Saharan Africa. The next section examines the rise in enthusiasm for social protection across a range of international organizations. The following section examines the models promoted by, discourses used and ideologies underlying the major influence of international organizations, focusing primarily on the World Bank and ILO. The final section considers the influence of national organizations at the national level, pointing to some of the growing number of country case studies of the politics of policy reform.

29.2 INTERNATIONAL ORGANIZATIONS AND THE NEW SOCIAL PROTECTION AGENDA

Whilst international organizations have been involved in the promotion of (what has much more recently come to be called) ‘social protection’ reforms for almost a century, the terrain was uncluttered until the 2000s. From the 1930s until the 1960s the ILO was by far the most active of the international organizations. The ILO’s pursuit of compromise between employers, workers and states – in order to discourage revolution – expanded from the regulation of wages to the regulation of forms of social protection linked to wage employment, generally along German lines. The ILO facilitated the expansion of social insurance programmes for formally employed workers, including in parts of Central America. Imperial networks also served as mechanisms for the international diffusion of ideas and models. The French extended to their colonies employment-linked family allowance programmes (together with other contributory social insurance programmes). In some parts of the British Empire, colonial governments introduced tax-financed social assistance programmes (as well as tax-financed health systems), aimed not at waged workers but at those poor people who were unable to work because of age or disability. The imperial British state generally discouraged social assistance reforms, preferring instead contributory programmes (including provident funds) for formally employed workers and rural development programmes for smallholder farmers. Indeed, from the 1940s, all of the imperial states and most other international organizations prioritized (economic) ‘development’ which (they believed) would reduce or remove the need for any social assistance and would in time lead to the expansion of employment-related social protection.
The first major shift in the approach of international organizations came in the 1960s with the establishment of the WFP to coordinate humanitarian relief operations. If development was the preferred long-term solution to predominantly rural poverty, emergency relief was required in the short term in response to drought, floods or other disasters that prevented poor people from providing for themselves. The WFP ensured that large volumes of food were provided through feeding programmes (especially for children) and food-for-work programmes (for able-bodied adults) either through government or civil society channels.

The next major shift came in the late 1980s and early 1990s. A series of economic crises – first in Latin America, then following the collapse of the Soviet Empire, led to the International Monetary Fund (IMF) and World Bank imposing structural adjustment programmes. In countries with expensive contributory pension systems – especially post-Soviet Europe and the more industrialized Latin American countries – the World Bank promoted energetically the privatization of social insurance (Orenstein 2008). Austerity required the introduction of user fees which had massive consequences, especially in health services. The World Bank (and other organizations) established ‘social funds’ to mitigate the effects of austerity on the poor. In parts of Africa, AIDS added to the urgency of addressing ‘social risks’. In 1993, the IMF and World Bank formally recognized the importance of ‘social safety nets’ in mitigating the adverse effects of economic reform (and thus offset political opposition to reforms). The following year the World Bank published a major report outlining its proposals for comprehensive old-age pensions, including non-contributory pensions for the very poor. In 1996, the World Bank established a Social Protection and Labour Unit and began to prepare a new social protection strategy. Despite these initiatives, social protection was not mentioned in the 2000 Millennium Development Goals.

In 2001, the World Bank published its first Social Protection Sector Strategy (2001a) and applied this to Africa (2001b). It also began to fund experimental conditional cash transfer programmes (promoting versions of the models initiated in Brazil and Mexico). From 2002, the World Bank organized major conferences to promote conditional cash transfer programmes (World Bank 2012a, appendix A). At the same time the ILO re-examined its approach to social protection, in part in order to push back against the World Bank’s trespassing on what the ILO considered to be its turf. ILO researchers recognized that a focus on employment-related social insurance left a massive ‘coverage gap’. The ILO’s 2000 World Labor Report examined Income Security and Social Protection in a Changing World. In 2003, the ILO launched a ‘Global Campaign on Social Security and Coverage for All’ and began to develop the concept of a ‘Social Protection Floor’ (Cichon and Hagemejer 2007). In 2005, both the ILO and World Bank published their first studies of the cost of social protection programmes. Both concluded that a significant expansion of social protection was affordable in low- as well as middle-income countries (Kakwani and Subbarao 2005; Pal et al. 2005). The World Bank’s embrace of social protection was part of a broader re-engagement with ‘social’ dimensions of development (Vetterlein 2017).

Other international organizations became similarly enthused with pro-poor social protection. DfID established within its Policy Division in 2002–2003 a ‘Reaching the Very Poorest’ team, focusing on cash transfers. This later evolved into a Social Protection team (Hickey and Seekings 2019). The Organisation for Economic Co-operation and Development established in 2004, within its Network on Poverty Reduction, a Task Team on Risk, Vulnerability and Social Protection (later renamed Social Protection and Social Policy), bringing together experts from government, international and civil society organizations (Voipio 2007). German
agencies first engaged with the idea of cash transfers in 1998–99 and embraced it strongly from 2004. Nordic agencies developed a particular interest in social protection for the disabled. Reform accelerated during and after the financial and economic crisis of 2008–2009. The ILO persuaded the other UN agencies to launch a Social Protection Floor Initiative as one of nine UN joint initiatives to cope with the effects of the economic crisis. The World Bank initiated a review of social protection in Africa. In 2010, the ILO published a guide to Extending Social Security to All (ILO 2010a) as well as its first (and, it turned out, only) World Social Security Report (ILO 2010b). In 2012, the International Labour Conference adopted Recommendation 202 on Social Protection Floors (i.e. covering basic income security and access to health care). The World Bank itself restated its case for social protection in a new strategy document (World Bank 2012a), published its study of cash transfers in Africa as The Cash Dividend (Garcia and Moore 2012) and followed this with a dedicated ‘Social Protection Strategy for Africa’ (World Bank 2012b). As Garcia and Moore enthused, experiences with cash transfers in Africa suggested that ‘the question is not whether cash transfers can be used in the region, but how they should be used, and how they can be adapted and developed to meet social protection and development goals’ (2012, 9).


Whilst many international organizations endorsed and promoted social protection, the World Bank and ILO took the lead. This was reflected in a flood of further reports on social protection. In 2018–19 alone, the World Bank published two major reports (Beegle et al. 2018; Packard et al. 2019). The ILO published the first volume of a compendium celebrating 100 Years of Social Protection (Ortiz et al. 2019a), a report on the implementation of social protection floors (ILO 2019) and an updated handbook on Fiscal Space for Social Protection (Ortiz et al. 2019b).

Coordination between international organizations at the global level was initially facilitated through the Social Protection Floor Initiative, co-chaired by the ILO and World Health Organization. From 2012, the coordinating role was taken over by a new Social Protection Inter-Agency Cooperation Board (SPIAC-B), in which the World Bank played a much more
prominent role (Deacon 2013b). At the country level, the UN Development Programme assumed the lead in establishing ‘One-UN’ social protection country teams. Government aid agencies also sought to coordinate their expenditures at the country level. International organizations involved in humanitarian relief sought to coordinate their involvement in social protection. In 2015–16, aid donors (such as DfID), UN agencies and non-governmental organizations negotiated and signed a ‘Grand Bargain’ that charted a way forward for coordinated and effective humanitarian expenditure, including a clear commitment to the increased use of ‘cash-based programming’ in alignment with national social protection systems. In 2016, the ILO, World Bank and a host of other international organizations launched a ‘Global Partnership for Universal Social Protection’, all endorsing the view that ‘social protection is a primary development priority’.2

Those international organizations with financial resources invested heavily in social protection, especially during the 2007–2009 crisis. There is a paucity of good data on expenditure on social protection by most international organizations. In the years preceding the crisis the World Bank spent on average only about USD 500 million per annum. Between 2009 and 2013 it spent on average about USD 2 billion per annum (Andrews et al. 2014, 10). DfID’s expenditure on social protection similarly quadrupled following the crisis, although at a much lower level than the World Bank’s (Hickey and Seekings 2019, 259). The total value of international organizations’ expenditure on humanitarian relief – much of which should be considered as social protection – was estimated at USD 2.8 billion in 2016 (and this amounted to just 10 per cent of the total value of humanitarian relief, most of which is distributed in kind) (CaLP 2018). In many countries, especially lower-income countries, international organizations funded most or all expenditure on social protection. The World Bank reports that, in Africa, ‘development partners finance an average 55 percent of program spending’ on social safety nets (Beegle et al. 2018, 153–4).

In part because of their expenditures and in part because of their concern to improve design, international organizations funded many monitoring and evaluation projects. These also served to demonstrate the benefits of social protection to sceptical national governments (Davis et al. 2016). Evaluations that demonstrated that social protection reduced poverty and were developmental served to legitimate the programmes and the organizations promoting them (Peck and Theodore 2015; Teichman 2017).

International organizations also sponsored training courses, not only to improve the implementation of social protection programmes but also to encourage national political and bureaucratic elites to support their adoption. Goldman quotes a World Bank official explaining the objective of a training seminar:

The purpose of this training seminar is to try to create an epistemic community in Africa so that you can have more power with your governments when negotiating for institutional reform. You won’t feel alone. We’ll help you set up networks and share information. You will be able to say to your bosses: ‘Hey, but that’s how they’re doing it next door, and look how successful they are.’ We are prepared to offer you support … And when you return home after this workshop, we would like you to initiate your own training workshops … This way we can change decision-making in your countries. (Goldman 2005, 21)

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This particular seminar was not concerned with social protection, but the same could be said of the many seminars and courses on social protection that have been organized or funded by the World Bank and many other international organizations.\(^3\) The World Bank, for example, ran a series of ‘South-South Learning Forums’ on social protection.\(^4\) In 2017–18, the ILO initiated the development of the primarily online ‘Transform’ programme for politicians and officials engaged in building and managing social protection in Africa.\(^5\) Ostensibly developed for the African Union, the objective is described as ‘to help decision makers and practitioners take ownership in building national social protection systems through continuous learning and reflective practice’, i.e. training was part of a conscious effort among international organizations to hand over the initiative in policy reform to national governments and local civil society organizations.

International organizations present themselves as the guardians of ‘technical’ knowledge and expertise. Rendering questions of policy reform as ‘technical’ serves to legitimate and empower ‘experts’ – and the organizations that employ or mobilize them – and to depoliticize the choices that must be made about the allocation of scarce resources (Ferguson 1990; Goldman 2005; Li 2007). The considerable resources of international organizations have been used to strongly promote the idea that the expansion of social protection is not only technically appropriate and feasible but also rooted in generally agreed norms and values. Scepticism about reform is delegitimized.

A wide array of international organizations thus constructed in the 2000s what might be considered a global ‘epistemic community’ (Haas 1992) or ‘policy network’ (Marsh and Rhodes 1992) around social protection. This community or network spanned the international organizations themselves. As importantly, the various organizations attracted or recruited into the community or network activists in civil society, officials within the state and politicians in or out of government in countries across the global South. With their Southern allies or recruits, they sought to establish expansionary social protection as the norm in poverty reduction.

### 29.3 MODELS, DISCOURSES AND IDEOLOGIES

International organizations may have been united in their intensifying advocacy of social protection and sometimes drew attention to the similarities in their positions (see, e.g. Rawlings et al. 2013). But they also competed with each other in terms of their preferred models, their underlying objectives and the discourses employed. von Gliszczynski and Leisering (2016) identify four predominant models of social cash transfers, each with their own champions. In their account, the United Nations Children’s Fund (UNICEF) advocated family allowances, the World Bank championed conditional cash transfers, ‘general household assistance’ was supported by the ILO and DfID, whilst social pensions were championed by HelpAge International (among others). Further models – such as workfare and universal basic income

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\(^3\) See socialprotection.org.


– failed to attract comparable support. Whilst this precise identification of models is open to
debate, von Gliszczynski and Leisering are clearly correct to point to the differences between
international organizations with regard to their approaches to social protection.

Competition was most evident between the World Bank and ILO. Their respective publica-
tions, workshops and sponsored training courses were intended not simply to promote social
protection, but to promote their particular version. When the World Bank ventured onto the
field of social protection in the 1990s, the ILO appeared to see this not only as trespassing
but as an invasion by a hostile force (from across the Atlantic) with quite different values and
objectives. The ILO pushed back against the World Bank’s influence on the reform of welfare
systems in post-Communist Eastern Europe (Deacon et al. 1997; Deacon and Stubbs 2007).
The ILO’s reassessment of its approach to social protection entailed part of what Deacon
drawing on Gramsci) called a ‘war of position’ (Deacon 2007, 16; see also Deacon 2013a;
Charlton and McKinnon 2002). The 2007–2009 crisis provided conditions in which the ILO
was able to regain a prominent position in the global debate over social protection (Heneghan
and Orenstein 2019).

The differences between the World Bank and ILO were evident even in their definitions of
social protection, and especially on the scope of social transfers (see Chapter 2). The World
Bank focused specifically on social safety nets targeted on the poor, whether the benefits were
paid in cash or in kind. The World Bank thus included feeding schemes as well as workfare
programmes in its definition of social protection. The ILO, in contrast, focused on cash trans-
fer programmes, collating data on some but not all workfare programmes and on few if any
feeding schemes. Estimates of the total number of people benefitting from social protection
across the developing world varied from fewer than 1 billion people (using a definition similar
to the ILO’s) (Hanlon et al. 2010) to closer to 2 billion (according to the World Bank 2015, 1).

Organizations differ also in terms of the data they collect and publish. The World Bank’s
Atlas of Social Protection Indicators of Resilience and Equity database primarily uses
household survey data to document the distribution of benefits from different programmes in
order to identify how effective the programmes are in reducing poverty. Some programmes –
including general consumer subsidies (whether of fuel or basic foods) as well as contributory,
employment-related programmes – generally benefit non-poor households disproportionately
or even exclusively. Means-tested programmes and self-targeted programmes (especially
low-benefit workfare programmes) are much more likely to benefit the poor. The ILO’s objec-
tive is social protection for all, not only for the poor. Their database collates data (provided by
national governments) on overall ‘coverage’ without regard for whether the beneficiaries are
poor or non-poor.

The World Bank and ILO differ also in their underlying objectives. The Bank’s approach
to social protection originally focused on ‘social risks’ but came to focus more on need. The
Bank’s goal has been the reduction of poverty, in the long run (through ‘development’) as
well as the short run (through ‘social safety nets’). Its favoured programmes have therefore
been safety nets that are also developmental, i.e. programmes that not only meet immediate
needs but are also investments in future production and the future capabilities of currently
poor people. The 2001 Social Protection Sector Strategy was thus subtitled ‘From safety net
to springboard’ (World Bank 2001a). The Bank’s vice-president for Africa explained:
The strategy is not about relief or welfare hand-outs, but rather investments that prevent irreversible human development losses by the poor, thereby protecting their future productivity. School-fee waivers, self-targeted public workfare, community empowerment, and microfinance are likely to be important activities to reduce risk and vulnerability. For example, public assistance to ensure that orphans go to school could be an important social protection intervention to lift these children out of poverty traps and also to prevent a potential erosion of human capital. Such programs can constitute legitimate investment priority, even for very poor countries in Africa. (World Bank 2001b, iii)

For the World Bank, school feeding schemes and conditional cash transfers (such as Brazil’s Bolsa Familia) entail investments in human capital, whilst workfare programmes entail an investment in infrastructure. Social protection for children is a higher priority than social protection for the elderly. The World Bank became especially concerned with the ‘shocks’ – including climatic events – that made it difficult for the poor to raise themselves out of poverty.

The ILO, in contrast, focuses on rights. Historically, it was concerned with the rights of workers in formal wage employment. In the 2000s, it redefined its goal as rights for all people, in all stages of life. The primary architect of the Social Protection Floor initiative, Michael Cichon (2013), gushingly described Recommendation 202 as the ‘Magna Carta’ of social protection (referring to the charter of 1215 in which the then King of England recognized that at least some of his subjects had civil and political rights). The Recommendation opened with a preamble that reaffirmed that ‘the right to social security is a human right’. The word ‘right’ appears almost 300 times in the ILO’s 2017–19 World Social Protection Report (ILO 2017). In contrast, the World Bank rarely refers to rights. In its 2018 State of Social Safety Nets Report, the word appears only once in the main text (World Bank 2018, 34). Peck and Theodore (2015) argue that the World Bank’s preference for the Mexican model of a conditional cash transfer over the Brazilian model reflected the Bank’s wariness of Brazilian rights discourses.

The ILO was not alone in emphasizing rights. A rights-based approach was promoted also by DfID, some of the other European donor agencies, HelpAge International and some other non-governmental organizations, as well as UN special rapporteurs (see, especially, Sepúlveda 2014).

Whilst there is a clear contrast in their respective emphases on need (and risk) and rights, the ILO shares the Bank’s concern with development. The ILO also employs developmental discourses, although with a somewhat different emphasis to the World Bank:

The lack of access to social protection constitutes a major obstacle to economic and social development. Inadequate or absent social protection coverage is associated with high and persistent levels of poverty and economic insecurity, growing levels of inequality, insufficient investments in human capital and human capabilities, and weak aggregate demand in a time of recession and slow growth. (ILO 2014, xix)

The idea of development may not have been as central to the ILO’s discourse and practices as to the World Bank’s, but the ILO from the outset believed that a compromise between capital and labour would require economic growth as well as facilitating a just distribution of the benefits thereof.

Whereas the differences between inter-governmental (‘multilateral’) agencies were due to their varied mandates as well as ideological differences, the ‘bilateral’ donor agencies generally had the same mandates. The differences between their approaches thus reflected ideological or cultural differences, often rooted in the dominant ideologies of welfare in their own countries. DfID, for example, was rooted in British welfare doctrines. Like the World Bank, it
prioritized poverty reduction. But it was less inclined to see cash transfers as developmental. It tended to favour targeted but unconditional programmes for the deserving poor and had some sympathy for the rights-based approach favoured strongly by the ILO and some other (especially Nordic) donor agencies (Hickey and Seekings 2019).

International organizations thus formed a number of separate (perhaps overlapping) epistemic communities or policy networks within a broader, overarching social-protectionist community or network. The World Bank attracts most critical attention, but it was just one of a number of organizations promoting diverse models and ideologies of social protection. Recognizing that unrestricted competition might be counter-productive to the overall goal of expanding social protection, international organizations sought to coordinate at the global level as well as in individual countries across the global South. Unsurprisingly, such interorganizational coordination was not uncomplicated. The shift from the Social Protection Floor Initiative to the Social Protection Inter-Agency Cooperation Board from 2012 was seen within the ILO as in part the attempted reassertion of World Bank authority. In this context of competition, the organizations themselves have been sites of struggle. Deacon (2013a) demonstrated how officials within the ILO competed in the early 2000s to determine the ILO’s new strategy. Heneghan and Orenstein (2019) show that there were struggles within the World Bank also, both in its embrace of pension privatization (in the 1990s) and then its retreat from this (in the 2000s). Indeed, the shift in influence from the World Bank to the ILO in the 2010s reflected the Bank’s internal tensions as well as the changed external context – and probably also contributed to the internal tensions.

29.4 INFLUENCE ON NATIONAL POLICYMAKING

The various international organizations were competing (and cooperating) with the primary goal of influencing national governments. Despite the relentless tide of publications and activities – and the considerable financial as well as technical resources at the disposal of some of the organizations – they had much less influence over most national governments than they wanted. They generally succeeded in placing expansionary reforms of social protection on the policymaking agenda. They were often able to persuade officials in departments responsible for prospective social protection or in civil society and very often succeeded in pushing governments to adopt or at least draft documents setting out a national social protection strategy. But they were less successful in persuading parliamentarians and government ministers. National governments tended to view international organizations as promoting their own agenda rather than solving the problems of primary concern to the governments themselves. The result was that social protection was expanded, but not to the extent recommended by international organizations and with less buy-in from national governments than the international organizations had hoped.

Brooks (2009) and others have demonstrated similar patterns in the 1990s when the World Bank enjoyed uneven success in promoting its preferred multi-pillar model of pension reforms. Some governments in Latin America and post-Soviet Eastern Europe and Western Asia privatized their government-run pension funds, but most implemented reforms in part only.

In the 2000s, some countries across the global South had already pioneered and institutionalized the expansion of social assistance. Old-age pensions and other programmes in South Africa and Mauritius long preceded the 2000s, whilst old-age pensions in Botswana and
conditional cash transfers in Brazil and Mexico were more recent precedents. Moreover, in the early 2000s some governments introduced similar reforms without international organizations playing a major role, or even in the face of opposition from international organizations. In Lesotho, for example, the government introduced old-age pensions in 2004 against the advice of international organizations (Granvik Saminathen 2019). Ethiopia’s government similarly introduced the Productive Safety Net Programme in defiance of international organizations (Lavers 2019a). In four major Latin American countries – Argentina, Brazil, Chile and Mexico – Garay (2016, 14) found that international organizations had not played a significant role in the expansion of social cash transfers prior to 2010 (contrary to the argument by Teichman (2017) that international organizations did influence the design and implementation of social cash transfers in both Chile and Mexico). These precedents led Hanlon et al. (2010) to proclaim that the rise of social cash transfers was a ‘quiet revolution’ from the global South.

Despite these precedents, when international organizations swung behind the expansion of social assistance, there was wide variation in terms of their ‘success’ in persuading other governments to implement social protection reforms. The governments of many lower- and middle-income countries proved resistant to the blandishments offered by international organisations. When national governments did implement reforms, they did so because there were pressing local political reasons for doing so. International organizations had no power to impose reforms and their powers of persuasion often proved limited. They have had to negotiate reforms, as many case studies have demonstrated (see, for example, the case studies in Hickey et al. 2019b). In Africa, almost no country had been as bold in reform – or spends anywhere near as much – as either the World Bank or ILO recommend.

The limits to influence as well as occasional success can be illustrated in the case of Tanzania. The World Bank trumpets Tanzania as one of its success stories, pointing to the dramatic increase in the number of beneficiaries of as well as expenditure on cash transfers through the Productive Social Safety Nets programme (see, e.g. World Bank 2018, 28; Beegle et al. 2018, 6). In reality, however, Tanzania’s government – controlled since independence by a single party, Chama Cha Mapinduzi – stands out in its disinterest in social assistance. It has emphasized consistently and strongly self-reliance, responsibility and hard work. It was the World Bank that pushed for, funded and in practice operated the social protection programmes. Despite the Bank’s developmental arguments and insistence that the cash transfers were not ‘handouts’, the Tanzanian government declined to take full ownership of the programme, declining even to contribute its promised share of the funding. HelpAge International, DFID and the ILO also promoted unsuccessfully the idea of a social pension (Ulriksen 2019; Jacob and Pedersen 2018). Were the donors to withdraw, the government would probably suspend the programme – as the government of Zambia did in 2018–19. There was one exception to this picture of disinterest in Tanzania. In self-governing Zanzibar, as on the mainland, the ILO failed to persuade the government to introduce social pensions. But HelpAge International patiently nurtured a pro-reform coalition, culminating in the introduction of pensions in 2015–16 (Seekings 2016).

No single country should be considered typical of Africa. Some governments (such as those in Ethiopia and Rwanda) have – like Zanzibar’s – embraced at least some kinds of social protection programme. Tanzania was far from unique, however, in that its governments have been sceptical about social protection programmes. If social assistance is to be considered, then workfare is favoured, perhaps with parsimonious social grants for very poor households with children or elderly members.
Part of the gap between international organizations and national governments reflects ideological differences. In Zanzibar, HelpAge chose not to emphasize a discourse of rights – although rights are fundamental to HelpAge’s general approach – but rather framed the proposed pensions in terms of responsibilities. In Zanzibar, HelpAge and reformist officials argued, responsibility for the elderly had previously been effected through kin and religious charity. Reforms to public policy were warranted because the institutions of kinship and religious charity were no longer able to cope with the challenge of poverty among the elderly. Political elites across much of Africa are wary of the discourse of individual social and economic rights – rooted in Western liberal and social democratic thought – that predominated in many international organizations. Citizens are viewed not so much as rights-bearing individuals but as persons embedded in networks of relationships – both within and beyond kinship networks – in which claims are bound up with obligations. These norms are reflected in the ways that ‘global’ discourses of social and economic rights have been ‘vernacularized’ in the charters and protocols adopted by the African Union (or its predecessor, the Organisation of African Unity). The responsibility of society for poor people is reciprocated by the responsibility of poor people to help themselves and (when they can) others. This normative approach underpins the horror of ‘dependency’ across much of Africa: dependency entails the denial of reciprocal responsibility (see Seekings 2019a on Botswana). Across Africa, national governments may appear to endorse international agreements such as the ILO’s Recommendation on Social Protection Floors, but they rarely feel invested in such agreements, which were usually drafted without much consideration for conditions and norms in Africa (Seekings 2019b).

Most African national governments have adopted typically ambitious social protection strategy documents.6 But, as Kaltenborn et al. (2018) argue, there is little or no correlation between the vision set out in such documents and the reality of programmatic reform. A key reason for this is that such documents are typically written by expatriate consultants paid (for this and other work) by one or other international organization.

Pointing to the limits of their influence does not mean that international organizations have no influence. On the contrary, when programmes are introduced, the fingerprints of international organizations are often (but not always) evident. The national officials charged with developing proposals typically work closely with one or other international organization, are taken to workshops and on sponsored study tours and courses and are backed up with extensive ‘technical assistance’ (see, e.g. Foli 2016 on Ghana). Indeed, the design and emphasis of specific programmes often reveals the fingerprints of whichever individual champion of social protection played a key role in each reform. As Deacon (2013a, 2014) noted with respect to policy shifts within the ILO, individuals have mattered in social protection reform. Across Africa, this has been even more true of both globe-trotting consultants and senior political leaders.

It is not easy to discern any clear pattern in the relative influence of the various international organizations in individual countries. An organization’s visibility is more likely to reflect its public efforts to influence government than its actual influence, especially in private. In Zambia, for example, the German aid agency Gesellschaft für Technische Zusammenarbeit and later DfID prominently backed (and publicized) pilot cash transfer programmes in the 2000s, but there was little indication that they exerted much influence over government

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6 The UN Development Programme lists a total of 31 countries: https://social-assistance.africa.undp.org/resources?category=1.
decision makers beyond being permitted to run very limited pilots (Pruce and Hickey 2019; Kabandula and Seekings 2016). The World Bank appears to have been the ‘lead’ agency in several African countries. In Ethiopia, the Bank’s influence appears to have been primarily over the design (Lavers 2019a). In Tanzania, as we saw above, the Bank persuaded the government to allow the Bank to set up and fund a major programme (influenced by the Ethiopian model) but has not persuaded the government to take ownership of the programme. In Uganda and Rwanda, DfID has been the most prominent of the international organizations (Bukenya and Hickey 2019; Lavers 2019b). UNICEF appears to have been the lead agency in Kenya (with some success), Malawi and Lesotho (less successfully). HelpAge International was integral to reform in Zanzibar. If there is any pattern here, it is not obvious.

29.5 CONCLUSION

International organizations have played a central role in reshaping the global social protection agenda. They have spent heavily on literature, workshops, training, monitoring and evaluation in order to promote their preferred models of social protection. They have lobbied national governments directly and indirectly, via local civil society and other organizations. Their role has gone beyond agenda setting, however. The well-resourced international organizations – i.e. the World Bank and the aid agencies – have funded not only pilot programmes but also the much more extensive roll-out of national programmes. Yet there are clear limits to the power of international organizations: whilst they have pushed and pulled national governments to roll out programmes and, in some cases at least, to assume some fiscal responsibility for the modest programmes that have been introduced, neither coverage nor national government expenditure have expanded on the scale that international organizations desired.

Looking forward, there are pressures for the expansion of social protection through social assistance programmes within as well as beyond individual countries. It is clear that, across much of Africa at least, economic growth is not going to reduce poverty as dramatically as it did in East Asia. Rising landlessness, urbanization and the weakening of kin- and community-based provision for the poor are all likely to increase the need – and demand – for public provision. The investments by international organizations in promoting social protection are likely to expand support for expansion within many countries. Both the international organizations, looking over their shoulders at taxpayers in the global North, and the governments of countries across the global South are likely to incline more strongly towards pro-poor social protection programmes as it becomes clear that many countries – especially across Africa – are going to fall far short of achieving Sustainable Development Goal 1 by the target date of 2030. International organizations will remain powerful players in the politics of reform, even if they are neither united nor all-powerful.
REFERENCES


30. Public preferences

Katja Bender

30.1 INTRODUCTION

For reforms to be acceptable and sustainable in the long run, they should be aligned with public preferences. ‘Preferences’ is a technical term used in social sciences or humanities including for example disciplines such as economics, philosophy or psychology. Broadly speaking, preferences refer to an individual’s judgements on liking one alternative more than others. More specifically, preferences are ‘subjective comparative evaluations, in the form of “Agent prefers X to Y”’ (Hansson and Grüne-Yanoff 2018). Here, we are particularly interested in people’s policy preferences concerning social protection, an area which deserves more attention in policy debates and research.

Available research examines the micro-foundations of individuals’ demand for redistributive policy measures or – albeit to a considerably lesser extent – specific social protection measures. It aims to understand individual preferences for redistribution and the underlying driving factors. As people’s preferences reflect the acceptability of redistributive policies within societies, the distribution of preferences within a population is considered relevant in influencing the feasibility of social protection policies by shaping public support (or public opposition). However, it needs to be stressed that there is no direct transmission from public preferences to feasibility of social protection policies. As will be taken up below, the specifics of the political system, national institutions or international linkages play a crucial role in shaping resulting policies (see also Chapters 29, 31 or 32).

A burgeoning literature on public preferences exists, yet, considering the current state of art there are at least two caveats. First, social protection entails two basic functions: redistribution and risk pooling (Breyer and Buchholz 2007). A considerable share of the literature is focusing on income redistribution or risk pooling in general without being explicitly linked to any specific or actual social protection policies. Second, although the literature including middle- and low-income countries is expanding, more literature is at present available on high-income countries which tend to have lower inequality and more redistribution than low- or middle-income countries. With respect to single-country studies there is substantial literature on the United States, which is in fact an interesting country for investigation as it is characterized by increasing inequality and relatively little redistribution (Alesina and Giuliano 2011). Research on other high-inequality countries, for example South Africa, is however slowly emerging.

The remainder of this chapter is structured as follows. First, factors influencing preferences for redistribution will be presented and discussed.1 Next, the issue of social accountability, i.e. the relationship between redistributive preferences and policy responsiveness, will be

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1 Alesina and Giuliano (2011) provided the first comprehensive survey on the literature on preferences for redistribution.
addressed. Then, the chapter turns to methodological challenges in measuring preferences focusing on the validity of approaches used for measuring preferences and problems of endogeneity when addressing the causal link between preferences for redistribution and redistributive outcomes. The last section concludes.

30.2 WHICH FACTORS DETERMINE PREFERENCES?

The literature on redistributive preferences discusses a broad range of factors shaping preferences for redistribution. They can be divided into three main groups:

- Approaches assuming self-interested preferences, discussing the role of income, risk aversion and social mobility in particular.  
- Approaches examining other-regarding preferences, addressing the role of values and social norms.
- Approaches considering the role of information.

30.2.1 Self-Interested Preferences

The role of relative income and the median-voter model

Individual income is considered as a main driver of demand for redistribution: individuals with lower incomes are considered to be in favour of redistribution as they expect to benefit from redistribution, while individuals with higher incomes would rather oppose redistribution as they would incur an income loss.

The theoretical foundations are provided by the model developed by Meltzer and Richard (1981) suggesting a link between income inequality and the demand for redistribution. They present a median-voter model and address the utility derived from income as an explanatory variable. The basic argument is as follows. If individuals’ market income is below the average market income, they will demand redistribution. Individual demand increases with a widening gap between the individual market income and average market income. The larger the gap between the median’s voter market income and average income the higher the demand for redistributive policies. As self-interested politicians are interested in remaining in power they respond to the median voters’ demand. Thus, at country level the model predicts that countries with high levels of market income inequality are supposed to have higher public demand for redistribution and higher levels of redistribution.

A number of empirical studies test the hypothesis that people with lower incomes tend to be more supportive of redistribution than people with higher incomes. However, the evidence that these studies provide is mixed. Supporting evidence is provided by Kenworthy and Pontusson (2005), Olivera (2015) and Kerr (2014).

Yet, numerous studies demonstrate also high similarities between the preferences of higher- and lower-income earners (Gilens 1999; Kenworthy and McCall 2008). Other studies demonstrate that even though inequality has risen, preferences have remained stable over time (Ura and Ellis 2008). In addition, there is also empirical evidence showing that poor voters are

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2 Strictly speaking, the role of social mobility also partially overlaps with other-regarding preferences if intergenerational concerns within families are addressed.
actually the ones opposing redistribution, and many wealthy voters favour larger redistributive programmes (Fong et al. 2005; Gilens 1999). All the studies mentioned so far take the United States as a case. Using a comprehensive dataset of more than 50 countries Dion and Birchfield (2010) find that individual-level income does not systematically explain demand for redistribution either in countries with a low level of development or high level of income inequality. Focusing on low and middle incomes, Haggard et al. (2013) find that although individuals with lower incomes tend to be more supportive of redistribution, preferences among this group differ to a large extent across dimensions such as occupational status or residence. Also, they find no evidence that preferences of the poor are positively affected by the level of inequality. Lierse (2019) even finds a negative impact of inequality on support for redistribution.

Considering the inconclusive and seemingly paradox empirical evidence it is obvious that explanations solely based on income and income distribution are not sufficient in explaining redistributive preferences and additional explanations should be considered.

Risk aversion
The standard median-voter model assumes complete information, which implies that individual future income states are certain, and no risks are present. Allowing for uncertainty about future income states, social protection measures might alternatively be viewed as insurance programmes (risk pooling). Demand for insurance is commonly assumed to rise with income: people with more income are willing to pay more to safeguard their living standards against adverse risks such as job loss, illness or old age. Hence, if voters perceive a specific programme as risk pooling or an insurance mechanism rather than as redistribution from higher to lower incomes the median-voter model would predict a negative link between income inequality and demand for ‘redistribution’: the higher the level of inequality, and therefore the lower income of the median voter, the less redistribution the median voter will demand (Moene and Wallerstein 2001, 2003). Addressing the link between uncertainty and homogeneity of preferences Bjerk (2016) finds by conducting a lab experiment that with uncertainty over future income situations, preferences tend to be similar across incomes, but without uncertainty the individual income situation matters as a determinant for redistributive preferences. Thus, the role of income and inequality may also depend on (individual perceptions of) the actual type of programme in question. This is explored further below in the section on ‘Information’.

Social mobility
People might be willing to accept higher levels of inequality in society if they perceive the chances of upward mobility to be high. If people have a positive assessment of their own future prospects of upward mobility or consider the chances of upward mobility for their children as positive, the median voter prefers to have less redistribution compared to the standard median-voter model (Bénabou and Ok 2001). The empirical literature on the role of social mobility for redistributive mobility is vast and mostly confirmatory about the relevance. For example, using cross-country survey and experimental data from high-income countries (France, Italy, Sweden, the United Kingdom and the United States), Alesina et al. (2018) find that views on mobility are highly correlated with redistributive preferences across all countries: Respondents who are more pessimistic about mobility tend to favour more gener-

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3 Kenworthy and McCall (2008, 62–3) offer a critical perspective on this argument.
ous redistributive policies and higher levels of government involvement. Yet, differentiating according to different types of policies they find that the correlation is stronger for ‘equality of opportunity’ spending policies (e.g. public education or health) than for ‘equality of outcome’ policies (e.g. progressive taxation or social safety nets). Steele (2015) analyses over 50,000 individuals from 38 countries at various income levels. While she finds that people who have experienced social mobility are less supportive of redistribution – which is in line with the above argument – she also finds that people who live in countries with higher perceived social mobility are actually more supportive of redistribution than people living in countries with less social mobility. This may point to a reinforcing relationship between social mobility, demand for redistribution and redistributive policies.

30.2.2 Other-Regarding Preferences: Social Norms and Values

All factors discussed so far relate to individual incomes: either current relative market income (standard median-voter model), expected income fluctuations (risk aversion) or expected future incomes (social mobility). In this sense, all these factors relate to self-interested motives. While self-interest is an important motive in human behaviour, individual attitudes are also determined by social norms or values held. The empirical evidence that they matter is compelling.

From a social justice perspective, it matters how people evaluate the root causes of poverty (Appelbaum 2001). People might have different beliefs of the sources of poverty and inequality and consequently different perceptions on the adequacy of policy measures dealing with poverty and inequality. For example, if people stress individual responsibility and belief that personal effort is sufficient for bringing about material success, a society is less likely to support redistribution as the poor are able to change the situation for themselves. On the contrary, if people tend to believe that structural problems influence poverty and that these barriers cannot be overcome by the poor themselves, then societies are more likely to support redistribution. Fong (2001) and Alesina and La Ferrara (2005) provide empirical evidence for the United States that preferences are at least somewhat predicted by an individual’s beliefs about the role of effort versus luck in determining outcomes. Fong et al. (2005) argue that contingent reciprocity and a distinction between ‘deserving versus underserving poor’ drives redistributive preferences in the United States. Focusing on developing countries, Duman (2013) also finds that attitudes towards the poor are a significant determinant of preferences towards redistribution. Lierse (2019) equally finds empirical support that societies with more individualistic fairness norms are less supportive of redistribution.

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4 Social norms are understood as informal rules governing behaviour in groups that are enforced by group members (e.g. social ostracism). Values are internalized rules that guide or motivate behaviour.

5 Theoretical foundations are for example provided in Alesina and Angeletos (2005), who extend the median-voter model to include fairness considerations. Alesina et al. (2012) build on a probabilistic voting model to illustrate how changes in perceptions of fairness influence the evolution of redistributive policies, inequality and redistributive preferences over time.
30.2.3 Information

The basic median-voter mechanisms assume full information. Yet, apart from uncertainty about future outcomes (see above), individuals may have imperfect information and may thus misjudge for example their place within the income ladder, the true level of inequality or the size and the costs of redistribution (see for example Page and Goldstein 2016). The individual state of knowledge may influence demand for redistribution or support of a specific policy and reducing informational gaps may change observed demand or support.

Cruces et al. (2013), using survey data from Argentina, and Karadja et al. (2017), using survey data from Sweden, find that information on how people are positioned within the income ladder influences support for redistribution: people overestimating their income demand more, people underestimating their income demand less. Thus, these studies suggest that removing information imperfections provides support to the hypothesis that self-interest in the form of income maximization is a decisive factor. Interestingly, within the South African context, Pellicer et al. (2019) find that while providing information about local levels of inequality is statistically not significant, providing information about international inequality levels increases support for redistributive measures (e.g. a hypothetical progressive tax or a universal income grant). They conclude that in high-inequality contexts such as South Africa better knowledge about lower inequality elsewhere may change otherwise persistent social beliefs that inequality is inevitable.

Kuziemko et al. (2015), analysing survey data from the United States, find that information has only a very small and often insignificant effect on policy preferences for redistributive policies or on tax design. However, they find that providing information on how redistributive policies are linked to inequality increases support, which indicates that the public fails to connect inequality with actual policy measures. Boeri and Tabellini (2012), analysing support for pension reform in Italy, address the role of information with respect to the type, size and costs of redistribution. They find large knowledge gaps with respect to awareness on the current financial situation of the Italian pension system (deficit), understanding of the basic functioning of a pay-as-you-go scheme and knowledge of the contribution rate. Also, they find that information indeed increases support for reforms reducing the generosity of the pension system.

30.2.4 Relative Importance of Determinants

As the literature on preferences for redistribution takes into consideration a broad range of factors, the question then is if any factors are more important than others. As relatively few studies analyse different factors simultaneously, a definite answer is not possible.

Corneo and Gruner (2002) evaluate the explanatory power of three competing forces: the ‘homo oeconomicus effect’ (i.e. self-interest expressed as income maximization), the ‘public values effect’ (including beliefs on the relative role of hard work or structural factors for success as well as expectations concerning social mobility) and a so-called ‘social rivalry effect’ (effect of redistribution on relative living standards). They conclude that all three effects play a significant role in shaping individual preferences for political redistribution, yet the income-related effect is statistically the strongest. Similarly, Guillaud (2013), analysing survey data from 33 Organisation for Economic Co-operation and Development and selected middle-income countries, finds that family income outweighs all other determinants followed
by social mobility expectations. Durante et al. (2014) conduct a lab experiment analysing self-interest and social concerns. They find that all factors matter, but again find a stronger role of self-interest-related motives. An exception is Steele (2015), who finds the opposite, namely that social mobility is more important than present income.

Blinder and Krueger (2004) analyse a broad set of explanatory factors by focusing on the relative role of ‘self-interest’, ‘ideology’ or ‘information’ in explaining public support for a variety of economic policies in the United States. Further, they compare preferences across different policy areas and they find strong variations across different social protection interventions including pensions and health insurance. Their results seem to suggest that information may affect preferences with respect to operational changes within a given system rather than influence more fundamental questions concerning systemic changes, which are driven by motives more deeply rooted in human nature, such as self-interest or ideology. Further empirical evidence is required to test this hypothesis.

30.3 VARIATION OF PUBLIC PREFERENCES ACROSS SOCIETIES

In several studies it has also been shown that the relevance of factors influencing preferences for redistribution differs systematically across societies. Lierse (2019) shows that about 10 per cent of the variance is attributable to differences between countries such as domestic policies and fairness considerations. Regional differences are also found with respect to social norms and values (Duman 2013) or social mobility (Steele 2015). Furthermore, Corneo and Gruner (2002) find in their analysis of the relative effects of different determinants of preferences that results strongly vary by country.

30.4 SOCIAL ACCOUNTABILITY: REDISTRIBUTIVE PREFERENCES AND POLICY RESPONSIVENESS

Social accountability refers to the mechanisms that citizens can use to control government actions and hold governments to account for their actions. Social accountability would entail that public preferences for redistribution are reflected in policy decision making and, thus, a corresponding relationship between types of preferences and welfare state output (policy responsiveness). Even though at least for democracies some sort of link between aggregated policy preferences and policy output might be expected, this link cannot be taken for granted. Unfortunately, both at the empirical as well as at the theoretical level this is a widely under-researched area.

Only few empirical studies have examined this relationship. Brooks and Manza (2006), covering the 1980s and 1990s and high-income democracies, conclude that preferences have a significant impact on welfare state output and different welfare regimes. However, replicating Brooks and Manza’s analysis, Kenworthy (2009) does not confirm that public opinion has

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In democracies where elections are a means to hold politicians accountable politicians thus have incentives to take into account public policy preferences of voters so as to reduce the risk of electoral loss. Non-electoral mechanisms include for example protests or forms of civil obedience.
a direct impact on redistributive policies. Also, Brady and Bostic (2015) find no significant support between public support and transfer share.

From a theoretical perspective the median-voter model implies that policy makers’ decision making is geared towards the known preferences of the majority. Meltzer and Richard contend that this decision-making rule might not refer to democracies only, but also to welfare-maximizing dictators or monarchs who would behave similarly to voting majorities in terms of these types of policy decisions. Yet is the median voter the correct collective decision-making mechanism to aggregate preferences and explain redistributive decisions? Although there is a considerable body of literature available examining how political systems, specific political institutions and resulting power structures influence policy responsiveness and may induce redistributional differences across countries (see Chapters 29, 31 and 32), only a relatively small number of studies are addressing the direct link between public preferences for redistribution and alternative political mechanisms of preference aggregation. Contributions in this context address in particular the role of democratic capture, i.e. the link between a lack of social accountability, preferences for redistribution and redistributive outputs. Mechanisms discussed include ‘vote buying’, i.e. the rich elite buying the votes of a share of the poorer population to shift the median-voter result (Breyer and Ursprung 1998; Docquier and Tarbalouti 2001; Balaftoutas 2011), or ‘political patronage’, i.e. the rich elite forming coalitions with bureaucrats and paying rents to the bureaucracy, so that the bureaucrats support the interests of the rich rather than the poor (Acemoglu et al. 2011).

Empirically, the theoretical ideas described above have been taken up in the context of corruption, i.e. the level of corruption used as a proxy indicator for a political system characterized by vote buying or rent seeking and thus diverging from the median-voter assumption. Only a small number of papers address the link between corruption and preferences for redistribution empirically. In a comprehensive cross-country study including in total 148 high-, middle- and low-income countries, Sánchez and Goda (2018) provide empirical evidence that corruption diminishes redistribution. Balaftoutas (2011) shows that corruption leads to lower levels of progressive taxation. Similar results are presented by Morgan and Kelly (2010) focusing on Latin American countries. In addition, they argue that in poorer countries perceptions of crime as a problem are strongly and positively correlated with support for redistribution, whereas the correlation ceases to exist in richer countries.

Whereas all the previous studies assume a negative link between corruption and support for redistribution, the paper by Hauk et al. (2018) is the only study known to the author that offers a more nuanced treatment of the potential causal links between corruption and demand for redistribution. They discuss two counteracting theoretical mechanisms. First, corruption may decrease the demand for redistribution as trust in governmental institutions is low. Second, corruption may increase the demand for redistribution as it reduces the relative wealth of the disadvantaged. Investigating the link between perceived levels of corruption and demand for redistribution in 18 Latin American countries, Hauk et al. (2018) provide evidence that corruption actually increases the demand for redistribution. Although they also find empirical evidence for the first mechanism, the effect of the second mechanism is stronger.
30.5 MEASURABILITY: METHODOLOGICAL CHALLENGES

Micro-level data derived either from surveys at the individual level including choice-based experiments in field surveys or from lab experiments are the major data source used in relating individual traits to redistributive preferences. Studies may focus on (respondents from) one country or make use of cross-country data. They may include cross-sectional time series data (panel data). Surveys are either specifically designed for the research in question or available survey data is used. Thus, methodological approaches applied are diverse. Here, two overarching methodological challenges will be addressed: the validity of indicators used for the dependent variable ‘preferences’ and problems of endogeneity with respect to the direction of causality between redistributive preferences and social policy output.

30.5.1 Measuring Preferences: Validity

Validity comprises internal validity, i.e. whether the study design, conduct and analysis answer the research questions without bias, and external validity, i.e. whether the study findings can be generalized to other contexts. Ecological validity is a sub-dimension of external validity and examines whether findings can be generalized to real-life settings. Here we focus in particular on the validity of approaches used for operationalizing the dependent variable ‘preferences’.

To measure preferences many of the surveys include questions asking about the respondent’s support to the role of government in reducing (income) inequality. For example, one commonly used indicator to measure preferences for redistribution is the extensity, operationalized by the following question: ‘To what extent do you agree or disagree with the statement: “It is the responsibility of the government to reduce the differences in income between people with high incomes and those with low incomes”? ’ (e.g. Corneo and Gruner 2002; Alesina and Giuliano 2011). The internal validity of this indicator is constrained as, strictly speaking, this type of operationalization does not measure preferences but attitudes (Pfarr et al. 2018). Although, sometimes used interchangeably, the concepts are not identical: attitudes refer to subjective evaluations of an item with some degree of favour or disfavour. Preferences as defined above are subjective comparative evaluations. Thus, measuring preferences involves measurements across a set of defined alternatives.

More sophisticated methods to measure preferences rely on stated preference techniques. Stated preference techniques refer to techniques which seek to elicit preferences by using data based on behavioural intentions and hypothetical situations. Stated preference techniques need to address the problem of ‘hypothetical bias’, i.e. the possible discrepancy between what people say and what they actually would decide to do in a ‘real-life’ situation. Hypothetical bias is directly related to the question of external validity, in particular ecological validity, as it reduces the transferability of results to real-life settings. One source for hypothetical bias is that due to the hypothetical nature of scenarios respondents do not have to face any real

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7 See for example Phillips et al. (2002) for an interesting conceptual and empirical comparison between ‘attitudes’ and ‘preferences’.
8 In addition, revealed preference techniques infer preferences from data on choices people actually made. For a comprehensive general discussion of methods for measuring preferences in a non-market setting see, for example, Champ et al. (2017).
consequences of their decisions. Also, how people respond is sensitive to the context, i.e. the framing of questions. Thus, mitigating hypothetical bias requires designing scenarios as realistic as possible so that it is in the best interest of respondents to answer truthfully (Louviere 2006).

It is obvious that the ecological validity of the indicator presented above is constrained. It is very general and does not relate to a particular mechanism through which redistribution can be accomplished (e.g. level and type of taxes or contributions). Further, no trade-offs are considered (e.g. higher benefits, higher financing requirements). Choice experiments are a more refined method for eliciting stated preferences: respondents are presented with a finite number of choice options, each including alternative combinations of attributes of the ‘good’ or policy in question, and are asked to choose between the different options. This approach reveals trade-offs and provides more realistic scenarios. For example, Boeri and Tabellini (2012) ask questions specifying trade-offs among specific policy options (e.g. ‘Are you willing to pay x% higher contributions in order to obtain y% higher benefits?’). Alesina et al. (2018) elicit policy preferences by designing policy alternatives distinguishing between preferred size of government, target groups and financing and including realistic trade-offs.

In addition, experimental approaches allowing the study of counterfactuals by (randomly) assigning control and treatment conditions are increasingly applied. Field or quasi-experiments relying on (often self-conducted) surveys are for example conducted in Kuziemko et al. (2015), Boeri and Tabellini (2012) and Alesina et al. (2018). In recent years, studies conducting laboratory experiments are increasing in number. Laboratory experiments may be considered as a stated preferences technique as an experiment is always a hypothetical, not a real-life decision-making situation. Yet, within this hypothetical situation people make real choices, thus coming close to revealed preferences. Durante et al. (2014) and Bjerk (2016) provide examples of laboratory experiments.

30.5.2 Endogeneity and Feedback Processes

Do preferences for redistribution influence the social spending regime types or are preferences shaped by existing social spending regime types? Theoretically, the possibility of feedback effects was addressed quite early. Models developed by Alesina and Angeletos (2005) or Bénabou and Tirole (2006) demonstrate that feedback mechanisms, with redistributive policies leading to economic outcomes that in their turn influence preferences again, may lead to multiple politico-economic equilibria.

Empirical studies addressing endogeneity employ different methods. Brooks and Manza (2006) test for endogeneity using Hausman’s test measure. They find no evidence for endogeneity being present, i.e. preferences being shaped by existing social spending regime types. Steele (2015) runs robustness tests by including the level of social as an independent variable and by constructing an alternative outcome measure in which individuals’ views about redistribution are calculated relative to the level of benefits that exist in their society (‘context-adjusted attitudes’) (Steele 2015, 449–52). Also, she finds no evidence for any feedback effects. To address endogeneity Lierse (2019) lags all variables. She finds that people

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9 For a detailed discussion of choice experiments see Holmes et al. (2017).
10 For a detailed discussion of experimental approaches see Landry (2017).
in countries with already extensive welfare states are generally less supportive of further redistribution.

Thus, the limited empirical evidence is mixed and the direction of causality in the policy–policy preferences relationship remains an open question. Also, as any feedback effect might result from longer-term experiences, longer time series data are required to further analyse this question. However, as Kenworthy (2009) observes, cross-nationally comparable public opinion data became available long after different welfare state institutions had begun to influence the social, political and economic circumstances of their countries. This problem relates to the difficulties in defining the starting point. Countries with relatively new or expanding social protection systems provide an excellent opportunity to further study the direction of causality and explore the relationship between preferences for redistribution and regime type development. Yet, research on this aspect has just started. Focusing on China, Im and Meng (2016) study the effects of social protection policies on individuals’ attitudes towards inequality and welfare policy preferences. They find that individuals’ experience with social protection policies reinforces views on government responsibility and that previous experience with one welfare policy also positively influences opinions about other welfare programmes.

30.6 CONCLUSIONS

The literature analysing preferences for redistribution is a dynamic research area. Major progress has been made in establishing that preferences are in fact influenced by multiple determinants including relative income, risk aversion, social mobility or social preferences such as fairness considerations or perceptions of social justice. Yet, available studies also demonstrate that with respect to the relevance of explanatory factors differences across countries exist. The context specificity of preferences still requires further attention. Due to better data availability cross-country studies also increasingly consider low- and middle-income countries. With respect to single-country studies, the number of studies analysing real policy proposals in low- or middle-income countries is still very small but has grown in recent years. Future research should also be dedicated to gaining a better understanding of public preferences across different social protection instruments and across political regimes, to studying the link between demand for redistribution and social protection regimes as well as the policy feedback processes between social protection regimes and preferences for redistribution.

At policy level, probably the major lesson to be learned from research on preferences for redistribution is that if constituencies are taken seriously, there is no one-size-fits-all approach to social protection – what people want (or don’t want) differs across and within countries and across different pillars of social protection. This is important from a normative point of view, i.e. policy makers should be accountable to their population as well as from a more strategic point of view, i.e. the political feasibility or acceptability of devised policy options increase with the degree to which public preferences are taken into consideration.

The results also challenge the common narrative that social protection is per se in the interests of lower-income groups whereas higher-income groups tend to oppose redistribution. The formation of redistributive preferences is more complex and strongly shaped by individual or cultural beliefs, including values and social norms. Another important lesson to be learned is that people respond to information: putting measures in context and offering explanations may influence people’s perspectives on social protection initiatives. Reform communication, thus, may be decisive in enhancing public acceptability of policies.
REFERENCES


31. The political economy of social protection adoption

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### 31.1 INTRODUCTION

Over the past two decades, social protection has become an integral part of antipoverty policy strategies in the Global South, signalling a major shift in development thinking, moving away from traditional food aid and fuel and commodity subsidies towards more reliable and predictable forms of targeted interventions. Growing evidence showing generally positive impacts of social protection programmes has supported the adoption and expansion of these policies (Baird et al. 2013; Barrientos and Niño-Zarazúa 2010; Bastagli et al. 2019; Hillier-Brown et al. 2019; Kabeer and Waddington 2015; Lagarde et al. 2007; Malerba and Niño-Zarazúa Forthcoming; Owusu-Addo and Cross 2014).

Social protection includes distinctive policy strategies within social insurance and social assistance, and labour market regulations. 1 In this chapter, we focus on social assistance (which we refer to hereafter as social transfers), as they represent the most important changes to social protection policies in recent times (see Chapter 2). Conditional cash transfers (CCTs) such as Brazil’s Bolsa Familia and Mexico’s Progresa-Oportunidades-Prospéra; social pensions such as South Africa’s Old-Age Pension and India’s Indira Gandhi National Old-Age Pension Scheme; pure cash transfers such as China’s (Urban and Rural) DiBao and South Africa’s Child Support Grant; and public works such as Ethiopia’s Productive Safety Net Program and India’s National Rural Employment Guarantee Scheme are prominent examples of this wave of social protection in the Global South.2

Social transfers have expanded rapidly, from no more than 80 programmes in 2000 to about 180 programmes currently operating in 130 low- and middle-income countries (LICs and MICs), reaching over 800 million people (Niño-Zarazúa 2019). These programmes have emerged in contexts where social insurance schemes remain truncated (see Chapter 3) partly due to the persistence of informality (see Chapter 22) and the dominance of subsistence agriculture.3 The pace by which social transfers have expanded, as well as the types of programmes that have been adopted, vary substantially across countries.

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1 Social insurance includes contributory schemes designed to protect workers against life-course and work-related contingencies (see Chapter 3). Labour market regulations are legal frameworks aimed at ensuring minimum standards for employment and safeguarding workers’ rights (see Chapter 4). Social transfer schemes include tax-financed, and also donor-funded, policy instruments designed to address poverty and vulnerability (see Chapter 2) (ILO 2001).

2 For a typology of social transfers, see Barrientos and Niño-Zarazúa (2010); Niño-Zarazúa (2019); or Chapters 1 and 2 in this handbook.

3 Informal employment represents about 80–90 per cent of total non-agriculture employment in low- and lower middle-income countries, and about 35–60 per cent in upper middle-income countries. Similarly, employment in agriculture, measured as a percentage of total employment, remains above
Prior to the recent expansion of social transfers, many countries in the Global South witnessed a process of gradual democratization – the third wave of democratization in Huntington’s (1993) terminology – which began in the mid-1970s and 1980s in Latin America and was expanded to Sub-Saharan Africa in the 1990s, following the fall of the Iron Curtain and the subsequent end of the Cold War. In Latin America, for instance, several countries moved from military dictatorships (e.g. Bolivia, Chile, Argentina, Brazil, Paraguay, Uruguay) and authoritarian regimes (e.g. Mexico) towards more competitive electoral systems (Mainwaring and Pérez-Liñán 2013). In Sub-Saharan Africa, the number of electoral democracies has quadrupled since the 1990s, although the region remains dominated by electoral autocracies controlled by privileged elites (Carter 2016; Kroeger 2020).

The rise of democracy coincided with a series of market-oriented economic reforms, following the Washington Consensus, which aimed to open economies to international capital markets (Puig 2000). The failure of structural adjustment programmes (SAPs), and the financial crises that followed in many countries in Asia, Latin America and Africa, placed the issue of economic hardship at the centre of political debates (Teichman 2008). By the early 2000s, several countries had introduced poverty reduction strategies under the auspices of the World Bank and the International Monetary Fund, to address the debt crisis and the failure of SAPs (Stiglitz 2002).

While the fight against poverty has been a valid justification for the adoption of social protection (UNDP 2016), there may be other political economy factors underpinning its expansion. For one, under imperfect competitive electoral systems, incumbents may have strong incentives to expand social transfers because of the incumbency advantage that these policies can generate to them. The poverty focus of social transfers, many of which involve the distribution of cash, can also open the door for clientelistic tactics to which the poor are more likely to respond (Dixit and Londregan 1996). Given the scale and magnitude of poverty across LICs and MICs, social transfers could become a politically profitable form of redistribution, favoured by the elites with strong ties to governing parties.

The strength of democratic institutions and the socio-economic conditions that prevail in those countries, as well as regional policy diffusion effects from international organizations, can play a fundamental role in influencing the design features of social transfers and their level of adoption and institutionalization.

In this chapter, we provide a brief overview of the political economy literature of social protection adoption, paying attention to two interrelated questions: (1) why do governments engage in redistribution efforts in the first place? (2) What political, and socio-economic factors underpin the adoption of social protection programmes in LICs and MICs? In a second step, we address the second question empirically, by focusing on key determinants of social protection adoption in LICs and MICs. To implement the empirical analysis, we take advantage of the longitudinal features of a new dataset, The Social Assistance, Politics and Institutions database, which provides a synthesis of longitudinal and comparable information on social transfer programmes covering the period 2000–15 (UNU-WIDER 2018).

60 per cent in low-income countries and about 40 and 20 per cent in lower middle-income and upper middle-income countries, respectively (see Chapter 22 and World Bank 2019).

To our knowledge, the study by Dodlova et al. (2017) is the only other analysis that examines the effect of democratization on the probability of social transfer adoption.
Overall, we find evidence indicating that past democratization has had a positive and significant effect on the current expansion of social transfers in LICs and MICs. Electoral democracies have favoured the expansion of CCTs and social pensions, whereas autocracies and infant electoral democracies seem to favour pure cash transfers and public works, which are, on average, smaller in scale and more prone to political clientelism. We also find that the size and level of economic development, demographic characteristics and state capabilities, both in terms of bureaucratic quality and revenue collection capacity, matter in the adoption of social transfers to scale.

The remainder of the chapter is organized as follows. Section 31.2 presents an overview of the political economy literature of social protection. Section 31.3 discusses the data and methods used in the empirical analysis, while Section 31.4 presents the results. Finally, Section 31.5 concludes with some reflections on the policy implications of our findings.

### 31.2 LITERATURE REVIEW

A considerably large literature has focused on the origins and drivers of welfare institutions both in high-income countries (Barr 1992; Esping-Andersen 1990) and in LICs and MICs (Besley and Persson 2011; Wood and Gough 2006). Analytically, scholarly work on the political economy of social protection can be divided into two general branches. The first branch focuses on the question of why governments engage in redistribution efforts in the first place. The second branch focuses on the determinants of social protection adoption.

The first branch of the literature emphasizes the role of the median voter in influencing redistribution, particularly in the context of high levels of inequality. The seminal paper by Meltzer and Richard (1981) argues that redistribution occurs when the median voter has an income level that is below the mean of the societal distribution. The size of the lump-sum tax and welfare benefits is such that it balances the disincentive to work and the benefit received for the median voter. Thus, politicians proposing higher taxes and greater redistribution in majoritarian electoral systems would have the support of the median voter. The greater the distance between the mean income and the income of the median voter, the greater inequality, the greater the tax rate. Additions to such view include the idea that preferences over taxation also depend on expected income mobility (Benabou and Ok 2001).

Within this strand of the literature, a competing interpretation emphasizes that in autocracies and imperfect competitive electoral systems dominated by elites, the effect of the median voter on redistribution would be contained by the power of politically cohesive elites with strong ties to incumbents, and systems of patronage and clientelism (Acemoglu et al. 2011).

Under the ‘elite capture theory’, the preferences of the median voter are overshadowed by those of privileged actors in society who shape policy processes (Bardhan and Mookherjee 2000). Thus, high inequality is expected to lead to less, not more redistribution. In these political economy models, the size of the poor population matters, as the disenfranchised poor could threaten the elites with revolution, leading to democratization and a subsequent redistribution. This transition would, however, evolve up to a limit, due to the structure of the economy and a constrained progressive taxation (Acemoglu and Robinson 2001; Mejía and Posada 2007). In collapsed dictatorships and post-conflict states, the elites could make way to democratization in order to secure control of power, and allow for a subsequent redistribution to the poor at a marginal cost to the rich (Acemoglu and Robinson 2000).
Some studies emphasize the salience of racial and religious identities in influencing redistributive decisions. For instance, Alesina et al. (2001) show that a key element for the thinness of the United States redistribution system, as compared to Europe, is racial tension. A related argument explains why more homogenous United States cities spend more on public goods than heterogenous ones (Alesina et al. 1999). The ethnic diversity hypothesis remains an open question, with recent studies in Africa challenging its validity on empirical grounds (Gisselquist et al. 2016). Recent work by Enke (2020) looks at the balance between voters’ universalist versus communal values and explains preferences towards redistribution.

A group of studies has dealt specifically with the shape of social protection adoption. In general, this literature is grounded on historic institutionalism; namely, on tracing the specificities of institutions back to the processes that created them (Fioretos et al. 2016). The most salient example is the pioneering categorization of the welfare state, in which Esping-Andersen (1990) proposed three archetypes shaped by the structural social and economic features in a society. Thelen (2014) and Pierson (1996) point out that the power equilibria between political and social actors, like labour unions, have modelled the evolution, advancement and retrenchments of social protection systems in Western societies.

31.2.1 The Role of External Actors

In the context of Sub-Saharan Africa, Niño-Zarazúa et al. (2012) highlight two dominant models of social protection adoption: one that reflects historical determinants of welfare institutions in MICs of Southern Africa, and another more diverse and incipient model that is driven by poverty-related considerations among LICs and MICs in East, Central and West Africa, which has been influenced by external actors.

The role of international organizations in social protection adoption has been particularly emphasized in the literature. For instance, Allen and Flynn (2018) observe that liberal donor governments tend to prime multilateral aid assistance, aimed at reducing poverty, while conservatives prefer bilateral channels to secure geopolitical goals. These findings are aligned with Faye and Niehaus (2012) in that during political years, ideologically aligned recipient governments get more bilateral aid. Cruz and Keefer (2015) found that World Bank public-sector reform loans are more successful the less clientelist the ruling party.

Borges Sugiyama (2011) finds strong effects of international actors in explaining the diffusion of CCTs in Latin America. These findings are supported by Schmitt et al. (2015) who also find evidence of regional diffusion effects as well as positive impacts of membership in the International Labour Organization, when examining the role of social security legislation in the expansion of social transfers.

International policy transfer and policy diffusion have in fact been the subject of a growing number of studies. For example, Brooks (2007) emphasizes that while policy diffusion matters in the adoption of social transfers, it is the political and financial costs of adoption, together with the level of economic development of countries, that underpin the shape and adoption of these programmes.

Casey and McKinnon (2009) argue the power of ideas and actors should be weighed against the underlying socio-economic, demographic and political environments that prevail when assessing the expansion of social pensions in Southern Africa. In similar vein, but looking at policy diffusion effects of pension reforms in Latin America, Weyland (2005) finds that domestic policy makers have significant power in deciding policy reforms; these decisions...
are largely driven by utilitarian goals rather than normative concerns or desires to gain international respect.

Hickey et al. (2019) also argue that characteristics of the social protection enlargement in Eastern and Southern Africa are the result of negotiations between domestic political forces rather than external actors. In particular, electoral democracies by themselves seemed no better at aiding the expansion of the social transfers but competition and free press seem crucial. Similarly, Koehler and Chopra (2014) distinguish different models of developmental welfare state in South Asia and identify ‘triggers’ for social protection adoption, including competitive elections, peace processes and organized civil society movements.

### 31.2.2 Poverty Targeting

Poverty targeting has been a cross-cutting issue in the political economy literature of social protection adoption. Besides the welfare-enhancing effects that these programmes often seek to generate, there are concerns about the incumbency advantage that the programmes can generate to opportunistic incumbents (Acemoglu and Robinson 2012; Knutsen and Rasmussen 2017). Indeed, incumbents have strong incentives to target the poor, whose electoral preferences are likely to be more easily influenced by small economic incentives than the median voter, due to the diminishing marginal utility of clientelistic rewards (Dixit and Londregan 1996; Robinson and Verdier 2013).

The literature of clientelism has long emphasized the strong association between clientelistic regimes and poverty (Bardhan et al. 2010; Diaz-Cayeros and Magaloni 2009; Remmer 2007; Wantchekon 2003). In the particular case of social transfer schemes, a scarce literature highlights the presence of strategic choices that help incumbents maximize the electoral returns on transfer programmes, even under programmatic principles (Filipovich et al. 2018).

The level of state capacity and the tax structure are expected to influence the design of social transfers, as well as demographic characteristics that shape the voting population and normative views on fairness (Hickey et al. 2019). In the context of Latin America, there is a growing literature addressing the emergence and adoption of social transfers, especially CCTs. De La O (2015), for example, has shown that the strength of the opposition affects the room for directionality in the design of CCTs, which further explains its efficiency in tackling poverty. Similarly, Garay (2016) identifies that electoral competition for the support of political outsiders, as well as their mobilizations, explain the expansion of different versions of social transfers adopted in Latin America. A common thread to these studies is the relevance of electoral competition and pressure for political leaders for programmatic policy.

Brooks (2015) notes that the probability of scaling up CCTs in Latin America increased with the presence of divided governments, regardless of the political orientation of the ruling coalition. Looking specifically at retirement schemes, Schmitt (2020) has observed that democratic consolidation in LICs and MICs enhances non-contributory programmes, which tend to be more inclusive. Leisering (2018) examined the level of entitlements of social transfer programmes and found that the level of benefits was limited in general, although with a significant variation across types of programmes and countries.

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5 Natural resource rents can be critical here, as they can exacerbate the incumbency advantage, and consequently influence the way policy choices are designed (Addison et al. Forthcoming; Konrad 2002; Robinson et al. 2006).
Dodlova et al. (2017) look at the effect of political regimes on the *probability* of adopting conditional or unconditional cash transfer programmes. They find that unconditional cash transfers are more likely to be adopted in less democratic regimes while more democratic regimes are more prone to introduce CCTs.

The evidence base remains limited due to at least two important constraints. First, previous analyses rely on cross-sectional data, which limits the possibility of accounting for time trends in impact estimates. Second, all previous studies, with the exception of Dodlova et al.’s (2017), have failed to account for the endogeneity of democracy. Democratic institutions could support the expansion of social transfers as much as social transfers could influence democratization via, for example, social policy contestation or human capital formation in the longer term. In the next section, we present the data and methods used in this study to address these constraints.

### 31.3 DATA AND METHODS

Since social transfers have expanded gradually over the past 15 years, we observe a left-censored normal distribution of social transfer coverage, measured in thousands of beneficiaries. Furthermore, we suspect the level of democratization to be endogenously correlated with the gradual expansion of social transfer coverage. The use of Ordinary Least Squares would under these conditions yield biased and inconsistent estimates. Therefore, we follow Newey (1987) and implement a Tobit model with a continuous endogenous regressor. This instrumental variable approach takes the following form:

\[ C_{it} = \beta X_{it-1} + \delta D_{it-1} + \lambda_i + \gamma + u_i, \quad 1 = 1, \ldots, n, \quad t = 1, \ldots, T \]

\[ D_{it-1} = X_{it-1} + \gamma z_{it-1} + \lambda_i + \nu_i, \]

where \( C \) measures coverage (in thousands of beneficiaries) of social transfer programmes in country \( i \) and time \( t \); \( D \) measures the endogenous level of democracy; \( X \) is a vector of covariates expected to influence the expansion of social transfers across our sample of countries, whereas \( \lambda \) is a vector of time dummies capturing universal time trends. We note that \( C_{it} = \gamma \) if \( C_{it} > 0 \) and \( C_{it} = 0 \) if \( C_{it} \leq 0 \). where the error terms, \( u_i \) and \( \nu_i \), follow a left-censored at zero distribution, \( N(0, \sigma_i^2) \). Finally, \( z \) is a vector of instrumental variables that are expected to be correlated with \( D \) but not with \( C \).

Our variable of interest, \( D \), as well as the controls in vector \( X \), are lagged one period to take into account the fact that coverage decisions are influenced by previous political, economic and demographic conditions, as highlighted by political economy models of redistribution. The endogenous variable \( D \) is measured by the Electoral Democracy Index from Varieties of Democracy (V-Dem), which captures the extent to which the ideal of electoral democracy is

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6 Since the seminal work by Lipset (1959), theories of democracy have highlighted the role of education in advancing democracy. For empirical analyses, see Barro (1999) and Przeworski et al. (2000).
achieved (V-Dem 2020). The controls in $X$ include: (1) the gross domestic product (GDP) per capita adjusted by purchasing power parity at prices of 2017, both in linear and quadric form to capture the concavities in the relationship between economic development and expansion of social transfers; and (2) total population, the percentage of the urban population and the proportion of the population aged zero to four years and 65 years and older to capture demographic characteristics that are likely to influence the type of social transfer programmes adopted by political regimes.\(^7\)

We also include in $X$ the under-five child mortality rates to proxy for the effect of material deprivation that is expected to influence the expansion of social transfers.\(^8\) We employ child mortality rates due to the significant informational gaps in our sample regarding poverty headcount rates, and because of the high correlations between child mortality and income poverty (Haile and Niño-Zarazúa 2018).\(^9\)

As indicators for institutional quality, we use the bureaucratic quality index from the International Country Risk Guide, which ranges from 1 to 4 and which measures the soundness of institutions and the quality of the civil service. We also include information on direct taxes (taxes on income, profits and capital gains, payroll, property and social contributions) and indirect taxes (taxes on goods and services, on international trade and other taxes) from the Government Revenue Database (UNU-WIDER 2019) and total natural resource rents (the sum rents from oil, natural gas coal, minerals and forest), measured as a percentage of GDP, to measure the effect of redistributive fiscal capacity of countries on social transfer coverage.

Finally, we follow Persson and Tabellini (2009) and introduce two versions of foreign democratic capital as our instrumental variables for democracy. The first indicator measures the lagged average score of the V-Dem electoral democracy index in neighbouring countries. The second instrument measures the lagged proportion of neighbouring countries that are classified as electoral democracies following the method proposed by Lührmann et al. (2018). The identification is achieved upon the exclusion restriction that the strength of past democracies in neighbouring countries has no association with the contemporaneous expansion of social transfers in country $i$. We formally test the validity of this assumption by computing the Wald test of exogeneity. The results, which are presented at the bottom of Table 31.1, show that there is sufficient information in the model to reject the null of no endogeneity, confirming the consistency of our results. In the next section, we discuss the results in more detail.

### 31.4 RESULTS

We start the discussion by looking at the effect of our measure of interest, democracy, on the expansion of social transfers. Columns (1–2) in Table 31.1 present the results for the

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\(^7\) The indicators in (1) and (2) come from the World Development Indicators (World Bank 2019).

\(^8\) Child mortality rates are estimated by the United Nations Inter-Agency Group for Child Mortality Estimation, constituted by UNICEF, World Health Organization, World Bank and United Nations Department of Economic and Social Affairs Population Division, and were extracted from the World Development Indicators (World Bank 2019).

\(^9\) The Pearson correlation ($r$) coefficient, which measures a linear dependence between under-five child mortality rates and the poverty headcount ratio at USD 1.90 a day (2011 purchasing power parity) in the period 2009–15, was in the order of 0.99 for East Asia and the Pacific, 0.92 for Latin America, 0.96 for South Asia and 0.96 for Sub-Saharan Africa.
full sample of LICs and MICs using different definitions of foreign democratic capital as instrumental variable. Columns (3–5) present the results for Asia, Latin America and Africa, whereas columns (6–9) present the results by type of social transfer programme. Note that the dependent variable as well as all controls, including the index of electoral democracy, enter the equations in log form to facilitate the interpretation.

The results suggest that the level of past democratization has had a positive and significant effect on the current expansion social transfers across LICs and MICs. Since coverage is measured in logs of thousands of beneficiaries and the log of V-Dem’s electoral democracy index runs from zero to 10, the size of the elasticities is large. One percentage increase in the electoral democracy index leads to a 13–14 percentage increase in coverage. The results remain statistically significant and of a greater scale when looking at the point estimates for world regions. The coefficient of electoral democracy for Asia is negative, although the results are largely driven by China which has some of the largest social transfer programmes in LICs and MICs despite being a close autocracy. Once we exclude China from the sample, the coefficient for democracy turned positive.

Interestingly, we observe a variation in the direction of the impact of democracy when we divide the sample by type of programme. Countries with stronger democratic institutions have, on average, expanded CCTs and social pensions more actively, whereas less democratic regimes have favoured pure cash transfers and public works. This is true even after controlling for the non-linear effects of economic development and the level of material deprivation, which are captured by the coefficients of GDP per capita and child mortality rates.

Our results are relevant as the level of formal institutionalization of CCTs and social pension – in terms of the legal frameworks under which these programmes operate, the formal budgetary arrangements and accountability measures – tend to be much stronger than in the case of pure cash transfers and public works, which are more prone to government discretion and depend more on foreign aid for their implementation and financing. Indeed, this is particularly true in the context of LICs in Africa, where family and orphan allowances and public works have been the most common type of programmes adopted by governments, although at a relatively low scale, with a few notable exceptions (Hickey et al. 2019).

The size of the population matters as well as the proportion of the urban population. Regimes in large and more urbanized populations have more actively engaged in the expansion of social transfer programmes across LICs and MICs: one percentage increase in total and urban population leads to an average increase of 2 to 3 per cent in social transfer coverage. While the direction of population effects seems consistent with our priors across world regions (with the exception of Asia, due to the presence of China), it is interesting to find that regimes that have favoured pure cash transfers are, on average, less urbanized and poorer. This could naturally reflect the less stringent administrative structures and systems that these programmes require for their implementation vis-à-vis CCTs and social pensions; however, the results hold even after controlling for the quality of government measured by the strength of the bureaucracy.

While weak institutionalization in the provision of social transfers can indeed facilitate clientelistic forms of pro-poor redistribution and offer a double-dividend to political elites because of the reasons discussed in Section 3, we cannot entirely rule out the possibility of opportunistic regimes in more competitive democratic systems enjoying an incumbency advantage via tactical redistribution, as has been reported from Latin America (De La O 2013; Filipovich et al. 2018; Lazar 2004; Luccisano and Macdonald 2012) and Asia (Curato 2017; Hadiz 2016; Jaffrelot and Tillin 2017; Thompson 2016; Wyatt 2013), where large social trans-
Table 31.1  The impact of democratization on the expansion of social transfers in LICs and MICs

<table>
<thead>
<tr>
<th></th>
<th>Global South</th>
<th>Asia</th>
<th>Latin America</th>
<th>Africa</th>
<th>Conditional cash transfers</th>
<th>Pure cash transfers</th>
<th>Social pensions</th>
<th>Public works</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electoral democracy</td>
<td>12.524(a)</td>
<td>14.162(c)</td>
<td>−77.487(b)</td>
<td>36.905(c)</td>
<td>37.584(a)</td>
<td>−26.861(c)</td>
<td>69.012(b)</td>
<td>−59.851(b)</td>
</tr>
<tr>
<td>Child mortality rates</td>
<td>2.256(c)</td>
<td>2.025(c)</td>
<td>26.324(c)</td>
<td>−9.602(c)</td>
<td>−30.010(a)</td>
<td>−9.344(c)</td>
<td>14.583(c)</td>
<td>4.017</td>
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<td></td>
<td>(0.740)</td>
<td>(0.726)</td>
<td>(8.128)</td>
<td>(2.686)</td>
<td>(16.480)</td>
<td>(1.489)</td>
<td>(2.082)</td>
<td>(2.989)</td>
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<tr>
<td>GDP per capita</td>
<td>5.440(c)</td>
<td>5.451(c)</td>
<td>3.872</td>
<td>−5.172(b)</td>
<td>−4.800</td>
<td>0.033</td>
<td>2.028</td>
<td>4.434</td>
</tr>
<tr>
<td></td>
<td>(0.762)</td>
<td>(0.745)</td>
<td>(7.397)</td>
<td>(2.956)</td>
<td>(3.061)</td>
<td>(1.361)</td>
<td>(1.796)</td>
<td>(3.336)</td>
</tr>
<tr>
<td>GDP per capita²</td>
<td>−2.728(c)</td>
<td>−2.876(c)</td>
<td>−1.203</td>
<td>0.218</td>
<td>2.024(b)</td>
<td>−3.468(c)</td>
<td>0.909</td>
<td>−6.749(c)</td>
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<td></td>
<td>(0.297)</td>
<td>(0.291)</td>
<td>(1.962)</td>
<td>(1.041)</td>
<td>(0.825)</td>
<td>(0.534)</td>
<td>(0.660)</td>
<td>(1.673)</td>
</tr>
<tr>
<td>Population</td>
<td>2.221(c)</td>
<td>2.254(c)</td>
<td>−4.377(b)</td>
<td>3.519(c)</td>
<td>3.699(c)</td>
<td>2.960(c)</td>
<td>−0.080</td>
<td>2.085(c)</td>
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<td></td>
<td>(0.174)</td>
<td>(0.174)</td>
<td>(1.882)</td>
<td>(0.587)</td>
<td>(1.019)</td>
<td>(0.370)</td>
<td>(0.416)</td>
<td>(0.677)</td>
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<tr>
<td>% urban population</td>
<td>2.582(c)</td>
<td>2.651(c)</td>
<td>−4.357</td>
<td>−12.893(b)</td>
<td>10.645(c)</td>
<td>6.246(c)</td>
<td>−4.539(c)</td>
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<td>(0.984)</td>
<td>(0.968)</td>
<td>(13.230)</td>
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<td>(5.826)</td>
<td>(1.863)</td>
<td>(2.374)</td>
<td>(4.338)</td>
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<tr>
<td>Dependency ratio (65 years⁺)</td>
<td>−6.674(c)</td>
<td>−7.865(c)</td>
<td>−50.427</td>
<td>8.973(c)</td>
<td>4.533</td>
<td>−12.427(c)</td>
<td>2.562</td>
<td>−53.076(c)</td>
</tr>
<tr>
<td></td>
<td>(1.929)</td>
<td>(1.741)</td>
<td>(34.117)</td>
<td>(2.889)</td>
<td>(9.646)</td>
<td>(3.788)</td>
<td>(4.818)</td>
<td>(18.037)</td>
</tr>
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<td>Dependency ratio (0–4 years)</td>
<td>−10.508(b)</td>
<td>−12.027(b)</td>
<td>43.560</td>
<td>20.383(c)</td>
<td>27.672</td>
<td>−5.026</td>
<td>−9.308</td>
<td>−82.327(b)</td>
</tr>
<tr>
<td></td>
<td>(2.806)</td>
<td>(2.451)</td>
<td>(20.211)</td>
<td>(7.534)</td>
<td>(17.834)</td>
<td>(5.537)</td>
<td>(6.185)</td>
<td>(25.628)</td>
</tr>
<tr>
<td>Natural resource rents</td>
<td>0.268(a)</td>
<td>0.322(c)</td>
<td>−0.304</td>
<td>16.053(c)</td>
<td>0.341(c)</td>
<td>5.800(a)</td>
<td>1.172(c)</td>
<td>2.269(c)</td>
</tr>
<tr>
<td></td>
<td>(0.207)</td>
<td>(0.187)</td>
<td>(0.186)</td>
<td>(5.144)</td>
<td>(0.446)</td>
<td>(3.041)</td>
<td>(0.413)</td>
<td>(0.474)</td>
</tr>
<tr>
<td>Quality of government</td>
<td>2.933(c)</td>
<td>2.996(c)</td>
<td>2.797(c)</td>
<td>60.826(b)</td>
<td>−9.810(b)</td>
<td>4.779(a)</td>
<td>−1.556</td>
<td>7.925(c)</td>
</tr>
<tr>
<td></td>
<td>(0.985)</td>
<td>(0.987)</td>
<td>(0.985)</td>
<td>(25.341)</td>
<td>(3.868)</td>
<td>(2.663)</td>
<td>(1.789)</td>
<td>(2.662)</td>
</tr>
<tr>
<td>Indirect taxes</td>
<td>1.943(b)</td>
<td>1.511(b)</td>
<td>1.608(a)</td>
<td>−9.721</td>
<td>1.738(c)</td>
<td>4.357(a)</td>
<td>4.474(b)</td>
<td>6.843(c)</td>
</tr>
<tr>
<td></td>
<td>(0.932)</td>
<td>(0.876)</td>
<td>(0.872)</td>
<td>(8.447)</td>
<td>(2.092)</td>
<td>(1.578)</td>
<td>(1.766)</td>
<td>(1.776)</td>
</tr>
</tbody>
</table>

Direct taxes

<p>|                        | −5.058(c) | −5.470(c) | −5.353(c) | −17.750(c) | 0.458 | −6.288 | −8.023(a) | −4.431(c) | −18.173(c) |
|                        | (0.804)   | (0.733)   | (0.727)   | (9.747)   | (1.119) | (5.429) | (1.626)   | (1.614)   | (4.603) |</p>
<table>
<thead>
<tr>
<th></th>
<th>Global South</th>
<th>Asia</th>
<th>Latin America</th>
<th>Africa</th>
<th>Conditional cash transfers</th>
<th>Pure cash transfers</th>
<th>Social pensions</th>
<th>Public works</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
<td>(9)</td>
</tr>
<tr>
<td>Constant</td>
<td>42.365&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>54.578&lt;sup&gt;(c)&lt;/sup&gt;</td>
<td>–364.295&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>–9.611</td>
<td>–33.176</td>
<td>100.452&lt;sup&gt;(c)&lt;/sup&gt;</td>
<td>–364.295&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>–33.176</td>
</tr>
<tr>
<td>Observations</td>
<td>4,284</td>
<td>4,284</td>
<td>1,288</td>
<td>1,020</td>
<td>1,660</td>
<td>1,071</td>
<td>888</td>
<td>888</td>
</tr>
<tr>
<td>Wald test</td>
<td>6.26&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>15.28&lt;sup&gt;(c)&lt;/sup&gt;</td>
<td>9.65&lt;sup&gt;(c)&lt;/sup&gt;</td>
<td>4.42&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>5.48&lt;sup&gt;(c)&lt;/sup&gt;</td>
<td>31.08&lt;sup&gt;(c)&lt;/sup&gt;</td>
<td>49.98&lt;sup&gt;(c)&lt;/sup&gt;</td>
<td>56.22&lt;sup&gt;(c)&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Notes: Dependent variable: coverage measured as the logarithm of number of beneficiaries in thousands of people. Equation in column (1) uses the average score of the electoral democracy index in neighbouring countries as instrument. Equation in column (2) uses the proportion of neighbouring countries that are classified as electoral democracies as the instrumental variable. Columns (3–4) and (8–9) use the proportion of neighbouring countries that are classified as electoral democracies as the instrumental variable for democracy, whereas in columns (5–7) the model uses the average score of the electoral democracy index in neighbouring countries as instrument. Standard errors in parentheses (c) <0.01, (b) <0.05, (a) p<0.1.

Source: Authors’ investigations.
Social transfer programmes are generally embedded into legislation and institutional programming. Yet, our results clearly indicate that the absence of checks and balances in less democratic systems—possibly together with normative views on welfare dependency and the ‘deserving poor’—have influenced incumbents’ preferences for certain types of social transfer redistribution.\(^\text{10}\)

Clearly social transfer programmes have generated their own political constituency, but their survival can depend not only on the voting behaviour and size of the poor population, but also on the tax burden elites and the median voter are willing to take to finance these programmes. Indeed, political economy models of redistribution predict elites would favour ‘light’ taxation, whereby direct taxes are contained while indirect taxes and natural resource rents are prioritized to minimize the electoral cost of redistribution (Dalgaard and Hansen 2013; Robinson et al. 2006; Ross 1999).

The results in Table 31.1 seem to support our priors in this respect, as the coefficient of direct taxes is large and negative for all our specifications, indicating a negative elasticity of social transfer expansion, relative to taxes on income and wealth, which have proportionally a greater tax burden on elites and the median voter. In contrast, the coefficients of indirect taxes and natural resource rents are for most specifications positive and statistically significant. In fact, since the 2000s, LICs and MICs experienced increases in revenues from value-added tax and natural resource rents, driven by favourable macroeconomic conditions and high international commodity prices (Teichman 2008).\(^\text{11}\) The fiscal space that was generated from these revenue sources was critical for the expansion of social transfer programmes from the early 2000s up to the aftermath of the 2008–2009 global financial crisis.

Resource taxes appear to have allowed incumbents to bypass the interdependent preference problem, insofar as levying taxes on the elite is not \textit{sine qua non} for pro-poor redistribution (Currie and Gahvari 2008). Thus, while resource rents have contributed to the expansion of social transfers, as our results indicate, this has occurred at the cost of delaying more progressive tax reforms that are necessary for the long-term sustainability of social transfer schemes. In addition, value-added tax continues to be the preferred tax modality in LICs and MICs despite its regressive nature. This is not entirely surprising, as the elites often have control of large portions of the formal economy, which is the only sector eligible to claim tax credits, relative to the informal economy (Bird 2014). All these political economy considerations are critical to understand the future viability of social transfer schemes in LICs and MICs.

### 31.5 CONCLUSION

In this chapter, we have tested empirically the role of democracy in the recent expansion of social transfers in LICs and MICs. Political economy models of redistribution predict that elites have strong incentives to target the poor who are susceptible to respond to clientelistic

\(^{10}\) See for example Lavers (2019) for the case of Rwanda’s Vision 2020 Umurenge Programme.

\(^{11}\) It is worth noting that during the 1980s and early 1990s, LICs and MICs began to replace trade tariffs with consumption taxes – especially value-added tax – as part of the trade liberation process (Tanzi 1990). This is evident in the evolution and large contribution of indirect taxes across LICs and MICs, which ranges from an average of 13 per cent of GDP in East Asia and Latin America to about 10 per cent in South Asia and Sub-Saharan Africa. In contrast, direct taxes have remained low (about 10 per cent of GDP) relative to the levels observed in Europe (20 per cent) and North America (25 per cent).
economic incentives. Democratic institutions can in that respect prevent the exploitation of social transfers as a political tool, through legislation, programmatic rules and checks and balances.

Our results strongly indicate that past democratization has had a positive and significant effect on the current expansion of social transfers in LICs and MICs. Electoral democracies have favoured the expansion of CCTs and social pensions, whereas autocracies and infant electoral democracies seem to favour pure cash transfers and public works, which are smaller in scale and are more prone to political clientelism. Our findings also show that consumption taxes, and natural resource rents in particular, have contributed to the expansion of social transfers over the past two decades, although at the cost of delaying tax reforms that are necessary to guarantee the survival of social transfer schemes. The current tax structure has also exposed net resource-exporting countries to the vagaries of commodity markets and reduced the fiscal space that these countries enjoyed just a decade ago.

The policy implications of our findings are threefold: first, a strong technical approach to the formulation of social transfers is clearly desirable to maximize the poverty-reducing and welfare-enhancing effects of these programmes. However, a narrow focus on technical considerations can miss out wider implications of certain policy choices, especially in contexts characterized by electoral autocratic regimes. Second, state capabilities matter for an effective distribution of welfare benefit schemes. However, without strong institutional settings and effective checks and balances, pro-poor redistribution can be subject to the capture of opportunistic clientelistic regimes. Third, any effort to expand social protection systems without parallel reforms to tax systems risks the long-term sustainability of transfer programmes. However, attempts to introduce more progressive forms of taxation would be destined to fail without a good understanding of the strength and upfront position of elites. More rigorous quantitative analyses are needed to better understand the specificities of relevant country cases.

REFERENCES


12 Weak electoral democracy.


1 INTRODUCTION

With the roll out of social protection programmes to national scale, questions about implementa-
tion and delivery move more and more into the centre of debate (e.g. UNDP 2020; UNDP and UNCDF 2014; Kramon 2019). This concerns in particular the local level, where key pro-
cesses of implementation are taking place, but where at the same time institutional, operational and financial capacities are often the weakest. While social protection programmes are usually based on a clearly defined set of operational rules and regulations – usually set out in a pro-
gramme manual – in practice these processes often tend to look quite different. Although many social protection programmes have explicitly excluded traditional authorities from playing an active role in programme delivery, there is ample evidence from across countries that in many local contexts, these ‘informal institutions’ continue to play an important role in the delivery of social protection programmes. This case study on Kenya’s cash transfer programmes for orphans and vulnerable children suggests that this influence is not necessarily negative, as suggested by a range of authors who vividly describe how traditional authorities successfully undermine formal programme set-ups by manipulating rules and regulations in their favour, thereby fostering the very inequalities that social protection programmes aim to address (e.g. Pellissery 2005; Casson et al. 2010; Crost and Kambhampati 2010; Marcesse 2018). Instead, the case study shows that traditional authorities – in the face of weak or limited public administrative structures – may also assume a proactive and complementary role in delivering pro-poor social policies. Contextual features, such as the degree of decentralization of pro-
grammes, the demographic or geographic setting are important determinants in this respect.

The case study sets out with a short overview of the Cash Transfer for Orphaned and Vulnerable Children (CT-OVC) programme before presenting the empirical evidence describ-
ing and assessing the role of traditional authorities in programme delivery. The case study concludes proposing a more differentiated perspective on traditional authorities and their role with regards to the implementation of social protection policies, especially where the institu-
tional capacity is particularly weak.

2 CASH TRANSFER FOR ORPHANED AND VULNERABLE CHILDREN PROGRAMME IN KENYA

CT-OVC is the oldest and largest of Kenya’s cash transfer programmes initiated in 2004 as a response to the rising number of orphans and vulnerable children as a result of HIV/AIDS (MLEAA 2016). Supporting families living with OVCs with regular unconditional cash transfers, it aims at encouraging the fostering and retention of OVCs within their families and
communities as well as promoting human capital development of children and carer households (National Safety Net Program n.d.). The countrywide programme provides KES 2,000 per household per month (around USD 19) paid on a bi-monthly basis.

The programme is implemented on a national scale through the sub-national structures of the ministry. A programme manual sets out a clear and detailed operational structure and accompanying rules and regulations which are regularly updated, including the explicit exclusion of traditional authorities, including sub-chiefs and community elders, from having any role in the programme implementation.

3 ROLE OF LOCAL INSTITUTIONS

Despite these formal rules, evidence suggests that chiefs, sub-chiefs and community elders are routinely at the centre stage of core implementation processes at local level, including targeting, enrolment, delivery, monitoring, awareness and information, data collection and grievance and redress. In fact, for many local civil servants in charge of implementing the programme and interacting with the communities on a day-to-day basis, traditional authorities are a key partner in programme delivery. While they indeed manipulate programme rules or even compete with them, they also have a proactive role by complementing and sometimes even substituting lacking or badly functioning public delivery systems (Helmke and Levitsky 2004).

Despite the fact that they are officially excluded from targeting processes, traditional authorities continue to play an important role: given their knowledge of an area it is common practice in the context of the CT-OVC to include local leaders (village elders) in the targeting process in an advisory function. This may result in highly ambivalent outcomes, as traditional authorities may exert a considerable influence as to who is included in the programme or not. Local public servants and potential beneficiaries complained a lot about chiefs, sub-chiefs and community elders and how they were skewing targeting mechanisms in their favour, enlisting family members or kinsmen or non-eligible persons in return for personal, material or political favours.

This competitive relationship with formal institutions has even led to open conflicts with the formal CT-OVC programme management: one of the formal administrative roles of traditional authorities in Kenya is the issuing of identification (ID) cards at local level. Holding an ID document is a core precondition in order to get enrolled in the programme and access the transfer in the bank. In border areas close to Uganda where cross-border migration is an integral part of people’s livelihoods, chiefs refused to issue ID cards to some beneficiaries claiming that, due to their migration background, they were non-Kenyans and thus not eligible to receive the benefits. Only through the intervention of the CT-OVC management could this issue be resolved and could the formal programme rules be re-established.

However, informal institutions do not only produce negative outcomes, but may also take on a proactive and pro-poor role with regards to targeting processes. This is for example the case in areas where the population and villages, and consequently also the CT-OVC beneficiaries, are dispersed over large territories. In this situation it is challenging for the Location Committees in charge of carrying out targeting processes and typically constituted in the main community to identify all potential beneficiaries, especially if they are living in small sub-communities or hamlets that are far away from the main community. Often they did
not have the means or simply did not bother to go there. In these circumstances, the role of sub-chiefs (despite being against formal requirements and rules) representing these hamlets and sub-communities was decisive in bringing potential beneficiaries to the attention of the targeting committee and enabling them to apply and get enrolled. In some circumstances, traditional authorities even took over the entire targeting process. The CT-OVC targeting process foresees a two-step model based on geographic and community-based targeting. The former was soon abandoned by the central authority in favour of geographic targeting guided by a politically motivated regionalism rather than vulnerability, which guaranteed each region and county an equal share of CT-OVC beneficiaries. As a result, some regions and counties were assigned only a very limited number of beneficiaries. In this situation and given the overall constrained capacity situation, costs for initiating a complex targeting process to identify a handful of beneficiaries were considered much too high by local civil servants; instead, they simply asked traditional authorities to identify eligible beneficiaries.

Grievance and redress is another important programme aspect, where ‘informal’ institutions play an important role. According to the CT-OVC manual, the Beneficiary Welfare Committee (BWC) is supposed to be the local grievance and redress mechanism for CT-OVC beneficiaries. In many villages, however, complaints with regards to the programme, including targeting, enrolment or pay-out, were mainly handled by the chief and the council or village elders. Given their long history as highly experienced and trusted dispute settlement institutions, the Beneficiary Welfare Committees simply could not compete; unless it was about very complicated issues that needed the intervention of a higher level, traditional authorities were described as much faster and cost-efficient in providing solutions than the newly established grievance structure by the programme.

Traditional authorities have a key function in facilitating community meetings (called *barazas*) which play a key role in carrying out targeting processes, disseminating information, organizing enrolment and pay-outs. During interviews, civil servants emphasized again and again the importance of traditional authorities in facilitating these meetings. This related on the one hand to their organizational capacity. Especially in rural areas, traditional authorities are highly trusted and engrained institutions. This renders them highly effective and efficient instruments in order to realize programme objectives, for example by organizing meetings, making sure that everyone shows up or collecting and disseminating information in an appropriate way. Especially where their operational and institutional capacity is low, civil servants simply need them in order to deliver services. On the other hand, this relates to the role of traditional authorities as powerful local gate-keepers who are almost impossible for public institutions to simply by-pass – even if formal rules say otherwise: ‘You cannot do anything without the chief. You say you do away with them, you are doomed.’

4 FACTORS INFLUENCING THE ROLE OF TRADITIONAL INSTITUTIONS

The degree to which the chiefs and traditional authorities may exercise their function as gate-keepers of social protection varies across geographic areas and time, contradicting the
common notion of social protection programmes being implemented evenly across geographic and political entities. Evidence seems to suggest a strong correlation between the availability of human and technical resources at the local administrative level and their capacity to ‘compete’ with local traditional authorities in mediating access to public services. Where public service delivery systems function better, there is less room for traditional authorities in programme delivery.

Geography also seems to play a role: in rural areas, where administrative units cover huge and scarcely populated areas, transaction costs for programme implementation are much higher. Local civil servants complained about their heavy workload with the cash transfer programme being just one among many other child-related projects they are supposed to manage. Mobile devices often do not work rendering communication a challenge. Many also lack the operational capacity, such as transport or fuel to carry out their work. In this situation, traditional authorities become an important partner in keeping programmes running.

However, the extent to which traditional authorities can influence programme outcomes is not only the result of a malfunctioning formal administrative system or geographic as well as demographic conditions. In the rural context, traditional authorities make up an important part of the local institutional fabric and community structure, which civil servants simply cannot ignore. This is even more the case, as the CT-OVC as many other social protection programmes tends to propagate a participatory approach foreseeing a certain degree of involvement on the part of the community. In towns, the situation is different. Traditional authorities continue to play a role, but their power is much diluted by a lower degree of social cohesion. Also, in urban areas political parties are much more influential and political competition for votes much stronger. In this context, CT-OVC institutions seem to be able to impose themselves better, as more checks and balances seem to be in place which appear to guarantee better compliance to the programme rules (see also Kramon 2019; Zucco, Jr. 2013).

Time and the availability of information are yet other factors that influence the way formal and informal institutions interact in delivering the CT-OVC. Where the CT-OVC is in place for longer, formal institutional rules and regulations appear to become more ingrained. Information appears to have a decisive role in this regard: the longer programmes are in place, the better people tend to be informed about the programmes’ main operational features, enabling beneficiaries to critically question and sanction potentially unruly informal behaviour and turn to formal CT-OVC institutions to raise complaints and claim their rights. This would, eventually, lead to a stronger institutionalization of formal institutions versus informal ones. However, the shift in institutional equilibrium from informal institutions towards formalized ones does not seem to be automatic or irreversible. A range of interview partners complained about the growing politicization of the CT-OVC as a result of the devolution processes since 2010 which has increased traditional authorities’ influence at local level, resulting in a reverse trend in the local institutional equilibria. Civil servants at the local level expressed their deep concern about the fact that with ongoing devolution processes, the CT-OVC programme would be increasingly exposed and even superimposed by ‘non-programme rules’ (Kramon 2019), i.e. access criteria dominated by political interests and favouritism – with negative consequences for the poor.
5 CONCLUDING REMARKS

Traditional authorities play an important – though ambiguous – role in the delivery of social policies, oscillating between complementing and even substituting constrained formal programme structures on the one hand, and competing and undermining them on the other. Evidence suggests that this will not change in the near future. This is most apparent in low- and middle-income countries where formal institutions tend to be weaker and implementation processes are taking place in a hybrid and highly dynamic institutional setting that transcends formal and informal institutions.

Rather than focusing on trying to limit the influence of informal institutions by – largely unsuccessfully – excluding them from formal programmatic processes, evidence suggests that research and policy need to take a closer and more critical look at how formal and informal institutions are actually intertwined in the delivery of pro-poor public services. This would also allow developing strategies on how they can possibly be better aligned in order to produce more convergent, pro-poor policy outcomes at local level.

REFERENCES


Case study P: Political economy of the basic income grant in South Africa

Brian Mathebula

1 INTRODUCTION

In recent years, the basic income grant (BIG) discourse has gained attention worldwide as a potential policy option in social protection as testified by recent public debates, ongoing pilot projects, campaigning efforts,¹ policy measures during Covid-19 and the surge in academic research. A BIG refers to regular cash transfers paid to all members of society irrespective of their socio-economic status, their capacity or willingness to participate in the labour market or having to meet pre-determined conditions (Offe 2008; Van Parijs 1995, 2003; Wright 2004, 2006). Despite the recent hype around BIG, Iran is the only country worldwide with a scaled-up BIG (Tabatabai 2011, 2012). Other programmes have never gone beyond pilot programmes. This raises the question why this is the case.

In South Africa, the BIG discussion re-emerged recently, partly in recognition of the economic impact of the Covid-19 lockdown and the government’s announcement of a temporary (six months) social assistance grant aimed at the unemployed (18–59 years), who are not covered by any social protection scheme. In the same period, the Minister of Social Development, Lindiwe Zulu, stated that there were ‘discussions’ and the BIG has to be ‘brought back to the table’, because the BIG ‘proposal will help realise the government’s broader social security reform environment… will lift individual South Africans out of poverty’.²

This case study discusses the political economy dynamics that influenced the policy non-take-up of the BIG in South Africa, following the adapted political settlement framework by Lavers and Hickey (2016). In their adapted political settlement approach, Lavers and Hickey (2016) argue that social protection adoption and implementation is driven by the political elite. The political settlement refers to how power is distributed amongst different groups in society (Di John and Putzel 2009), made up of formal³ and informal⁴ institutions (Khan 2010) that seek to influence the distribution of resources and decision making in society (Lavers and Hickey 2016). A political settlement is an outcome of bargaining and negotiation between elites to either constrain or facilitate institutional and developmental change (Di John

1 Andrew Yang’s Freedom Dividend, of USD 1,000 per month: www.yang2020.com/policies/the-freedom-dividend/.
2 www.iol.co.za/mercury/governments-proposed-basic-income-grant-to-target-33m-south-africans-50992590.
3 This refers to the rules of the game such as laws and constitutions (Lavers and Hickey 2016; Bender et al. 2017).
4 Informal institutions are based on patron–client politics with actors that have unequal power and status following internalised norms and values (Khan 2010). Political settlements in nature are based on clientelism as they accommodate and integrate the material interests of narrow political elites (van de Walle 2007).
Social protection is not formulated in isolation but as part of the overall distribution regime. The distributional regime refers to existing mechanisms for distributing resources within society.

2 DETERMINING FACTORS FOR NON-TAKE-UP OF THE UNIVERSEAL BASIC INCOME GRANT

This section analyses how and why the BIG was proposed and opposed by the political settlement (policy coalitions), while also highlighting the broader paradigmatic ideas (prevailing norms and ideas) and the distribution regime that were central concerning the development of social security in South Africa.

3 POLICY COALITIONS IN POST-APARTHEID SOUTH AFRICA

After the unbanning of political parties in 1990, the African National Congress (ANC), Congress of South African Trade Unions (COSATU) and South African Communist Party (SACP) formed the tripartite alliance^5^ to contest the 1994 elections. COSATU aligned with the government in waiting (ANC) because it sought to put the worker’s agenda at the forefront of the new political dispensation, and by 1999, the trade union had 15 of its senior members in senior positions in government (Barchiesi 1999). The labour union, envisioning a greater role in the development discourse (Ranchod 2007), wanted to go beyond mere representation of workers (Twala and Kompi 2012) and assert itself as a social movement by influencing broader social, political and economic issues (Chun and Williams 2013).

There was broad policy consensus within the tripartite alliance on welfare or social security. In 1994, the new government adopted the leftist and COSATU-SACP drafted document, the Reconstruction and Development Programme (RDP). The RDP lasted only two years before it was replaced by the neo-liberal Growth Employment and Redistribution, angering alliance partners who were sidelined in its drafting (Cedras and Kuye 2013). This was a deliberate move by the ANC to diminish the influence of its alliance partners in the political domain, as well as in policy formulation. The ANC had begun to embrace the neo-liberal project, which marginalised the alliance’s redistributive mandate (Cedras and Kuye 2013). Over the years, the independence, role and influence of COSATU on policy matters within the alliance was diminishing (Twala and Kompi 2012; Masiya 2014), especially as democracy stabilised.

At the 1998 Presidential Jobs Summit, COSATU negotiated for the BIG to be included as part of the review for a comprehensive social security. The political feasibility of the BIG depended on COSATU building a strong constituency within the alliance to produce strong political demand for BIG as a policy option, which COSATU failed to do. Although the SACP supported the BIG proposal, COSATU was the only actor significantly advocating for the BIG (Matisonn and Seekings 2002). By 2001, the BIG Coalition, of which COSATU was

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^5^ The ANC contests elections, while members of the SACP or COSATU are required to be members of the ANC in order to enter politics. ANC members are not required to be members of the SACP and COSATU (Cedras and Kuye 2013).
a member, argued that the ANC and government had failed to engage with the idea of a BIG as a plausible policy option. The BIG was not rejected on the basis of compelling economic or social reasons (Naledi 2005). Despite broad support for the introduction of the BIG as part of a comprehensive social protection package by COSATU, the People’s Budget Coalition⁶ and the BIG Coalition, there was no formal or transparent process within government for assessing BIG (Taylor Committee 2002).

The formal position of the ANC was to defer the Taylor Committee recommendations on the BIG, whilst government leaders were making hostile public statements on the BIG proposal (Coleman 2003). There were mixed messages on the BIG from various government departments, which made it difficult to distinguish supporters and detractors. The National Treasury (including the Finance Minister, Trevor Manuel) opposed the BIG, and viewed themselves as promoting fiscal responsibility (Seekings and Matisonn 2012). At the 2002 ANC policy conference, the ANC resolved to expand existing programmes, specifically raising the age eligibility for the child support grant.⁷

4 PREVALENT NORMS AND IDEAS

The new government in 1994 raised hopes that the plight of the black majority, which had been characterised by high levels of poverty, inequality and unemployment, would be reversed and diminished (Republic of South Africa 1994; Naledi 2005). The dismantlement of the apartheid system that had created skewed social and economic development based on race (Terreblanche 2002) was a key driver of ideas and norms for mobilising political support and development in the new South Africa.

The leftist, COSATU-SACP-drafted RDP (Cedras and Kuye 2013), including its broad ideas, grounded the formulation of policies across a wide spectrum, including social welfare (Gray 1998). The RDP states that access to social security for all is part of the development strategy (Republic of South Africa 1994). The White Paper on Social Welfare of 1997 introduced the concept of social protection as a development policy (Naledi 2005) and a review for a comprehensive social security for all South Africans recommended the BIG and stated that a gradual phasing-in was affordable. This also approached social protection as part of a broader development strategy (Taylor Committee 2002).

The rights-based approach enshrined in the Constitution of 1996 grounded the extension of social security to the black majority and was therefore another favourable condition for the introduction of the BIG. The Constitution guarantees access to socio-economic rights as a justifiable right and access to social security is a right for every individual who cannot provide for themselves and their dependants (Republic of South Africa 1996). The BIG Coalition⁸ argued to the Parliamentary Committee ‘Social Services Select Committee’ in 2002 that a BIG would entrench the constitutional right to social security, and should be promoted without a means

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⁶ Members included COSATU, the South African Council of Churches and the South African Non Governmental Organisation Coalition.
⁸ There were over 20 organisations that were members of the BIG Coalition, including civil society, church organisations, non-governmental organisations, advocacy groups and organised labour.
test.\footnote{https://pmg.org.za/committee-meeting/1624/} The absence of a means test in the BIG was opposed by the ANC as it meant that money would be transferred to the privileged white minority (Seekings and Matisonn 2012).

Despite the favourable conditions for a BIG such as broad support, the right to social security in the constitution and the high level of poverty, inequality and unemployment, these were combined with less favourable conditions, such as neo-liberal concerns as well as the financial constraints of the BIG.

A prevalent idea towards the BIG was that it would create a ‘culture of dependency’, as the Minister of Agriculture, Thoko Didiza, warned at the time. Thabo Mbeki (President of South Africa) and Joel Netshitenze (government spokesperson) raised concerns regarding unconditional ‘handouts’ to the poor and maintained that government should promote dignity through work (Seekings and Matisonn 2012). The view amongst the political elites was that the government should focus on promoting work ethic and wage labour discipline while stigmatising welfare ‘dependency’ (Barchiesi 2007). These ideas are closely associated with market-led and neo-liberal approaches to social protection, which were promoted through the market-driven, neo-liberal ideologies in growth employment and redistribution, promoted by the ANC.

The Minister of Finance, Trevor Manuel, raised concerns regarding the long-term affordability and administrative feasibility and labelled the BIG a ‘populist’ idea. In 2002, the BIG was opposed and subsequently shelved after an ANC policy conference because the ANC and government wanted to take a different philosophical approach to social protection, which included the promotion of public works and incremental means-tested social assistance (Seekings and Matisonn 2012), especially the child support grant, as compared to the BIG.\footnote{www.thenewhumanitarian.org/news/2007/11/29/social-grants-dependency-or-development-0.} The incremental extension was viewed as enabling the government to continue to reduce poverty and inequality, whilst also controlling spending.

5 DISTRIBUTION REGIME

An analysis of the post-apartheid distributional regime as a contributing factor enables an explanation for the non-take-up of the BIG in South Africa. The post-apartheid distribution regime has significantly demonstrated its commitment towards redistribution of resources via a subsequent development strategy, social services, social protection and taxation. Key indicators include: first, spending on the means-tested social assistance is around 4 per cent of gross domestic product, considered generous for a developing country. Second, the South African government views redistribution through progressive taxes and means-tested and pro-poor cash transfers as the most efficient way to address levels of poverty and inequality. Third, the means-tested social assistance programme enabled the government to decrease income inequality (Schiel et al. 2014; Woolard et al. 2010), whilst also achieving a positive impact in areas of poverty, health, education and empowerment (Samson et al. 2004; Woolard et al. 2010; Schiel et al. 2014; Satumba et al. 2017). Finally, the means-tested social assistance programme is identified as an important component of the development strategy in the National Development Plan-Vision 2030 (NPC 2012).
In general, a BIG represents a radical shift from current practice in the provision of cash transfers (Van Parijs and Vanderborght 2017). Following Pierson’s ‘path dependence’ theory, defined as ‘social processes that exhibit increasing returns’ (2000, 252), the prevailing levels of welfare state spending created a ‘path dependence’, which continues to shape attitudes towards and non-take-up of the BIG. Although a BIG is considered and viewed as being redistributive (Standing 2008; Van Parijs 1995, 2003; Van Parijs and Vanderborght 2017), the success of the means-tested and pro-poor social assistance programme, with over 17 million recipients, enables the government to justify the current approach towards social assistance provision. The pursuance of the BIG in South Africa amidst the success of the means-tested social assistance programme runs counter to the path dependence literature. There could potentially be a political cost associated with the departure from policies that enjoy support from broad or influential political constituencies.

6 CONCLUSION

The ANC, despite a strong commitment towards reducing poverty and inequality, deliberately decided against a BIG arguing that the means-tested social assistance would enable the government to achieve its redistributive mandate while being fiscally responsible. The ANC managed to pull this through politically because proponents of the BIG within the alliance were unable to build a strong constituency to produce political support for the BIG. Once the means-tested programme is established and entrenched as part of the distribution regime, it is ‘path dependent’, meaning a shift towards BIG reform is challenging.

Although there are ongoing BIG discussions, including rhetoric from certain members of the political elites, the adoption of a BIG would require larger support from influential ANC constituencies and individuals. The Covid-19 experience, as well as rising levels of poverty, inequality and unemployment, will continue to raise pertinent questions for the political settlement, especially regarding the (permanent) extension of the means-tested and pro-poor social assistance programme to those aged between 18 and 59, who are not covered by any social protection schemes. It remains to be seen whether a BIG will be the answer.

REFERENCES


32. Acceptability of social protection reforms

Eszter Timár

32.1 INTRODUCTION

Social protection’s functions in societies are manifold: it responds to social, economic, and demographic needs and contributes to social cohesion, equity, and development. As socio-economic, demographic, and political contexts evolve, it is important that social protection systems shift along. Reform is therefore essential.

Reform usually refers to major changes in policies (Cerna 2013) that aim to improve the effectiveness or efficiency of a policy in reaching its intended objective. All socio-economic reforms produce winners and losers; acceptable, sustainable, and equity-enhancing reforms therefore strike a balance between gains and losses. Social protection has tangible effects on inequality and citizens’ welfare (see Chapter 34), some of which are challenging to anticipate prior to reform implementation. These reforms therefore often face strong public or political resistance. The aim of this chapter is to describe the major reform initiatives in the past decade and to highlight some of the key conditions for successful reform.

First, it is necessary to understand the variety of forms reform can take in social protection and how governments decide on reform paths. The chapter starts with a review of the dominant trends and initiatives focusing on low- and middle-income countries in the past decade. Second, it discusses how potential winners and losers of reform can be identified and valued. Third, it dives into the political economy drivers and determinants of reform acceptability. Fourth, it talks about the options governments have to compensate losers and mitigate the unintended negative consequences of policy change. Fifth, it provides real-life examples of how these drivers and determinants shape the success of social protection change.

32.2 MAJOR TRENDS AND REFORM INITIATIVES

Social protection systems have undergone major changes throughout the past decade. On the one hand, the global financial crisis of 2008 and the subsequent austerity measures dictated reductions of social programmes. On the other hand, social protection has secured a prominent place on the development agenda of both national governments and the international community. This section describes the types and trends of social protection reform and reflects on what reasons governments have to opt for them and what effects they have on the population.

To categorize change, the International Labour Organization (ILO) makes the broad distinction between ‘adjustment’ and ‘expansion’ measures (Ortiz et al. 2015). The former refers to reforms that reduce the expenditure on, coverage, duration, or adequacy of transfers, for example by applying stricter targeting in social assistance or requiring longer contribution periods for social insurance. Expansion, in contrast, is reform that increases expenditure on a social protection programme, allows more beneficiaries to enter, or enlarges the benefit duration or size.
Not all forms of reform, however, fall clearly into the category of adjustment or expansion. Systemic changes to social protection can include both adjustment and expansion measures, for example by shrinking one programme and growing another. Moreover, reform outcomes may be intertemporal with no immediate tangible shrinking or enlargement but with implications for the future. Take, for example, a change in financing mechanisms for pensions.

32.2.1 Adjustment Measures

Austerity has become a common attempt of addressing economic and financial challenges and it often implies cuts to social expenditure and the reduction of the welfare state. It was the hegemonic policy answer to public debt in Latin American and Sub-Saharan Africa and the pathway the United States took to respond to decades of deindustrialization (Shefner and Blad 2019). Despite little to no evidence on austerity actually leading to economic recovery and societal well-being over the long run, many countries in the Global North implemented welfare expenditure cuts in the wake of and following the 2008 global financial crisis (Shefner and Blad 2019). The ILO has studied austerity and social protection adjustment measures from 2010 to 2015 (Ortiz et al. 2015) and found that the most common ones were (a) the elimination or reduction of subsidies (implemented in 132 governments), (b) changing the eligibility criteria/targeting of safety nets (107 countries), and (c) pension reforms (105 countries).

Energy and food subsidies have a long tradition in the Middle East and North Africa and Sub-Saharan Africa, but they have proven to be ineffective, inequitable, pervasive, and costly for governments as they are more likely to benefit the better-off (Clemens et al. 2013; Sdralevich et al. 2014) and have put a substantial burden on national budgets (Clemens et al. 2013; El-Katiri and Fattouh 2017). For example, one third of Yemen’s total government expenditure was consumed by energy subsidy in 2013/14, and Egypt and Jordan spent more on subsidies in 2008 than on health and education combined (Fattouh and El-Katiri 2012). Despite the fear of public backlash (as experienced during the Arab Spring), reform efforts have become increasingly common in the Middle East and North Africa (Sdralevich et al. 2014). Energy subsidy reform has also been undertaken in various Sub-Saharan African countries, including Ghana, Kenya, Namibia, Niger, Nigeria, and Uganda (Alleyne 2013).

The ILO found that the retargeting or rationalizing of safety nets was a common response to the 2008 financial crisis, with more than 100 countries implementing it. Overall, 68 developing and 39 high-income countries opted for ‘rationalizing’ or further targeting their social assistance programmes between 2010 and 2015. This trend is likely linked to the International Monetary Fund’s association of targeting with poverty reduction in a framework of fiscal austerity (Ortiz et al. 2015). In countries where much of the population lives below the poverty line, and many households above it are still vulnerable, further targeting of benefits may cause substantial harm even if perfect targeting existed. A radical case of retargeting after the crisis is Moldova, where means-tested benefits were redirected to reach only the extreme poor (Ortiz et al. 2015). Such an approach hurts most of the poor and vulnerable households, especially given the inevitability of exclusion errors (see Chapter 8).

With increasing life expectancy and decreasing fertility, many high-income countries are under pressure to reform their state pension systems (Miles and Iben 2000) because of an ever smaller relative pot of contributions. Popular options to resolve pension financing challenges comprise increasing minimum contribution times or retirement age, increasing contribution rates, or reducing benefits or pension tax exemptions. Not only high-income countries with
established pension systems, but also developing countries have considered or implemented pension reforms between 2010 and 2015 (Ortiz et al. 2015). Increasing the cost of participating in pension schemes puts additional pressures on working-age people\(^1\) and their families, while reducing pensions harms both workers (by forcing them to change their savings behaviour and leaving less of their income for consumption) and pensioners (by directly reducing their disposable income).

### 32.2.2 Expansion Measures

A recent database from the ILO’s Social Protection Monitor initiative notes a shift in the share of contraction versus expansion in 2019. While nine countries announced 18 adjustment measures, governments showed intent to implement over 100 expansionary measures, indicating an overwhelmingly positive evolution (ILO 2019a). The most common forms of expansion have been increasing benefits (30 cases), introducing new programmes or benefits (19 cases), and extending coverage (17 cases). Recent years have seen a global push for increasing the coverage and quality of social protection – reflected in expansionary reforms. The momentum for expanding social protection is demonstrated by countries’ agreement on the Sustainable Development Goals (UN General Assembly 2015) and by more and more countries enshrining social and economic rights in their constitutions (ILO 2019b; Jung et al. 2014). These changes are in line with the agenda for ‘universal social protection’ and ‘social protection floors’. More people were covered by social protection in 2018 than ever before (World Bank 2019). Remarkable examples of rapid programme expansion included the Productive Safety Net Program in Tanzania, which increased coverage from 2 per cent to 10 per cent between 2014 and 2018; the National Cash Transfer Program in Senegal expanding from 3 to 16 per cent of the population in four years; and the Pantawid Conditional Cash Transfer (CCT) in the Philippines reaching 20 per cent after a four-fold coverage increase by 2018 (World Bank 2019). Contrary to the trends of austerity following the 2008 financial crisis, countries responded to the challenges presented by the COVID-19 pandemic by scaling up social protection investments. By June 2020, 173 countries chose to provide temporary income support to the population by expanding social protection (mostly cash transfers) (Gentilini et al. 2020b).

The protection from hardships provided by a combination of social insurance and social assistance policies can benefit virtually all segments of societies. However, it would be an overly bold statement to say that no losses are produced: directing expenditure to social protection likely comes with an opportunity cost (meaning that people benefit less in other, less funded areas), and some individuals may be paying more than what they receive.

In a similar vein, the concept of a universal basic income\(^2\) (UBI) has become a hot topic in (and beyond) social protection. Although no country has a pure UBI in place at the time of writing this book,\(^3\) it is heavily featured in political discussions in the United States and India, among others, which warrants it a place among the prominent reform initiatives of the twenty-first century. A potential reason for its popularity is that it provides an attractive

\(^{1}\) However, if people are living healthier and longer lives, attributing more of that life to working age may not necessarily be a large burden.

\(^{2}\) A UBI is an unconditional, cash-based transfer to all members of a society (Gentilini et al. 2020a).

\(^{3}\) It has been implemented in the past in Mongolia and Iran, and several countries have been experimenting with quasi-UBIs. For an overview, see Gentilini et al. (2020a).
solution to different challenges faced by both developed and developing economies, such as poverty, inequality, low coverage of social protection, and the threat of massive job losses from automation (Gassmann and Martorano 2019; also see Chapter 41).

32.3 IDENTIFYING AND VALUING WINNERS AND LOSERS OF REFORM

Public support for reform depends on various factors, perhaps the most obvious of which is how it affects the population. In fact, no policy reform should be implemented without evaluating the potential winners and losers and costs and benefits of the reform. It may be intuitive that the contraction of social protection programmes produces net losers and expansion produces net winners, but the reality is often more complicated. This section explains why it is not as straightforward to identify and value winners and losers of reform as it may seem by discussing four factors to consider:

- whether tax effects are factored in;
- whether we take a utilitarian or prioritarian approach;
- the type of costs and benefits considered; and
- the benchmark we measure against.

First, any analysis of reform implications should also consider the tax implications of social protection reforms. Social protection programmes, especially social assistance, are often tax-financed. Let us take a radical example, the UBI, to illustrate how even shifting to a system where everyone receives benefits can produce net losers. Let us imagine a country with no social assistance programme in place that decides to roll out a UBI. If this UBI is financed by increasing marginal tax rates for high earners, they are likely to end up paying more in taxes for the UBI than they receive in transfers. This would make the wealthy ‘net payers’ or ‘net losers’ because their disposable income would be less than before or without the reform. If the UBI is financed through a flat-rate income tax or a regressive tax (for example a tax on consumption), it can be the poor or the working class who pay more than they benefit. This stylized example shows that even reform that at first glance benefits everyone requires a careful consideration to avoid unintended losses (for more information, see Chapter 15).

Second, not all winners and losers are valued equally. How we value gains and losses of different segments of the population depends on our concepts of social justice and whether we take a utilitarian or prioritarian standpoint. A utilitarian approach would dictate that all gains, regardless of who accrues them, are valued the same as long as the change in utility is the same for all. Prioritarian approaches give higher weight to gains accrued by the worse-off (regardless of whether the marginal utility is greater for them). According to Keynesian economic theory, transfers to the poor have larger marginal utility than those to the better-off (Keynes 1936; Tobin 1951). Analysing the returns to social assistance in Uganda, Dietrich et al. (2017) provide empirical evidence that the marginal returns to an additional dollar invested in transfers is higher when given to the poor than to the better-off. In this vein, a one-unit ‘win’ accrued by a poor person would outweigh a one-unit ‘win’ by the better-off person.

Third, social protection has benefits beyond the mere redistribution of income. These can be difficult to quantify and compare with direct income effects for the individual. Cash transfers, for example, have been associated with wider societal benefits, including inclusive
socio-economic development, the reduction of crime, and strengthening of the social contract (see Chapters 2 and 38). Those who experience negative income effects due to social protection reform can still benefit from these wider societal and economic impacts, particularly over the longer term.

Finally, let us consider the benchmark we use to derive the extent and distribution of gains and losses. One option is to compare post-reform well-being (measured by disposable income) to pre-reform well-being. An alternative is to compare post-reform well-being to the hypothetical scenario without reform, which is not necessarily the same as the pre-reform scenario. As an example, we turn to old-age pensions, which redistribute income across one’s lifetime or across generations (see Chapter 7). Countries facing pressure on their pension systems may opt for introducing adjustments to programme design in order to maintain the level of protection provided for pensioners. For example, the mandatory contribution rate can be increased – the most common adjustment measure in 2019 according to the ILO’s Social Protection Monitor. Taking the first approach, the contribution payer\(^4\) is a net loser of this reform because their disposable income is lower than before the reform due to the higher contribution rate. Pensioners neither lose nor win: their pension levels remain as before due to the injection of cash into the pension pot. Overall, the worker paying contributions is worse off and nobody is better off. Taking the second approach, the pensioner is a net winner compared to a scenario without a reform if we accept that the level of protection provided by pensions would have decreased because of insufficient funds in the pension pot. If the pension system redistributes over one’s lifecycle (a funded system), the same individuals who lose out during working age become winners in retirement.\(^5\)

### 32.4 MITIGATION AND COMPENSATION OF REFORM LOSERS

Social protection reforms that generate losers can be accompanied by compensation measures. These measures can reduce unintended negative consequences of reform (for example increases in poverty) and increase its success and sustainability. The World Bank (2003) acknowledges three major grounds on which decisions for compensation policies can be made:

- Poverty grounds, especially when the objective of the policy is poverty reduction (often the case in social assistance) and some of the poor are worse off due to the reform.
- Equity grounds, especially when poor or vulnerable segments of the population are unfavourably affected by the reform relative to those better off.
- Political economy grounds, especially when the adverse impacts of reform are likely to threaten its public acceptability and hence sustainability.

There are some key principles that ensure that compensation measures are cost-effective and in line with the key objectives of reform (Baum et al. 2016). First, the compensatory measure should be designed so that it does not bias or distort the reform’s ability to fulfil its objective.

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\(^4\) At least at the time of reform.

\(^5\) The validity of this second benchmark, however, is questionable, because the hypothetical scenario of no reform will always rely on assumptions on micro- and macro-economics, budget endogeneity, and political will. We usually cannot know precisely what would have happened if no reform had been implemented.
Second, the cost of compensating losers should be lower than the overall expected benefits of the reform. Third, the mode of compensation should always be selected in full consideration of its opportunity costs, including comparing it to other policy options that could compensate losers with the same effectiveness. Overall, the long-term benefits of reform should justify the short-term costs of compensating losers.

The Government of Georgia retargeted its flagship social assistance programme, Targeted Social Assistance (TSA), to improve its targeting efficiency in 2015. While the overall aim of the reform was to improve the effectiveness and efficiency of the programme, an assessment of expected outcomes revealed that many single-pensioner persons would lose their eligibility due to the proposed changes in the targeting formula (Baum et al. 2016). This would have been problematic from both a poverty and equity standpoint since the elderly would have been worse off despite the overall positive effects of reform. Since this group is already vulnerable to poverty, the government deemed it important to protect them from the reform’s negative consequences and accompanied the parametric reform with other measures that would compensate single-pensioner persons. Part of the proxy means test used to target the TSA is a ‘needs index’ based on a normative amount of caloric and non-caloric needs. The coefficient influencing this index was increased by approximately 50 per cent for single pensioners, which reduced their overall well-being index and ensured that many of them remained eligible for the TSA even after the reform (Baum et al. 2016). While compensating single pensioners did come at a cost, the equity gains for the overall population outweighed the additional resources needed to ensure that this vulnerable group did not suffer from negative consequences.

Another example of reforming while minimizing negative outcomes is from the Kyrgyz Republic. In 2010, the Government of Kyrgyzstan decided to consolidate their social protection programmes and remove the complicated and inefficient system of privilege payments that had existed since the Soviet Union (Gassmann and Timár 2018). However, simply removing the programme would have been politically difficult. The number of eligible groups were reduced from 38 to 25. The remaining groups are those involved in World War II or affected by the Chernobyl accident, and no new beneficiary groups have been added since 2010 despite political pressure. This way the privilege payments are being ‘grandfathered’ as the number of recipients naturally declines over time, which means that the programme is phased out while minimizing the number of losers associated with the reform.

The quest to phase out large-scale subsidies provides telling examples on how such a politically and socially difficult reform can be supported by adequate mitigation of welfare loss to the population. In Gabon, a reduction of subsidies in 2007 resulted in a sudden increase in fuel prices by 26 per cent (Inchauste and Victor 2017). This reform was accompanied by the resumption of formerly discontinued social assistance payments, increasing assistance to vulnerable groups, introducing a threshold under which energy consumption was free, waiving of school fees, and investments in health care and the public transport network (Alleyne 2013). Similar efforts were made to protect poor households from harm in Mozambique and Nigeria (Alleyne 2013). Inchauste and Victor (2017) argue that these mitigation measures contributed to the social legitimacy of reform, which has been vital for its sustainability.

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6 Privilege payments were categorical in-kind and cash transfers provided to selected groups of the population deemed ‘deserving’ of state support.
7 In this reform, the formerly in-kind benefits were also monetized.
32.5 EXPERIENCES ON SOCIAL PROTECTION REFORM AND THE NATIONAL DIALOGUE

Consultations and a national dialogue are necessary to (a) understand public opinion and (b) garner political and public support. Seeking and incorporating input from the public, civil society, labour unions, street-level bureaucrats, and different arms of the government seem to improve stakeholder buy-in, support the formation of strategic alliances, and increase the chances of successful reform. The following experiences from Pakistan, Kenya, Mexico, Brazil, and Kyrgyzstan illustrate how the national dialogue and strategic partnerships make or break reform.

The Benazir Income Support Program is Pakistan’s flagship social assistance scheme, reaching over 18 million people in 2015 (World Bank 2020). Since its establishment in 2008, its targeting process has been reformed several times with varying degrees of public acceptance and success. An analysis of these reform attempts by Gazdar (2014) finds that a high level of political investment from members of the ruling party and the use of national and international expertise were essential to changing public opinion and pushing reforms through. Stakeholder buy-in from high government positions also prevented corruption and elite capture in policy implementation.

Kenya’s failed attempts to extend its social health protection system provide a cautionary tale on the importance of communication and bringing stakeholders on board. The extension of health insurance to informal-sector workers faced resistance by trade unions and workers associations, as formal-sector employees feared they would bear a disproportionate burden in financing the scheme (Bender et al. 2017). The fear was not unwarranted as communication was unclear about exactly who should contribute how and how much to the programme (Bender et al. 2017). Other non-governmental stakeholders felt left out of decision making, which exacerbated their opposition to the reform (Carrin 2007). The lack of consultation and communication, coupled with low public preferences for redistribution, created a challenging environment for the reform proposal (Bender et al. 2017; Carrin 2007).

Wanyama and McCord (2017) argue that the lack of convergence between the interests and preferences of donor organizations and national government stakeholders also contributed to the failure of this proposed policy. Competing development partners provided controversial recipes for reforming the health sector: while one group of donors, including the World Bank, United States Agency for International Development, and the Global Fund, pushed for focusing on service delivery, the others, the German Development Agency and World Health Organization, were advocating for extending social health insurance (Abuya et al. 2015; Bender et al. 2017). This resulted in a lack of strategic partnerships between international organizations. The National Social Health Insurance Fund therefore still remains on the agenda after nearly two decades since the first attempts on its creation (Government of Kenya 2007). This contrasts with the expansive reform of Kenyan social assistance, which passed successfully due to a convergence of donor interests (Bender et al. 2017; Wanyama and McCord 2017).

Advocacy coalitions and the converging interests and preferences of multiple actors has also been a key driver in the birth of CCTs in Latin America, in particular Mexico and Brazil,

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8 For a primer on advocacy coalitions, see Sabatier (1999).
Tomazini (2019) argues. Amidst consultations, stakeholders formed three distinct advocacy coalitions which organized around sets of policy objectives: income support, food security, and human capital. While they disagreed about the intended outcome of the proposed policy, they reached consensus on the instrument: CCTs. The formation of advocacy coalitions around CCTs demonstrated the power of policy framing: a single programme was framed to meet the preferences and objectives of various stakeholder groups. With the buy-in from the advocates of income support, food security, and human capital, both local and regional support for Progresa in Mexico and Bolsa Escola (now called Bolsa Familia) in Brazil were garnered remarkably fast (Handa and Davis 2006; Tomazini 2019).

In 2017, the Government of Kyrgyzstan decided to replace its narrowly targeted cash transfer programme, the Monthly Benefit for Poor Families with Children, with two categorical benefits: one provided for all Kyrgyz children under the age of three, and one for households with three or more children. Despite an expected increase of coverage and child poverty reduction, the reform proposal was met with public demonstrations and a pushback from international financial organizations and was finally abolished. According to key stakeholder interviews, a major reason for the unsuccessful reform was the government’s poor communication about it. Neither the shortcomings of the old targeting mechanisms nor the objectives and expected consequences were disseminated to the public (Gassmann and Timár Forthcoming). Moreover, donor organizations yet again represented diverging agendas, with the United Nations Children’s Fund advocating for extending the coverage of child benefits but the International Monetary Fund and the World Bank opposing the reform proposal.

32.6 CONCLUSION

Policy reform is at the heart of ever evolving and improving social protection systems, but reforms also produce losers and create resistance. As countries aspire to provide more effective and equitable protection for their citizens, they seek solutions to mitigate the negative consequences for those losing out and increase the acceptability of reforms. This section has described some recent reform trends in social protection and described the caveats of understanding the gains and losses generated by them. It has also shown that communication and stakeholder involvement is imperative to successfully push reforms through.

REFERENCES


PART VII

EFFECTS
Introduction: Effects

Francesco Burchi

This part of the handbook discusses the multiple, potential and actual, effects of social protection. We start with more immediate impacts, namely those on income poverty and inequality, and then gradually move to more indirect ones: nutrition, health, economic development and finally social cohesion.

First of all, however, it is necessary to point out why assessing the effects of social protection programmes is important and how it can be done. Chapter 33 by Gassmann tackles these important issues. Impact evaluation of social protection schemes can be crucial to understand whether they are achieving the expected results, to identify possible weaknesses to be addressed and, finally, to understand whether and eventually how they should be expanded or replicated. Moreover, they ensure accountability: it is important that citizens have access to impartial information on the benefits (and costs) generated by a programme, especially if this is financed through taxes. This also increases the likelihood that they support such programmes. Rigorous quantitative impact evaluations, conducted with experimental methods, however, are expensive and consequently can be carried out only on a few occasions. In other cases, policy-makers may take decisions based exclusively on information obtained through monitoring activities or qualitative assessments. One of the criteria based on which policy-makers (including donors) may decide to make a comprehensive evaluation or not should be its capacity to contribute to scarce evidence of the effectiveness of particular social protection policies. As the author stresses, however, so far there have been big problems in comparing results on similar policies across countries, especially due to the different indicators used in different studies. Very useful international databases on social protection exist and are reviewed in this chapter; however, they focus mostly on the characteristics (e.g. design, coverage, targeting) of the schemes rather than their impacts.

The case study by Saran and Thimmappa points to the need to design social protection interventions based on existing evidence. The authors present a tool, called an evidence and gap map (EGM), which shows the available (quantitative) evidence for specific interventions and highlights possible gaps in evidence. As the EGM permits to filter the available evidence by, for example, outcome of interest, type of intervention and geographical area, it allows policy-makers and scholars to access easily existing rigorous empirical studies with the general aim to facilitate informed judgement and improve decision making.

Chapter 34 deals with the direct impacts of social protection on income poverty and inequality. Indeed, social protection, especially in low- and middle-income countries, is usually designed to address these outcomes. Authored by Carraro and Marzi, the chapter puts primary emphasis on cash transfers as these schemes are usually adopted in countries characterized by high levels of poverty. Their review of the empirical evidence suggests that social protection is a key tool for poverty alleviation at least in the short term, without at the same time discouraging work. To what extent they are successful, however, depends on design and implementation features, for which no ‘one-size-fits-all’ solution can be identified.
Social protection programmes can also generate important effects on food consumption and nutrition, as stressed by Burchi in Chapter 35. Cash benefit programmes, including non-contributory cash transfers and contributory social insurance cash benefits, and food transfers are indicated as the programmes with the largest potential to increase food consumption and improve diet quality and anthropometric indicators. Depending on factors such as the availability and price of food, as well as general inflation and institutional settings, it may be advisable to transfer cash or food. Evidence from Sub-Saharan Africa and other low- and middle-income countries shows that cash transfers alone succeed almost always in improving food consumption and often manage to improve the quality of the diet, while they usually fail to improve final nutritional outcomes. The author points to the need to integrate these policies with other interventions addressing nutrition knowledge and behaviour, or tackling directly malnutrition of vulnerable groups, such as pre-school children and pregnant and lactating women.

Chapter 36, written by Strupat, focuses on the effects of social protection on health generated through two major channels: by reducing the risk of immediate, large out-of-pocket expenditures (financial protection) and by encouraging a prompt use of health-care facilities. The chapter provides a brief overview of the evidence of the impacts of different social protection schemes, ranging from health insurance to conditional and unconditional cash transfers. The author finds that the financial protection channel plays a more important role than the health-care utilization channel, especially in the presence of poor health systems. In the latter cases, cash benefits (namely, non-contributory cash transfers and contributory social insurance cash benefits) seem to ensure higher impacts on health outcomes.

Economic development and pro-poor growth are the main outcome variables considered in Chapter 37. Bhalla, Kangasniemi and Winder Rossi identify three key channels by which social protection can promote economic development triggered by the poor: (1) increase the efficiency in allocation of resources at the household level and the investment in productive activities by releasing liquidity constraints; (2) build human capital; and (3) expand aggregate demand. For each of these channels, they illustrate the empirical evidence from African countries.

In Chapter 38, Koehler discusses the relationship between social protection and social cohesion. While historically social protection systems have been introduced in strict connection with state-building, social cohesion is almost never explicitly mentioned as one of its goals. For this reason, evidence of the effects of social protection on social cohesion is scarce. As a consequence, the author predominantly discusses how different social protection schemes could potentially affect the three attributes of social cohesion: trust, social identity and cooperation. It is concluded that these policies need to be designed and implemented keeping in mind the needs of vulnerable and discriminated groups, and avoiding their stigmatization. In particular, ensuring transparency in the design and delivery of social protection and the introduction of accountability mechanisms are deemed necessary to give the opportunity to citizens to raise their voices and, through this channel, improve social cohesion. On the contrary, unclear targeting mechanisms, elite capture of the programme or similar weaknesses can even increase social conflict and thus lower social cohesion.
33. Data and analysis in social protection

Franziska Gassmann

33.1 INTRODUCTION

Policy analysis is the cornerstone of evidence-based policy making. It identifies the problems, informs programme design, supports the monitoring of policy implementation and is needed to evaluate programme impacts (Scott 2005). Rigorous and credible policy evidence is necessary to ensure the transparency and accountability of policy decisions, to secure political and public support and, hence, the allocation of financial resources. Sound policy analysis helps design effective and efficient programmes, thereby maximizing programme impact.

Recent decades have seen a steady rise in social protection investments both by national governments and international development partners. Social protection systems are recognized as strategies that can effectively address poverty and inequality, which is reflected in the inclusion of social protection in many national and international development strategies, including the Sustainable Development Goals (SDGs) (UN 2015). Given the variety of actors involved in the design, delivery and financing of social protection programmes at local, national and global levels, the use of statistics, data and social protection performance indicators is essential for the effective collaboration between these actors (Bonnet and Tessier 2013).

Data on social protection coverage, benefit levels and financing are critical for the analysis of social protection within and across countries (Bonnet and Tessier 2013). In addition, regular monitoring and evaluation provide evidence on the impact, effectiveness and best practices in social protection while contributing to re-enforcing the political will to sustain or scale up social protection initiatives (OECD 2019). At the global level there is a variety of social protection performance indicators available from different actors. Yet, indicators vary in terms of definition, methodological specification and data source used, which limits the comparability and complicates monitoring and analysis of social protection systems (European Commission 2017; OECD 2019).

This chapter takes stock of the existing conceptual frameworks, methods, databases and indicators used to evaluate social protection performance. It starts with presenting an overview of the conceptual frameworks around social protection, establishes the role of performance measurement in social protection and discusses the challenges of current databases and indicators in effectively measuring the performance of social protection systems.

33.2 CONCEPTUAL OVERVIEW

Different actors have different perspectives and policy priorities associated with social protection. Policy priorities are shaped by many different factors including the extent of needs,
the socio-economic context and political and civil society priorities (European Commission 2017). The conceptual frameworks around social protection are inspired by different ideological contexts. Key examples include the World Bank’s Social Risk Management Framework (World Bank 2003), Devereux and Sabates-Wheeler’s Transformative Social Protection (Devereux and Sabates-Wheeler 2004) and the International Labour Organization’s (ILO) Life Cycle approach to social protection (Garcia and Gruat 2003). The global narrative on social protection has increasingly aligned to a human rights-based approach, aiming to address vulnerabilities of individuals across the life cycle and contributing to inclusive pro-poor growth (European Commission 2017).

The understanding of the term ‘social protection’ varies across different stakeholders. But irrespective of the definition used, they all encompass three key dimensions: they address risk and vulnerability, levels of deprivation deemed unacceptable and a form of response that is both social and public in nature. This chapter adopts ILO’s broader definition of social protection, which describes it as ‘a set of policies and programmes designed to reduce and prevent poverty and vulnerability across the life cycle’ (ILO 2017a, 2). This definition includes a range of policy areas including child and family benefits, maternity protection, unemployment support, employment injury benefits, health protection, old-age benefits, disability benefits and survivor benefits (ILO 2017a). It encompasses both the absolute deprivation of the poorest and the needs of the non-poor to cope with vulnerabilities at different stages of life (Norton et al. 2001), and includes both private and public interventions. Social protection policies and programmes are traditionally organized along two main categories: contributory social insurance and non-contributory tax-financed social assistance (ILO 2017a). Other international agencies including the World Bank (Yemtsov et al. 2018), the Asian Development Bank (ADB 2013) and the European Commission (2017) have expanded this basic classification by explicitly including social services and labour market policies as separate categories of social protection interventions.

The subtle differences in the definition of social protection and classification of policy interventions between international agencies leading the social protection discourse result in a multitude of data points and indicators which are not necessarily comparable. In an effort to streamline the conceptual underpinning of social protection, the international development community has adopted overarching frameworks that reflect the conceptual evolution and current understanding of the concept. The Social Protection Floor is such an example. It features in SDG 1 (UN 2015). Other initiatives, such as the establishment of the Social Protection Inter-Agency Cooperation Board (ILO 2012) in 2012, aim to strengthen the institutional collaboration and contribute to an improved coordination of international efforts to establish social protection systems in member states.

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2 Differences exist between broad and narrow, between nature of the problem/deprivation addressed and policy instruments used to address the deprivation and between conceptual and pragmatic approaches adopted (Norton et al. 2001).
33.3 PERFORMANCE MEASUREMENT IN SOCIAL PROTECTION

Performance measurement to assess how well a policy or programme achieves its objectives is an integral part of any policy design. Focusing on performance implies a move away from the traditional focus on input (budget allocation) to outputs, outcomes and impacts (Gassmann 2010). Performance measurement extends well beyond the economic implications of social protection policies (Delorme and Chatelain 2011). Social protection, whether provided by governmental or non-governmental actors, is considered a public good or service intended to produce specific outcomes for the society. Given the complex linkages and interdependencies, the observable societal impact is the result of numerous interactions, and not just of one policy measure or social behaviour (Delorme and Chatelain 2011). The complexity of the political and socio-economic landscape wherein social protection programmes operate creates a challenge to isolate programme effects from other influencing factors.

Effective performance measurement implies that at programme level, there needs to be a clear identification of factors contributing to input, output, outcome and impact, and their associated indicators. Considering the public nature of social protection, market competition, which is a critical factor contributing to price correction and quality of service, is mostly absent in the sector (Gassmann 2010). Hence, regular policy monitoring and performance measurement is the only tool to ensure programme effectiveness and efficiency in the social protection sector (European Commission 2017).

Performance measurement frameworks are often riddled with complications. The quality of performance measures depends on the strength, quality and representativeness of the underlying frameworks, indicators and databases. Bonnet and Tessier (2013), in their analysis of international statistics and indicators, point out that globally, there is a lack of consistent and comparable methodologies for analysing social protection outcomes across countries. At the national level, the availability of social protection data is often fragmented with the quality of data varying across countries, and across programmes and schemes within countries. The challenges at the national level are also reflected at the global level, given existing data gaps and inconsistencies across databases. Moreover, measuring and quantifying qualitative aspects of social protection performance is time-consuming and costly, and often requires specific information rarely captured in quantitative surveys.

33.3.1 Theories of Change and Results-Oriented Frameworks

Prominent actors leading the social protection discourse advocate for a results-oriented framework for performance measurement (Gassmann 2010). Results-oriented frameworks are explicit articulations of different stages, levels and chains of results expected from an intervention. The result specifications include both long-term results (often referred to as impact or outcome) and medium- and short-term results (often referred to as output) (World Bank 2012).

A typical results-oriented framework allows for the classification of indicators into five key dimensions: input indicators, process indicators, output indicators, outcome indicators and impact indicators (European Commission 2017). Figure 33.1 shows an example of a results-oriented framework. Input indicators and process indicators account for the financial, administrative and regulatory resources utilized to implement a particular programme (Delorme and Chatelain 2011). These indicators are useful to quantify the supply side of social
protection interventions. On the other hand, output indicators, outcome indicators and impact indicators help quantify the results. While results-oriented frameworks provide a useful lens for the evaluation of social protection programmes, the validity of the framework depends on the strength of the underlying theory of change. Figure 33.2 provides an example of how such a results framework can be used for the identification of indicators for a cash transfer programme.

**Source:** Author’s own illustration based on Gassmann (2010) and European Commission (2015).

**Figure 33.1 Result-oriented evaluation framework**

Theories of change can be understood as the logic linking programme input and the intended impact (ILO 2017b), and can be represented as system diagrams, log frames or other visual representations. The theory of change conveys the logical pathway along which an intervention is expected to achieve results. A well-conceptualized theory-of-change model identifies contributors and barriers to change allowing policy analysts to focus on whether, how and why these factors achieve social change (ILO 2017b).

In the context of social protection, theories of change and results-oriented frameworks provide a roadmap through broader theoretical frameworks (and complex political and

**Source:** Author’s own illustration.

**Figure 33.2 Example of a results-oriented framework for cash transfers**
socio-economic contexts) that underpin social protection interventions. These conceptual tools support programme planning and design and play an essential role in the monitoring and evaluation of these programmes. They support the design of specific evaluation questions, identifying relevant variables that should be included in the data collection, identifying relevant intermediate outcomes that can determine success of interventions and identifying aspects of intervention that should necessarily be included in the evaluation. They facilitate testing the validity of assumptions that connect various elements of social protection policy design (Rogers 2014).

33.3.2 Indicators and Databases for Social Protection

The analysis of social protection performance relies on the selection of appropriate indicators and data that allow measuring these indicators. An indicator is defined as an order of magnitude (generally statistical, but also logical) linked naturally (or arbitrarily) to the measurement of policy activities. Indicators are characterized by their function (what it measures), the means through which they are obtained (formula, calculations or necessary data points), their quality (the extent to which they can be interpreted and monitored over time) and the limits on their use (what it does not measure, or measures poorly) (Delorme and Chatelain 2011).

Performance indicators help assess how well a programme or intervention achieves its objectives. Cichon et al. (2004) differentiate between two types of performance indicators: (1) indicators to assess the process that converts inputs into outputs, and (2) indicators that assess outcomes which indicate the degree of desired social change achieved by the programme. Research on social protection indicators has gained a lot of momentum over the last few decades. The European Commission (2017), for example, suggests five key stages in the appraisal of social protection indicators: (1) the definition of social protection adopted, (2) identification of targets and objectives, (3) choice of type of indicators and data sources, (4) appraisal of indicator performance and (5) the assessment of indicator comparability (European Commission 2017). The choice of indicators reflects the specific definitions and objectives of the respective social protection intervention being evaluated.

Good indicators share a number of features (Gassmann 2010). They are not only SMART (specific, measurable, achievable, realistic and time-bound), but include intelligent benchmarks, which are essential for the interpretation of indicators with respect to performance (Cichon et al. 2004). While some indicators may permit a stand-alone interpretation of performance (for example coverage rates), others (for example demographic ratio) do not allow for such an interpretation.

33.3.3 Comparative Social Protection Indicators and Datasets

Today, a range of global and regional agencies collate information on social protection from around the world. Conceptual differences in the definition of social protection across agencies makes it very challenging, if not impossible, to combine or compare information from different sources. Table 33A.1 in the appendix to this chapter lists indicators and databases from

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3 There is an extensive literature on the desirable qualities of indicators. See, for example, Cichon et al. (2004), Zall Kusek and Rist (2004), Castro (2011) and European Commission (2017).
major agencies involved in social protection.\textsuperscript{4} Though not comprehensive, the table gives an impression of the type of social protection indicators collected by international and regional agencies. Current indicator clusters and databases are primarily input and output biased, with limited indicators contributing to measure outcome or impact (European Commission 2017). Most of the agencies also collect programme-specific indicators for countries where they operate. These indicators are reflected in the respective results frameworks, log frames and project appraisal documents adopted by these agencies (European Commission 2017), but they are rarely available to the public.

While the majority of indicators reflect a single input, output or outcome, some agencies have developed composite indicators or indices that can facilitate comparison of social protection performance for a region or a set of countries. The Asian Development Bank’s Social Protection Index (SPI) (ADB 2013) is a relatively straightforward composite indicator that divides total expenditures on social protection by the total number of intended beneficiaries of all social protection programmes. The SPI is currently available for 35 countries in the Asia-Pacific region. It allows for disaggregation based on programme type (social insurance, social assistance or labour market programmes), gender, depth (average size of benefit received) and breadth (proportion of intended beneficiaries actually receiving benefit) (ADB 2013). Similarly, the Global Coalition for the Social Protection Floor developed the Social Protection Floor Index (Bierbaum et al. 2017), which is a composite indicator measuring the financial resources a country requires to provide a national social protection floor. The Social Protection Floor Index has been developed with the vision to contribute to monitoring progress towards the SDGs by offering a comparative scale to measure social protection performance for over 120 countries across the world.\textsuperscript{5}

33.4 TOOLS AND METHODS FOR MEASURING IMPACT

The review of indicators currently used at global or regional level has shown that the focus is primarily on intermediate indicators and a few outcomes. The World Bank and the ILO, for example, regularly publish reports on the state of social protection in the world. The World Bank’s The State of Social Safety Nets uses the Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) as the main data source. The chapter on the performance of social protection programmes also provides estimates of programme impact on poverty and inequality (see, e.g. World Bank 2018). It is a heroic, yet rudimentary, attempt to measure and compare impacts and go beyond the usual inputs and outputs. Yet, in order to measure programme-level impacts and establish causality, more in-depth analysis is required with additional tools and data. The choice of evaluation methodology is often tailor-made for a particular programme and is ideally guided by a carefully constructed theory-of-change model that established the causal linkages between inputs and outcomes and impact. Hence, impacts are not directly comparable across studies. Systematic reviews fill that gap by trying to distil

\textsuperscript{4} For the purpose of this chapter, we consider only databases that are representative of substantial regional or global aggregations and that compile large-scale data on social protection. Only selected indicators are included. For the full sets of indicators, we refer readers to the original sources.

\textsuperscript{5} Social protection features in four (five, if health is included as well) of the 17 SDGs (UN 2015).
general conclusions from a multitude of impact studies.\textsuperscript{6} Evidence and gap maps categorize and visualize the available evidence.\textsuperscript{7}

Frequently used methodologies to assess programme impact include experimental methods (randomized control trials (RCTs)), quasi-experimental methods and microsimulations (for ex ante evaluations) (OECD 2019). Experimental methods, particularly RCTs, rely on the ability to randomize treatment among eligible beneficiaries. Non-recipients serve as a control group against which impact is measured. The average treatment effect (ATE) is determined by comparing the two groups on selected outcome and impact indicators (White et al. 2014). Often referred to as the gold standard for impact assessment, if implemented properly, RCTs can provide robust estimates of programme impact (OECD 2019). However, experimental methods are not always feasible. RCTs are difficult to implement in cases where causal pathways are not effectively identified (White et al. 2014). RCTs have to be planned prior to the beginning of the intervention and as such are best used in a pilot setting. In order to provide statistically robust data, the sample size needs to be large enough to effectively determine programme impact and ensure internal validity. RCTs raise concerns about their external validity (Deaton and Cartwright 2018) and are sometimes challenged on ethical grounds. In a recent systematic review of the impacts of cash transfer programmes covering publications from 2000 to 2015, 58 per cent of the included studies used some type of RCT to measure impact, and 42 per cent used quasi-experimental methods (Bastagli et al. 2016).

RCTs are increasingly used in the field to assess the impact of social protection initiatives. For example, Banerjee et al. (2015) present results from six RCTs conducted in different geographical and institutional contexts. In a combined effort across six countries (Ethiopia, Ghana, Honduras, India, Pakistan and Peru), a multifaceted graduation programme\textsuperscript{8} was designed to improve the livelihoods of the poorest households by fostering self-employment activities. The findings demonstrate the lasting impact of a relatively short-term multifaceted programme for the very poor. Ten key outcomes were measured for programme effect and the results of the study allow for the conclusion that a multifaceted approach to increasing income and wellbeing for the ultra-poor is both sustainable and cost-effective (Banerjee et al. 2015).

Quasi-experimental methods use statistical methods to synthetically construct a credible comparison group, but there is always a chance that treatment and control groups differ in ways that cannot be observed and which are not the result of programme participation (OECD 2019), but which may affect the outcomes of interest. Matching is a commonly used quasi-experimental method to statistically establish a control group based on observable characteristics. The methodology relies on the assumption that programme participation and the intended impact are not influenced by any unobserved characteristics (OECD 2019). When panel data are available, for example from two survey rounds, difference-in-difference (DiD)

\textsuperscript{6} See, for example, Bastagli et al. (2016) for a more recent and very comprehensive systematic review of cash transfer impacts.

\textsuperscript{7} The Campbell Foundation is currently developing an evidence and gap map on social protection (campbellcollaboration.org/evidence-gap-maps.html, see Case study Q in this handbook). Also see 3ieimpact.org/evidence-hub/evidence-gap-maps for evidence and gap maps on related topics.

\textsuperscript{8} Graduation programmes go beyond the provision of transfers in cash or in kind by offering households additional services and support. In the case of Banerjee et al., ‘[t]he programme targets the poorest members in a village and provides a productive asset grant, training and support, life skills coaching, temporary cash consumption support, and typically access to savings accounts and health information or services’ (Banerjee et al. 2015, 772).
methods, where the ATE is deduced by comparing treatment and control groups over time, can be used (OECD 2019). DiD assumes that the characteristics of treatment and control groups do not evolve differently over time. DiD can also be combined with matching. Regression discontinuity design is another commonly used method, whereby the ATE is estimated around a cut-off point usually inspired by the programme itself, such as an age limit in the case of an old-age pension or a score used for poverty targeting. Regression discontinuity design utilizes the programme-driven discontinuity as a means to estimate the ATE assuming that there are no systematic differences for programme participation (OECD 2019). In the end, ‘[w]hat methods are best to use and in what combinations depends on the exact question at stake, the kind of background assumptions that can be acceptably employed, and what the costs are of different kinds of mistakes’ (Deaton and Cartwright 2018, 2).

Stakeholders often use a combination of different quasi-experimental methods for the assessment of programme impacts. For example, four out of five impact evaluations in the special issue of the Journal of Development Studies on social protection in the contexts of fragility and forced displacement (Brück et al. 2019) use a quasi-experimental design. The evaluation of the Leap 1000 programme in Ghana (de Groot 2016) or the SAGE programme in Uganda (see, for example, Merttens et al. 2016) have used a quasi-experimental design. Reviewing the evaluation repository of the International Initiative for Impact Evaluation’s 264 evaluations related to social protection have been published since 2010 using a quasi-experimental design.

Ex ante impact assessments are used to inform policy planning and decision making. Microsimulations are tools for ex ante evaluations allowing for the assessment of different scenarios on expected policy impact. Microsimulations often use large-scale data aggregations and are driven by the validity and reliability of their underlying models, conceptual rules and assumptions (OECD 2019). The robustness of microsimulations can be improved by modelling additional layers of complexity to replicate multiple levels of programme impact. They allow testing deterministic aspects like benefit size against specific individual or household characteristics. Microsimulations are powerful tools for policy makers to undertake cost to impact assessment of various policy options to a social protection design (OECD 2019). Prominent examples include EUROMOD, which is a tax-benefit microsimulation model for the European Union (EU) ‘that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole’ (www.euromod.ac.uk/about/what-is-euromod), or the ILO Pension Model for the actuarial assessment of future pension developments and financing methods (ILO 2018). More recently, attempts have been made to estimate rates of return to social protection using microeconometric models and by comparing future costs and benefits of alternative social protection interventions (see, for example, Mideros et al. 2016; Dietrich et al. 2019).

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9 EUROMOD is currently extended to SOUTHMOD. See: wider.unu.edu/project/southmod-simulating-tax-and-benefit-policies-development.
33.5 CHALLENGES WITH EXISTING SOCIAL PROTECTION DATA AND INDICATORS

Even though there are a wealth of social protection indicators currently available, the comparability across different databases remains a challenge. As indicated above, the selection of social protection performance indicators is heavily influenced by how data holders define and conceptualize social protection. The ILO, Organisation for Economic Co-operation and Development (OECD) and the EU, for example, classify social protection programmes on the basis of the functions of social protection (sickness, old age, disability, etc.) and the corresponding risks they address. The World Bank and the Asian Development Bank, on the other hand, classify social protection by type (social insurance, social assistance and labour market programmes) (European Commission 2017). As a result, data from different sources cannot be combined in order to increase, for example, the number of observations or time periods for statistically robust analyses across countries. Moreover, conclusions may differ depending on the data depository used. A prominent example is government expenditures on social protection. The lack of a common (minimum) standard means that totals differ per country (and programme) and data source.

Another challenge relates to the type of indicators currently available. As discussed above, performance measurement requires indicators covering the different stages of the results chain. These indicators should also satisfy a range of quality properties. But currently propagated social protection indicators have a strong input bias (European Commission 2017). These indicators are mainly available at country level and rarely provide disaggregated information for population groups, such as by age, sex or location. Keeping in mind the fact that social protection interventions are often targeting specific population groups, the lack of disaggregated data makes it difficult to assess programme outcomes for different groups of beneficiaries. Existing social protection indicator data collections have very limited outcome and impact indicators (European Commission 2017). The World Bank ASPIRE database is an exception. It contains a number of outcomes (for example, transfer adequacy) and basic impact indicators (for example, poverty and inequality rates before and after transfers).

National household surveys play an important role in the global social protection data landscape, but they also present a challenge for the standardization of indicators. Many of the aggregate social protection databases use national household surveys as a key source (see Table 33A.1). These surveys are often the only source to measure household wellbeing and the impact of social protection programmes on poverty, inequality and other human development outcomes. Research indicates that many household surveys have limited or no questions pertaining to specific social protection programmes, benefit levels or adequacy (Bonnet and Tessier 2013). The usefulness of household surveys in the context of social protection policy evaluations could be further strengthened by collecting data more frequently and including specific modules on social protection programmes in survey questionnaires. The United Nations Children’s Fund (UNICEF), through the Multiple Indicator Cluster Surveys (MICS), is supporting most low- and middle-income countries in the production of statistically sound and globally comparative data on women and children. In order to improve the available data on social protection, UNICEF has developed and tested a set of questions related to social protection for inclusion in future MICS rounds (Moore et al. 2018).

Qualitative data are necessary to provide contextual information on social protection (European Commission 2017; Devereux et al. 2013). This includes information on behav-
cial and institutional mechanisms and changes that may otherwise be difficult to quantify. Currently, there is a lack of reliable qualitative information on social protection systems (Bonnet and Tessier 2013). Indicators like social protection expenditure, which are predominantly used today to compare social protection performance of countries convey only one side of the social protection story. The effectiveness and efficiency of social protection systems are heavily dependent on the social and institutional contexts in which they operate. Conventional indicators do not cover programme processes or feedback loops (Devereux et al. 2013). Without this information, the comparison of standardized social protection indicators may present rather simplified measures of performance that do not reflect the realities on the ground.

Several organizations have tried to find ways to harmonize national social protection data as a means to address some of the challenges of existing data. Some suggest that the way forward is through a nationally integrated digital social protection management information system (MIS) (GIZ 2019). A MIS could form the backbone for social protection data aggregation, facilitating a harmonized social protection approach across countries. The implementation of such systems requires high-level collaborations and joint planning between various stakeholders involved in the social protection landscape of countries with clear identification of the data needs of each user (GIZ 2019). Such an integrated approach to social protection data management at the national level could potentially improve the data quality in global social protection databases.

Big data is the new buzzword. It could offer innovative ways of combining and utilizing existing data. There is a wealth of information in administrative databases, which are not accessible due to privacy concerns. However, recent technological innovations have facilitated the interoperability of such data sources making big data increasingly feasible in the social protection sector (Gillingham and Graham 2016). A notable example is the research undertaken at Chapin Hall in Chicago, United States. Chapin Hall partners with all levels of government, non-profits and researchers, acting as a steward of administrative data collectively utilized to address challenges facing children, youth and families in the United States and beyond (Chapin Hall 2013). Similarly, a pilot project in Heerlen, Netherlands combines data from Statistics Netherlands, the social service administration of the municipality, and data from the major health insurance provider in the region. The objective is to get a better understanding of poverty in the municipality and identify factors that can predict poverty before it actually happens, and without revealing any sensitive data, thereby preserving the privacy of individuals. While this may be out of reach for many low-income countries, the available administrative and survey data are increasing everywhere. In the future, machine-learning could potentially be used to utilize the data for both research and policy design.

33.6 CONCLUSIONS

‘Development is not a science – it is a struggle to try to improve the human condition, but a struggle in which we are denied the ultimate reassurance of knowing whether we were suc-
cessful, or not,’ writes Michael Kleinman (2017). Considering the spectrum of factors affecting the impact of social protection policies and programmes, measuring their performance will always remain a challenge. It is also evident that this task cannot be limited to a handful of development agencies working in a disaggregated manner, but requires the inclusion of all stakeholders, including national government agencies, research institutes, think tanks and academia.

The effective utilization of resources is critical for the achievement of the SDGs. In the context of social protection, this translates into effective designing, planning, implementing and monitoring social protection programmes. Quality, reliable and timely data play a role in each stage. In the current scenario, it could be inferred that no one indicator cluster used to monitor social protection performance conveys the complete picture. Taking into consideration practical modalities associated with institutional mandates, definitions used and data availability, no single framework of indicators may be up to the task. But the increasing recognition of social protection as a global mandate ensures that today we have more actors involved in the delivery of social protection than ever before in history. It could be inferred then that the degree of collaboration between these actors will determine the robustness of social protection data available to actors involved in monitoring and evaluation.

Harmonization of data should be a mandate under collaborative initiatives like the Social Protection Inter-Agency Cooperation Board. A minimum set of core data needs should be identified and its collection universally facilitated as mandatory components of any developmental support offered by the international community (Gassmann 2010). Harmonization at the country level is also key to this process. Mapping data requirements for social programming should also be done at the country level. While these steps do not ensure the robustness of data, they have the potential to better inform social protection design and performance measurement for national and international actors in the future.

Social protection goes beyond the treatment of residual human welfare problems. As a policy sector it does not operate in a vacuum but is closely linked with other policy sectors. It has the potential to protect and promote the human potential while ensuring equality of opportunity and outcome (Norton et al. 2001). The complexity of the political and socio-economic web in which social protection operates makes it a daunting task to deduce its impact or outcomes. Hence, indicators, databases and data sources used to measure and analyse the impact of social protection interventions have to reflect this complexity to effectively convey their impact.

REFERENCES


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<td>Outcome</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security Expenditure Database</td>
<td>Social protection benefits (aggregate by branch of social protection) (as a % of GDP)</td>
<td>Input</td>
<td>Data available for up to 124 countries</td>
<td>Variety of sources: SSI and ILO’s Cost of Social Security Inquiries, Eurostat’s ESSPROS, World Development Indicators, international financial statistics from the International Monetary Fund, the World Health Report and OECD social expenditure data, etc.</td>
<td></td>
</tr>
<tr>
<td>World Bank</td>
<td>Atlas of Social Protection Indicators of Resilience and Equity</td>
<td>Total programme expenditure on social assistance as % of GDP</td>
<td>Input</td>
<td>Data available for 124 countries</td>
<td>National ministries and national household surveys</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coverage</td>
<td>Outcome</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Overlap and duplication of programmes</td>
<td>Outcome</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Average per capita transfer</td>
<td>Outcome</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Transfer adequacy</td>
<td>Outcome</td>
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<tr>
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<td></td>
<td>Targeting performance (benefit incidence)</td>
<td>Outcome</td>
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<tr>
<td></td>
<td></td>
<td>Targeting performance (beneficiary incidence)</td>
<td>Outcome</td>
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<td></td>
<td></td>
<td>Benefit-cost ratios</td>
<td>Outcome</td>
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<tr>
<td></td>
<td></td>
<td>Impact on poverty gap reduction</td>
<td>Impact</td>
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<tr>
<td></td>
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<td>Impact on poverty headcount reduction</td>
<td>Impact</td>
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<td></td>
<td>Impact on inequality reduction</td>
<td>Impact</td>
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</tr>
<tr>
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<td>Database</td>
<td>Selected indicators</td>
<td>Type</td>
<td>Countries covered</td>
<td>Source</td>
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</tr>
<tr>
<td>Asian Development Bank Social</td>
<td>Social Protection Index (SPI)⁸</td>
<td>SPI (aggregate – all types of social protection)</td>
<td>Input</td>
<td>35 countries in the Asia-Pacific region</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>SPI (disaggregated – by type of social protection: social assistance, social</td>
<td>Input</td>
<td>Data collected by dedicated country social protection experts through various</td>
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<tr>
<td></td>
<td></td>
<td>insurance or labour market programmes)</td>
<td>Input</td>
<td>national (surveys, national accounts etc.) and international (bilateral agency</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Expenditure on poor</td>
<td>Input</td>
<td>reports, etc.) sources</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expenditure on non-poor</td>
<td>Input</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Gender-disaggregated SPI</td>
<td>Input</td>
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<tr>
<td></td>
<td></td>
<td>Depth of coverage</td>
<td>Output</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Breadth of coverage</td>
<td>Output</td>
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<tr>
<td></td>
<td></td>
<td>Poverty focus indicator</td>
<td>Output</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Commission of Latin</td>
<td>CEPALSTAT⁹</td>
<td>Per capita public expenditure on social security (absolute and as % of GDP)</td>
<td>Input</td>
<td>22 countries from Latin America and the Caribbean</td>
<td></td>
</tr>
<tr>
<td>America and the Caribbean</td>
<td></td>
<td>Public expenditure on social security as a percentage of total public expenditure</td>
<td>Input</td>
<td>National ministries, responsible national agencies, national statistical offices,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public expenditure on social security as a percentage of total public social</td>
<td>Input</td>
<td>etc.</td>
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<tr>
<td></td>
<td></td>
<td>expenditure</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Programme expenditure</td>
<td>Input</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Programme coverage (number of households, individuals)</td>
<td>Output</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minimum and maximum transfer levels (by household and per capita)</td>
<td>Output</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
6 Original source: www.ilo.org/sesame/IFPSES.SSDBMenu.
8 Original source: http://spi.adb.org/spidmz/.
9 Original source: https://dds.cepal.org/bpsne/ect.

Source: Author’s compilation based on selection of indicators and their classifications extracted from European Commission (2017).
Introduction

There is a growing recognition of the need for an evidence-informed approach to funding decisions, programme and project design and practice in development, including social protection. This has led to many agencies commissioning systematic reviews of global evidence to inform their decision making. Increasingly, agencies in different countries or different agencies in the same country are commissioning reviews on the same subject leading to a waste of resources due to duplication. Furthermore, reviews that do not meet practice standards may lead to incorrect findings and dissemination of low-quality studies. The evidence and gap map (EGM) on social protection interventions and related outcomes in low- and middle-income countries provides an overview of the state of evidence, assesses the quality of evidence and identifies important gaps in evidence where research topics might benefit from a systematic review or where new impact evaluations are required.

What is an Evidence and Gap Map?

Mapping the evidence for a particular area of research is an approach that has been used since the early 2000s (Saran and White 2018). An EGM is a systematic presentation of all relevant evidence of a specified kind for a particular sector, subsector or geography, usually restricted to a particular type of research (Campbell Collaboration 2020). EGMs show what evidence is there, but not what the evidence says.

This case study presents an EGM of effectiveness studies for social protection in low- and middle-income countries. Effectiveness studies are studies that measure the difference the social protection intervention makes to the outcomes of interest that are impact evaluations and systematic reviews of such studies. Impact evaluations include both experimental study designs (randomized controlled trials and natural experiments) and non-experimental designs which control for selection bias (e.g. regression discontinuity, propensity score matching and instrumental variables). Some examples of such studies are listed at the end of this case study.

The map therefore does not include qualitative studies of social protection schemes, such as process evaluations which address implementation issues, analysis of targeting performance or qualitative analysis to the barriers and facilitators of participation in and the success of these interventions. These excluded studies are important areas of research. However, most maps focus on effectiveness since the purpose of the map is to assess the strength of the evidence base for whether social protection schemes have their intended effects. Maps generally show...
Handbook on social protection systems

evidence to be unevenly distributed by both sector or subsector and region, thus uncovering gaps in our existing knowledge.

EGMs include a visual presentation of the evidence as a matrix. In an effectiveness map, interventions are in the rows and outcomes are in the columns; both may be subdivided into subcategories. Figure Q.1 shows a snapshot of a section of the map, which is still under construction. The cells of the matrix contain the studies relevant to the intervention/outcome combination. The map is interactive so users can click on the cells to access the studies. There are also secondary domains or filters, such as study design, country or region and subpopulations, so users can see a subset of studies meeting certain criteria.

The aim of the EGM is to enable policymakers and practitioners to explore the findings and quality of the existing systematic reviews and impact evaluations to facilitate informed judgement and evidence-based decision making. The EGM also identifies key ‘gaps’ where little or no evidence from impact evaluations or systematic reviews is available, and where future research should be focused. Areas where there is a substantial volume of impact evaluation evidence but few or no high-quality systematic reviews indicate key gaps in the systematic review literature.

3 EGM FRAMEWORK

The typology of interventions and outcomes is called the map framework. The framework for the social protection maps was developed based on a review of the academic and policy literature and is based on the World Bank Group’s 10-year social protection and labor strategy 2012–22 (World Bank Group 2012).

Specifically, the intervention categories and subcategories are:

1. Social assistance: cash transfers, in-kind transfers, child welfare programmes and targeted food assistance.
2. Social insurance: pensions (old age), pensions (disability), health insurance, unemployment insurance and disability insurance.
3. Labor markets: active labor market interventions and passive labor market interventions.

Since social protection schemes are expected to have a broad range of impacts, we adopted the Sustainable Development Goals (SDGs) for our outcome categories, namely: poverty and food security (SDG 1); nutrition (SDG 2); health (SDG 3); education (SDG 4); gender equality and empowerment (SDG 5); water, sanitation and hygiene (SDG 6); energy (SDG 7); economic growth and employment (SDG 8); infrastructure (SDG 9); inequality (SDG 10); urban and rural development (SDG 11); consumption (SDG 12); climate change (SDG 13); marine (SDG 14); ecosystems (SDG 15); peaceful and inclusive societies (SDG 16); and global partnership (SDG 17).

4 SNAPSHOT OF THE SOCIAL PROTECTION EVIDENCE AND GAP MATCH

Figure Q.1 is a snapshot of a section of the EGM showing the first intervention categories in the social protection map (social assistance) and its first three subcategories (vouchers, in-kind
Figure Q.1  Snapshot of the social protection evidence and gap map
cash transfers and cash transfers), as well as the nine outcome domains (poverty and food security – SDG 1, nutrition – SDG 2, health – SDG 3, education – SDG 4, etc.). The bubbles in each cell show the studies included in the map. The separate bubbles show type of study (impact evaluation and systematic review). The larger the bubble the more studies there are.

The map is still under construction, but based on the studies included to date we see that there are far more studies on cash transfers than the other two intervention subcategories, notably vouchers. The studies of cash transfers mainly relate to health and education outcomes, with far fewer studies focusing on poverty impact.

5 PRELIMINARY FINDINGS

This preliminary map is based on selected reviews in the journal *Campbell Systematic Reviews* and included studies in those reviews (Campbell Collaboration n.d.).

The EGM includes 59 impact evaluations and 31 systematic reviews, with the majority of the studies focusing on social assistance interventions (47) followed by labor markets (19). There are fewer studies on social insurance. The most common outcomes reported were in the traditional areas of health (SDG 3) – 33, nutrition (SDG 2) – 23, economic growth and employment outcomes (SDG 1) – 17 and education (SDG 4) – 16. There are a few studies in some less relevant outcome areas such as energy (SDG 7) and infrastructure (SDG 9), but also fewer studies where we may expect to see at least some studies such as gender equality and empowerment (SDG 5) and climate change (SDG 13).

6 EXAMPLES OF STUDIES INCLUDED IN THE MAP

Examples of included studies are these two systematic reviews:

- Relative effectiveness of conditional and unconditional cash transfers for schooling outcomes reveals that the cash transfers have a larger effect on enrollment if there are conditions that are strictly monitored and enforced (Baird et al. 2013).
- Review on cash-based approaches in humanitarian emergencies suggests that both cash-based approaches and in-kind food assistance can be an effective means of increasing household food security among conflict-affected populations and maintaining household food security among food-insecure and drought-affected populations (Doocy and Tappis 2017).

And the following three impact evaluations:

- An impact evaluation of the Philippine Department of Labor and Employment’s special program for employment of students targeting low-income youth found that participation in the program increased the likelihood of being employed with a private employer, local government unit or non-governmental organization (Beam et al. 2018).
- A randomized controlled trial on cash transfers and child schooling in Burkina Faso indicates that the conditional transfers are significantly more effective than the unconditional transfers in improving the enrollment of ‘marginal children’ who are initially less likely
to go to school, such as girls, younger children and lower-ability children (Akresh et al. 2013).

- A financial-incentive program in the form of a scholarship scheme for rural students in South Africa suggests that scholarship programs for health-care education can be a successful instrument to recruit health workers for practice in rural Africa (Ross 2007).

The final version of the map will be published in late 2021.

REFERENCES


34. Effects of social protection on poverty and inequality

Ludovico Carraro and Marta S.L. Marzi

34.1 INTRODUCTION

One of the most common objectives of social protection interventions is to reduce poverty, and, while it is less commonly explicitly stated, social protection always has an impact on inequality. While social protection was absent from the Millennium Development Goals, its role is well recognized in the Sustainable Development Goals (SDGs): it is seen as crucial to the goal of ending poverty (SDG 1, target 1.3), ensuring decent work (SDG 8, target 8.5), and reducing inequality (SDG 10, target 10.4) (Handayani et al. 2018). The objective of this chapter is to provide a systematic understanding of the theoretical channels through which different social protection interventions can contribute to poverty and inequality reduction, and then to review the existing evidence.

Social protection systems and programmes reflect the beliefs and the ability of a society to promote the dignity of each person and do so by reducing poverty and inequality. Indeed, social protection intervenes to address some of the fundamental market failures, and so it supports intertemporal transfers; the management of risks such as unemployment, accidents and disability through social insurance; as well as the vertical redistribution of resources to provide relief and support people to exit poverty traps.

The role of social protection in reducing poverty and inequality is particularly evident at times of crisis as exemplified during the 1997–98 East Asian financial crisis, when some of the tiger economies, which had seen huge poverty reduction over the 1990s, suddenly saw rising unemployment and high inflation and a reversal of social and economic gains (Ramesh 2009). Most East Asian countries found themselves unprepared in meeting increasing social demands because of the absence of an adequate social protection system at the onset of the crisis (Chan 2003). These lessons apply also to the more recent 2008 financial crisis and are before us when, at the time of writing, the world is dealing with the Covid-19 pandemic.

Social insurance is still heavily underdeveloped in most developing countries, and while social assistance has seen a significant growth in the last 20 years, the combination of social assistance and social insurance only covers 45 per cent of the global population, with 35 per cent of children accessing social protection, 22 per cent of the unemployed receiving unemployment benefits, 68 per cent of the elderly receiving a pension and 28 per cent of people with severe disability receiving a disability benefit (ILO 2017; UN DESA 2017).

While subsequent chapters of this handbook address the effect of social protection on other key dimensions of poverty and wellbeing and we recognize that poverty is a multi-dimensional phenomenon, in this chapter we focus on the effects of social protection on monetary poverty and income inequality.

Essential to the measurement of poverty is the setting of a poverty line, which determines the level of income or consumption expenditure deemed to be necessary to be part of a society.
The poverty line can also be determined for international comparison purposes or in relative terms as a function of the income distribution. The three most common synthetic poverty measures are the headcount, which calculates the percentage of people falling below the poverty line; the poverty gap, which computes for the poor the distance from the poverty line and calculates the size of the gap across the whole population as a percentage of the poverty line; and the severity of poverty, which considers also the level of inequality among the poor (Foster et al. 1984). Inequality instead looks at the dispersion of the income or consumption distribution and one of the most common measures of inequality is the Gini coefficient. This index measures the extent to which the distribution departs from a perfectly equal distribution, it is equal to zero when everyone has exactly the same income and it is equal to one when there is the maximum inequality: one single person has all the income of the country and the others have nothing (Haughton and Khandker 2009).

The chapter is structured as follows. We start by reviewing the theoretical channels through which social protection interventions can affect poverty and inequality, both positively and negatively as commonly presented in the literature. We then summarize the main available evidence. The third part of this chapter looks at the importance of conditions, design and implementation aspects of social protection interventions to achieve poverty and inequality reduction.

34.2 HYPOTHESIS ON THE EFFECTS OF SOCIAL PROTECTION ON POVERTY REDUCTION AND INEQUALITY

In summarizing theoretical effects on poverty and inequality, it is useful to look separately at the three main approaches of social protection interventions: social insurance, social assistance transfers and social services. It is useful to note that labour market interventions fall within all three types of interventions: for example, unemployment benefit or severance payments for those insured belong to a social insurance response, they become social assistance cash transfers (CT) if provided regardless of previous contributions and intermediation/matching labour services and training to develop specific skills are services.

The primary focus of the review is on social CTs. Moreover, the effects of social protection on poverty and inequality should be analysed at different levels: at micro or personal/household level and at an aggregate level (community and country level). While we will consider both, the focus will be at the micro level to understand the fundamental channels. Finally, we also consider possible negative effects.

34.3 SOCIAL INSURANCE: INTERTEMPORAL TRANSFERS AND MANAGEMENT OF CERTAIN RISKS

Social insurance interventions represent an organized way to spread certain risks and needs, such as accidents/sickness, unemployment, acquired disability and maternity, as well as to manage intertemporal transfers from working age to old age (see Chapter 3). Insurance against such risks safeguards people from being dramatically affected when risks materialize and so protects their levels of income. It is ‘social’ insurance, because most schemes involve some level of redistribution (for example also insuring people at very high risk) and address
problems of asymmetric information (Walker 2005). The government intervenes to encourage contributions or make them compulsory. Contributions are made by employees and employers, and in some cases also by the government, for example to encourage participation of some excluded groups.

By far the largest social insurance contributions and subsequent social transfers occur to ensure old-age pensions. One of the main contributions of the pioneering work of Rowntree in measuring and analysing poverty at the end of the nineteenth century in York, England, was the discovery that people go through a poverty cycle: ‘periods of want and comparative plenty’ along the different phases of life (Rowntree and Bradshaw 1971). Figure 34.1 provides a graphical example of Rowntree’s findings on the typical life-cycle fluctuations in and out of poverty of a labourer born in a family of an unskilled worker and with older siblings. The inability to save for old age stands as a motivation to introduce social insurance schemes that allow for long-term intertemporal transfers to maintain incomes and prevent people from falling into poverty.

Indeed, social insurance schemes allowing for intertemporal income transfers from working age to old age and protecting maternity respond to some of the reasons behind the observed periods of poverty along the life cycle. The rationale for government intervention is the need to correct for imperfect markets and to ensure that people do save during their working life and have some income during old age (Walker 2005).

Looking at social insurance transfers in each single year, the impact on inequality can be very significant: the higher the percentage of the population making social insurance contributions and of those receiving them (especially among the elderly), the less unequal the distribution after transfers.

At aggregate level social insurance schemes can increase savings and provide an opportunity for the development of capital markets and investment. In turn, and assuming that such invest-
ment is used properly, this can induce pro-poor growth, and so reduce poverty and inequality in the medium–long term. More generally, social insurance schemes also allow to better face shocks, to reduce the effect of possible recessions and to return to a situation of economic growth. Moreover, such schemes strengthen social cohesion (Alderman and Yemtsov 2012).

### 34.4 SOCIAL ASSISTANCE TRANSFERS

Social assistance transfers are delinked from people’s financial contributions and represent another part of the positive response that society gives to ensure human dignity, and in some cases also economic efficiency. They can be transfers to specific vulnerable groups (children, widows, persons with disabilities, etc.) or targeted to the poor. Transfers can be in cash, quasi-cash (such as food stamps) or in-kind, but here we focus on CTs. The critical difference with social insurance is that they are provided regardless of any financial contribution and so they always involve horizontal or vertical redistribution. For example, as shown in Figure 34.1, a group not necessarily supported by social insurance that could fall into poverty includes families with many children, even in cases where one of the family members is working, but with low wages. In such a context child allowances could be a legitimate method of redistribution (Mechelen and Bradshaw 2012). Moreover, social CTs would be necessary in other situations to support people who for various reasons are trapped in a situation of poverty.

In order to analyse the impact on poverty we start by taking the perspective of recipients. Economic theory predicts that extra household income can result in three main immediate effects:

- an increase in consumption (food and other necessities, as well as health and education expenses – see Chapters 35 and 36 in this volume on effects on nutrition and health);
- a change in the approach to investments and savings, including the possibility to avoid negative coping strategies (such as selling assets or withdrawing children from school) as well as to undertake activities with higher returns (Dercon 2002; Holzmann and Jorgensen 2000);\(^1\) or
- an impact on the choice between working time and leisure (reduce child labour by investing in education or exit exploitive working conditions, etc.).

In turn these immediate effects can have medium- to long-term implications on higher productivity thanks to better nutrition (Strauss and Thomas 1998), human capital investment and asset accumulation. It is through these channels that social CTs can achieve immediate and long-term poverty reduction and inequality reduction. The three main effect channels depend on household circumstances, broader context and the design features of the CT (amount of transfer, conditions and incentives, predictability, etc.). The social CT could simply provide a lifeline for people who are destitute and do not have other means of survival or promote economic efficiency by providing a trajectory out of poverty traps (see Figure 34.2). The micro-economic and household-level effects can then produce further positive economic

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\(^1\) For an overview of how investment and savings can lead to pro-poor growth see Burchi, Chapter 35 of this handbook.
effects whenever coverage in the community reaches a certain scale with a multiplier effect on aggregate demand (Alderman and Yemtsov 2012).

34.5 SOCIAL SERVICES

Social care services can also reduce poverty by providing in-kind support and, in theory, could have similar effects as those discussed above for CTs. The government intervenes to provide services that are not otherwise available with the objective of improving the quality of life of specific people with indirect economic effects. In the case of labour services, the effect is to improve information about job opportunities, shorten periods of unemployment and improve matching. Finally, targeted training services for job seekers can theoretically increase their chances to find a (better) job. All this has potentially direct and indirect effects on poverty reduction.

34.6 POSSIBLE NEGATIVE EFFECTS OF SOCIAL PROTECTION

There are also theoretical arguments pointing to a negative effect of social protection on poverty. Perhaps one of the most discussed of these is the possible negative impact on labour participation and dependency (Moffitt 2002). If the extra income allows to stop child labour and invest in education or escape from exploitive situations, it is definitely positive in the long term for poverty reduction. However, if support results in reduced employment for adults at working age or favours early retirement there is a negative effect both at household and aggregate level. When benefits are means tested and they interact with income taxes they can create unemployment traps, poverty traps and disincentives to save (Walker 2005).
Table 34.1  Theoretical channels of social protection effects on poverty and inequality

<table>
<thead>
<tr>
<th>Social protection intervention</th>
<th>Poverty</th>
<th>Community/aggregate level</th>
<th>Inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td>For all different interventions</td>
<td>Income and consumption smoothing (+)</td>
<td>Effects of taxation on labour supply, savings and investment (−)</td>
<td>Taxation (+/−)</td>
</tr>
<tr>
<td></td>
<td>Labour supply (−)</td>
<td>Possible effects on government borrowing and inflation (−)</td>
<td>Social cohesion (+)</td>
</tr>
<tr>
<td>Social insurance</td>
<td>Insurance against certain risks (+)</td>
<td>Encourage savings and thus stimulate investment and growth (+)</td>
<td>Intertemporal redistribution (+)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Better management of crises (with reduced fluctuations) (+)</td>
<td>Horizontal redistribution (+)</td>
</tr>
<tr>
<td>Social assistance transfer</td>
<td>Consumption/nutrition (+)</td>
<td>Multiplier effects on aggregate demand (+)</td>
<td>Vertical and horizontal redistribution (+)</td>
</tr>
<tr>
<td></td>
<td>Investment in human capital (+)</td>
<td>Increases in productivity (+)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Asset accumulation (+)</td>
<td>Labour force participation (+/−)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Avoid negative copying strategies (+)</td>
<td>Better management of risk, innovation and higher economic returns (+)</td>
<td></td>
</tr>
<tr>
<td>Social and labour services</td>
<td>Quality of life (+)</td>
<td>Social inclusion (+)</td>
<td>Reduce social and health inequalities (+)</td>
</tr>
<tr>
<td></td>
<td>Employment (+)</td>
<td>Aggregate impact on employment</td>
<td>Community wellbeing (+)</td>
</tr>
<tr>
<td></td>
<td>Human capital (+)</td>
<td>(+)</td>
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</tr>
</tbody>
</table>

*Source:* Authors’ own.

Potential negative effects are also discussed for social insurance if there is moral hazard, whereby people change their behaviour and increase the risk for which they are insured. This could result in early retirement and a number of studies have looked also at the potential negative effect of disability insurance and that of labelling and defining disability as an ‘incapacity to work’ (see for example Autor and Duggan 2003).

While not specific to social protection, at an aggregate level there is the possible negative effect of taxation on labour supply, savings and investment. Taxation can also affect inequality, increasing or decreasing it depending on how government revenues are collected. Moreover, inability to properly plan pension contributions in a situation of demographic change could result in either increased taxation or increased government borrowing, which in turn can affect economic growth and trigger a negative cycle.

Table 34.1 summarizes all these different channels of impact on poverty and inequality, highlighting both positive and negative effects, respectively marked with a plus or minus sign.
34.7 EVIDENCE ON THE EFFECTS OF SOCIAL PROTECTION ON POVERTY AND INEQUALITY

34.7.1 Social Protection Contribution to Poverty and Inequality Reduction

The distributional and poverty impact of social protection interventions can be approximated analysing household survey data and comparing household per capita income or consumption with and without the value of social protection transfers. While only indicative, since they do not consider behavioural effects and second-order impacts of social protection programmes, these estimates help to understand the global-level impact of social protection. Using information on countries in the Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) database, it has been estimated that almost 150 million people worldwide are protected from falling into poverty by social protection programmes (Fiszbein et al. 2013) and that close to half of the poverty gap in developing countries is eliminated thanks to social protection interventions (Fiszbein et al. 2014).

Social protection is more effective in high-income countries, although it is not always enough to raise people out of poverty. Figure 34.3 shows the simulated impact of social protection interventions on inequality and on the poverty headcount and poverty gap. To compare the performance of social protection programmes across countries at very different income levels the poverty line considered is a relative one set at the bottom 20 per cent of the pre-transfer welfare distribution. Social protection intervention is found to reduce the poverty headcount in all country income groups, although the impact is the greatest in high-income countries (47 per cent reduction) and the lowest in low-income countries (3 per cent reduction). The impact on the poverty gap is always larger than the one on the poverty headcount, indicating that social protection interventions might not suffice to lift people out of poverty but do contribute to raising their living standards.

Redistributive impacts of social protection are visible mostly in high- and upper middle-income countries with a reduction of Gini coefficient of 18 per cent and 8 per cent, respectively, while the poorest countries do not benefit from significant reduction in inequality. Some social protection schemes redistribute income even bottom up, especially subsidies but also subsidized social insurance schemes. Almost universal contributory pension coverage explains partly the more favourable outcome in richer countries and in Eastern Europe and Central Asia, given that social insurance transfers ensure adequate income and therefore consumption among the elderly.

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2 The ASPIRE database provides estimates of the reduction in poverty and inequality based on nationally representative household data with respect to a USD 1.90 a day absolute poverty line in purchasing power parity and a relative poverty line set at the bottom 20 per cent of the welfare distribution pre-transfer (World Bank 2018). The database currently covers 124 countries mostly in the developing world. High-income economies are those in which 2016 gross national income per capita was USD 12,235 or more and include Chile, Estonia, Hungary, Kuwait, Latvia, Lithuania, Poland, Saudi Arabia, Seychelles, Slovak Republic, Slovenia and Uruguay.

3 The authors assume that the 56 countries in the ASPIRE dataset are representative of similar countries in their region for which data are not captured.

4 Estimates based on an international poverty line of USD 1.25 per day per capita in purchasing power parity.
Higher spending on and coverage of social protection programmes lead to stronger impacts on poverty and inequality. In countries like Mauritius, Mongolia and South Africa it leads to a strong decline of inequality thanks to relative high spending on social protection (UN DESA 2018). A study on 33 Asian countries shows that, at similar income and income growth level, higher spending on social protection translates into higher poverty reduction (Wagle 2017).

While the potential impact of social protection interventions has been shown to be poverty and inequality reducing, overall distributional and poverty outcomes should be determined considering also how tax revenues are obtained. Analytical fiscal incidence studies that estimate a first-order approximation of the impact of taxes and transfers on the various income groups show that fiscal systems can be at the same time equalizing and impoverishing (Inchauste and Lustig 2017; Jellem et al. 2019; Lustig 2017, 2018; Lustig et al. 2019). A fiscal impact study on 29 low- and middle-income countries shows that the combined effect of taxes and social protection policies reduces inequality in all countries, but in six of them they are responsible for an increase in extreme poverty (Lustig 2018).

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5 Public spending on social protection (including health) amounted to 10 per cent of gross domestic product in Mauritius and South Africa, and to 14 per cent in Mongolia in 2014–15 (UN DESA 2018).

6 Such studies estimate the impact at a particular point in time and do not consider behavioural or general equilibrium effects that might be triggered by the different fiscal policies.

7 This happens when every individual pays more in taxes than she receives in transfers and it is not uncommon, especially if education and health services are not considered (Lustig 2018).

8 Countries with increased extreme poverty are Ethiopia, Tanzania, Ghana, Nicaragua, Uganda and Guatemala.
When the negative impact of taxes to finance social transfers is considered, social transfers might be impoverishing for some population sub-groups. In all the 29 countries of the study a percentage of the poor population (and in some cases also of the ultra- and extreme poor) is a net taxpayer into the fiscal system and a non-trivial proportion of the non-poor are made poor and some of the poor are made poorer by fiscal policy (Lustig 2018). This is clearly related to the incomplete coverage of social protection (Hansen et al. 2006).

The possibility of the redistributive fiscal system to be impoverishing should be carefully analysed and it is important for governments to understand how the benefit and burden of transfers and taxes affect poor and not poor as well as different types of households. The system should be designed in such a way that the poor do not end up with a lower income available for consumption after fiscal intervention.

### 34.7.2 Impact of Social Protection on Household Consumption and Poverty

Most of the research on the impact of social protection on consumption and poverty has focused on social assistance transfers because of their specific poverty focus, and within that on CTs (OECD 2019). CTs are designed to increase households’ purchasing power and it is, therefore, not unexpected that they are found to significantly increase total expenditure of beneficiaries. A review of experimental and quasi-experimental evidence on conditional and unconditional CTs in low- and middle-income countries finds that CTs lead to a significant increase of beneficiaries’ total and food expenditure, especially when the benefit provided is adequate and timely disbursed (Bastagli et al. 2016). A quasi-experimental evaluation of the rural social pension pilot in the People’s Republic of China finds that the social pension increases consumption among rural households, especially the poorest, while not affecting their saving behaviour (Zheng and Zhong 2015).

While the aim of most social assistance programmes is to improve the wellbeing of the poorest and most vulnerable, the benefits provided do not always rise beneficiaries closer to or above the poverty line. The limited experimental and quasi-experimental evidence indicates that the impact of CTs on poverty headcount, poverty gap and severity of poverty reduction is either insignificant or positive (Bastagli et al. 2016). The conditional cash transfer (CCT) Programa Apoyo Alimentario is found to reduce poverty headcount among beneficiaries by close to nine percentage points in Mexico (Skoufias et al. 2013), the unconditional Child Grant Programme decreased poverty among beneficiaries by around four percentage points after 36 months of exposure in Zambia (American Institute for Research 2014) and the Hunger Safety Net Programme, an unconditional cash transfer (UCT) implemented in northern Kenya, reduced headcount poverty by about five percentage points and both the poverty gap and the squared poverty gap by seven percentage points (Merttens et al. 2013). Beyond CTs, a quasi-experimental study on the impact of the Iraqi food transfer programme, the Public Distribution System, finds that internally displaced beneficiaries that maintain access to the programme are more likely to stay out of poverty and have higher food and non-food consumption levels than those who lose access (Phadera et al. 2019).

There is limited available evidence of the long-term impact of social assistance on poverty in developing countries with available findings suggesting that temporary CTs alone do not

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9 The scheme instituted in 1990 has nearly universal coverage and distributes four staple food items every month (World Bank 2011).
ensure that beneficiaries will stay out of poverty in the long term. Studies of one of the longest running programmes, the Mexican CCT Oportunidades,\(^{10}\) find that only 27 per cent of rural households and 29 per cent of urban households, no longer eligible for the programme because of their income level, are truly less likely to become eligible again in the future (Villa and Niño-Zarazúa 2014). On the other hand, households that had longer exposure show higher food expenditure (Barrientos 2013). More recently, an experimental evaluation of the Child Grant Programme in Zambia finds that seven years after the end of the programme, its positive impacts on consumption, asset accumulation and other indicators of wellbeing disappeared irrespective on the length of exposure to the CT (Handa et al. 2019).

34.8 EVIDENCE ON BEHAVIOURAL CHANGES INDUCED BY SOCIAL PROTECTION PROGRAMMES

Experimental evidence does not support the claim that social assistance reduces incentives to work for working-age adults (Baird et al. 2018; Banerjee et al. 2017; Bastagli 2010; Peterman et al. 2017). When CTs have an impact on labour supply this is in the direction of increased labour participation, while negative impacts on labour supply are usually found among the elderly or those caring for dependants (Baird et al. 2018; Bastagli et al. 2016). A review of the effect of Oportunidades on labour market outcomes finds no impact on the employment of adult beneficiaries (Parker and Todd 2017). One exception is Albania’s Ndhima Ekonomike programme, which led to a significant decrease in total household expenditure explained by a reduction in labour supply (Dabalen et al. 2008).

UCTs might however influence households’ choice in terms of shifting from a less to more desirable sector of employment. In Ethiopia, Lesotho and Zambia CTs reduced agricultural wage labour, while in Zimbabwe and Zambia own farm and own business activities increased (Peterman et al. 2017). Experimental evidence from Lesotho, Malawi and Zambia shows that beneficiaries of CTs reduce casual labour outside the household, which is considered a coping strategy rather than a desirable employment opportunity (Covarrubias et al. 2012; Daidone et al. 2014), and, in Zambia and Malawi, they substitute it with own agricultural work (Baird et al. 2018; de Hoop et al. 2019).

Contributory pensions have a negative impact on labour supply in developed countries, while evidence from developing countries is very limited (Geyer et al. 2020). The negative impact of pensions can however be managed through changes in pensionable age, access to early retirement and pension benefit calculations (Engels et al. 2017; Gruber and Wise 2004).

34.9 THE IMPORTANCE OF CONTEXT AND CONSTRAINT FACTORS

From the review of the theoretical channels and available evidence on how social protection contributes to poverty and inequality reduction, it is clear that the effectiveness of social protection depends heavily on the country institutional context, financing ability and the way programmes are designed and implemented.

\(^{10}\) In the chapter we use the name Oportunidades and also to refer to Progresa.
34.9.1 Institutional Context and Financing

The impact of social protection programmes on poverty and inequality depends on the size of the social protection budget as well as on how it is allocated and financed (Lustig 2017; UN DESA 2018). There is not a blueprint that can be applied in all countries and what is feasible depends crucially on the development of institutions, ability to raise tax revenues, administrative capacity, trust in the political system and overall level of development (Barrientos 2013).

The final impact on poverty and inequality depends on the way taxes are raised and programmes designed. It is important for programmes to effectively operate vertical redistribution (programmes should be well targeted to the poor), but at the same time ensure adequate coverage. Concentrating resources towards the most vulnerable through poverty targeting increases the impact of social protection interventions within a given budget (Grosh et al. 2008). Social insurance, which does not target explicitly the most vulnerable, will be impactful if its coverage is extensive, which is the case in middle- and high-income countries (UN DESA 2018).

Finally, we should emphasize that social insurance pension systems, especially pay-as-you-go systems, are more easily managed in a period of demographic growth (with relatively small percentages of elderly people and a high percentage of the population of working age), but face more challenges when the elderly population increases and working-age population declines. They also require mature institutions and credibility of the political system.

34.10 DESIGN PARAMETERS AND IMPLEMENTATION FACTORS

Design choices and implementation of social protection programmes influence their impact on poverty (Bastagli et al. 2016; Grosh et al. 2008). Key design parameters to consider are the ability to reach and cover comprehensively the poor, transfer generosity, duration of assistance, frequency, payment modality, conditions and linkages with other social protection programmes and services.

Benefits that do not keep into account households’ needs and/or inflation will have little or no impact on households’ welfare and productive investments (Grosh et al. 2008). Changes of benefit level calculation formula affect the likelihood of achieving desired outcomes such as increased employment among social assistance beneficiaries, reduced dependency and higher participation and contribution to social insurance programmes. Length of exposure to social assistance is likely to increase the impact on poverty reduction and investment although it might trigger unwanted negative impacts on labour supply (Bastagli et al. 2016).

Transfers that are disbursed irregularly and/or with delays are less likely to act as an effective shield for beneficiary households, although transfers paid as a lump sum might lead beneficiaries to acquire durable items or invest rather than spend on consumption (Bastagli et al. 2016).

The effectiveness of conditions varies greatly depending on how and in what context conditional transfers are implemented (UN DESA 2018). Experimental evidence on the impact of conditionality on educational outcomes suggests also that proper monitoring of CCT and strong labelling of UCT are likely to influence success (Bastagli et al. 2016). The UCT Bono de Desarrollo Humano increased school enrolment of about 10 percentage points in Ecuador but only among households that believed that a condition was to be respected (Schady and Araujo 2006). A crucial factor for their success is the existence of good-quality and appropriate public services (Barrientos et al. 2013) as well as appropriate monitoring (Bastagli et al. 2016).
REFERENCES


35. Effects of social protection on food consumption and nutrition

Francesco Burchi

35.1 INTRODUCTION

Social protection programmes can have a direct impact on monetary poverty (see Chapter 34) and broader economic conditions, but also important indirect effects on other sectors, such as education, health and nutrition (see Chapters 36 and 37). This chapter concentrates on the effects of social protection schemes on food consumption and nutrition.

This focus is motivated first by the dramatic figures on hunger: it is estimated that nearly 10.8 per cent of the world population do not consume enough calories, and both the number and the proportion of hungry people has increased since 2015 (FAO et al. 2019). Progress in some nutritional indicators, such as child anthropometric status, in the last years has been limited, while in other indicators such as the prevalence of anaemia among women in reproductive age the situation has even worsened. Moreover, nutrition is central in the Sustainable Development Goal 2 of the 2030 Agenda, ‘End hunger, achieve food security and improved nutrition and promote sustainable agriculture’. It is therefore important to explore whether social protection can be an important tool to tackle nutritional deprivations.

Social protection encompasses both contributory schemes and non-contributory schemes (social assistance). Both types of schemes, in particular (non-contributory) cash transfers (CTs) and (contributory) social insurance cash benefits, can have important impacts on nutrition. Given that, however, contributory schemes are very limited in developing countries, especially in Sub-Saharan Africa (SSA) (ILO 2017; Barrientos et al. 2019), the region with the highest prevalence of hunger and malnutrition, the review of the empirical evidence in this chapter focuses predominantly on social transfers. Moreover, as contributory schemes are more often reaching also the middle class, these instruments are less likely to alleviate nutritional deprivations.

The remainder of the chapter is structured in the following way: Sections 35.2 and 35.3 describe the potential pathways through which different social protection programmes could influence food consumption and nutrition. Section 35.4 then shows the available evidence of the impacts of CTs on these outcomes. Finally, Section 35.5 discusses the role played by programme features, such as transfer size and targeting mechanisms.

35.2 LINKING SOCIAL PROTECTION TO NUTRITIONAL OUTCOMES

This section discusses the potential channels through which social protection schemes might be able to affect food consumption and nutrition. Before that, it presents the most common indicators for food consumption and nutrition.
35.2.1 Indicators of Food Consumption and Nutrition

Indicators related to food consumption include food expenditures, household food production for own consumption, calorie intake and subjective measures of access to food, such as the Household Food Insecurity Access Scale (Coates et al. 2007).\(^1\)

Impacts of social programmes on nutritional outcomes are measured mostly through indicators of diet quality and anthropometric status. The household dietary diversity score is the most common: this is calculated as the number of different food groups – which vary according to context – that the household has consumed at least once in the seven days before the interview (Swindale and Bilinsky 2006). While collecting information to generate this index is simple and relatively fast, this indicator has the drawback that it does not inform on the amount of food consumed for each food group and considers only the variety and not the quality of the diet.\(^2\)

Finally, standard anthropometric measures include the Body Mass Index (BMI) for women in reproductive age and measures of height and weight for children, usually between zero and five years old. In particular, from information on child height and weight, three main indicators can be obtained: height for age – a proxy for child chronic nutritional status; weight for height – a proxy for child acute nutritional status; and weight for age – a measure that encompasses both child acute and chronic nutrition (Burchi 2012).

35.2.2 Potential Pathways

Contributory schemes, such as public health insurance or the presence of a public health system delivering free healthcare, can have important effects on food consumption and nutritional outcomes. This happens entirely through a health effect: a good health status is fundamental to be able to absorb food, and thereby have a better nutritional status. The link between social insurance and different health outcomes is not further elaborated here, as this is the topic of Chapter 3 of this handbook.

We focus predominantly on cash benefits, which consist of CTs and social insurance cash benefits (mainly child allowance and social pensions). The potential channels through which these two types of social protection instruments could influence our outcomes of interest are, indeed, the same. However, the strengths of these channels can, in practice, vary. In particular, it is far more probable that a social insurance cash benefit, being contributory, includes the middle class. If that is the case the expected impacts on nutrition, and in particular on nutritional deprivations, are lower than that of a CT, especially when the latter targets households in poverty or food insecurity.

Figure 35.1 provides a brief illustration of the mechanisms linking cash benefits to nutrition. The most direct impact of cash benefits is on the beneficiaries. Recipients of these programmes can use the cash to purchase food, thus enhancing calorie intake already in the

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\(^1\) The Household Food Insecurity Access Scale is computed by aggregating self-reported information on people’s frequency in the use of coping strategies, such as eating a smaller meal because of a lack of food or going a whole day and night without eating anything.

\(^2\) The same indicator can be computed also at the individual level, and provides a much more accurate picture of diet quality; however, it is rarely available as collecting this information for each household member is time-consuming.
short run. Otherwise, the cash can be invested into livestock or other productive assets. This can enhance productivity, thus income, and therefore ensure an increase in food (and total) consumption. When the household is mainly involved in agricultural activities, an increase in food consumption can take place without the mediation of the market.

Through the channels highlighted above, the extra cash could theoretically increase the quality of the diet, but only if budget constraints are the main cause of a monotone and poor-quality diet. When the reasons, instead, lie in the lack of adequate information on nutrition matters or imperfect nutritional practices, the (unconditional) cash benefit alone is unlikely to play any role in nutrition. In some cases, especially in Latin American countries, the attendance of regular visits at health facilities, where nutrition education among other services are offered, is a conditionality to have access to the transfer.

Finally, anthropometric indicators are affected by health conditions, too. Cash benefits could increase the utilization of health facilities where such services (or simply better ones)

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3 The study by Burchi and Strupat (2018) on Malawi shows also that labour-constrained households, when they are provided with a lump sum and possibly some financial training, can engage in productive activities and, this way, improve their living standards. This study casts some doubt on the common idea that labour-constrained households will always need to depend on social assistance. In particular, Burchi and Strupat show that recipient households could become small entrepreneurs if they cannot carry out physical work.
are not free, thus improving health status. Given that Chapter 36 of this handbook already examines the effects of social protection schemes on health outcomes, we do not stress this channel in this chapter.

Cash benefits can improve nutrition indicators also for non-beneficiaries. This could happen, for example, when an increase in beneficiaries’ living standards stimulates the local demand for goods and services in the local community. Through this ‘local economy effect’, food consumption and nutrition of households ineligible for the programmes can improve (Carraro and Ferrone 2019). There is also another potential channel, which could connect programme existence/implementation to non-beneficiaries even more directly. Households that are just above eligibility criteria may decide to undertake riskier (and more remunerative) economic activities, and could rely on the cash benefit as a safety net in case they are not successful with their activities. This way, they could increase both the quantity and quality of food consumed. This is usually referred to as the ‘insurance effect’.4 This effect is particularly relevant for (non-contributory) CTs targeted at poor or food-insecure households.

Another important type of social protection scheme, especially when nutritional outcomes are examined, is food transfers (FTs). FTs can take a variety of forms depending on who are the recipients and the typology of the transfer. They include school feeding programmes, vitamin/micronutrient supplementation for specific vulnerable groups and food subsidies. Food vouchers are often included in this category, too, though they could be viewed as a form of cash benefit conditional on spending on food items.

Most of the pathways highlighted above could at least in theory work for the different FTs. The most relevant exception is the ‘productive assets’ channel. In addition, FTs can directly ensure higher food consumption as there is no ‘mediation’ of the market. However, the intensity of these relationships may vary a lot across the different types of FTs. Finally, the direct provision of vitamins or other micronutrients allows improving directly the quality of the diet, and tackles so-called ‘hidden hunger’. As this intervention usually targets children and pregnant/lactating mothers in food-insecure contexts, it has a great potential to alleviate malnutrition.

The next sub-section elaborates more on the general differences between CTs and FTs.

### 35.3 CASH VERSUS FOOD TRANSFERS

Nowadays, CTs (or, more in general, cash benefits) programmes are much more widespread than FTs. This is one of the reasons why we concentrate mostly on the former type of social protection programme in the following sections. As suggested by standard economic theory, providing targeted households with cash instead of food does not distort individual consumption or production choice (HLPE 2012). Even more important, by receiving cash people can decide how to spend the money: they may decide to use it to buy other basic items, and to balance short-term with long-term choices. Moreover, cash is usually easier and cheaper to deliver (Cunha 2014; Ahmed et al. 2010; Alderman 2015) and, unlike food, non-depletable.

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4 Most of the attention, especially in empirical studies, is on the ‘income effect’ of CTs on direct programme beneficiaries. This also means that the available empirical evidence probably underestimates the overall impacts. This may be particularly the case for those CT programmes (e.g. in Malawi) where the eligibility criteria are particularly strict, thus several poor and food-insecure households are left out.
The few studies that compare CTs and FTs show mixed evidence of their effects on food consumption (e.g. del Ninno and Dorosh 2003; Audsley et al. 2010; Hoddinott et al. 2018), while they indicate larger effects of CTs on diet diversification (Sharma 2006; Audsley et al. 2010).

However, one has to keep in mind that there might be (limited) situations in which FTs could work better and are preferred by the recipients of the transfers. In contexts of high inflation and, in particular, rising food prices, food-insecure households may prefer to receive FTs in order to have a secure amount of food every month. This is, for example, what in some Ethiopian districts rural households participating in the Productive Safety Net Programme (PSNP) have highlighted (Ahmed et al. 2010; Sabates-Wheeler and Devereux 2010; Alderman 2015). The direct transfer component of the PSNP, in fact, takes the form of CTs in some areas and of FTs in other areas. Given that the world, including SSA, is experiencing a period of low food prices, this argument is less relevant at the moment.

A general risk associated with CTs is corruption: moneys are more likely than food to be ‘captured’ by local elites, generating inclusion and exclusion errors in the targeting. In general, CTs address the problem of economic access to food, but for the physical access to food there is a need of well-functioning local food markets (Barrett et al. 2007). When this is not the case, FTs may be preferable. Moreover, it requires availability of different food groups/items in the local markets in order to improve the diet, while with FTs, policy designers could theoretically choose the food that makes the diet more balanced. This is an argument often raised in favour of forms of FTs, such as vitamin supplementation.

35.4 CASH TRANSFERS AND NUTRITION: EVIDENCE FROM SUB-SAHARAN AFRICA AND BEYOND

CTs are widespread nowadays in SSA. Here, we consider only those programmes which were evaluated on the basis of their impacts on food consumption and nutrition, and possibly had a focus on these areas either in their goals or in the identification of beneficiaries. In total, we cover nine countries and 10 CT programmes. We then enrich these findings with results from other world regions. In a nutshell, it appears clear that these social protection schemes play a major role in improving food consumption and are often successful in improving diet diversification, too. In contrast, these programmes alone do not manage to reach the last mile, i.e. improving final nutritional outcomes. Based on the considerations made in the section pathways, we expect social insurance cash benefits to provide similar results or, eventually, lower results.

We now present the findings from each programme, following an order based on countries’ economic conditions around 2005, when the majority of the programmes were launched: we start therefore with the richest country (highest per capita gross domestic product (GDP)) and end with the poorest (lowest per capita GDP).

South Africa has the oldest and most comprehensive social protection system in the region, with more than 3.5 per cent of GDP used for social assistance in general. One of the most important programmes is the Child Support Grant (CSG), launched in 1998 with a clear

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5 The evidence presented in this section is mostly based on that discussed in Burchi et al. (2018).
6 The evaluations examined used quantitative methods, mostly experimental or quasi-experimental methods.
anti-poverty goal. Although conditionalities were initially imposed, the CSG has operated in practice as an unconditional CT since 2010.

A number of studies have analysed the impact of the CSG on different outcomes. Williams (2007) found that children in CSG-recipient households were significantly less likely to suffer from hunger (as reported by the mother). The effect on adult labour force participation, rather, was insignificant. D’Agostino et al. (2018) show that the CSG increased by about 10 per cent the total food expenditure per adult equivalent, with this impact being double in urban areas as compared to rural areas. Given that food insecurity is predominantly a rural phenomenon, this means that the CSG alone has limited capacity to tackle food deprivation.

To the best of our knowledge, only two studies have tried to assess whether the CSG has enhanced children’s anthropometric status. Agüero et al. (2007) and Coetzee (2013) reported a significant, though small, effect on the height for age score for 0–3-year-old and 0–14-year-old children, respectively. On the other hand, the impact on child weight for age was found to be insignificant (Coetzee 2013).

Like many Southern African middle-income countries, Lesotho adopted a rights-based social protection system in the early 2000s covering a wide range of vulnerable groups. In particular, the Child Grant Programme (CGP) has been the object of a rigorous impact evaluation (Pellerano et al. 2014). This study detected large, positive effects on subjective measures of food consumption, but almost negligible effects on food expenditure and consumption. Finally, the nutritional outcome analysed in the study, i.e. the household dietary score, appears not to be affected by participation in the CGP.

In Zambia, the most important – and most studied – CT is the CGP, which since 2010 has targeted households with children below three years of age in three districts with high poverty rates. Some empirical studies (American Institutes for Research 2013; Daidone et al. 2014) investigated the impact of this programme two years after its launch. They point to a significant and substantial impact on indicators, such as food consumption, number of meals and accumulation of productive assets, as well as on extreme poverty. The effects on household diet diversification, instead, are small in magnitude and those on all the child anthropometric indicators statistically insignificant. A study comparing the impacts of CTs in four different countries in SSA – all examined here: Ghana, Zambia, Lesotho and Kenya – reveals that the programme in Zambia had the largest impact on food expenditure, with an increase of nearly 35 per cent (Tiwari et al. 2016) and on per capita caloric intake, with an increase of about 15 per cent. Unlike previous work, Tiwari et al. (2016) report an increase of 1.9 in the number of food items consumed resulting from the introduction of the CT.

A study by Chakrabarti et al. (2019) largely confirms these results four years after the beginning of the programme, though the impact seems to gradually decline over time. The authors find that the CGP has improved remarkably food consumption and the use of clean water and sanitation – two other fundamental inputs into child nutrition – but had no effect on child height.

Empirical evidence exists on the impacts of two, rather different, CTs in Kenya: the programme for orphans and vulnerable children and the Hunger Safety Net Programme (HSNP). The former started as a pilot in 2004 and since then has gradually been expanded. The CT for orphans and vulnerable children managed to improve food consumption and the diversification of income-generating activities (Asfaw et al. 2014) and, as a result, household diet (Tiwari et al. 2016).
The HSNP has operated since 2008 in the arid and semi-arid regions in the north of the country. According to a study by Merttens et al. (2013), the HSNP had positive impacts on food consumption but no effects on poverty and ownership of productive assets. Also in this case the CT was unable to affect nutritional outcomes, namely household diet diversification and children’s anthropometric status.

In Ghana, the Livelihood Empowerment Against Poverty (LEAP) Programme tries to address extreme poverty through a mix of unconditional and conditional transfers. Rigorous impact evaluations have examined the effects of LEAP on several outcomes (Handa et al. 2013; Tiwari et al. 2016). They indicate that this CT did not generate relevant benefits: employment opportunities, food consumption and diet diversity were, indeed, not higher for transfer recipients as compared to non-beneficiaries. Only the most recent evaluation report (Angeles et al. 2017) reveals positive effects on food consumption, but only statistically significant at the 10 per cent level.

To tackle poverty the government of Zimbabwe, with the financial support of several donors, launched the revised National Action Plan for Orphans and Vulnerable Children for the 2011–15 period, where the social CT, called Harmonized Social Cash Transfer, is the most important component. A programme assessment four years after its launch reveals an interesting picture (Angeles et al. 2018). The programme has not affected food consumption, while it has had a small impact on household diet diversification. The authors estimate that participation in the Harmonized Social Cash Transfer has generated an increase in diet diversity of 0.401, corresponding to about 7 per cent. An important share of the direct cash and the extra income generated through the CT were used to consume food groups that were not previously consumed, namely fruits, eggs, pulses and legumes, fats and sweets (Angeles et al. 2018).

The Community-Based Conditional Cash Transfer programme is the most relevant CT in Tanzania, though just a pilot programme. It is a CCT, as people of different ages need to fulfil different conditionalities, related to use of health services or school enrolment. While the programme seems to have increased livestock wealth, it did not affect food consumption (Evans et al. 2014). Finally, no short-term effects were detected on any of the anthropometric indicators for 0–4-year-old children, i.e. height, weight and middle upper-arm circumference.

Malawi started a pilot social CT in 2006 in one district and gradually expanded to all the districts. The poorest 10 per cent households in each district are selected as beneficiaries. Empirical studies of both the pilot and the expanded CT indicate large impacts on accumulation of productive assets, and direct indicators of food consumption (Miller et al. 2011; Covarrubias et al. 2012; Abdoulayi et al. 2016). Miller et al. (2011) also find a substantial increase on household diet diversification, though measured by the share of budget allocated to protein-rich food, and not by a comprehensive diet diversity index. On the contrary, the Malawi Social Cash Transfer seemed not to have improved other nutritional outcomes: neither the BMI of the household head nor children’s anthropometric indicators improved as a result of the introduction of the programme. The only exception was child’s wasting (low weight for height) for which the programme seems to have reduced by three percentage points. However, the authors argue that the latter result ‘should be interpreted with caution, given the low prevalence of wasting at baseline and follow-up among all study children’ (Abdoulayi et al. 2016, 49).

Abdoulayi et al. (2016), for example, conclude that the CT in Malawi has increased food consumption by 22 per cent.
Finally, Ethiopia has one of the most prominent social protection schemes in the whole region, the PSNP. This programme has received considerable attention for its comprehensive design, and has been subject to several studies. However, the available evidence focuses predominantly on the public work component, which accounts for more than 80 per cent of the beneficiaries, as opposed to the CT component. For this reason, we do not include the PSNP in this review, but rather consider another CT scheme in Ethiopia: the Social Cash Transfers Pilot Programme, launched in 2011 and covering the Tigray region. Available evidence suggests that after two years, this programme reduced the food gap and increased the (adult equivalent) quantity of calories available for consumption at the household level by 6 per cent (Berhane et al. 2015). It also caused an increase in diet diversity at household level by 12 per cent. Finally, in line with evidence from the other countries in SSA, the CT did not succeed in improving maternal BMI and children’s anthropometry.

Evidence from systematic reviews covering mostly countries outside SSA seem to support the above findings. Hidrobo et al. (2018), who looked at 46 programmes in Latin America, East and South Asia and SSA find strong effects on asset accumulation, food consumption (+ 13 per cent, on average) and calorie intake (+ 8 per cent, on average). Leroy et al. (2009) conclude that CTs have improved household diet in most Latin American countries, especially through an increase in consumption of calories from animal source foods. However, the authors argue that this may be due to the frequent provision of micronutrients that accompanies CCTs in Latin America more than to the CT itself. Finally, a systematic review of 17 CTs, covering 12 countries mostly located in Latin America, shows overall insignificant effects on child height (Manley et al. 2013, 143).

There are different possible explanations for these findings. First, while the impacts on food consumption are somehow ‘direct’, those on nutrition are ‘indirect’. An intake of micronutrients, for example, is fundamental to improve children’s anthropometric indicators. CTs can improve them only when the reasons for a poor consumption of micronutrients are merely economic: when the reasons are related to the poor knowledge of dietary issues or poor nutritional practices, then there is no scope for CTs alone to influence it. To improve nutritional outcomes, CTs need to be accompanied by other interventions. This could be done by introducing conditionalities, for example related to the attendance of a nutrition literacy course in the local health post. Unlike standard CCTs in Latin America, this will not require large financial cost and high administrative capacity, making it thus possible in many contexts in SSA. Alternatively, the CT could be made more nutrition sensitive by including ‘soft’ (rather than ‘hard’) conditionalities, where beneficiaries are ‘suggested’ to use the cash to improve the quality of their diet.

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8 This finding is, however, not comparable with the findings from most of the other studies as they measured diet diversity based on food items rather than food groups.

9 While, in theory, one potential reason could be that indicators such as children’s height and women’s BMI are rigid, some of the studies included in this systematic review go beyond short-term impacts and still do not detect any effect on these outcomes, therefore minimizing the intensity of this problem.

10 A study in Bangladesh shows that the impacts of the CT on child stunting (low height for age) are significantly larger for households that also participated in nutrition education sessions (Ahmed et al. 2016).

11 This occurs, for example, in the CT for orphans and vulnerable children in Kenya.
Another possible reason for the low effects on nutrition and, in some cases, the low effects on food consumption could be found in the specific design and management of the CT programmes. These issues are analysed in the next section.

35.5 THE ROLE OF PROGRAMME DESIGN AND MANAGEMENT

The aim so far has been to understand from a large set of countries and programmes whether CTs are a valid tool to enhance food consumption and, above all, nutritional indicators. As we have shown, the evidence for SSA points to a certain degree of heterogeneity in the results across countries. Now, we verify whether such diversity is (also) due to how programmes are designed and conclude that this plays a very important role.

We focus on three features, previously identified as crucial for CT effectiveness (UNICEF-ESARO 2015). The first is the monetary value of the transfer: we could expect a positive effect on nutrition only when it is not too small. The second is targeting: only if the programme correctly reaches poor, food-insecure or vulnerable households/people can it improve nutrition. The third is the regularity of payments: only when people are sure they will receive the transfer and can predict when they will receive it can they make longer-term choices with regard to budget allocation, making full use of the CT.

The low transfer size is a major problem for the LEAP in Ghana, one of the countries where CTs are less effective. Here, the value of the transfer is about 11 per cent of the consumption of the poor, thus well below the minimum threshold of 20 per cent, identified on the basis of empirical studies (UNICEF-ESARO 2015). At the same time, it is important to stress that the systematic review conducted by Manley et al. (2013, 143) reached the conclusion that the specific effects of CTs on child height ‘are relatively insensitive to the amount of the transfer’.

High inclusion and exclusion errors in the targeting of the beneficiaries have been identified, instead, as an important reason for the limited effects of the HSNP in Kenya on nutrition (Handa et al. 2012). In other countries, including Ghana and Tanzania, the targeting worked better. Based on this limited evidence, though, it is not possible to generalize which targeting mechanism – proxy means test, categorical, community-based or a combination of them – seem to be more effective. Finally, for the vast majority of the examined programmes major problems of discontinuity in the disbursement were not encountered (UNICEF-ESARO 2015; Ward et al. 2010). The clear exception is the LEAP in Ghana, where payments were even interrupted for eight months in 2011 (Handa et al. 2013). In conclusion, we strongly suggest that policy-makers interested in implementing CTs pay major attention in their initial design as well as in their day-to-day implementation.
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36. Effects of social protection on health

Christoph Strupat

36.1 INTRODUCTION

The importance of linkages between social protection and health have long been recognized. The Sustainable Development Goals, and analyses of the same, have highlighted multiple linkages between different goals (Nilsson et al. 2016) and, in particular, underscored the link between social protection and health (Nunes et al. 2016). This chapter will look at the effect of social protection on health. The core of public social protection encompasses mainly two types of interventions: (1) social insurance schemes that include social health, disability, old-age and unemployment insurance (see Chapters 2 and 3); and (2) social transfer schemes that include the provision of conditional and unconditional cash transfers (UCTs), cash-for-work schemes, subsidies, food vouchers, education vouchers, food transfers, housing allowances, social housing, etc. (see Chapter 2).1

While social insurance programmes are contributory, requiring beneficiaries and/or taxpayers to contribute to the scheme, social transfer programmes are non-contributory. So far, the literature has examined how broad social determinants – such as poverty, housing quality and employment – affect health outcomes (Cattaneo et al. 2009; Cutler et al. 2008), and how health systems can best be organized to protect and offer health-care access to the poor (Kieny et al. 2017), but there has been very little work that has investigated the linkages between social protection and health outcomes. Some work in health economics research that addresses health demand contains some features of social protection, including cash transfers with a particular focus on conditional cash transfer (CCT) schemes (Gopalan et al. 2014; Lagarde et al. 2009).

There has also been substantial research addressing universal health coverage including analyses of social health insurance schemes, user fee removal and vouchers, but typically this research has focused relatively narrowly on utilization of health services as a final outcome, while the impacts on health outcomes are often unclear (Lagomarsino et al. 2012).

An increase in health service utilization due to different social protection schemes may not get notable health gains for various reasons. This could happen, for example, if the quality of health-care services is low or skilled health workers are largely absent. Therefore, it remains an empirical question to test whether social protection schemes lead to better health outcomes in the end. This chapter will try to answer this empirical question by consolidating the literature on the causal effects of social protection schemes on health outcomes. It will explore whether social protection schemes do just increase health-care utilization or also improve health outcomes.

The rest of this chapter is organized as follows. Section 36.2 describes potential ways of how social protection can affect health outcomes. Section 36.3 shows empirical evidence on

1 Because of space limitations, I will focus my analysis on unconditional and conditional transfer schemes as they are common in low- and middle-income countries.
how social insurance such as health, disability, old-age and unemployment insurance affect health. Section 36.4 presents the evidence on health outcomes for social transfer programmes that include unconditional and CCT programmes. Section 36.5 presents policy recommendations on how social protection schemes can be designed to affect health outcomes.

36.2 THEORETICAL CONSIDERATIONS

In principle, there is no direct effect of social protection on health outcomes; instead, at least two indirect channels of how social protection schemes affect health outcomes can be identified. First, by improving financial protection and reducing the risk of large immediate expenditures, and second, by incentivizing and facilitating the utilization of health-care services.

In the following, both channels will be described in detail.

Social protection schemes protect against financial risks that can affect health outcomes. The literature on social determinants of health has explored in some detail how structural factors, such as (un)employment and income, affect health status (Gerdtham and Johannesson 2004; Smith 2007; Cutler et al. 2008) and there is a well-established evidence base linking income poverty with poorer health outcomes (Glied et al. 2011). Thus, by improving income, enhancing financial protection and reducing the risk of large immediate expenditures, social protection recipients can respond to these benefits in multiple ways such as improved nutrition intake (see Chapter 35), increased leisure activities, cleaner/safer living environments that are affordable after the benefits and better self-perceived relative economic situations which lead to lower mental stress. These in turn act as mediating factors from social protection benefits to health outcomes (Adler and Ostrove 1999). In the following this channel will be tagged as income effect.

Social protection can facilitate and/or incentivize the utilization of health-care services. Social insurance coverage has the potential to facilitate health-care utilization by enhancing the financial access to health care. CCT schemes often provide direct incentives for health service utilization (Lagarde et al. 2009), whereas UCTs facilitate health-care utilization by helping to cover costs of transport and user fees. The mitigation of such barriers can increase health-care usage. Overall, social protection schemes can provide incentives and facilitate the utilization of health-care services which can affect health outcomes in the long run (Owusu-Addo et al. 2018). However, the effect depends critically on the quality of the utilized health-care services. Poor hospital facilities, doctor shortages and long waiting times can prevent that higher use of health-care services leads to better health outcomes. In the following, this channel will be tagged as utilization effect.

From a theoretical and empirical point of view it is also important how health can be measured. Murray and Chen (1992) have proposed a classification of morbidity measures that distinguishes between self-reported and observed measures. Self-reported measures include illness episodes during a defined period of time, restrictions on daily activities and self-perceived disabilities. Objective measures include aspects of disease that can be detected by physical examination, anthropometric and laboratory examinations of blood, weight and

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2 These are the two main indirect channels. There are more potential channels, but due to space reasons they are not included here.
height and clinical diagnosis. Both types of indicators have advantages and disadvantages. For example, anthropometrics do indicate quality of life but only in a very partial manner. They are not sensitive to many health problems and are of relatively limited use as indicators of adult health status. Self-reported measures such as ‘How do you rate your health in general – excellent, good, fair, or poor?’ are prone to recall errors and attenuation bias that can lead to misleading outcomes. Health is intrinsically a multidimensional concept and assessing the overall effect of social protection schemes on health strongly demands looking at various health outcomes at the same time in order to retain an overall picture. However, most of the studies discussed here will focus mainly on one or maximum two health outcomes.

36.3 SOCIAL INSURANCE

In this section, I will show and summarize the empirical literature of how social insurance schemes such as health, disability, unemployment and old-age insurance affect health outcomes. The main finding of this section is that in most cases social insurance affects health outcomes. However, the effects are mainly due to the income effect and less to additional utilization of health-care services. The main reason for this finding is limited health-care quality in low- and middle-income countries that prevents further impacts on health outcomes. The section is structured as follows: first, evidence on health insurance schemes is presented, while the following sub-sections show the effects of disability, unemployment and old-age insurance schemes on health outcomes.

36.3.1 Health Insurance

Health insurance coverage has the potential to improve health outcomes by enhancing financial access to health care, which can increase health-care utilization (utilization effect). In addition, social health insurance schemes can improve per definition financial protection against health shocks and prevent catastrophic health expenditures that would reduce household income (income effect). The evidence showing causal effects of health insurance schemes on health outcomes in low- and middle-income countries is scarce (Escobar et al. 2011). However, the few studies that could be identified show that social insurance coverage has the potential to improve health outcomes. Some studies underline that households hold back their consumption if, through lack of insurance, they are exposed to the risk of large out-of-pocket expenditures and that unblocking this amount leads to better health outcomes, showing the relevance of the income effect channel. However, other studies do not find substantial impacts of insurance schemes on health outcomes. This is often due to low-quality and segmented health-care systems in many low- and middle-income countries and limited awareness of insurance and low enrolment rates. Overall, health insurance seems to have limited effects on health outcomes.

Wagstaff and Pradhan (2005) estimate the impacts of health insurance on health outcomes in Vietnam. Vietnam’s social health insurance programme was set up in 1993 in response to a growing concern over high individual medical expenditures. Results of the impact evaluation show a reduction of out-of-pocket expenditures for health and an increase in household food and non-food consumption. Five years after the introduction of the social health insurance scheme, these impacts were followed by an increase of height for age and weight for age
of young schoolchildren. The estimated treatment effects translate into increases in height and weight of 2.35 cm and 0.75 kg, respectively, equivalent to increases of 2 and 4 per cent. Furthermore, the authors find that the health insurance coverage positively affected the body mass index of adults by 1.5 per cent.

Chen et al. (2007) evaluate the impact of Taiwan’s National Health Insurance programme, established in 1995, on health-care utilization and health status. Taiwan extended insurance coverage to all its citizens with an equal and comprehensive benefits package. By the end of 1995, 97 per cent of the population had been enrolled, and the coverage rate reached almost 99 per cent in 1997. The results show that Taiwan’s national health insurance scheme significantly increased utilization of health care one year and four years after its implementation; however, this increased utilization did not lead to better self-perceived health or reduced mortality rates. The authors mention that the main reason for this finding is that the increase in health-care utilization could not translate into better health outcomes because of a limited quality of health care and a segmented health-care system that does not ensure continuity of care.

King et al. (2009) investigate the impacts of the Seguro Popular health reform in Mexico that provided health insurance to 50 million uninsured Mexicans. The authors were able to conduct a randomized control trial in order to identify the causal impact of the health insurance scheme. Ten months after the implementation of the scheme the authors found that the programme had neither reduced spending on medication nor increased health-care utilization. Furthermore, the average effects of the scheme on self-assessed health are small and close to zero. The results were explained by the short assessment period as the process of hiring and training new medical staff and the accreditation of medical facilities in order to improve health-care quality required more time than was available.

Several researchers have put some effort into evaluating the health effects of different new health insurance schemes in China. China is an interesting context as it has developed different types of universal and social health insurance schemes and policy makers were keen on knowing the effects of such schemes.

For example, Lei and Lin (2009) and Chen and Jin (2012) assess the impacts of the new rural health insurance programme that was implemented in 2003 on health outcomes of rural residents. Four years after implementation of the scheme both studies do not find that the scheme decreases out-of-pocket expenditure nor do they find that it increases utilization of formal medical service or improves health status. Health status is measured by using a self-reported indicator, sickness incidence in the past four weeks and mortality rates.

Pan et al. (2016) examine the causal health effects of the Urban Residents Basic Medical Insurance that was introduced in 2007 and covered over 200 million Chinese urban residents up to 2015. They find that enrolling in the urban health insurance programme significantly improves the self-reported health status of unemployed and elderly adults. Two years after the implementation of the scheme, enrollees had a 64.6 percentage point higher probability of reporting good health compared with their uninsured counterparts. The effect was even larger for the more vulnerable populations (low income and/or low education). One reason for these rather large effects is that the new urban health insurance has substantially reduced the financial burden on unemployed urban residents and availed them of more health-care utilization.

There are only a few studies looking at the effects of social health insurance schemes on health outcomes in Sub-Saharan Africa. The most prominent health insurance scheme in Africa is the national health insurance scheme in Ghana that was implemented between 2003 and 2005 and covers 40 per cent of the population. Strupat and Klohn (2018) and Garcia-Mandicó
et al. (2021) investigated whether the health insurance scheme has affected the probability of being sick and the number of sick days in the last 14 days. Neither study found any effect on these self-reported health outcomes. One reason for these findings is that the impact analyses were done less than 12 months after the implementation of the scheme, thus, effects on health outcomes may look different in the long run. Studies of Mensah et al. (2010) and Bagnoli (2019) that were conducted two and six years after the implementation of the scheme point in this direction. Both studies find positive effects on maternal and child health that were measured by maternal and foetal death and height for age of children, however, the results are only representative for specific regions and do not cover the entire country. Haushofer et al. (2020) assess the impact of free health insurance in Kenya. They observed no significant effect on self-reported health and health-care utilization. However, the authors show that the provision of health insurance reduced levels of self-reported stress, which points to a ‘peace of mind’ effect.

36.3.2 Disability Insurance

The purpose of disability insurance is to protect people in the case of health problems that limit their ability to work. Only very few studies are available looking into the effects of disability insurance on health outcomes. The evidence shows some positive effect on health outcomes, mainly due to the extra income effect, helping those that become disabled to deal with the catastrophic expenditures.

Börsch-Supan et al. (2017) evaluate the effectiveness of disability insurance schemes across many countries in Europe and Latin America and investigate health status and financial well-being after the take-up of disability insurance. The study examines differences across disability insurance schemes, as well as their changes over time. They find that self-reported health is higher among disabled and non-disabled people that had disability insurance than disabled and non-disabled non-members. However, the effects on objective health measures such as the number of limitations to perform activities of daily living are positive as well, but not statistically significant. These effects are stronger in countries with more generous disability insurance schemes.

36.3.3 Unemployment Insurance

Studies show that the unemployed have a higher risk of experiencing poverty and material deprivation due to loss of income and work-related benefits (Gallie et al. 2003). This financial strain experienced by the unemployed can lead to adverse health outcomes such as psychological distress, unhealthy coping behaviour (e.g. smoking and poor diet) and higher mortality risk (Roelfs et al. 2011). Unemployment insurance has the capability to reduce the financial hardship and acute/chronic stressor to find another job in the very short term (Renahy et al. 2018). This can mitigate the damaging health effects of a reduction in income and being unemployed (income effect). Many studies have examined the relationship between unemployment insurance schemes and health, in particular in high- and middle-income countries. Evidence from low- and middle-income countries is scarce and often does not show the causal effect of unemployment insurance on health outcomes. Overall, the results suggest that unemployment insurance leads to improved health outcomes mainly by stabilizing the income of those becoming unemployed (income effect).
Medina et al. (2013) assess the effects of the Colombian unemployment insurance programme that has existed since 2003 on the self-reported health of mothers and weight and height of children at birth. The study did not find any significant effect of the programme on these health outcomes. The authors concluded that the programme failed to allow beneficiaries to smooth their consumption after they had become unemployed. One reason was the moderate magnitude of the unemployment benefit that fell short in comparison to other unemployment insurance programmes.

McLeod et al. (2012) examined the relationship between unemployment insurance and self-reported health status in Germany and the United States. The study used two longitudinal cohorts of over 10,000 working-age German individuals (from 1994 to 2005). The authors found that unemployment insurance did not affect self-reported health in Germany.

Kuka (2018) and Cylus et al. (2015) exploited the exogenous variation in the level of unemployment insurance between the different states in the United States between 1996 and 2013. The authors show that higher unemployment insurance generosity leads to increases in having a routine check-up and leads to improved self-reported general health status. The routine check-up likelihood increased by 3.4 percentage points, while insurance reduces the risk of self-reported poor health by 1.3 percentage points. This indicates that a 63 per cent increase in state unemployment benefit would be required to fully offset the impact of unemployment on self-reported health.

Voßemer et al. (2018) complement micro data of round 1–6 (2002–12) of the European Social Survey including 89,000 working-age individuals with time-varying indicators of unemployment insurance schemes from 26 European countries. The results show that unemployment insurance is important in shaping the experience of unemployment and positively affects the mental well-being of beneficiaries (increase of 30 per cent); however, higher unemployment insurance benefits do not buffer the negative effects of unemployment on self-reported health. The authors conclude that unemployment insurance works better with respect to the psychological than the physical aspects of health.

36.3.4 Old-Age Insurance (Pension)

Older people’s interaction with social protection is usually in the form of an old-age insurance/pension. Contributory pensions are limited as they rely on formal employment, and coverage rates are low in low- and middle-income countries (Holzmann et al. 2009). However, significant progress has been made in extending non-contributory pensions, including universal social pensions (ILO 2018). As only a few studies have looked into the effects of old-age pensions on health outcomes, I will consider contributory and non-contributory schemes in the following discussion. In general, old-age pensions can affect health outcomes by additional income and facilitating health-care utilization, particularly for the elderly population, who are more vulnerable to economic and health risks than the non-elderly. The mechanisms leading from an amount of old-age pension to health outcomes can be by obtaining more informal care from non-family members or better quality nutrition intake (income effect). In addition, it is possible that old-age pensions facilitate the utilization of health-care services by helping to cover costs of transport and user fees (utilization effect). Overall, the results show that old-age pension payment can improve objective and self-reported health outcomes to a large extent. The effects are mainly due to the income effect and less to additional utilization of health-care services.
One study on Russia by Jensen and Richter (2004) finds that the pension loss, associated with the Russian pension crisis, has led to worsened self-reported health and higher mortality rate among pensioners. In 1996, 14 million of the 39 million pensioners underwent a sudden, prolonged period during which they did not receive any pension payments. The authors find that due to the missing pension payments there was a significant decline in the purchase of inputs into health; daily intake of both calories and protein declined on average by 10 per cent per person; and the use of medication and visits to doctors declined by 5 per cent. Finally, the authors find that men were 5 per cent more likely to die in the two years following the missing pension payments. This increase in mortality risk is comparable to being a smoker.

A study on the impact of South Africa’s old-age grant shows that pension status was significantly associated with more frequent outpatient visits and health-care utilization (Lloyd-Sherlock and Agrawal 2014). Those that receive a pension have 77 per cent greater odds of visiting a doctor. However, an increase in utilization does not translate into better health outcomes, as the authors show that the pension status was not significantly associated with self-reported general health or mental health.

Drawing on data from a non-contributory pension programme in Mexico aimed at rural adults over 70 years of age, Galiani et al. (2016) show that the mental health and self-reported health of elderly adults in the programme is significantly improved by 12 per cent. Similar effects have been found by Bando et al. (2016) in Peru, where the authors studied the Pension 65 programme. They find that the programme improved mental health on the Geriatric Depression Scale by 9 per cent. Cheng et al. (2018) investigate the impact of China’s New Rural Pension scheme on multiple health measures of the elderly. Since its launch in 2009, the scheme has been rolled out gradually to the whole country. The results show that the pension payments have a significant beneficial effect on objective measures of physical health (plus 15 percentage points of instrumental activities of daily living and 3.2 cm less height shrinkage than non-pensioners). It further increased cognitive function by 16 percentage points and improved mental well-being of the rural elderly by 0.2 per cent. The authors find no significant effect on self-reported general health. They investigate the mechanisms leading from pension payments to health outcomes as well, and show that pensioners are more able to obtain informal care and have improved nutrition intake. In addition, pensioners have more leisure compared to non-pension recipients of a similar age.

### 36.4 SOCIAL TRANSFERS

In this section, I will focus on social transfer schemes that are common in low- and middle-income countries, namely, CCT and UCT schemes. Both social transfer schemes can reduce income poverty and have the potential to affect health outcomes by the income effect. It is an empirical question if this is the case. The following studies and systematic evidence reviews try to give an answer to this question. The main findings of this section are moderate positive effects on health outcomes, in particular, CCTs have positive effects on health outcomes due to additional health-care utilization that is incentivized by CCTs. The section first presents evidence on CCTs and turns afterwards to the analysis of UCTs.
36.4.1 Conditional Cash Transfers

Social protection programmes can improve health outcomes through incentivizing usage of health services. In particular, CCTs often incentivize health service utilization which can lead to improved health outcomes in the long term, also depending on the quality of health-care services (utilization effect). In addition, CCTs can stabilize the income of households and help to cope with financial hardship after a health shock, which can lead to better health outcomes (income effect). Overall, the evidence suggests that despite some positive effects of CCT programmes on health outcomes in countries of Latin America, questions remain regarding their effectiveness in poorer country settings. It seems that the positive effects of CCTs on health outcomes are mainly due to the additional health-care utilization (utilization effect), as large positive effects can be identified in countries which have relatively well-functioning health systems. In order to ensure a positive effect of CCTs on health, it seems to be important to guarantee a minimum quality of health-care supply before implementing them.

The CCT review by Glassman et al. (2013) focused on maternal and new-born health outcomes. The results from eight countries showed an increase in health-care utilization and a reduction of low birthweight incidence and maternal mortality. The incidence of low birthweight in particular was reduced in Mexico and Uruguay. In Mexico, the proportion of infants born with low birthweight declined by 4.6 per cent and, in Uruguay, by 1.5 per cent due to the countrywide CCT programmes. Positive effects were also identified for anthropometric indicators such as height for age. Studies from Mexico, Nicaragua and Colombia also show increases in health-care utilization and in height for age, ranging from 0.07 to 0.41 (Attanasio et al. 2005; Leroy et al. 2009; Maluccio and Flores, 2005) or a statistically significant reduction in the probability of being stunted (Maluccio and Flores 2005). Gertler (2004) reported a similar result on height gain. They found that beneficiary children in Mexico aged 12 to 36 months were 0.96 cm taller than other children. Behrman and Hoddinott (2005) found equivalent results on child growth. Their findings showed a positive effect of Mexico’s CCT programme (Progresa) on the height of children 12 to 36 months old: they indicated a growth gain of 1.02 cm more than children in the same age range who did not receive Progresa. The CCT programme in Tanzania significantly increased the number of health facility visits by 2.3 visits per year among children aged 0–2 and by 1.1 visits among adults, and increased the likelihood of using health insurance by 18 percentage points. The positive effect on health insurance usage could be found even three years after implementation of the scheme. In addition, the programme affected health outcomes: adults were five percentage points and treated children aged 0–4 were 11 percentage points less likely to report being sick in the previous four weeks (Evans et al. 2014).

36.4.2 Unconditional Cash Transfers

UCTs – transfers that are received by beneficiaries without any requirement upon the receivers’ action – have the potential to tackle the financial barriers that limit access to health care in many low- and middle-income countries, which can provide incentives to utilize health-care services more often. If the size of the monetary transfer is adequate so that it can be used to cover health expenses, it is possible that UCTs affect health-care utilization and health outcomes (utilization effect). The main purpose of UCTs is to provide social assistance to poor households. The reduction of income poverty has the potential to improve health outcomes
through different mediating factors such as a more healthy diet or a cleaner/safer living environment that are affordable after receiving the transfer (income effect). Overall, the following studies show mixed evidence; while there are some studies showing moderate positive effects on self-reported health outcomes, there are no effects on objective health measures such as anthropometric indicators, in particular for children. The positive effects seem to be driven by the income effect and less by health-care utilization (utilization effect).

A systematic review by Owusu-Addo et al. (2018) found evidence of UCTs on health-care utilization from the evaluation of 11 cash transfer programmes. Evidence from eight qualitative studies corroborated a number of the quantitative findings suggesting that cash transfers helped beneficiaries tackle the financial barriers that limit access to health care. Nine out of 11 UCT programmes showed positive impacts on health-care utilization, while impacts on health outcomes remained small and were often not statistically significant.

Ghana’s UCT programme (LEAP) increased the use of health-care services by 28 percentage points among children aged 0–5 years. This increased use of health services is due to high enrolment in the national health insurance scheme as LEAP beneficiaries were automatically enrolled into the scheme, which allowed them to have access to free health care (Palermo et al. 2019). However, while there was an effect on children, no effect on health-care utilization could be found for adults. In addition, the higher health insurance coverage did not translate into lower incidence of illness or an increase. No effects on self-reported or objective health outcomes have been identified (LEAP Evaluation Team 2017).

The social cash transfer programme in Malawi increased the likelihood of utilizing health services for serious illness. These results are driven by improvements in treatment-seeking behaviours among the poorest households. Beneficiaries from the poorest 50 per cent of households were 14 percentage points more likely to visit a health facility after a recent illness or injury than individuals from control households. Subsequently, the occurrence of any illness or injury was decreased by 12 per cent (Malawi Social Cash Transfer Programme Evaluation Team 2016). Further findings on the social cash transfer programme in Malawi show that it also improves health outcomes for children aged 6–17. Beneficiary households had 37 per cent lower odds of child illness (Luseno et al. 2014).

Zambia’s UCT programme did not have any measurable programme effects on antenatal care visits, skilled birth delivery and health outcomes (Handa et al. 2015). Zimbabwe’s UCT programme increased vaccination coverage by 3.1 percentage points (Robertson et al. 2013). Positive effects of UCTs on health outcomes were also found in Lesotho. Self-reported health measures of mothers and their children indicate a reduction in illness rates of 15 percentage points, while there was no effect on health-care utilization (Pellerano et al. 2014). The authors conclude that this positive health effect is due to households buying more clothes and footwear for children, which in turn may be associated with a reduction of respiratory infections.

36.5 CONCLUSION

The presented evidence shows that social protection coverage improves health outcomes. Across the different social protection schemes, it seems that health outcomes are mainly affected by the income/financial protection effect of social protection and less by an increase of health-care utilization, in particular in countries with low-quality health systems. If the goal of social protection is to improve health outcomes, income benefits due to social protection
schemes seem to be a better option, particularly in countries in which the lack of health system capacity makes improvements in health-care utilization less effective. In general, policymakers should consider the following in order to ensure that impacts on health outcomes can be realized.

First, insurance reimbursement rates or cash transfer size are often too small so that beneficiaries often receive a limited amount that does not stabilize their income situation and does not cover all health expenses after sickness. In order to have an impact on potential health outcomes, cash transfers should equal at least 20 per cent of household consumption (UNICEF 2015).

Second, awareness of social protection benefits is often low and many social insurance members do not know how insurance schemes work and that they can expect a reimbursement of (health) expenditures. Social protection schemes can only affect health outcomes if effective public awareness campaigns and the right legal framework is in place. Both of these elements are needed in order to ensure that the poorest groups are aware of their rights and the benefits of social protection schemes.

Third, the availability and quality of health-care services is very important. Given the poor and segmented health-care systems of many low- and middle-income countries increase in health-care utilization often does not translate into better health outcomes. Health systems have to be strengthened so that they can provide universal health coverage. Only health systems that ensure minimum standards in health-care quality, in particular in primary care, can ensure that social protection benefits broadly affect health outcomes. Consequently, the quality of health-care provision is just as important as having social protection cover in place.

Fourth, in order to have a long-lasting effect on health outcomes, social protection needs to have strong political support. Ideally, social protection schemes should be part of the national health strategy in order to ensure that both fields will be interlinked. Combining social protection interventions such as health insurance with cash transfers would be another feasible way to interlink both and generate additional health benefits. Ethiopia and Ghana offer interesting models. Since 2016, the UCT programme (LEAP) has been integrated in the already existing national health insurance scheme in Ghana. All LEAP beneficiaries are automatically enrolled into the scheme, which allows them to have access to free health care. Consequently, national health insurance scheme enrolment and health-care utilization have been increased (Palermo et al. 2019). In Ethiopia, the Integrated Safety Net Program is going to be implemented with the basic objective of establishing a comprehensive and integrated social protection programme rather than implementing programmes with a fragmented orientation (Roelen et al. 2016). Linking beneficiaries of the current Productive Safety Net Programme to the Community-Based Health Insurance scheme is one measure among others. Combining both schemes in a systematic way has great potential to affect health outcomes, as an increase in health-care utilization due to synergies between both schemes has already been identified (Shigute et al. 2020). In line with this positive evidence, Ethiopia and Ghana could become role models for other countries seeking to understand how to integrate social protection schemes in order to improve health outcomes.

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3 Universal health coverage is defined as ensuring that all people have access to needed health services (including prevention, promotion, treatment, rehabilitation and palliation) of sufficient quality to be effective while also ensuring that the use of these services does not expose the user to financial hardship.
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37. The effects of social protection on economic development

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37.1 INTRODUCTION

This chapter explains how social protection helps in promoting economic development. Economic development is distinct from economic growth in that it emphasizes enhancing the economic potential of agents in an economy and improving their quality of life (Feldman, et al., 2016). It can be seen as an enabler of long-run economic growth through an increase in broad-based prosperity, and by implication, a reduction of poverty. As per World Bank estimates, about 736 million people were living in extreme poverty in 2015 (World Bank, 2018). Another estimate, the Global Multidimensional Poverty Index (OPHI, 2018), identifies approximately 1.45 billion people as poor, and of these, about half of them – that is, 706 million – experience severe deprivations and are considered destitute. Social protection does not only provide income security to those who are trapped in extreme poverty, but it also contributes to the determinants of long-term and inclusive economic growth. It does this through three channels: enhancing productive capacity of the poorest by allowing households to efficiently allocate and invest additional resources in income generation activities; building human capital; and influencing economy-wide trends of income inequality and aggregate demand.

Social protection is instrumental in breaking the vicious cycle of poverty, which is perpetuated due to getting caught in a low investment and low return cycle. Evidence has shown that social protection can impact production decisions by allowing households to efficiently allocate and invest additional resources in income generation activities and assets. These production decisions can lead to increased productivity, and resilience of poor households. The increased economic contribution of poor households can, in the aggregate and over time, lead to inclusive economic growth. In addition, social protection aids, both directly and indirectly, continued economic activity in the face of income shocks, of not only the poorest households, but households belonging to all income strata. Furthermore, in the long term, social protection can contribute to human capital accumulation and labour market outcomes, namely employment and earnings, which in turn also enables inclusive economic growth.

Social protection programmes include different instruments, aimed at participants with different economic capacities. Typically, they include three types: social assistance, social insurance, and labour market programmes and policies. The micro-level evidence cited in this chapter is to a large extent drawn from evaluations of social assistance programmes, and within those mainly cash transfer programmes. Similar evidence concerning social insurance

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1 The views expressed in this publication are those of the authors and do not necessarily reflect the views or policies of the Food and Agriculture Organization of the United Nations.

2 Building on seminal texts of Sen, Schumpeter, Ostrom, and Acemoglu, Feldman et al. (2016) contrast the concept of economic development with economic growth and argue that economic development focuses on the microeconomics of growth.
in developing countries, in particular the poorest countries, is scarce. Coverage of social insurance in developing countries is low, and mainly limited to formal sector employees (World Bank, 2019). This is largely due to institutional constraints and widespread and persistent informality leading to low contribution capacity and irregular incomes among the poor. As a result, few quantitative studies exist of the impact of contributory social insurance schemes in developing countries (OECD, 2019). However, it should be noted that insurance schemes such as crop insurance, micro-insurance or community-based insurance can play a similar role to social assistance programmes by helping individuals and households manage specific livelihood and income risks, thereby preventing and reducing poverty and deprivation. Labour market programmes’ objectives include improving individual employability and productivity and generating more and higher quality jobs. In a developing country context, such programmes are often geared towards supporting self-employment and micro-entrepreneurship (Kluve et al., 2019).

At the macro level, evidence on a causal effect of social protection on economic growth across countries is yet to be accumulated. Coverage levels of social protection correlate with levels of economic development, with only 10 per cent social security coverage in the least developed countries, 20 to 60 per cent in middle-income countries, and close to 100 per cent in most industrial countries (Giuseppe, 2020). However, the direction of causation is not well established – that is, whether levels of economic development enable higher coverage or whether higher coverage is a facilitator for greater economic development, or whether in fact there exists simultaneous causation.

This chapter describes and outlines some of the evidence on the different channels through which social protection impacts economic development: in the next section, we describe the micro-level drivers and pathways through which social protection influences production decisions, in particular for poor households. To the extent that these micro-level decisions at the individual and household level lead to increased production and productivity of the household production unit, they provide a pathway for more inclusive economic growth at the macro level. In Section 37.3, we provide an overview of social protection’s role in building human capital. Improved health, cognitive capacity and skill-development at the individual level create an enabling environment for longer term economic development. Section 37.4 discusses how social protection can influence economy-wide trends and economic growth.

37.2 SOCIAL PROTECTION AND ITS IMPACT ON HOUSEHOLD ECONOMIC DECISIONS

Poor households often have to work within the context of missing or poorly functioning markets that limit access to land, technologies, financial services and insurance, and markets to sell their products or services. Roughly 80 per cent of the extreme poor live in rural areas (Castañeda et al., 2018; FAO, 2019), having typically a high degree of isolation and low access to information, services and infrastructure (Allieu & Ocampo, 2019). Most rely on agriculture and related activities and natural resources as a source of livelihood providing low and unstable income, or in the case of wage employment, informal and insecure jobs. These factors imply that they are particularly vulnerable to shocks, such as natural disasters, climate-related events and economic shocks such as price fluctuations. Shocks can negatively impact their
livelihood strategies leaving them even more vulnerable to future crises and thereby contribute to chronic poverty and poverty traps which impede inclusive growth.

In this context, a household decision is often based not on what would be most profitable in the long term, but rather on what would ensure that they have enough to get by in the short run. For example, agricultural households require liquidity at certain times of the year and an inability to access credit to make the required capital and labour investments during these crucial times has a direct impact on their productivity. Similarly, in the absence of insurance markets, households make production decisions with the aim of hedging risk, rather than making the most efficient use of household resources in order to generate the highest household income (Daidone et al., 2019; Singh, Squire, & Strauss, 1986). Risks are further increased in volatile markets with imperfect information.

There is now a significant body of evidence on production impacts of social protection (Banerjee et al., 2015; Haushofer & Shapiro, 2016; Tirivayi, Knowles, & Davis, 2016; Hidrobo et al., 2018; Daidone et al., 2019). These production impacts augment the income generation capacity of poor households and can offer a channel for enabling inclusive economic growth over a period of time. Productive impacts occur through three pathways: releasing liquidity constraints which allows investment of additional resources; enabling effective risk management including a reduced need to resort to negative coping strategies; and allowing reallocation of household resources such as labour and land to more productive uses (FAO, 2020). We expand on each of these three pathways below.

First, social protection allows households to invest additional resources in their income generation activities by releasing liquidity constraints both directly (through receipt of cash) and indirectly (through increasing creditworthiness and increasing savings). Examples of such impacts are documented in Table 37.1 which provides a list of the characteristics of seven government-run cash transfer programmes in sub-Saharan Africa and summarizes the impacts of these seven programmes across six key production areas: agricultural inputs, tools, total production, sales, livestock ownership, and non-farm enterprise (Daidone et al., 2019). Similar evidence has been found in Latin America and Asia (for a review, see Tirivayi et al., 2016).

All impacts summarized here are discussed in detail in Daidone et al. (2019) and FAO (2014). In Zambia, the Child Grant Programme led to an increase in the use of agricultural inputs, including seeds, fertilizers and hired labour, and in agricultural tools. The growth in input use was reflected in an increase in the value of overall production. The increased output was primarily sold in the market, rather than consumed on farm, as reflected by an increase in agricultural sales. An increase in value of agricultural production is also visible in Malawi and Ethiopia. Lesotho’s Child Grant Programme also led to increased crop input use. This increase in input use was reflected in an increase in maize, sorghum, and vegetable production, though this did not translate into higher sales. The impacts on agricultural production in Ghana and Kenya were, however, not significant. With the exception of Ghana, we also find that these cash transfer programmes increased the ownership of livestock. This ranged from all types of animals, large and small, in Zambia, Malawi, and Zimbabwe, to small animals in Lesotho and Kenya.

Second, social protection also allow households to conduct effective risk management in productive activities. As mentioned above, in the absence of missing or poorly functioning credit and insurance markets, households often make production decisions over a short time horizon, locking their resources into income-generating assets and activities that do not necessarily provide the highest expected income, but instead fulfill the purpose of hedging against
Table 37.1 Programme descriptions and their impacts on productive activities

<table>
<thead>
<tr>
<th>Name of programme</th>
<th>Zambia</th>
<th>Malawi</th>
<th>Zimbabwe</th>
<th>Lesotho</th>
<th>Kenya</th>
<th>Ethiopia</th>
<th>Ghana</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Child Grant Programme</td>
<td>Social Cash Transfer</td>
<td>Harmonized Social Cash</td>
<td>Child Grant Programme</td>
<td>Cash Transfer – Orphan and</td>
<td>Tigray Social Cash Transfer Pilot</td>
<td>Livelihood</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Transfer</td>
<td></td>
<td>Vulnerable Children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target group</td>
<td>Household with a child under five years in three poor districts</td>
<td>Ultra-poor, labour-constrained households</td>
<td>Ultra-poor, labour-constrained households</td>
<td>Ultra-poor households with children</td>
<td>Ultra-poor households with orphans and vulnerable children</td>
<td>Labour-constrained, ultra-poor female, elderly, or disabled</td>
<td>Extreme poor with elderly, disabled, or orphans or vulnerable children</td>
</tr>
<tr>
<td>Conditions</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Impacts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural inputs</td>
<td>++</td>
<td>+</td>
<td>NS</td>
<td>+</td>
<td>–</td>
<td>–/+</td>
<td>+</td>
</tr>
<tr>
<td>Agricultural tools</td>
<td>++</td>
<td>++</td>
<td>+*</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
<td>NS</td>
</tr>
<tr>
<td>Agricultural production</td>
<td>++</td>
<td>++</td>
<td>NS</td>
<td>+</td>
<td>NS</td>
<td>++</td>
<td>NS</td>
</tr>
<tr>
<td>Agricultural sales</td>
<td>++</td>
<td>+</td>
<td>NS</td>
<td>NS</td>
<td>–</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Home consumption of agricultural production</td>
<td>NS</td>
<td>++</td>
<td>NS</td>
<td>NS</td>
<td>+</td>
<td>NS</td>
<td>NS</td>
</tr>
<tr>
<td>Livestock ownership</td>
<td>All types</td>
<td>All types</td>
<td>Most types</td>
<td>Pigs</td>
<td>Small ruminants</td>
<td>–</td>
<td>NS</td>
</tr>
<tr>
<td>Non-farm enterprise</td>
<td>++</td>
<td>NS</td>
<td>++</td>
<td>NS</td>
<td>+ FHH/ – MHH</td>
<td>NS</td>
<td>NS</td>
</tr>
</tbody>
</table>

Notes: ++ and + denote statistical significance at the 10 and 5 per cent levels; NS denotes the metric as measured and the change not found to be statistically significant; – denotes a negative impact and a blank indicates impact was not estimated; FHH and MHH denote female-headed households and male-headed households, respectively; * only valid for smaller-sized households.

risk caused by transitory income shocks. Social protection programmes such as cash transfers act as a form of insurance and enable households to reduce inefficient precautionary savings, reduce risk aversion to undertake profitable investments, and at the same time avoid negative risk coping strategies that rural poor households may resort to when income shocks arise (Daidone et al., 2019; Rosenzweig & Wolpin, 1993). These strategies typically include distress sales of assets, acquiring unsustainable debt or changing eating patterns. Evidence shows, instead, that cash transfers contribute to debt repayments, savings, and a reduction of loans. This was seen most clearly in the case of Zambia and Ghana. Cash transfers also allow these households to better manage risk by allowing beneficiaries to ‘re-enter’ existing social networks, which proxy as risk-sharing arrangements. Both Lesotho and Ghana saw an increase in households donating and/or receiving gifts and in-kind transfers, particularly food (FAO, 2014).

Third, social protection enhances household production also by incentivizing the reallocation of resources from less to more productive uses (for example, from daily wage labour to agricultural production). In the context of poor rural households, one strategy to overcome credit constraints and meet consumption or investment needs is to provide casual labour. To the extent that the transfers allow households to reduce casual labour and move to own-farm work, they reduce uncertainty and allow households to allocate their labour more efficiently. In Zambia, Malawi, Zimbabwe, Lesotho, and Kenya, the programmes led to a reduction in casual agricultural wage labour (in terms of both participation incidence and/or intensity of number of days) and in the case of Zambia, this was accompanied by an increase in both on-farm and off-farm activities for adults (FAO, 2014).

Though the evidence concerns social assistance, social insurance, if covering the relevant risks for smallholder households, could potentially have similar impacts on consumption smoothing, risk management and reduction of negative coping strategies by providing certainty of income and additional resources in the case of shocks. The existing evidence on weather indexed agricultural insurance suggests that there are indeed such effects (Carter et al., 2015, 2017) and Yilma et al. (2015) find that community-based health insurance reduces the need for borrowing. For extremely poor households, however, their inability to pay contributions may severely limit access to contributory insurance.

Impacts of social protection programmes, as described above, vary depending on their design and the context within which they are implemented. We highlight below four specific aspects to take into consideration (three of these were covered in Daidone et al., 2015).

### 37.2.1 Duration and size of the transfer

The size of the transfer as a percentage of pre-programme household consumption influences the size of the impacts. In the evidence presented above, this share was on average 20 per cent (Davis & Handa, 2015). Typically, a larger transfer size increases the likelihood of significant economic impacts. Programmes where the share of the transfer was greater than 20 per cent had more widespread impact (such as in Zambia and Malawi). Similarly, a longer run programme is more likely to have impacts on human capital through education, health and nutrition, which are discussed in greater detail in Section 37.3 and in Chapters 35 and 36.
37.2.2 Regularity of payments

Household decisions vary depending on whether the cash they receive arrives regularly and on time (such as in Zambia), or if it is delayed, unpredictable or perceived as lumpsum payments (such as in Ghana). Regular transfers are predictable and hence facilitate planning in investments and consumption smoothing.

37.2.3 Targeted population

Evidence has shown economic and productive impacts for even labour-constrained households. However, we observe a difference in the magnitude of these impacts that vary by characteristics of the targeted households. For example, Zambia’s Child Grant Programme had a much larger proportion of working-age adults, compared to Ghana’s LEAP programme or Zimbabwe’s HSCT. This has implications for the type of economic activities undertaken. Labour-constrained households may hire labour and have less flexibility in the number and type of economic activities undertaken.

37.2.4 Flexibility in the event of crises

In the event of shocks and seasonal variations of needs (for example, recurrent droughts), national cash transfer programmes have been able to scale up or down as needed (Slater & Bhuvandendra, 2013). This flexibility, increasingly built into social protection programmes, is important and can include features such as contingency funds, price indexing, expanded management and information systems, and a capacity to scale up horizontally (expansion in number of beneficiaries across different programmes) and vertically (increase in size of transfer) (Winder Rossi et al., 2017).

In addition to these factors, programme impacts also vary by the nature of conditionalities, if any, and the programme messaging that accompany the cash disbursements. Another key aspect to consider is implementation challenges, especially in remote and inaccessible regions. While a programme may be designed well, it is important to monitor if it is implemented according to its original design and any adjustments that might be needed in the face of the context-specific challenges faced during implementation. This highlights existing capacity gaps and constraints of implementing agencies, which becomes particularly relevant when a social protection programme is combined with complementary development interventions in health, education, and livelihood generation,3 which leads us to our next point.

The economic and productive impacts described above can be enhanced by using an integrated approach that combines social protection with other interventions, to allow poor households to access knowledge, inputs, and other factors of production, apart from cash, to increase productivity (Veras Soares et al., 2017; Tirivayi et al., 2016). Combining social protection with other interventions helps address other constraints that households face, such as access to assets or markets that cash alone cannot obviate. For example, relaxing liquidity

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3 Implementation challenges for complementary programmes are further exacerbated due to technical capacity constraints, weak inter-sectoral coordination, and inadequate financial and human resources allocated for achieving this coherence. See, for example, Bhalla & Mphale (2021) and Kebede et al. (2021).
constraints opens more incentives to invest in production if, at the same time, other constraints are addressed by providing improved access to inputs, better agricultural technology or easier access to markets.

Combined interventions can take the form of a single programme with multiple components that provides a package of services including productive support, access to finance and training, in addition to cash transfers. Alternatively, integrated programming may mean allowing access to several programmes simultaneously with social protection. Such programmes can include input subsidies, agricultural training programmes, financial inclusion or, for example, provision of market access through market clubs or institutional procurement, such as in Home Grown School Feeding programmes (HGSF). Whether it is a single programme with different components or several programmes that target the same population, these integrated approaches necessitate coherence between the different institutional actors involved.

There is some empirical evidence on the impact of combined programmes. For example, a recent study (Pace et al., 2018) investigated the interaction between Malawi’s Social Cash Transfer (SCT) programme and the Farm Input Subsidy Programme (FISP). It found the two programmes to have incremental impacts over the cash transfer, leading to an increase in beneficiaries’ total expenditure on food and education, and the value of crop and livestock production. Similar incremental effects of complementary interventions combined with a cash transfer have been found in the context of the SPRINGS and Child Grant Programme in Lesotho (Daidone & Pace, 2019). Combining programmes can also consist of social assistance and insurance targeting the same group of beneficiaries: Shigute et al. (2020) show that in Ethiopia social assistance and a community-based health insurance have significant joint positive effects on off-farm labour and reduction in debts.

Overall, there is evidence of positive impacts of combined programmes on investment in assets, production, and income sources (Soares et al., 2017). Such impacts have been found in Latin America and Bangladesh (Ahmed et al., 2009; Emran et al., 2014; Bandiera et al., 2013, 2016; Raza et al., 2012; Aldana et al., 2016; Escobal & Ponce, 2016). However, strong evidence on actual synergetic effects, or a combined effect that is larger than those of different programmes separately, and how to best attain them is still missing.

Complementary programmes can also be used to promote sustainable use of natural resources. Social protection plays a critical role in increasing the resilience of smallholder farmers in developing countries who are exposed to increased climate variability and in promoting adoption of climate resilient methods of production (FAO & Red Cross Red Crescent Climate Centre, 2019; Scognamillo & Sitko, forthcoming). In addition, evidence is also accumulating

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4 Home Grown School Feeding (HGSF) programmes, are programmes where food for school feeding programmes is purchased locally from smallholders, providing a stable market outlet for crops and therefore incentives to invest in producing them.

5 One tool that FAO has developed to achieve this synergy is the Framework for Analysis and Action for Strengthening Coherence between Agriculture and Social Protection, which provides a diagnostic for assessing coherence between different stakeholders (FAO 2016). The Framework is available at: http://www.fao.org/social-protection/resources/resources-detail/en/c/445007/ and its accompanying diagnostic at: http://www.fao.org/social-protection/resources/resources-detail/en/c/449434/. Similarly, a portfolio of tools available at Inter Agency Social Protection Assessments (ISPA) help countries improve their social protection system. An overview of these tools can be found here: https://ispatools.org/all-tools/
on the environmental benefits of Public Work Programmes and their potential to address climate-change induced vulnerabilities (Esteves et al., 2013; Fischer, 2019).

37.3 SOCIAL PROTECTION, HUMAN CAPITAL, AND EMPLOYMENT

In addition to accumulation of physical capital, an essential attribute of and contributor to economic development and increasing per capita production and productivity is development of human capital, education and skills, and access to gainful employment. Apart from the well-documented direct impact on individual productivity and earnings, the availability of human capital is essential for changing the structure of production towards high-skill sectors, creating economic activity and jobs in skill-intensive high productivity sectors and increasing productivity in all sectors, including agriculture.6

Many cash transfer schemes in developing countries have an explicit goal of contributing to human capital acquisition through increased school attendance (Baird et al., 2014). This is in particular true for school feeding and conditional cash transfer programmes. Both provide income, in kind or cash, conditional on school attendance and thereby they create incentives for households to send their children to school instead of putting them to work to supplement their meagre income. Social insurance does not have similar direct incentive effects but, by allowing consumption smoothing and investment, it could potentially enhance human capital accumulation in liquidity and credit-constrained households. The evidence, however, is not yet comprehensive and the impacts found vary across countries (OECD, 2019).

Impact evaluations have shown that both conditional and unconditional cash transfers often have a positive impact on school attendance (for reviews see DFID, 2011; Bastagli et al., 2016; UNICEF, 2015; Baird et al., 2014; Davis et al., 2016). However, in some instances, households can, as described in the previous section, make investments in their productive activities. Such investments can enhance the productivity of child labour in these activities or trigger an increase in domestic workload for children, as adults engage in productive activities outside the home (De Hoop & Rosati, 2014; Avitabile et al., 2019; Prifti et al., 2020). Such an impact of cash transfers can increase child labour, and either reduce school attendance or deem it less effective due to simultaneous workload. Furthermore, though school attendance is clearly a necessary condition for improving learning outcomes, it alone does not guarantee it (Ganimian & Murnane, 2016; Glewwe & Muralidharan, 2016; Krishnaratne et al., 2013). This is also highlighted by relatively weak evidence on both short- and long-term impacts of cash transfers on learning as opposed to schooling (Molina-Millán et al., 2019; Bastagli et al., 2016).

Improved human capital contributes to longer term economic development, by generating better employment outcomes and lifetime earnings for individuals. In the context of cash transfer programmes, there is mixed evidence on this. Long-term studies are much fewer than those on short-term effects and do not as yet show unanimously strong positive effects on later labour market performance (for a review, see Molina-Millán et al., 2019). However, some

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6 For a discussion on the role of social protection and human capital in structural transformation, see Kangasniemi et al. (2020).
recent evidence does indicate positive intergenerational effects of cash transfers in terms of welfare (Aguilar et al., 2019). More studies are needed to fill this evidence gap.

In addition to cash transfers, labour market, livelihood and entrepreneurship programmes typically enhance skills necessary for employment and income generation by directly improving human capital through skills acquisition or accumulation of work experience and learning by doing. Reviews of labour market and entrepreneurship programmes (Kluve et al., 2019; Cho & Honorati, 2014; Cho, 2015) show that they can be effective if correctly tailored and implemented. Attanasio et al. (2017), Kugler et al. (2020) and Ibarrarán et al. (2019) find that there is also potential for long-term effects of such programmes, but McKenzie (2018) provides a more critical view, highlighting the issue of cost effectiveness of active labour market programmes and the fact that many programmes do not deliver strong impacts.

37.4 IMPACT OF PROTECTION ON ECONOMY-WIDE TRENDS

As described above, studies on micro-level impacts of social protection have shown that social protection contributes to accumulation of human capital and increases the production potential of the poorest households. These same factors are also among the well-known determinants of long-term economic growth at the aggregate level. However, there are several other linkages through which social protection can enhance or, in some instances, suppress economic growth.

Social protection in all forms can act as a redistributive tool and reduce inequality, presuming it is progressive. There is some evidence that reducing overall inequality is conducive to growth (Aghion et al., 1999; Neves et al., 2016; Berg et al., 2018). More importantly, it is also known that less inequality implies that growth has stronger impact on poverty (see, for example, Fosu, 2017; Ferreira & Ravallion, 2008). The effects of social protection, as outlined in the previous sections, contribute to the ability of the poor to benefit from increasing economic activity. Social protection hence plays a crucial role in poverty reduction and is necessary for making growth inclusive (OECD, 2019).

As described in Section 37.2, social protection may increase the ability of poor households and individuals to bear risk and allow them to take up economic opportunities. When social protection is extensive, adequate, and reliable, such impacts may extend to those who are not currently receiving benefits but know they would be protected from backsliding or falling into deprivation if they were to face a shock. There is, however, fairly scant empirical evidence for this type of indirect impact. Such impact would logically occur in the case of social insurance or formal risk pooling. For social assistance, Angelucci and De Giorgi (2009) show that Mexico’s PROGRESA increased consumption and reduced savings of non-eligible households through informal risk-sharing networks, but their results do not extend to investments or production or ineligibles’ trust in their own access to the transfers. Gehrke (2019) finds that in the Indian state of Andhra Pradesh the National Rural Employment Guarantee Scheme (NREGS) – which provides guaranteed public works in rural areas – allowed households to increase their agricultural productivity by enabling them to undertake investment in riskier crops. The author associates the impact on investment, with the role of NREGS as insurance by providing reliable income in case of shocks.

In addition, social protection can have an immediate effect on demand, leading to growth in GDP in the short run. At the meso level, computable general equilibrium models, such as the Local Economy-Wide Impact Evaluation (LEWIE), provide evidence of impacts of social
assistance instruments at the local level. The market linkages between eligible and ineligible households allow spillover effects through demand for goods and services and subsequent changes in output, prices and wages (Filipski & Taylor, 2012; Kagin et al., 2014; Taylor et al., 2013; Taylor, Thome & Filipski, 2014; Taylor et al., 2014; Thome et al., 2014, 2015; Taylor et al., 2016). Supply responses through productive interventions reduce the inflationary effect resulting from a cash injection, which provides further support to the idea of combining productive support with social protection interventions. Similar evidence does not exist for the impacts of social insurance.

In a similar vein, social protection can also be used as a macroeconomic stabiliser at the national level, including the role of social insurance such as unemployment benefits. When economies face covariate shocks, such as COVID-19, social protection provides liquidity and increases spending in the local economy, which boosts aggregate demand, keeps small and large businesses across different supply chains functional, and reduces shocks on employment. In its role as a fiscal stimulus, social protection can have high multiplier effects since households that belong to the lowest income quintile have a higher propensity to consume (Behrendt, 2013).

There are potential negative effects, too. At the macro level government expenditure on social protection also generates pressure to increase potentially distortive tax rates and may have negative implications through increased government debt. Furthermore, social protection systems that are designed in a distortive manner can cause losses in efficiency and productivity of the economy. Social insurance can have negative effects on labour supply (OECD, 2019), and incentives potentially detrimental for formalization and productivity growth in the presence of both social assistance and contributory social insurance have been noted in the context of Latin American countries (Levy & Schady, 2013).

Despite a large amount of micro-level empirical evidence, clear links of social protection with aggregate long-term economic growth are not well established (Alderman & Yemtsov, 2012; Mathers & Slater, 2014; OECD, 2019). They are also methodologically more challenging to study, and the precise impact is very difficult to identify, in addition to the fact that aggregate-level studies may not provide much evidence on the role of different types of social protection instruments or generate clear policy recommendations for designing them. This lack of evidence is true for developing countries in particular, where the overall level of social spending as a percentage of GDP is generally low, and as such unlikely to have as yet a major impact. It is also not clear whether social protection is the best way to specifically stimulate growth: the efficiency of social protection as government expenditure depends not only on its impact on growth, but on the rates of return compared to other alternatives such as infrastructure investments (Yemtsov & Alderman, 2012).

The lack of strong evidence on its contribution to economic growth by no means undermines the importance of social protection for economic development overall. It is well known that growth is not always accompanied by large reductions in poverty (Bourguignon, 2004; Ravallion, 2004), which emphasizes the importance of policies specifically aimed at reducing poverty and inequality.

As pointed out in previous sections, social protection alone is rarely the only tool that is needed to trigger economic development and it also works more effectively combined with other policies. Social protection aims to make growth more inclusive (OECD, 2019) and through economic inclusion social protection provides opportunities for sustainable exit from poverty (FAO, 2020). These can lead to a virtuous circle of economic activity and subsequent reduction in poverty.
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38. Effects of social protection on social inclusion, social cohesion and nation building

Gabriele Koehler

38.1 INTRODUCTION

Historically, social protection was introduced and situated in a broad social contract or welfare state framework (Deacon 2007; Kabeer 2005; Mkandawire 2005), and in that sense had an explicit or implicit objective of contributing to social cohesion and nation building (Loewe et al. 2019). Conversely, the social protection schemes which have blossomed in low-income countries over the past 20 years tended to concentrate on addressing acute income poverty and related vulnerabilities, creating resilience and/or incentivizing behaviours regarding nutrition, education or health services or women’s empowerment (Molyneux et al. 2016; Leisering 2019). They were conceptualized as directed to individuals, or families/households, and were frequently rolled out as projects, rather than as continuous, publicly financed governmental programming and budgeting. A more systemic and political approach, looking at the role of social protection for social inclusion, social cohesion and nation building, as the responsibility of welfare states, was eclipsed from the agenda.

Recently, however, there has been a shift in the framing, returning to a recognition of social protection as a component of social cohesion, social contracts and of state or nation building (Babajanian 2013; ILO 2014; Molyneux et al. 2016; Evans et al. 2018; Loewe et al. 2019; Sabates-Wheeler et al. 2020). This may be due to the recognition, in global discourse, of intensifying forms of widening inequalities, persistent chronic poverty, working poverty and social exclusion (UNDP 2020; OXFAM 2019) and the corrosive effects of climate change on vulnerable populations (UN DESA 2020). The proliferation of civil strife across the global South and of right-wing populist trends in the global North are additional factors. As a result, there is increasing attention to a broader role for social protection in domestic policy and development cooperation, including in fragile contexts (ILO 2014; Molyneux et al. 2016; Loewe and Jawad 2018; Valli et al. 2019).

At the multilateral level, the United Nations (UN) 2030 agenda refers to social protection in a disjointed fashion spread across the goals. References appear in economic targets (Sustainable Development Goal (SDG) 1.3 and 5.4), in commitments to universal health coverage (SDG 3.8) and decent work (SDG 8.5) and also in the equity target (10.4) (ILO 2017). Even if the UN 2030 agenda does not use concepts of a social contract or a welfare state, these SDG references could perhaps be interpreted as an implicit broadening of the remit of social protection.

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1 As one example of the range of intended outcomes of social protection programmes, a systematic review of the literature (Bastagli et al. 2016) on outcomes of cash transfers looks at the impact on monetary poverty, education, health and nutrition, savings, investment and production, employment and empowerment. Nation building does not feature as that was not a conventional objective of cash transfers.
Effects of social protection, since they cover many bases of a notional welfare state. Indeed, Leininger et al. (2019) demonstrate the interface and virtuous interdependence of the equity goal (SDG 10) with the goal for good governance and peaceful and inclusive societies (SDG 16).

38.2 CONCEPTUAL FRAMINGS OF SOCIAL INCLUSION, TRUST AND SOCIAL COHESION AND THEIR ROLE FOR NATION BUILDING

Situating social protection in a political context and with a primarily political remit requires an iterative reflection: arguably, social inclusion can be seen as a prerequisite to horizontal and vertical trust, and to social cohesion, which in turn influences political stability and nation building. This piece addresses the question whether social protection, understood as tax-financed social assistance as well as contributory social insurance, should and can play that role.

Regarding social inclusion, there is a range of understandings and interpretations. Social inclusion or its inverse, social exclusion, and horizontal inequalities build on individual and group identities in terms of gender, ethnicity, class, caste, religious or cultural practices, sexual orientation, geographical location and others (Kabeer 2010; Silver 1994; Stewart 2008; UNDP 2020; World Bank 2013). Individual or group identities which may be self-ascribed or externally constructed are instrumentalized to exclude from employment, economic opportunities and assets; from access to social services and infrastructure; and/or from political participation. Exclusion translates into income poverty and fettered productivity, hunger and malnutrition, poor health, low education levels, indecent housing and a lack of mobility. It results in heavy burdens of care work, and the absence of political voice and representation. The impact is most intense for women and girls (Chopra and Campos Ugalde 2018; Kabeer 2010). The undermining of nation states, and at the most extreme, armed conflicts, are frequently fuelled by processes of social exclusion, even where the immediate trigger comes from other factors (Stewart 2008). Hence, social inclusion can be understood as a corollary for societal trust and a precondition for social cohesion.

Social cohesion is a multi-dimensional concept (Babajanian 2013, 13; UNDP 2020). It connotes strong social relationships, shared values, feelings of identity and the sense of belonging to a certain community, at times measured by the level of trust among society (Berger-Schmitt 2000; UNDP 2020). It has been characterized as ‘the glue that holds society together’ (Loewe et al. 2019, 3). ‘Social cohesion refers to both, the vertical and the horizontal relations among members of society as characterized by a set of attitudes and norms that includes trust, an inclusive identity, and cooperation for the common good’ (Loewe et al. 2019, 7). Babajanian understands relations of trust and reciprocity as binding individuals in a society. He identifies two levels: a relational aspect concerning the nature and quality of interpersonal and social relations, and a distributional aspect referring to the patterns and the extent of the distribution of resources and opportunities in a society (Babajanian 2013).

It is necessary to deepen this notion: both relational and distributional aspects incorporate a dimension of power and hierarchy (Spicker 2020) which plays out in social protection design and delivery. Avenues for participation therefore need to be factored into the discussion. Sabates-Wheeler et al. (2020) present this as the right to active citizenship which they see as a precondition for effective social protection.
Social cohesion can be buttressed by policies – in this case social protection programmes and measures – which improve social inclusion and trust, an outcome which could in turn enhance nation building. ‘The literature on state-building assumes that social protection can help establish a state-society contract and serve as an effective instrument for strengthening state legitimacy’ (Babajanian 2013, 5). Molyneux et al. (2016) explore three dimensions of potential outcomes of social protection schemes. In terms of subjective transformations at the micro – or personal – level, they can result in feelings of dignity and respect; at the community level, they can enhance social inclusion; and at the macro level, they can have a ‘transformative effect on state–citizen relations and the social contract’ (2016, 1093). Analysing a particular modality of social protection transfers, the subsidies observed in countries of the Middle East and North Africa, Loewe et al. (2019) and Vidican and Loewe (2019) ascribe three functions to the state: protection – including the enforcement of rights, provision of basic social services and social protection and participation in political decision making (Vidican and Loewe 2019). These can create reciprocity between the government and citizens (Loewe et al. 2019) and equilibria in state–society relations (Vidican and Loewe 2019), suggesting that particular forms of social protection and its reform can serve to enhance the social contract.

The question in this piece presents on three levels: at the normative level – should social protection be expected to play a role in creating or deepening social cohesion? At the policy level – which role might social protection play? And at the empirical level – what evidence has been collated regarding its relevance or appropriateness for forging inclusion, trust and social cohesion?

Regarding the normative level, social protection is enshrined as a human right in the Universal Declaration of Human Rights and the two Covenants on Economic, Social and Cultural Rights and Civil and Political Rights, and more recently in the UN 2030 Agenda. Where social protection policy is deducted from a social contract, the state has an obligation towards its citizens to deliver equitable access to social services or to facilitate access to employment and incomes (Sepúlveda Carmona 2017; Kabeer 2005; Mkandawire 2005). Historically, many countries have commitments to a welfare state or social contract in their constitutions. Examples include India (Drèze and Sen 2013; Roy 2014), South Africa (Seekings 2002), Taylor Committee (2003) or Costa Rica (Román Vega 2012). Such declarations constitute the normative basis and obligation for state action regarding social protection.

At the policy level, the arguments for using social protection programmes to create social cohesion and foster a nation state need to interface with the three dimensions of social exclusion, or with the building of horizontal and vertical trust. Social protection programmes would need to succeed in increasing access to employment and incomes, or at least stabilize the income predictability and raise their financial resources above the poverty level, of the disadvantaged, ideally for the entire group, or at least the majority of its members. A social protection programme designed with an inclusion lens may enable individuals in a socially excluded group to access employment opportunities that are market-based, or the social protection programmes may take the form of an employment scheme – a public works scheme or subsidized employment in existing workplaces; the Indian National Rural Employment Guarantee Scheme is a well-known example (Chopra 2014).

If social protection enables inclusive access to social services and infrastructure, then that too can contribute to social cohesion. Dedicated affirmative action components, such as a categorical social protection measure that addresses age, gender, ethnicity, caste or location, can help create cohesion. In fact, quite a number of social assistance programmes have integrated
a focus on women’s empowerment and gender equality, or on children or senior citizens (Bastagli et al. 2016).

Alternatively, social protection policies and programmes can have the effect of building vertical trust of citizens in their government if they enable better access to social services or social infrastructure across the board, albeit without privileging one location or one socio-economic group. To enhance vertical trust and social cohesion, the governmental effort needs to promote a welfare state that strives to be inclusive, transparent and equitable.

Even if the quality of subjectively perceived or de facto social inclusion is limited, due to vagaries of programme delivery or funding, citizens – or even eligible residents – may acknowledge and appreciate the government, resulting in improved vertical trust. However, these effects can also go in the opposite direction. If, for example, a particular programme is de facto mainly taken up by better-informed or better-placed elites and members of the middle class, it might exacerbate existing inequalities. This can be unintentional (Koehler and Namala 2020), or be a systemic problem, resulting from clientelist or corrupt service provision (Molyneux et al. 2016). Both horizontal and vertical trust would then risk being undermined.

In order to ensure that these programmes have an effect on social cohesion, it is also key that the government communicates its role in the programme (Evans et al. 2018) – be it via its direct funding from public revenue, or be it as a conveyer of other resources it has mobilized. This suggests that communication as well as behaviour change are crucial for a social protection programme to contribute to vertical and horizontal trust.

Some anecdotal examples follow, mainly focused on intentions of enhancing social cohesion.

Given that social cohesion is usually not a primary objective of social protection programmes, only a few of the available studies have empirically analysed the impact of such programmes on social cohesion. In the following, we refer to those programmes whose stated initial objectives or intention included promoting some elements of social cohesion. Even for these examples, however, conclusions are not based on hard evidence, as is the case for outcomes such as poverty, nutrition or health status, examined in other chapters of this handbook.

One popular format of social protection programming to which one could ascribe a nation-building effect includes transfers in the form of categorical targeting addressing age-related social exclusion, namely child benefits and social pensions. They constitute a right to income support not attached to any preceding contribution, thus conveying a sense of rights and citizenship, or more generally a sense of belonging. They can serve as a politically unifying programme – if every senior, every child in the country receives governmental support. In countries with a progressive taxation system, the child grant can moreover have a redistributive effect – a constituent element of well-functioning welfare states, enabling trust in the government.

Nepal is one example of social pensions and child benefits deployed in transitions to democracy and post-conflict settings (Babajanian 2013; Druca 2016). After a period of dictatorship in the 1960s, a new government introduced a universal social pension in 1995, one of the first non-contributory old-age pensions in Asia. Uprety (2010) noted the government’s expectation...
that a universal pension would support intergenerational social cohesion. Samson (2012, 229) cited government officials favouring a ‘universal approach … maximizing the likelihood of reaching all eligible older people without creating perverse incentives, stigma, social disruption, political tensions, or other adverse effects that undermine the program’s benefits’. After a 10-year armed conflict, a new government in Nepal acknowledged social exclusion as a root cause of the conflict (Government of Nepal 2009; Government of Nepal National Planning Commission 2007) and in 2009 introduced a set of social protection measures in response (Khatiwada and Koehler 2004) with categorical and universal social transfers. The enhanced social pension reportedly contributed to a subjective feeling of belonging to the state. Citizens in remote areas opined that the central government was ‘doing something’ for them, even though it had little economic impact on their lives (Garde et al. 2017). In a highly disadvantaged area of the country, the child benefit increased birth registration from 40 to over 90 per cent within a short period of time. Arguably, a birth certificate is essential to social cohesion, as it enables not merely access to social protection payments, but to health services and timely school enrolment, and can facilitate citizenship (Rabi et al. 2015).

In post-conflict Rwanda, the government established programmes explicitly in support of survivors of the genocide of 1994, covering a wide social policy gamut of housing, education and health services, as well as social protection measures in the forms of social assistance and income-generating activities (Ruberangeyo et al. 2011).

Social pensions feature in post-apartheid South Africa. With a long and discriminatory pre-history, the Older Persons Grant was revised in the 1990s to enhance equity and as an anti-poverty programme, by the incoming government of the African National Congress. In the South African model, citizens, permanent residents as well as refugees with legal status are eligible for the pension (ILO 2016a). The Older Persons Grant is income-tested (ILO 2016a). Its effects have been to decrease income poverty levels, and evaluations suggest that it promotes gender equality, as a result of harmonizing the eligibility ages for women and men. The benefit amount for different ethnicity groups is adjusted to address disparities (ILO 2016a).³

In Namibia the old-age pension, called Basic Social Grant, is universal (ILO 2016b), and hence more comprehensive than that of South Africa. The stated intention is to overcome the legacies of colonialism and enhance the dignity of older persons who are often affected by acute income poverty (ILO 2016b).

In other contexts, the role of social protection transfers for social cohesion and vertical trust manifests itself whenever governments intend to downgrade or dismantle acquired rights. As an example, protests reacting to pension reform in Chile (Ortiz and Cummins 2019) and France (Hujo 2014) illustrate how a right to old-age security at established conditions functions as a ‘glue’, and social cohesion can quickly disintegrate when this glue dissolves.

Intent is important. However, programme scope, delivery mechanisms and the reliability and stability of funding are what determine the outcomes of social protection programmes, and would therefore be more indicative of effects on social cohesion and trust.

³ On the limitations of its intended unifying effect, burdened by difficult conditionalities, see Babajanian 2013, 31, 40. Also see UNDP 2020, 86 on perceived inequalities in South Africa and their impact on social cohesion.
38.3 THE ROLE OF PROGRAMME SCOPE

The UN makes the point that social protection systems need to be combined with public services and sustainable infrastructure if they are ‘to mitigate risks and create resilience in the face of economic, social, environmental and demographic changes’ (UN 2019, 6). The public services and infrastructure highlighted include education, including school buildings with safe sanitation facilities for girls, electricity, water and access to new forms of information and communications (UN 2019). At the same time, actual and affordable access to social protection transfers depends on physical infrastructure – roads, electricity or access to bank accounts (Chopra and Campos Ugalde 2018). All of this is especially relevant to address gender-based exclusion (Chopra and Campos Ugalde 2018; Razavi 2011). In difficult or fragile settings, social protection has the double function of addressing the economic, political or social effects of social exclusion and supporting trust and social cohesion, or more ambitiously still, safeguarding or (re)creating a nation state. In this line of argument, monetary transfers need to be embedded in a broader set of social policy measures.

At the delivery level, in order to achieve social inclusion, social protection needs to be accompanied by effective awareness raising and information campaigns. This is especially the case where disadvantaged groups are challenged also by literacy and numeracy gaps and have poor access to media or public information. In many economically impoverished settings malnutrition persists, and campaigns, coaching and/or training on feeding practices and nutrition knowledge could contribute to consolidating the health effects of income transfers. Where income poverty is a result of a lack of decent work, skills-upgrading programmes are advisable. Such measures could be incorporated into the social protection programme.

In addition, behaviour change messaging to the population at large is required to overcome stereotyping and exclusion (Koehler and Namala 2020; Molyneux et al. 2016). In fragile settings, policies and public campaigns need to ensure transparency about intention, size and effect of each social protection measure, to avoid animosities among competing groups.

In this vein, several programmes combine financial transfers with other areas of social policy. Evidence shows positive outcomes on the immediate intended objective of the social protection outcome – food security and consumption, resilience against economic shocks or improved productivity, school enrolment or health-seeking behaviours – when transfers are flanked by measures to facilitate access to social services (Roelen et al. 2019).

Examples include the Ghana Livelihoods Empowerment Against Poverty (2008–present) programme, where bi-monthly cash transfers are accompanied by free enrolment into the National Health Insurance Scheme; Chile Solidario (2002–12), where the monthly cash transfer is combined with psycho-social support (Puente programme) and linkages to social services, with compulsory conditions agreed by households and social workers to fit their respective situations; or the Ethiopia Productive Safety Net Programme (2005–present), which links its public works programmes and unconditional food or cash transfers to behaviour change communication for improved nutrition as well as case management to set up linkages between services for beneficiaries (Roelen et al. 2019).

In fragile settings, some evidence suggests that social protection programmes can create vertical trust and cohesion when low-income and marginalized citizens/residents and incoming migrants or refugees are eligible for the same types of programmes (Loewe and Jawad 2018; Valli et al. 2019).
38.4 THE ROLE OF DELIVERY AND ACCOUNTABILITY MECHANISMS

Social protection programmes, especially social assistance programmes, are difficult to operationalize in societies riven for example by deep-seated social exclusion, with predominantly informal economies or in remote areas. The challenges are even greater in situations of upheaval – be they a humanitarian disaster, an armed conflict or a population surge notably in low-income areas as a result of internal displacement or cross-border flight. Horizontal inequalities (Stewart 2008) and social exclusion processes based on identities easily intensify. Horizontal and vertical trust and social cohesion can quickly come under pressure. Therefore, if a social protection programme is to underpin and strengthen trust, social cohesion and nation building, it needs to be carefully designed, screened and monitored.

Detrimental effects include information barriers, physical barriers or procedural barriers which hamper or bias accessibility. The transaction costs in time and expenditure connected to retrieving a social protection benefit may lock out those recipients with the most urgent need for support. Other obstacles include cultural and language barriers, or technology-related barriers, such as accessing a paypoint (Sepúlveda Carmona 2017). Gender-related social norms and intersecting inequalities can severely jeopardize access to a scheme, place additional work burdens on women and girls and put them at risk (Chopra and Campos Ugalde 2018; Razavi 2011; Sepúlveda Carmona 2017).

As Roelen (2019, 705) has pointed out, cash transfer schemes can be stigmatizing which ‘undermines social assistance’ s potential in breaking the poverty–shame cycle and ignores its role in the (re)production of shame and stigma’. In the case of Nepal, for example, the Planning Commission criticized the lower age threshold applied to the social pension for a particularly disadvantaged area of the country and for persons of the Dalit community, fearing this could lead to social discrimination (Government of Nepal National Planning Commission 2012). Babajanian (2013) reports similar issues from Sierra Leone and Liberia, and Evans et al. (2018) for Tanzania.

A key issue, frequently overlooked, is that of power relations. Fear of reprisals is often mentioned (Molyneux et al. 2016). The institution or individual deciding on eligibility or delivering the social protection grant is in a position of power vis-à-vis the recipients. In Nepal, registration, payment and accountability for the schemes are concentrated in the hands of local officials, giving them power over beneficiaries (Koehler and Mathers 2017). In a politically different context in Myanmar, the only ministry that has village-level offices and officials is the Ministry of Home Affairs. There is a concern that this ministry, which has been responsible for arbitrary arrests and the oppression of dissidents, is tasked with disbursing cash transfers, so that the social transfer payment enhances the image of the Ministry and its officials, or even worse, citizens are again subjected to power hierarchy and oppression (Koehler and Mathers 2017). In China, the minimum income grant is disbursed by local committees and the entire community decides whether the intended beneficiary is eligible, leading to considerable pressure to conform socially and politically and to accept the decisions made (Audin 2020). Such procedures easily undermine both horizontal and vertical trust, especially since social assistance funding in China overall is insufficient to cover all entitlements, leading to horizontal competition over scarce funds.

Because of these multiple barriers at the delivery level, social protection transfers, instead of creating trust and social cohesion, may actually reinforce the power hierarchy. The social contract between a powerful and dominant bureaucracy at the central or local government level and the citizens – or residents – legally entitled to a benefit may play out to the latter group’s detriment, and undermine trust rather than building it. Avenues for redress – facilities
for placing claims – can be an instrument to address this, but the issue of genuine political empowerment is far larger than that.

Conversely, a social protection programme or policy can serve to enhance vertical trust. Sabates-Wheeler et al. (2020) argue that if active citizenship is at the centre of social protection programmes and effective social accountability spaces are guaranteed, social protection becomes progressive. Transparency and accountability mechanisms can address some of these obstacles (Molyneux et al. 2016).

The criteria for inclusion in a programme need to be clear, reasonable and transparent. In a conditional cash transfer scheme piloted in Tanzania, for example, the government convened a series of village-level meetings, transmitting information on the programme, its conditions, eligibility criteria and benefit levels. A study by Evans et al. (2018) found that this process served to increase vertical trust in the government. In Brazil, as another example, the Bolsa Familia programme was connected to existing mechanisms introduced earlier to facilitate accountability to citizens. Thus, Bolsa Familia beneficiaries were invited to participate in the country’s municipal-level councils (conselhos). However, they did not believe that these councils were ‘truly available to them for participation, monitoring, and accountability’. Instead, it was the media and civil society, rather than the beneficiaries themselves, that assured the promised transparency (Molyneux et al. 2016, 1093, citing Borges Sugiyama 2016). Time constraints and physical access can hinder participation, as can a lack of subjective confidence (Pavanello et al. 2016).

38.5 POLICY RECOMMENDATIONS

Policy recommendations concluded from the above observations and fragmented evidence suggest that social protection needs to address the objectives of social inclusion, trust, social cohesion and nation building in an interconnected, linked-up fashion. At the normative level, citizens and residents have a right to social protection, enshrined in the Universal Declaration of Human Rights and the Covenants on Economic, Social and Cultural Rights and Civil and Political Rights, the Global Compact on Migration and other human rights instruments, as well as the 2030 Agenda for Sustainable Development. Many constitutions, or party programmes, both commit to a rights-based approach and aspire to social cohesion. Such commitments need to be referenced as the overarching rationale, but remain hollow if there are no arenas for active citizenship enabling the rights to be claimed, no effective mechanisms of redress or funding is lacking.

At the policy-making and implementation level, to be effective, social protection transfers need to be part of a broader social policy mix, ideally in the framework of a welfare state. This would suggest including access to employment and income programmes, and equitable access to social services and social infrastructure. At this level, too, voice and active participation are key. Policies also need to be cognizant of stigmatizing side effects. In fragile contexts in particular, there needs to be full transparency of the sources of and criteria for a social protection entitlement. And funding needs to be predictable, consistent and sufficient.

If the social protection transfers are delivered with deliberate attention to social inclusion and building trust, and ideally with a notion of a rights-based social contract, they can contribute to social cohesion, trust and nation building.
REFERENCES


Effects of social protection


PART VIII

MAJOR CHALLENGES AND REFORM OPTIONS
Introduction: Major challenges and reform options
Krzysztof Hagemejer

The changing world poses many challenges to public policies, including social policies – among them social protection policies, which are the main focus of this handbook. Here, in this part of the handbook, we take on a number of these challenges: demographic changes and their interaction with social protection policies; roles of social protection in coping with the consequences of the COVID-19 pandemic (both topics discussed in Chapter 39 and 43 by Woodall); the challenges of globalisation (discussed in Chapter 40 by Betz) and the limitations it imposes on state sovereignty and its ability to decide on the size of publicly funded programmes, in particular social protection; challenges to labour markets and social effective protection coverage posed by automation and digitalisation of businesses (discussed in Chapter 41 by Gassmann) and, last but not least, potential roles of social protection in facilitating population’s adjustments to climate change (discussed in Chapter 42 by Malerba).

There are many interlinkages between demographic changes and social protection policies. Decreasing mortality rates (resulting from significantly improved access to health-care services, progress in health care to better diagnoses, cures for diseases and improved public health and other social services to more effectively prevent diseases) cause people to live longer, which may mean longer working lives and delayed retirement but may mean also that people are for longer periods in need of support – both in terms of income security and of old-age care services. Improving living standards in general and better social protection in old age in particular decrease fertility rates. This makes families smaller, which may result in higher investments into children’s standards of living, provision of better care and education, but means also lower capacity of younger generations to support the older ones. The role of extended families and of small communities in providing support to elderly persons in need is declining. Roles of women in the labour market are changing – with consequences for child-care patterns and fertility itself, but also for gender patterns of social protection coverage and types of protection needed. In addition, migration affects significantly demographic structures but also many other aspects of life, including demands for social protection interventions.

Globalisation brings increasing migration flows, and these will grow despite all the barriers put in place by the richer and more stable countries, unless and as long as the income and living standards gaps between the rich and poor parts of the world close significantly. Social protection policies have a major role to play in addressing global inequalities. At the same time, social protection policies have to change to ensure non-discriminatory protection of migrant workers. Globalisation, through capital flows and resulting tax competition and other related phenomena, reduces significantly sovereignty of nation states in pursuing their fiscal policies. This limits the degrees of freedom in ensuring fiscal space for the desired social spending. Paradoxically, at the same time, the need for social protection spending increases: the need to address economic restructuring and resulting social impacts of globalisation. In particular, social protection policies are the main tools to cushion the impacts of structural adjustments of the economies: disappearing workplaces and jobs, increasing unemployment and increased needs for requalification and retraining. And – last but not least – it is more and more obvious
from the global developments in the first two decades of the twenty-first century that without social protection policies effectively cushioning negative impacts of globalisation, all gains from globalisation will be lost, and the globalisation process might be blocked by trade wars and populist policies.

Traditionally, social protection was based to a large extent on employment-related entitlements to benefits. Due to widespread and persisting informality this is seen as an obstacle to close the coverage gap in many countries of the Global South (but not only there). At the same time globalisation and global competition, together with automation and digitisation of businesses, push many employers into the seemingly easiest options of making employment relationships as flexible as possible (to increase their freedom to hire and fire) and cutting labour costs by moving away from longer-term employment relationships (associated with high levels of workers’ protection but also with costs of paying social security contributions and other so-called non-wage labour costs) into short-term temporary contracts, zero-hour contracts, disguised employment relationships in the form of dependent self-employment, so-called business-to-business contracts, etc. At the same time automation may gradually be eliminating certain types of jobs and reducing employment in some labour market segments, possibly creating other jobs but certainly creating the need for restructuring of employment and skills. Reduced opportunities of stable employment with employers driven by cost reduction and short-term profit maximisation concerns, coupled with cost-lowering business opportunities created by digitalisation, lead to the emergence of new types of businesses. These offer new ways of providing work services by individuals but still require the introduction of equally innovative approaches in areas of legislation concerning taxation and contributory social security coverage and in the design of contributory schemes. The main choice for the future of work in the changing world is thus between increased informality and precariousness and reduced occupational safety and social protection of workers and increased enforcement of new or adapted legislative social protection frameworks and scheme designs, ensuring decent work in all its forms, independently from the status of the dependent worker and type of business involved.

Social protection has a major role to play in assisting, facilitating and cushioning all kinds of economic and structural adjustments in the economies resulting from demographic changes, from the global spread of diseases like COVID-19, from globalisation processes, from changes which technological progress, including automation and digitisation, brings to the ways business activities are performed as well as from climate and other environmental changes.

Social protection has a particularly important role to play with respect to environmental, social and economic changes resulting from climate change. As currently most visible impacts of the progressing climate change are affecting countries with underdeveloped social protection systems, there is an urgent need to progress in these countries into developing comprehensive national social protection systems with a universal social protection floor component (as in the commitments of the Sustainable Development Goals), prioritising all kinds of protection aimed at compensating climate change-related employment and income losses, ensuring affordable access to essential and adequate-quality health and medical care, supporting and facilitating necessary changes and restructuring (migration, housing, unemployment and labour market policies). Expansion of social protection in these countries should be harmonised with all other disaster prevention and management policies – which may also win necessary political will within the political economy context.
As shown in Chapter 42 on climate change, social protection schemes potentially bring key mechanisms helping the world’s population to successfully adjust to the changing demographic, climate, social and economic environments. However, these mechanisms work only if countries have well-developed, comprehensive social protection systems with universal coverage. This was very clearly shown during the COVID-19 pandemic which started in 2020. Countries with well-developed, comprehensive and universal national social protection systems could manage much better both the public health implications of the pandemic as well as the economic and social crisis caused by associated lockdowns and other preventive measures. The conclusion is that we need our social protection systems to be flexible and modern enough to adjust to the new emerging challenges we are all facing in the twenty-first century, but equally we need these systems to be universal in coverage and comprehensive in terms of meeting the needs and protecting against the risks and contingencies we face. And taking into account that it is still the minority of the global population which may enjoy access to such comprehensive social protection systems, there is much to be done in terms of national and global fiscal and policy effort to change the situation and make all people in the world better prepared to face present and forthcoming challenges.
39. Demographic change

John Woodall

39.1 INTRODUCTION

Demography is, by definition, the study of populations. As a statistical discipline, the objective is to give quantitative descriptions of populations, focusing on their respective sizes and distributive characteristics. These are obviously key factors for the provision of social protection – populations with relatively high proportions of older persons must, for example, plan for relatively high levels of provision of old-age pensions; those with high proportions of young children must plan for corresponding levels of family support. These patterns have long been assessed through the well-understood indicators of dependency ratios.

The relationship between demography and social protection is, however, two-way – where, as in many countries over recent decades, provisions under social protection improve health indicators, perhaps quite rapidly, longevity is likely to increase, as also the survival of new-born children, so impacting population growth. Demographers can envisage a theoretical situation in which the distribution of a country’s births and deaths will be such as to maintain the population unchanged, but in practice this is never the case. The demographic patterns certainly do change, and inevitably impact on the provisions and financing of social protection systems.

The purpose of this chapter is, accordingly, to review first the variety of the ties between demographic change and social protection. Second, we consider what can be said, both qualitatively and quantitatively, about the features of ongoing demographic change as they impact on social protection, at present and prospectively, together with some indications, necessarily selective, of the possible types of institutional response. These will reflect the key objective of ensuring resilience, and hence sustainability – that in a two-way perspective is crucial both for the beneficiaries of a scheme and for the scheme itself.

The following sections of this chapter review the state of knowledge as to the demographic patterns currently observed and projected for several decades into the future, at the global level, and with some observations relating to country experiences. Much of the relevant analysis relies on statistical methods well tested over long periods, but which cannot readily address aspects of unexpected and unpredictable change, whether that arises from natural origins (such as the incidence of novel pandemic diseases) or man-made (for example, mass movements of migrants and refugees from famine, war or straightforward poverty). Hence the successive sections address, briefly, the most commonly used indicators of demographic trends (Section 39.2), recent demographic trends (Section 39.3) and the implications of demographic change for social protection, together with its systematic capacity for resilience and the cushioning of negative effects (Section 39.4). The concluding Sections 39.5 and 39.6, respectively, consider selected examples of ongoing and future impacts of the main demographic megatrends, and policy responses for sustainability of systems of social protection.
39.2 DEMOGRAPHIC INDICATORS

The key drivers of changing demographic patterns – as noted in the introduction to the 2019 revision of the United Nations Department of Economic and Social Affairs (UN DESA) *World Population Prospects* (2019b) – are the rates of human fertility, mortality and net international migration; this and the following section seek to provide a concise overview of the current state of knowledge as to their respective impacts on the megatrends of population growth and ageing.

One further group of indicators of major significance for social protection should however be noted, namely those relating to the evolution of labour force participation. Systems of social protection operate most naturally and easily in partnership with an organised and orderly labour market. However, we should note some particular aspects in relation to the changing (in many cases growing) labour force participation rates for women, which may significantly influence trends of demographic change.

A second publication of UN DESA, *World Population Ageing* (2019a), deals specifically with this aspect of demographic change, and notes that a more subtle analysis, of a socio-economic character, is needed in order to assess the financing implications of ageing for social protection systems (and of course for the wider purposes of public policy-making and planning). Statistical approaches have been developed which are more effectively nuanced in relation to life-cycle considerations, including for example the *prospective old-age dependency ratio*. It notes also the value in this regard of the methodology in development for the preparation of National Transfer Accounts (2004–17), to identify the levels of redistribution of the national income (within a country) between age groups. This in turn helps to provide more detailed understanding of transfers from economically productive groups to the non-productive (mainly, but not only, the aged and children) than is possible from the simple dependency ratios alone.

All of these patterns inform the planning and development of social protection systems. It is also of considerable value to observe the variation of the patterns of distribution across different countries.1

39.3 DEMOGRAPHIC TRENDS

39.3.1 Population Ageing

The focus of this section of the chapter is to assess the major ongoing trends of demographic change in further detail, and to confirm that, indeed, social protection institutions must rebalance their relative levels of effort directed to the various ‘branches’ or benefit categories; this will take place at varied, relative speeds according to their national circumstances.

We consider first the largest-scale feature of the global demographic situation, and one that has most nearly become ‘common knowledge’ – the ageing of populations, the increasing

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1 The methodology of national transfer accounts is currently under development through the work of the National Transfer Accounts Project, details of whose work can be found at www.ntaccounts.org. Specific groups of countries have initiated work, for example the Agenta Project (2014–17) covering countries of the European Union, described at www.agenta-project.eu/en/about-agenta.htm.
proportion represented in the population of virtually all countries of individuals in the oldest age brackets. This has impacted directly – and has arguably cost social protection systems considerable good will – in the form of changes designed to protect the sustainability of pension schemes, including, for example, formula-based reductions in pension amounts, or delays in the age at which ‘normal’ pensions may be paid.

A particularly intuitive visualisation of population structure (by age and sex) is provided in the form of ‘population pyramids’. These make clear the relative distribution and progress over time of populations by age. Typically, as countries benefit progressively from improvements in health care (and other social provisions), while starting from a pattern of high levels of fertility, the youngest age cohorts grow rapidly; this growth is usually followed by falling fertility rates, and the progression of increasing numbers into the older age cohorts. The overall pattern has followed and continues to follow a very similar trend in virtually all countries, but at dramatically varying rates and historical times. This is described as the process of demographic transition, described in a theoretical framework which has been developed over almost 100 years. This identifies four (for some scholars, five) phases, with the last of these phases having already been reached by most developed countries, but with many developing countries yet to advance far beyond the start of the journey. A widely acknowledged observation that is of particular importance from a social protection perspective is that of a negative correlation between rates of fertility and levels of industrial development.

An important aspect of the analysis of age distributions within populations for social protection systems is the observation of dependency ratios. These relate the proportions of young and old cohorts, generally without income earning capacity, to those who are economically active in the ‘working-age’ ranges, and hence the proportion of total national income that must be redistributed from the latter to the former, generally through the existing (formal or informal) systems of social protection.

Model-based projections by the United Nations expect the age profile of the global population to change dramatically. Today, it is still dominated by the people in the youngest age ranges, but the share of children is declining steadily. As a result, the dominant age group will soon be the segment of people at working age. And in a few decades from now, the proportion of those in old age will also have increased dramatically (Loewe 2007).

The current estimates and future projections set out in the UN DESA 2019 revision of World Population Prospects suggest that the global population, 7.8 billion in 2020, will increase to 9.7 billion in the year 2050 and 11.2 billion in 2100. By way of comparison, the 2010 revision suggested that the figure in the year 2050 would be 9.3 billion and in 2100 10.1 billion (UN DESA 2011). These periodic adjustments illustrate the fact that neither the estimated figures nor their trend patterns are by any means ‘set in stone’.

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2 Interested readers may wish to access the online database associated with World Population Prospects 2019, which presents a large set of population pyramids illustrating world, regional and country populations, historically and projected until the year 2100 (at https://population.un.org/wpp/Graphs/DemographicProfiles/Pyramid/).

3 A straightforward presentation of the ‘demographic transition’ concept (originally associated with demographers Warren Thompson, Adolphe Landry and later Frank Notestein) is presented by Grover (2014).
39.3.2 Changes in Labour Force Participation

The importance of analysing trends in labour force participation was noted above and underlies estimates of the relevant dependency ratios. The labour force participation indicator has itself a variety of underlying drivers, some of them quite subtle, but including levels of education and the pace of industrialisation in each country. There are, however, significant gender-specific aspects. It is evident that the way in which women’s labour force participation has developed over recent decades is closely related to the timing in different countries of their demographic transitions.

Historically, fertility rates – the average number of children born to each woman in her child-bearing years – in all countries have been much higher than the two children per woman which (in an intuitively obvious way) would represent long-term stability, but have reduced over time. Advances in health care and rates of child survival have reduced the perceived need of parents to produce many children to ensure their welfare in old age, and the growing labour force participation of women and their paid employment have brought about major changes in these demographic trends; other factors include urbanisation, cultural and educational influences and the care responsibilities usually attributed to (or imposed upon) women. A broad assessment, rather qualitative in nature, is provided by Verick (2018) and a more quantitative analysis by, for example, Wietzke (2020).

39.3.3 Demographic Dividend

An aspect of the analysis of demographic transition which may have important implications for social protection planning is that at relatively early (although not the earliest) stages of that transition, the demographic progress generally leads to a situation in which population cohorts entering the working-age ranges increase much more rapidly than those reaching the retirement age ranges. This results potentially in a situation favourable to growth of output without a proportional immediate increase in demand for old-age pensions, and hence a trading advantage in international markets – a so-called demographic dividend. A straightforward description of this perspective is given by, for example, Loewe (2007), and some aspects are explored a little further below (see Section 39.4.1).

39.3.4 Population Patterns at National Level

As we have already seen, the most striking feature of the global trends of change is that of the ‘ageing’ of populations; this has major implications for the design and management of social protection systems, notably (but not only) in terms of the provision of old-age pensions. This sub-section looks, accordingly, at the way in which demographic analysis informs the relevant aspects of national-level policy and design implications.

The most usual single statistic used to summarise the demographic situation of a country or region (or the world as a whole) is that of average ‘life expectancy at birth’, and for most countries this indicator has in broad terms shown steady, if not dramatic, improvement over periods of many decades. This indicator is derived from age-specific rates of mortality, them-

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4 Harasty and Ostermeier (2020) explore possibilities to update the concept of dependency in the context of labour markets.
selves calculated (in principle) from data collected directly through national systems of vital registration. While the statistical process may be complicated by, for example, the fact that the systems of vital registration in many developing countries remain vestigial (or lacking), the concept is straightforward and well established (see World Health Organization 2006 for a concise definition, and Ortiz-Ospina 2017 for further detail).

The 2010 revision of World Population Prospects estimated that the current life expectancy at birth for the world population as a whole (male and female together) was 67.9 years, and might increase to 75.6 years by 2050; the estimates for the 2019 revision (UN DESA 2019b) indicated a figure for life expectancy at birth of 72.6 years, likely to increase by 2050 to 77.1 years.

It should be kept in mind, however, that life expectancy at birth is an indicator which conflates the mortality experience of a population across all ages, from birth to the ‘limit of life’. Typically, therefore, the overall calculated life expectancy in a given country has improved relatively rapidly as health services have succeeded in controlling maternal, neo- and peri-natal mortality, and again (usually some years later) when health and social services have met some of the challenges of ageing, resulting in reducing mortality rates at older ages. These trends have very different implications for the development of national policies relating to social protection.

The indicator of life expectancy at birth, therefore, provides in many contexts rather poor guidance for policy in relation to social protection systems which must address the specific needs of different age groups. A more relevant analysis looks at the remaining years of life expectation at specific ages (Ortiz-Ospina 2017). It is of interest to look in particular, first, at the age at which a country may recruit members to social security schemes (and perhaps levy contributions), and second that at which it typically awards old-age pensions. A further improvement, where the data permit, is to assess remaining years of healthy life (World Health Organization 2006).

Published figures of life expectancy are usually seen as highly objective indicators of the demographic status of a country (or region, etc.), and demographers endeavour to approach as closely as possible to this ideal. It should be recognised, however, that there is always an element of estimation in these figures, specifically as regards the statistical projection of rates of improvement in age-specific mortality rates into the future. In addition, it may be noted that alternative calculation methodologies may be used, termed ‘period’ and ‘cohort’ expectations of life (Ortiz-Ospina 2017), each of which has value for specific types of analysis, but invites questions as to which may be more ‘objective’ and which is not easily interpreted for the wider public.5

Most recently, the analysis of life expectancy trends in a number of countries has suggested that the long period of improvement is coming (or has already come) to an end, and is perhaps reversing, at least for some disadvantaged groups (see, for example, the work by Marmot and colleagues in the United Kingdom (2020) and by Woolf and Schoomaker in the United States (2019)). It is of course important to understand (as far as possible) the reasons for this

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5 A ‘period’ estimation of the life expectancy for a given population (or sub-group) combines observations of age-specific mortality rates as observed across all age groups at (or as nearly as possible at) a specific point in time. A ‘cohort’ calculation aims to measure the prospective demographic experience within a population on the basis of mortality rates projected into the future for each age group, as if tracing their experience into the future for that group as at the date of observation.
disturbing development, which might conceivably include social, ethnic and political factors; it has been strongly argued that a major factor in the United Kingdom, for example, has been the adoption over a relatively long period of economic policies characterised as ‘austerity’. The implications of stagnating or declining longevity, for social policies generally and social protection in particular, taking account of a country’s political economy, may be profound.

At the time of writing, much attention is being drawn to the apparently dramatic impact on death rates around the world with the outbreak of the Covid-19 disease. Some difficulties in statistical analysis are suggested by retrospective assessment of the ‘Spanish flu’ outbreak of 1918–19 (see, for example, Roser 2020; Chapter 43). It remains to be seen whether a similar disruption of the flow of regular statistical indicators, in particular those of life expectancies at birth and at later ages, may recur, and with what implications (which may possibly be radical) for social protection planning and costing.

39.3.5 Population Patterns within Countries

In addition to the structure of populations at the national level, important issues arise in relation to their distributions, specifically (but not only) geographically, within countries. The trend towards rapid urbanisation has brought with it a widespread phenomenon of the ‘hollowing out’ of rural populations, as the (relatively) young move away to the cities, where work and educational opportunities seem brighter, notwithstanding the well-known problems of youth unemployment around the world. Discussion of these issues may be found in UN DESA’s report series on World Urbanization Prospects (2018).

One result of these trends may be an undermining of the prospects for enterprise development in rural areas. Moreover, we see a breakdown of the basis on which younger people traditionally provided at least some degree of care for their parents and families in times of sickness and old age, bringing increasing and challenging needs for social protection of those remaining.

We may note one aspect of this development that has a specific gender component. Rural populations which are predominantly elderly are likely to include disproportionate numbers of women, if only as a result of their comparatively greater longevity than that of men. Such women are likely to have little coverage as directly insured members under employment-based schemes of social protection, which have long focused on male employees as primary breadwinners, and often provide only low benefit levels (if any) to dependent spouses. Their consequent needs for social protection pose significant challenges, not least of outreach, for the relevant institutions.

Within the European Union, efforts are under way to understand and combat these issues (Eurostat n.d.), but they are clearly no less significant in developing countries, and are certainly visible in both India and China, with their large populations overall and with rapidly growing mega-cities.

39.3.6 Implications of Unexpected Demographic Events

A considerable part of the power of social protection to address vulnerability lies in its capacity to mobilise the principles of (social) insurance. The financial management relating to those risks which materialise on a ‘stochastic’, or random, basis can be effectively arranged through risk pooling, and this is the case for the usual ‘contingencies’ covered by social protection
schemes, including death, accidents, maternity and (to a degree) unemployment; less obviously, old-age pensions also fall into this category, as this branch of social protection in fact addresses so-called ‘longevity risk’. However, a range of events and issues of the kinds with which social protection is expected to deal, but which are in an essential way ‘unpredictable’, are not susceptible in the same way to risk pooling on the basis of statistical analysis.

In this category, significant drivers of demographic change include, for example:

- Flows from one country to another of migrants or refugees (although the distinction between these descriptions is not always clear-cut), whether or not they are recognised as having formal, ‘legitimate’ status.
- The outbreak of an epidemic or pandemic disease, such as that of Covid-19 at the time of writing; the particular nature of pandemics has distinct implications for social protection systems (see Chapter 43).

Unexpected events demanding attention through social protection systems but which are not, strictly, demographic in character may include disasters of kinds which are described as both ‘natural’ (such as earthquakes or cyclones) or ‘man-made’ (including war or civil strife). Three features are worth noting here.

First, while ‘unexpected’ crises are, by definition, unpredictable in terms of specific time and place, they are understood by statisticians to be very predictable indeed in the broadest perspective (a concise, recent presentation is set out by Bloom and Cadarette (2020)) – in the sense that it is all but certain that a crisis of the pandemic type, for example, will occur in the not-too-distant future.

Second, issues of these kinds may occur in combination; it is a concern at the time of writing, for example, that social protection systems in South Asia (most acutely that of Bangladesh) face the severe challenge of addressing the needs arising from not only the outbreak of Covid-19 but also the impact of an unusually severe cyclone season; the challenges for schemes and institutions are likely to be exceptional.

Third, it is possible (albeit likely to be clearly understood only in the longer term) that the incidence of a pandemic disease may itself distort the long-term patterns of demographic progress, both globally and nationally.

In the nature of such unanticipated occurrences, there can be few standard guidelines for social protection systems to follow. In general, it is inevitable that systems must fall back on the support (beyond regular levels) of government treasuries. It is, however, possible and indeed imperative to maintain some level of general preparedness for such eventualities, and the failure, for example, of many health-care institutions around the world to maintain appropriate stocks of protective equipment in advance of the Covid-19 outbreak may prove a lasting source of embarrassment.

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6 The challenge of simultaneous crises had indeed been foreseen (see for example McClean 2020), enabling frontline institutions to make at least some preparations.
A core function of a social protection system is to help individuals to overcome livelihood crises (notably loss of income, in particular but not only as a result of health or other demographic contingencies); this objective may be described as facilitating resilience. Its value depends crucially on the sustainability of the operations of the systems and institutions concerned, so they themselves must ensure their own capacity for resilience. We may thus identify two dimensions (at least) of the significance of resilience, or robustness, in relation to social protection.

In this regard it may be helpful to focus on the insurance, or risk-pooling, aspect of social protection, already noted in the previous sub-section. This is generally organised according to the principles of social insurance. Social protection systems have, of course, wider scope than simply social insurance, and (solidarity-based) social insurance itself has fundamentally different characteristics to insurance provision of a broadly ‘commercial’ type (based on principles of mutuality) (Wilkie 1997). Nonetheless, there is clearly a parallel with the need of commercial insurers to ensure their own resilience. Such insurers fulfil this need through networks (usually international) of reinsurance, particularly needed in the face of ‘covariant’ risks – those giving rise to events entailing claims from many members simultaneously and which may (temporarily at least) defeat the characteristic ability of insurance arrangements to diversify risks through pooling. Corresponding ideas for social insurance and social protection schemes more widely are as yet at only the very earliest stages of development.7

Events, very recent at the time of writing, have thrown a penetrating light on the limitations of some aspects of demographic methodology. For the purposes of this chapter, it may simply be observed that, while demographic change can often be interpreted in terms of relatively gradual trends, and quantified accordingly, the nature of change can occasionally be quite drastic, subverting at least some of the fundamental assumptions on which projections of future population structures are founded. One broad conclusion is that, if social protection systems are to embody an appropriate degree of robustness and resilience, then essential requisites are preparedness, as indeed noted above, and flexibility.

39.4.1 Cushioning Negative Effects

A significant factor in assessing the relative level of resilience of a social protection system is the status of the country concerned in relation to its progression through successive phases of demographic transition. In particular, systems are likely to have favourable scope for cushioning against negative effects in countries that are able to benefit from a demographic dividend. As noted earlier, these are countries for which the projections of population structures over the coming decades suggest that there will be increasing numbers of those in the most economically active age ranges, at the same time as reducing numbers of the very young, and before any dramatic expansion of those of pensionable age (at least as traditionally defined). This situation should allow for an expansion of overall enterprise at a rate well in advance of the

7 Examples include the concept of social reinsurance, and more recently sovereign catastrophe insurance cover.
proportionate demand on social protection systems to provide for the young and the elderly, and can thus confer a global competitive advantage. Most countries pass through a stage at which their populations fit this pattern, but at very different historical times; it is in a sense a ‘one-off’ opportunity. Retrospective analysis shows that the highly industrialised countries as a group, and more recently the People’s Republic of China, have been able to benefit strongly from this phenomenon, while those of East and South Asia are yet to do so, likewise and even more strongly so those of Sub-Saharan Africa. It seems, on the other hand, that many of the Latin American countries may have missed out on this opportunity (Loewe 2007).

The analytical techniques being developed in the framework of the National Transfer Accounts project may offer further understanding of the dynamics of these demographic processes, and hence the implications for social protection planning. However, the nature of both the demographic transition and the demographic dividend make clear the critical importance for policy-makers of recognising dynamic change and the long-term transition to population structures featuring higher levels of old-age, if not child and youth, dependency.

From the point of view of most effectively meeting members’ needs, the management and administration of social protection schemes should be both responsive and flexible. A practical approach to developing resilience and cushioning characteristics may be to take advantage of offsetting trends – in particular patterns of demographic development such that, for example, increasing old-age dependency ratios are countered by reducing ratios of infant and youth dependency.

All countries nonetheless face, sooner or later, a specific set of problems in providing for the accelerating benefit costs of old-age pensions as populations age. Here, scheme designs based on pre-funding of costs may offer higher levels of cushioning than the more simplistic financial approach to administering such schemes on a year by year, “pay-as-you-go” (PAYE) basis. Such considerations, amongst others, have driven a long-standing debate as to the merits of defined benefit (DB) or defined contribution (DC) designs for pension schemes.

A deeply interconnected set of issues have arisen in a range of countries which have traditionally provided for women’s pensions to commence at earlier retirement ages than for men. The wish of policy-makers to equalise the relevant rules within a short period has given rise to a significant sense of unfairness among women now obliged to wait longer (sometimes much longer) than they had expected before receiving their pensions. Problems of this kind could, and arguably should in most cases, be cushioned by means of careful design and implementation of gradual transitional arrangements.

39.5 EFFECTS OF SOCIAL PROTECTION POLICIES ON DEMOGRAPHIC PARAMETERS

The ways in which social protection policies and planning should respond to demographic change are varied and differ in ways that necessarily reflect the specific needs of the countries to which they relate. We should also note the significance of the extent to which a country’s social protection system is designed to address not only demographic challenges as such

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8 Detailed analysis is beyond the scope of this survey, but this observation may reflect, inter alia, the political history of the continent.
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(for example, the ageing of populations) but also socio-economic ones (such as poverty and exclusion).

Social protection has become understood increasingly within a life-cycle perspective, recognising the characteristic needs of, respectively, those in infancy and young age, those in what may be characterised as the ‘working-age’ range (albeit that, for example, many may be outside the conceptual framework of either formal or informal employment, by reason of disability, care responsibilities and so on) and the elderly, being in aggregate those seen as being beyond the age at which they would (or should be required to) be actively working.⁹

It is worth noting, too, that the processes of cause and effect in relation to social protection are complex and subtle. Not only do social protection systems respond to the range of contingencies and vulnerabilities experienced by their members, but, simply by virtue of their existence, they also offer to individuals and families capacities to overcome vulnerabilities which, amongst other outcomes, would otherwise act as drivers for large family sizes. The concomitant impacts, generally positive, may include among others enhanced infant and maternal health and reduction of the limitations on labour force participation amongst women.¹⁰

In a ‘systems’ perspective, the trends of demographic change specific to any given country will strongly impact the inter-relationship between the multiple ‘branches’, dealing specifically with contingencies or life phases, typically comprising a country’s social protection arrangements. Thus, the current fertility rates will determine the developing demand for peri-natal and maternal health services, while old-age survivorship determines that for old-age pensions. In a resource-limited environment, this may be reflected in major (and ongoing) challenges for policy-makers in determining the balance of allocations. In addition, as already noted, the world is becoming acutely aware of the problems to be faced if health services are inadequately resourced, especially in advance of outbreaks of epidemic or pandemic diseases such as Ebola or Covid-19.

39.6 IMPLICATIONS FOR POLICY AND DESIGN OF SYSTEMS AND SCHEMES

Depending on the state of development of a country’s systems of social protection, the issues facing policy-makers and planners may vary quite considerably. In a country where the system is largely new, or rapidly building from limited foundations – a situation which not only presents special challenges, but also offers wide opportunities to maximise effective benefit provision – the key policy consideration is likely to be the appropriate balance between addressing the somewhat different needs of those in poverty, and so facing the need for immediate livelihood support, and those who are vulnerable to a range of contingencies, so facing potential future loss of health or income. This reflects essentially the traditional complementary nature of the social assistance and social insurance components of social security or social protection

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¹⁰ These issues are explored in detail in the work of researchers such as Becker (1960).
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systems and, in both aspects, it is important to reflect the foreseeable trends of demographic development.

In many, if not most, countries with longer-developed systems, the most visible issue for policy-makers has been the rapidly increasing funding requirements for old-age pension schemes, reflecting not only rising numbers of individuals reaching retirement age but also the strong trend towards increasing longevity. In a broader picture, these trends raise questions – which may be important in terms of political economy – of ‘intergenerational fairness’. The general policy response has been to raise (or seek to do so) the ‘normal’ age of retirement at which pension payments may commence, so as to both slow the progress of individuals into the pensionable age category and to reduce the average (expected) number of years for which pensions must be paid.

A diverse set of policy issues arises in relation to the impact of demographic change on national systems of health care. Needs which are specific to groups defined by age and gender are evident across all populations. Examples include the health-care needs relating to maternity and women’s health more widely; also, the particular types of illness (degenerative, cancers, etc.) with which health systems must deal increasingly as populations age.

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40. Globalization

Joachim Betz

40.1 INTRODUCTION

Globalization, understood in the usual way (meaning a growing share of trade and capital flows), does not really hinder larger tax income or better social protection measures in low- and middle-income countries, as expenditures on this behalf are not really large and as forces supporting a broader integration into the world economy may even support more proactive social policies to make employees and the economy in general more productive (especially through education and health services). The empirical evidence demonstrates no necessary link between globalization, enabled by liberalization and deregulation measures on the one hand and social expenditures as share of gross domestic product (GDP) on the other hand. Globalization and the accompanying factors of rapid technological change, surge in imports from countries with lower wages, replacement of less-qualified work by machines or robots, faster turnover of jobs, accompanied by growing internal and international migration, ageing and the erosion of family and communal networks, however, make traditional social protection in developing countries crafted in the era of import substitution and sheltered markets unsuitable for the new world of work. This old ‘Bismarckian’ model, supposing male bread-winner families and life-long, regular employment, was characterized by disproportionate spending for more privileged workers in the formal sector, therefore left out the vast majority of the population, protected only partly or by a hodgepodge of numerous schemes of social assistance with doubtful incidence and large leakages. The central question of the chapter is, therefore, if globalization per se – via shrinking tax income and financial means for social schemes in developing economies – hinders the transition to more inclusive social protection policies. My simple thesis is no; but this transition is not easy for the poorest countries and will meet stiff resistance by groups benefitting from traditional arrangements or those required to shoulder additional costs for broader-based assistance.

I will first discuss the impact of globalization on global and within-country inequality, then the opposing views on its impact on social protection expenditures and the causes advanced on this behalf. Next, the empirical evidence on social protection expenditures in general, regionally and in specific subfields will be presented, demonstrating no obvious race to the bottom in public social activities. More important than the sheer and perhaps insufficient volume of social expenditures are their (rather low) coverage, their incidence, inefficient provision and rather modest quality. These points lead to my main concern, namely the only partial fitness of social protection arrangements in most developing countries for the twenty-first century. In conclusion, a possible solution is sketched, discussing the potential of a basic universal income for developing countries.
40.2 **ALTERNATIVE VIEWS ON THE LINK BETWEEN GLOBALIZATION AND SOCIAL EXPENDITURES**

We are now looking back to a long academic tradition of discussing the link between globalization, trade and capital account opening on one side and the weakening of the state and public taxation capacity and – consequently – presumed insufficient means to finance infrastructure and social protection on the other side. Today, the former heat of the debate has cooled down somewhat. In my view, globalization does not necessarily lead and has not led to a withering away of the state and of social arrangements neither in the Global North nor the Global South. That does not mean that social policy arrangements everywhere do not need a thorough overhaul.

But earlier, from the beginning of the 1990s, globalization sceptics predicted far more dire consequences of growing international interdependence led by transnational corporations and international finance capital. According to their views, globalization would lead to:

a. rising disparities within countries, between labour and capital as well as the better and the less skilled;

b. a growing gap between advanced countries – the clear winners of globalization – and the less fortunate rest, bypassed by trade, private capital and – in consequence – an important say on the global policy stage;

c. a partial withering away of the state, most important to its ability to mobilize sufficient tax income because of widespread deregulation, privatization and the growing exit options of footloose capital; and

d. a distinct race to the bottom across welfare states by competition for international investments (Broad and Cavanagh 1995–96; Bauman 1997; UNCTAD 1997; Deutscher Bundestag 1999; Gruppe von Lissabon 2001).

True, these predictions were contradicted by hard-core adherents of unlimited deregulation (early on the International Monetary Fund (IMF) and World Bank, whose statements later became far more balanced) maintaining that globalization was invariably boosting growth and was therefore good for the poor (e.g. Dollar and Kray 2002). We are certainly all wiser with the benefit of hindsight (but some were already wiser formerly). But the mentioned predictions can serve as a useful background for the following discussion on the distributional impact of globalization across countries and within and its impact on the breadth and quality of social protection in advanced and – more so – in less advanced countries.

We begin with some words of caution.

First, globalization is not synonymous with privatization, deregulation and the growth of economic international interactions. These developments also occurred before. Structural adjustment has been implemented since the 1980s, necessary by often gross misalignment of economic incentives and public debts which could not be serviced, trade and capital flows soared before World War I, etc. If the term globalization shall make sense, it must designate structurally a new and different phase in international interdependence (Reinicke 1997).

Second, this novelty is not captured well by using the traditional indicators of trade or foreign investments as a share of GDP, whose value could have climbed or fallen for other reasons (e.g. oil prices) than globalization. Instead, the term should be reserved for the recent and truly global organization of the production of goods and services – exemplified by a progressive splitting-up of global value chains to multiple locations – and the rise of a truly global
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financial market, where real deposit and lending rates converge (Scholte 1997). Likewise, it
makes no sense to group all developing countries under the label ‘globalized’, regardless of
whether they have liberalized their trade and investment regime or not. Globalization should
be measured in terms of de jure and/or de facto abolition of restrictions against economic
interactions on the example of the KOF Globalization Index (2019). There are, however,
remaining difficulties (e.g. informal ways to hinder economic interactions) which can hardly
be dealt with by any indicator.

Third, with respect to the generosity of social policies in developing countries, they cannot
only be defined in relation to trade and foreign investment flows. The last two measures
fluctuate enormously across developing countries (not only annually), making correlations
dependent on the base year (plus the respective selection of cases). GDP tells us nothing about
expenditures *per head*, as population growth must be taken into consideration.

Fourth, not every item of social expenditure should be taken into consideration in equal
measure. Social insurance in the developing world is still the privilege of a better paid minority
with relative job security, health and education expenditures are concentrated on urban spaces
and last but not least larger expenditures alone do not guarantee better outcomes (e.g. child
mortality or learning), as a large body of literature demonstrates (e.g. Andrews et al. 2017). It
is possible to improve outcomes by redistributing among schemes, target groups and by better
management, as a variety of country examples show (more on this later).

40.3 GLOBALIZATION AND INEQUALITY

During the last phase of globalization (from the mid-1990s to today), global income inequality
did *not* rise, according to the overwhelming part of the empirical literature. Global inequality,
that is the distribution of consumption, income or (less often) wealth of all people in the world
regardless of their country of living, arranged in ascending order, did rise from the onset of the
Industrial Revolution in Europe until around 1990, but fell markedly afterwards (Bourguignon
2015; Milanovic 2016; World Bank 2018b; Hammar and Waldenström 2019). The recent
phase of declining global inequality was the effect of a significant catching up of emerging
economies, whose growth rates exceeded (on average) those of industrialized countries by
a fair amount (nominally and per capita) for at least two decades. The global Gini Index fell
from 0.8 (1988) to 0.65 in 2013 (World Bank 2016; Hammar and Waldenström 2019). There
is certainly some underreporting of the income and consumption of the world’s top earners,
even more of their wealth (Piketty 2015), but the general trend is corroborated by all available
evidence. The decline is in large measure due to the amazing growth rates of China, India,
Indonesia and a few other emerging economies, but the number of so-called ‘achievers’ (converging in per capita income to the developed world) went up to 83 during the years from 2001
to 2008 (OECD 2018). In addition, these countries contain a very large part of the population
in the Global South.

True, the progress of economic convergence slowed partly after the global financial crisis,
due among other causes to the rebalancing of China’s economy and the slump in commodity
prices (OECD 2018). The incidence curve of global growth up to the financial crisis (showing
the real income change of the world’s population fractals) shows an elephant form: it signals
small relative gains at the lowest end of global income distribution (of people living in the least
developed countries), larger gains in the lower middle-income range (of better skilled people
in emerging countries) and declining rates and shares in the upper-middle range (consisting of traditional middle classes in advanced countries) and a steep rise at the top end (Lakner and Milanovic 2016).

This relatively benign picture of falling global inequality stands in certain contrast to rising inequality within some regions and within some countries. The part of rising inequality within countries (growing by 15 points of the global Gini Index from 1988 to 2013) is dampening the effect of declining inequality across countries. Globalization may be the common cause of both developments, because within-country inequality has risen more in developed countries of late and in some important emerging economies (for example until recently in China, but more so in India). It is widely understood that the outsourcing of routine jobs to low-wage economies, together with technological innovations, deindustrialization, labour market deregulation, loss of power by labour unions, declining progressiveness of income taxes and adjustments in social policies, are responsible for the growing income gap between more and less fortunate groups and the squeeze of the old middle class in the West (IMF 2017; OECD 2019; Ravallion 2018). One can argue that most of these additional factors are at least partially connected to globalization pressures, which are far less popular in the West than in emerging regions, especially in those advanced countries where mounting imports from China and other developing countries had a strong and lasting effect on employment (Autor et al. 2014).

Income distribution is, however, still more balanced in advanced countries than in the Global South, where inequality indicators remained constant on average. Inequality is strongest in Latin America, although with a markedly declining tendency in the largest countries of the region (Argentina, Brazil, Colombia) from the 2000s onwards. In Sub-Saharan Africa indicators are not much better, but also slightly declining. Next in inequality is East Asia, with a slight fall after 1998. The Middle East also saw a decline in inequality until 2008 (a small rise afterwards) and South Asia a strong rise until recently (World Bank 2016). Looking at individual countries in the world, inequality indexes show a massive variance between the most unequal country (South Africa) and more egalitarian societies, among which several ex-socialist countries figure prominently aside from Scandinavian states. The country composition of the list demonstrates that there is no necessary link between inequality, development and growth. Lopsided development is therefore not destiny.

This is also borne out by another and reasonable yardstick of equality – progress in shared poverty, introduced by the World Bank and calculated as the growth of income of the poorest 40 per cent of the population compared to the remaining population. From 2010 to 2015, the income share of the poorest two quintiles increased in 51 of 91 developing and transition countries for which data are available, especially in East Asia and Latin America. Among the candidates with strongly shared poverty were countries in nearly every income bracket and with nearly every grade of integration into the world economy. Ethiopia and Mozambique are examples of least developed countries doing extremely well; China, Malaysia, the Philippines and Thailand are among the middle-income countries (World Bank 2018b).

Why should we worry about inequality in the developing world? There was a prominent opposing view, identifying growing inequality at the start of take-off in backward countries as a benign and unavoidable tendency, providing incentives for rare talent, saving and entrepreneurship (the so-called Kuznets Hypothesis), giving way only at a more advanced stage to a flattening of inequality. Causes for this necessary relationship identified where the concentration of initial growth on the small, modern sector was, whereas the mass of the labour force remained in unproductive agriculture and the tiny stock of human capital, favouring only a few
highly skilled people with rising wages. For the benefit of future advancement of the relevant economies, an unequal outcome was perceived as acceptable. This understanding has been attacked and refuted strongly in the last decade, most prominently from rather unlikely sources (IMF, Organisation for Economic Co-operation and Development (OECD) and World Bank).

First, there is a strong link between the evolution of income distribution and the fight against absolute poverty: the more/less distribution is fair, the more/less successful will efforts be to eliminate poverty. Second, there is an unequal distribution of income and wealth which hinders less fortunate groups to invest in human capital for themselves, their children or into physical assets, with the side effect of rising birth rates and depressing long-term growth. Concentration of income and wealth in the hands of a few also obstructs the provision of broad-based public goods and services and favours their distribution to the powerful and well connected (e.g. by focusing public efforts on tertiary education and central hospitals). Third, excessive inequality exacerbates internal conflict (more so if coinciding with ethnic or religious fault lines). This may result in civil war at worst and in an intense struggle over redistribution of income by taxes and transfers. Last but not least, wealthy people in developing countries did not save as much as presumed, as part of their income went into expensive import goods, was transferred to tax havens, etc.

It is therefore no surprise that a large range of empirical studies on the connection between inequality and economic growth discovered a negative and significant mid- and long-term nexus (Ostry et al. 2014; Halter et al. 2014; Dabla-Norris et al. 2015). These effects are visible only with a certain time lag of about five years and above an income threshold of USD 3000 per capita. Below these limits, the Kuznets Hypothesis seems to hold, at least with respect to capital-intensive economic sectors which need only a few skilled workers (Brueckner and Lederman 2018; Ernan and te Kaat 2019). This is more in doubt if redistribution, when not done in an excessive way, dampens growth, because investments in productivity-increasing human capital and infrastructure can hardly be growth reducing (Ostry et al. 2014; Bergh et al. 2017). We can conclude that there is no intrinsic and necessary mid- and long-term contradiction between equality and instruments to advance a fairer distribution of income and growth above a certain, relatively low level of economic development, but on the contrary there is a synergy effect, and therefore also no contradiction between a deeper integration into the world economy and reasonable distributive measures.

40.4 GLOBALIZATION AND SOCIAL POLICIES IN DEVELOPING COUNTRIES

Globalization did not depress the tax income of developing and transition economies. Tax income relative to GDP increased in all developing regions during the latest phase of globalization and in 58 of 73 countries for which the complete data set is available (cf. World Development Indicators, www.worldbank.org). Globalization therefore could not possibly exert an indiscriminate negative impact on social policy expenditures worldwide. Welfare spending in Northern countries increased monotonously throughout the era of intense globalization (see the data on welfare spending by OECD, OECD2020-Social-Expenditure-SOC X-Update.pdf) irrespective of the indicators used and there was also no erosion of Western tax capacity as a base for welfare spending, although there was some movement of tax incidence in the direction of immovable factors of production (= labour) to the advantage of corpo-
rate income. A vast literature on the topic tried to explain these apparently counterintuitive findings, operating with the power of unions and the positive impact of left governments on welfare spending, the mediating effects of counter-majoritarian institutions (federalism, independent central banks, etc.) and with rising social protection needs in the face of widespread precarious employment, ageing and technological progress.

Some of these approaches have been used to explain the varied performance and growth of the still nascent ‘welfare state’ in the Global South. With the risk of overly simplifying they can be characterized in the following way:

a. The efficiency thesis is assuming a negative connection between progressive integration of developing countries into the world economy by trade and capital exchanges and the share of social expenditures in GDP (e.g. Kaufman and Segura-Ubiergo 2001; Rudra 2002) for the same reasons as in Western countries (e.g. larger exit options of capital, shrinking tax capacity of the state). Classical trade theory in the tradition of the Heckscher-Ohlin theorem would have predicted a different outcome, namely growing economic (and therefore also political) power of the rapidly rising labour force after opening to international trade. This expected outcome may have been frustrated by the breadth of the industrial reserve army in less developed countries and transfer of technology to developing countries that were less labour- and skill-intensive than assumed by classical trade theory (Rudra 2002; Glenn 2009).

b. The compensation thesis, first advanced by Cameron (1978), later also applied to developing regions by Rodrik (1998), proclaimed instead a positive impact of globalization on public social expenditures, because social protection would dampen likely resistance against liberalization of trade and capital accounts because of their repercussions on traditionally sheltered sectors and because investments in education and health of the labour force would make countries fit for the world market and therefore might be welcomed by investors. Representatives of this thesis differentiated later between the expected reaction of export-oriented and import-substituting economies. In the former, productive welfare policies would prevail (investments in human capital), in the latter protective policies, absorbing the additional labour force in public employment, introducing relative generous social insurance and hindering massive dismissals in the formal sector (Rudra 2007).

c. A third approach, which could be named the domestic thesis, underlines instead the influence of specific national, political and cultural forces on the development of the welfare state. A prominent place is accorded to the regime type, by highlighting the positive influence of democratic regimes (or redemocratization) and/or true political competition among several national parties (Ramesh 2003; Huber and Stephens 2012). They also sometimes stress the benign effect of left governments.

Some authors do not adhere to any of the mentioned versions. Tillin and Duckett (2017) make political diffusion responsible for the recent expansion of social protection in developing countries; Carnes and Mares (2015) do this especially with respect to proliferating conditional cash transfers. Haggard et al. (2013) demonstrate mixed preferences of employees for social entitlements, depending on the sector in which they work; Holland (2018) shows that labour in the informal sector is not really interested in redistribution by the welfare state, from which they hardly benefit; and, finally, Potrafke (2018) argues that welfare arrangements in East Asia are less favoured because informal support (by the family or community) still plays such a large role.
The missing consensus on the link between globalization and social policies in less developed countries, noted by Tillin and Duckett (2017), is not difficult to explain: cases, time periods and base years differ. Also, indicators of globalization used (mainly trade and capital inflows as a share of GDP) are problematic (their movements might not have much to do with de jure liberalizing measures). Furthermore, a different selection of social expenditures is sometimes used, and – more disturbing – they are not measured in terms of coverage, generosity and outcome.

Empirically, the efficiency thesis suffers most. According to a rather comprehensive dataset of the International Labour Organization (ILO) (2017) on social expenditures of 94 developing countries, spending in relation to GDP grew nearly uniformly from 1995 to 2015 (or 2010), where globalization indices of those countries reached their climax. Expenditures on unemployment, support for maternal and infant health and disabled people, for pensions and industrial accidents in 72 of those countries rose as a share of GDP, in quite a few countries by more than 50 per cent (e.g. Benin, Botswana, Burundi, Lesotho, Ruanda, South Africa, Colombia, Costa Rica, Mexico, Bangladesh, China, South Korea). Relative cuts only happened in countries with civil wars or those where expenditures were already considerable before (e.g. Sri Lanka and Uruguay). A simple version of the efficiency thesis can therefore be dismissed immediately.

Unfortunately, a simplistic compensation thesis does not fare much better. Strategically placed employees in developing countries need not be protected against the vagaries of the world market by multiplying posts in the public sector, as Rudra and Nooruddin (2014) assume. They need not be protected, because they normally cannot lose their jobs and are highly privileged compared to their fellow citizens. The share and number of jobs in the public domain went down from 1990 to 2010, except in Latin America, where a slight growth took place (Herrera and Munoz 2019). Growth in public employment may not have been caused by globalization, but may simply be the effect of additional public tasks in the course of economic growth. Last but not least, one cannot measure policy effort by the share of social expenditure in the overall budget (as do Wibbels and Ahlquist 2011), as budget volumes fluctuate widely from year to year, especially in the case of oil- and commodity-dependent economies.

The repartition of social policy expenditures in most developing countries is also not in line with the requirements of a genuine compensation strategy: the largest part is spent on pensions for the privileged workforce in secure and formal jobs, but not on insurance or social assistance for the rest of the population. Compensation would mean that people threatened most by the impact of globalization would be the main beneficiaries of social policy innovations and measures. This is obviously not the case, as public activism in developing countries is focused on social assistance, conditional cash and employment schemes destined mostly for people not threatened by globalization-induced displacement, but for those in rural areas and the informal sector (World Bank 2003; Clemens et al. 2013; Clemens and Parry 2018). Although it is true, at least in African countries, that a good part of the new schemes were financed by foreign donors (World Bank 2016, 2018b).

A further explanation for the surge in social expenditure is democratization, which at least theoretically is empowering the mass of the population. A range of studies has tried to prove democracy’s positive effects on social expenditure and its focusing on basic services, without pronounced success. This argument has traction in the case of East and South-East Asian countries, but less so for the rest of the developing world (Truex 2017). Ramesh (2003) stresses genuine competition among political parties as being responsible for more proactive
social policies, others (Rudra and Haggard 2005; Huber and Stephens 2012) government by left parties or union strength. Finally, there are authors who deny any positive influence of the regime character, even with respect to proliferating conditional cash transfers. But the period from 1995 to 2015, where social expenditures rose rapidly, was more a period of partial democratic regression across the developing world and elsewhere (Freedom House 2019), therefore hardly a candidate to prove the argument. The sobering result in respect of the regime type may stem from packing together quite different countries under the binary heading of democracy versus autocracy, both of which display varied constellations of political and social forces. Each welfare regime in the Global South may finally represent an idiosyncratic mixture of path-dependent political courses, diffusion effects (originating from neighbouring countries, international organizations) and economic pressures.

40.5 DEFICIENCIES IN THE SOCIAL PROTECTION PROGRAMMES OF DEVELOPING COUNTRIES

We must reject most undifferentiated theses on the link between globalization and social policies in developing countries. But this is not to say that the overall picture on social protection in the Global South is rosy or shields people and workers effectively against the vagaries of the world market, growing precariousness of employment, ageing and the erosion of traditional social networks. Starting with coverage, we must note that worldwide 55 per cent of the population is not covered by any protection scheme, 71 per cent only partially. Specific sectors, where protection is very limited, are child and family benefits (more than a third of countries do not have any schemes of that sort) and protection against unemployment with a coverage of only around 22 per cent of the unemployed. Better ranked is protection of old age (68 per cent) and maternity (41 per cent). Unsurprisingly, regionally, Sub-Saharan Africa ranks worst with only 18 per cent of the population protected by any programme. Asia and the Pacific ranges not much better (with 30 per cent covered by any programme), but Latin America far better (ILO 2017). There is enormous variance within regions and across countries of similar income per capita, showing that economic strength alone does not explain the outreach of social policies.

There was a brake in social protection of developing countries around or after the year 2000 in terms of coverage and generosity (i.e. income replacement effect). Whereas in 2000, public pension systems covered only 90 per cent or more of the target population in 34 countries, the figure climbed to 53 in 2015–17; conversely the number of countries with very low coverage (under 20 per cent) shrunk from 73 to 51 (ILO 2014b, 2017). In 22 developing and transition countries universal pension coverage was reached, among them rather poor candidates (e.g. Botswana, Lesotho, Mongolia, Nepal). Elsewhere the share of non-contributory systems went up and former privatization efforts were reversed (ILO 2018). The income replacement effect of most pension systems is generally still low, though converged – in purchasing power parity – in several Latin American, Asian (Korea, Malaysia) and African countries (Cape Verde, Lesotho, Mauritius, Nigeria, South Africa) to the rates prevailing in Eastern Europe. Numerous countries introduced schemes of conditional or unconditional cash assistance (e.g. Bolsa Familia in Brazil, Progresa in Mexico), of public employment programmes, for example the Mahatma Gandhi Rural Employment Guarantee Act in India, often with access as a right, non-contributory pension schemes for the elderly poor and a flurry of similar schemes.
This expansion of social assistance in the Global South has been called a ‘quiet revolution’ (Barrientos 2013; Leisering and Barrientos 2013). But the picture is less benign in the field of social health protection: rising public health expenditures in real terms were seen during 2007 to 2011 in 68 countries, but in 26 countries they fell (ILO 2014a). An important quality criterion of the health system, the share of out of pocket went down in a considerable number of African states and remained stagnant elsewhere, especially in some more advanced societies (e.g. India). This may have been caused by more prosperous people opting out of the public health system, known for its rather mixed quality of care.

The mentioned coverage rates still leave a massive agenda for (a) the inclusion of people not yet or not sufficiently covered by social protection, (b) most of which are employed in the informal sector or subsistence agriculture, (c) more emphasis on the neglected domains, especially unemployed or underemployment, (d) a fairer distribution of state subsidies for social protection and (e) better service quality. In short: hitherto unprotected groups cannot be reached by traditional social insurance, presupposing formal, life-long and standard employment, often within the same company. Workers in the informal sector or self-employed comprise more than 60 per cent of the actual workforce in developing countries (in Sub-Saharan Africa and South Asia around 90 per cent). In consequence, the share of workers covered by social insurance has remained stubbornly low since 1990 at around 10 per cent, despite disproportionate expenditures on insurance compared to other social schemes (Rutkowski 2018; Packard et al. 2019). Priority for insurance also results (together with other factors) in a strong bias of social expenditures in favour of the relatively privileged strata. The incidence of other protection schemes is better, but there is still much room for improvement.

Unemployment is not the most important issue for workers in developing countries, because poor people cannot afford to stay idle; more important is underemployment in sectors of extremely low productivity and wages. Protection of the workforce was and is still done by labour laws hindering dismissal and/or minimum wages. They have become relatively blunt instruments in the face of necessary structural change induced by globalization, more rapid labour turnover and ‘premature’ deindustrialization in quite a few developing countries. Considering the quality of social services, the picture is even more dismal. Absenteeism, rough treatment of clients and poor outcomes are common in the education and health sectors of numerous states, whereas traditional programmes of social protection are known for large leakage effects.

40.6 WHAT IS TO BE DONE?

To conclude, globalization is only partly responsible for a rise in inequality globally and within single societies. Quite a few countries were able to stem the potential tide. Globalization is also not the main culprit of downward pressure on social protection expenditures. But it makes, in combination with other forces already mentioned, traditional protection strategies obsolete. Traditional social insurance in developing countries is hardly sustainable and – more importantly – leaves out the large majority of the population (employed in the informal sector). According to ILO (2017), 55 per cent of the population in developing countries was not covered by a single social protection scheme. The available social assistance programmes were scattered, being only slightly progressive and rife with leakage and corruption. It is difficult to outline a common and better blueprint for every developing society. With the danger of
oversimplification, several ingredients merit consideration (distilled from World Bank 2016; McKenzie 2017; Pavnic 2017; Asenjo and Pignatti 2019; Doumbia and Kinda 2019; Duval and Loungani 2019; Packard et al. 2019), as follows.

First, sustainable economic growth is a prerequisite for lifting the poor out of absolute poverty, as the experience of successful Asian and other countries exemplify. It is certainly not unimportant how the additional income is distributed, but there is no reason to denounce growth as the main culprit for poverty and inequality. Stable macroeconomic policies resulting in lower inflation rates, manageable public debt and balanced exchange rates are also a precondition for shared growth. The poor are always the main victims of economic turmoil, as enough country cases in the Global South show.

Second, overly restricted labour markets (not efficiently regulated ones), protecting mostly privileged employees in the formal and public sector against dismissal by an array of laws, are certainly not the best way to create labour-intensive employment in hopefully productive enterprises and to bring women, younger people and part of the workforce remaining in the informal sector into decent jobs with guaranteed social entitlements. These restrictions were and are a poor alternative to broad-based protection for the majority of workers. They should be replaced by market-conforming, productivity-enhancing measures to upgrade the skills of the less qualified in the informal sector and by universal protection of workers and their families against any economic shock.

Third, contrary to classical trade theory, not all workers in less developed countries benefit from trade liberalization. Globalization, in the form of outsourcing by Western companies, has contributed to a widening spread between the wages of the more and the less qualified, and lower employment prospects for the latter. This is often amplified by labour laws hindering informal firms to become formal and tax systems privileging capital deepening. Upgrading human capital of the less qualified would narrow the gaps, a stricter and more progressive tax regime ending capital subsidizing could do some of the rest.

Fourth, trade liberalization always has a negative impact on workers in the hitherto sheltered sectors, spreading to their environment and lasting longer because of low labour mobility and spill-over effects to the environment, contrary to classical assumptions. Adjustment assistance, interventions to assist internal mobility, vocational training, continuous upgrading of skills and wage subsidies could help.

Fifth, to avoid the transgenerational transmission of poverty and maldistribution, early childhood interventions in health and education are indispensable. Malnourishment, lack of immunization, of cognitive stimulation, etc. translate into lower educational, career and income chances in adulthood. Increasing enrolment in secondary education, reducing school drop-out rates and improving foremost educational quality for less privileged students would enhance future life chances.

Sixth, coming to the core of social protection measures, a thorough reorganization of the far too numerous schemes (more than 100 in Bangladesh or in India) with small impact, by collapsing them into a few, truly universal programmes covering all citizens not yet included, would certainly be a better strategy. The establishment of a basic universal income scheme should pose less administrative problems than formerly, as recent digital identification of citizens and cash payments in dozens of developing countries testify. The costs of such a programme seem to be tolerable or even modest, at least in the case of middle-income countries. According to the United Nations Economic and Social Committee for Asia and the Pacific (2018), they would amount to 0.8 per cent of GDP in Asia; the World Bank and the IMF arrive
at a much higher (contested) figure of 3.8 per cent for the average developing country, whereas
the Indian government assumes that a basic income could be financed by replacing existing
assistance schemes in India, if the top quarter of income earners is excluded (Government
of India 2017; World Bank 2018a; Guven 2019). The discontinuation of a number of the
unnecessary, scattered programmes, the pruning of subsidies favouring the well-to-do (e.g.
for energy and fuel) and a larger tax effort of governments even in poorer countries could
indeed finance a large part of a universal basic income. Tax income in relation to GDP is rather
low in most developing countries and stems predominantly from indirect sources, exercising
a regressive income effect (Lustig 2016). Poorer countries certainly cannot make the proposed
transition without international assistance.

The evidence shows that a shift in direction of universal social entitlements is not impossi-
ble, even for less fortunate societies, as the progressive introduction of conditional and uncondi-
tional cash transfers in around 100 developing countries and of universal pension and health
schemes in admittedly fewer countries demonstrates. A universal basic income could finally
be introduced stepwise, restricted to people without other protection and combined with contributory schemes and mandatory savings (see Packard et al. 2019). It is another question how
easily a political coalition can be built to bring this agenda forward everywhere. But already
a number of developing societies have been able to mobilize the ominous ‘political will’ to
manage such a transition.

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41. The future of work

Franziska Gassmann

41.1 INTRODUCTION

Driven by the exponential increase in the computational power of machines, data digitalization and scientific advancement in robotics and automation, the current wave of technological change is seemingly unprecedented in speed and scale. It transforms manufacturing and businesses making them more flexible, decentralized and efficient (Lasi et al. 2014). Even though technological change is nothing new, some argue that it is different this time. The new technologies have not only the potential to substitute labor (Nomaler and Verspagen 2018), they also change the way people work. The trend towards new forms of employment is no longer a marginal phenomenon. Across Organisation for Economic Co-operation and Development (OECD) countries, 16 percent of workers are self-employed and another 13 percent are on temporary employment contracts (OECD 2019). Gig jobs, crowd workers or app-based work are just some of the new forms of non-standard employment (NSE) that provide opportunities and autonomy for workers, but are also criticized for their lack of protection and precarious working conditions (De Stefano 2016).

The change in labor demand and the move away from traditional forms of employment carry risks for both the individual and society. Existing social protection systems, modeled after traditional post-war career paths of a single skill set for a single employer, may no longer be adequate to protect workers and their families against economic shocks or job displacement. At the societal level, income inequality may further increase if no additional support is provided to displaced workers in an increasingly skill-based labor market.

In this chapter we want to answer the question to what extent current social protection systems are equipped to deal with the changing nature of work. The focus is primarily on developed countries with mature welfare states and well-established social protection systems. The chapter starts with an overview of how the world of work is changing and discusses the implications for social protection. Given the challenges ahead, we then continue with a review of possible options for how to maintain and strengthen the protection of individuals and families against risks in the future.

41.2 THE CHANGING NATURE OF WORK

The current literature seems to agree that changes in labor market structure, employment form and income distribution are destined to happen in what is sometimes called the fourth Industrial Revolution (Lasi et al. 2014). However, what the equilibrium may look like is highly uncertain. Predictions range from the end of work, where workers will be replaced by robots, structurally lower levels of employment, where some jobs will be definitively lost but some displaced workers will find jobs in newly created sectors after up-skilling or retraining, to rebound, whereby technology induces an initial drop in employment but soon returns to
a regular rate (or more) as new jobs and sectors are created and workers change to different sectors (Vermeulen et al. 2018).

Technological business leaders such as Bill Gates (Fortson 2018) and Elon Musk (CNBC 2016) have publicly suggested that automation will take over all jobs in the future, which seems to be supported by recent evidence that the number of robots in industry is increasing quickly (World Bank 2019). Yet, employment rates remain high even in countries with a high rate of robot density per worker (World Bank 2019). Technological change might also create new job opportunities and new job positions (World Bank 2019).¹ The World Bank (2019) has compared different predictions from recent publications and concluded that the results differ so widely that no concrete figure could be given as to how levels of employment will develop. Factors affecting the development include the speed of automation (Goolsbee 2018), the mobility of the labor force (Vermeulen et al. 2018) and the extent to which the education infrastructure responds (Goldin and Katz 2007). Despite the uncertainty regarding the net effect on employment, technology is transforming the economy. Particularly middle-skilled, routine-based jobs are slowly replaced by automation and machines (Katz and Margo 2014), while technological change is expected to stimulate the demand for high-skilled workers (Autor et al. 1998).²

But technology not only affects the level of employment, it also changes the way and the conditions under which people work (World Bank 2019), resulting in work relationships that deviate from standard employment relationships.³ Firms have not only benefitted from new technologies (OECD 2018), but also from institutional changes. In their endeavor to make labor markets more flexible, many governments in continental Europe have made provisions in the labor laws allowing for atypical contracts (Bussolo et al. 2019), resulting in the proliferation of NSE contracts (Bonoli 2016; Eichhorst et al. 2017). From the workers’ perspective, digital innovations make self-employed entrepreneurship more accessible and create opportunities across geographical barriers and time zones. The flexibility of new employment forms benefits those that may not have been able to work before (e.g. people with disabilities or stay-at-home moms), yet it also challenges the standard employment relationship, thereby potentially blurring the rights and obligations between the employee and the employer.⁴

Labor market segmentation and the casualization of employment are fueling disparities. Workers employed under non-standard contracts face wage penalties. They earn lower wages compared to people under standard contracts (OECD 2015). Interestingly, the wage penalty is larger for temporary workers while it is less significant in the case of part-time workers. Poverty rates are higher among workers employed under non-standard contracts (OECD 2015). The at-risk-of-poverty rate for the self-employed is three times higher compared to the employed with more ‘traditional’ contracts in Europe in 2015 (Spasova et al. 2017). Young people with temporary contracts have a lower chance of moving on to more stable jobs. They have fewer training opportunities and are more likely to move in and out of work (ILO 2016).

¹ There are several historical examples such as the introduction of Automated Teller Machines (ATMs) in the United States in the 1970s that contributed to create more bank teller jobs (ILO 2018).
² This trend is confirmed, for example, by Acemoglu and Autor (2011), Acemoglu and Restrepo (2017) and Graetz and Michaels (2015).
³ Full-time, permanent, usually in the employer’s premises and under its supervision (Schoukens and Barrio 2017).
Non-standard workers, particularly those working on demand or in the gig economy, do not benefit from the same protection as workers on long-term contracts. Indeed, buyers or platform organizers do not have the responsibility over the well-being of this workforce as traditional employers have for theirs (De Stefano 2016). The undeclared employment relationship denies these workers from getting ‘access to the rights and benefits associated with employment in the areas of labor law and social security’.5

The quality of non-standard jobs, particularly in the platform economy, 6 is often unsatisfactory and may lead to a ‘race to the bottom’ if not properly regulated (OECD 2017). Entry barriers are considerably lower in the platform economy resulting in more competition and increasing the pressure on pay and working conditions (Drahokoupil and Fabo 2016). Even though crowdsourcing platforms comply with general commercial law or consumer protection regulations, workers have little bargaining power (Valenduc and Vendramin 2016). The lack of unions or other forms of workers’ cooperatives to fight for their rights further increases the vulnerability of old and new NSE (Westerveld 2012). Empirical evidence indicates that platform workers are not different from standard employees in their perception of trade unions, yet there are few unions actively reaching out to them (Vandaele et al. 2019).

41.3 IMPLICATIONS FOR SOCIAL PROTECTION

The rise in NSE and particularly the various forms of platform work put achievements of post-war welfare states, such as the decommodification of work (Esping-Andersen 1990), at risk. Humans are considered a service in the gig economy (see De Stefano 2016). The lack of human contact in online transactions makes the crowd workers invisible and contributes to the recommodification and dehumanization of these activities. Semantics further exacerbate this perception given that platform work is often referred to as a specific activity (task, ride, service) but hardly called work (or worker, for the same) (De Stefano 2016), or workers are called ‘partners’ in disguise of their dependency (Drahokoupil and Fabo 2016).

Current social insurance schemes do not align well with the characteristics of NSE due to common statutory requirements, such as the minimum duration of an employment relationship, earnings or hours (ILO 2017). Yet legally defined employment relationships, which determine the mutual rights and obligations between employer and employee and ensure the protection under labor laws and social security provisions,7 are missing for the self-employed and the platform worker. Moreover, most social insurance schemes have systematically built-in barriers for the self-employed and workers with irregular, short or interrupted employment records (Buschoff and Protsch 2008; Eichhorst et al. 2017; Hinrichs and Jessoula 2012; Loprest and Nightingale 2018; Spasova et al. 2017). Among NSE workers, social insurance coverage is much lower as many of them do not meet the minimum thresholds (ILO 2017). NSE workers often work fewer hours, have lower earnings and change jobs more frequently

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6 The term refers to the underlying use of online platforms, which reduce transaction costs and provide access to goods and services (Drahokoupil and Fabo 2016).
which either excludes them entirely from social insurance schemes or results in benefits that are considerably lower compared to standard employees (Behrendt and Nguyen 2018; Bussolo et al. 2019). Casual workers, for example, are engaged on an as-needs basis with limited rights and are often excluded from social insurance systems (Behrendt and Nguyen 2018). The irregular working hours in on-call employment lead to unpredictable income from work and may result in interrupted employment affecting the duration needed to be eligible for social insurance entitlements.

Workers engaged in platform work (‘gig workers’) are often classified as independent contractors and are as such not covered by existing labor and social protection laws (ILO 2017; De Stefano 2016). They are liable towards their clients as well as responsible for all insurance obligations, employment laws and labor regulations (Rogers 2015b, in De Stefano 2016). Shifting risks to workers is not only an issue for platform workers but affects many other NSE workers as well, such as in the case of zero-hours contracts or on-call contracts. Misclassification of employment relations also contributes to the informalization of work (De Stefano 2016). Workers in disguised employment relations do not benefit from labor and social protection. As platform workers are classified as independent contractors, they have no access to statutory employment and social protection rights, such as unemployment benefits, maternity leave or holidays (De Stefano 2016).

Because many NSE workers have no, patchy or too short social insurance contribution records, they are not eligible for benefits in the event of job loss (unemployment), maternity, sickness, old-age and other work-related contingencies. They are insufficiently protected against these risks, which can be catastrophic in the absence of insurance and increase the risk of a life in poverty.

Given that our current social protection systems were designed with a full-time employee in mind (OECD 2019), the increasing number of workers in NSE or self-employment leads to substantial coverage gaps. Many NSE workers struggle to meet minimum contribution periods. The self-employed are often excluded from social insurance systems or only eligible for some very basic benefits (OECD 2019). The increase in the number of NSE workers along with their exclusion from current systems challenge the financial base of contributory social insurance systems (OECD 2019). The unequal treatment of workers with different forms of employment creates incentives for firms to shift work to those for which they do not have to pay contributions, that is those with the least protection (OECD 2019). On the other hand, the rapid increase in platform work and the increasing importance of platforms in general may speed up the development of employment standards which account for the characteristics of the platform economy (Drahokoupil and Fabo 2016).

41.4 ALTERNATIVES FOR FUTURE-PROOF SOCIAL PROTECTION

The main challenge for current social protection systems is how to include NSE workers. ‘[The] discussion should not be about whether there should be a welfare state, but about its precise forms and its distributional objectives’ (Barr 1998, 414). Bussolo et al. (2019) call for rethinking the social contract in Europe. Educational attainment is no longer a guarantee for stable full-time employment. The feeling of economic security has gone even though most workers still earn a decent income and are part of the middle class. A stable social contract
finds the middle ground between the market-driven distribution of resources, redistributive public policies and societies’ preferences for redistribution of opportunities and outcomes. Notions of equity, progressivity and universality need to be revisited as underlying principles of the social contract between citizens and government (Bussolo et al. 2019).

Stakeholders in national and international organizations and academia have proposed solutions how to better align social protection systems with the new working realities and effectively protect individuals and their families. Proposals range from changes in labor laws and regulations, adjustments to current schemes, to more radical reforms, which would structurally change current welfare state systems. The equal treatment of different forms of employment is the underlying principle for most proposals: ‘Extending social protection to all forms of employment is not only about ensuring fairness and better protection for workers and their families, but also about creating a more level playing field for different forms of employment, as well as facilitating labor market transitions and labor mobility’ (Behrendt and Nguyen 2018, 8).

41.4.1 Strengthen the Rights of Workers

For the International Labour Organization (ILO), the investment in the institution of work means to strengthen the rights of workers to economic security, autonomy and equal opportunity. This is also reflected in the Employment Relationship Recommendation 198, adopted by the International Labour Conference in 2006, which should help countries in determining the scope of employment relationships and increase the number of workers protected by labor and social security laws (ILO 2013). This is particularly important for the new technology-related NSE workers in European countries whose legal status is often blurred by ambiguous employment forms, such as platform workers or self-employed crowd workers. Their unclear legal status has implications for their social protection coverage (ILO 2019). Within the context of the decent work agenda, the ILO sees potential to improve national labor laws and regulations to improve the position of NSE workers and their social protection coverage (ILO 2017).

The gig economy is not a separate silo in the economy. Hence, there should be no separate discourse on platform work, but it should be part of the overall discussion on how to improve the protection and better regulation of NSE (De Stefano 2016). Most importantly, jobs in the gig economy should be recognized as work to counter commodification (De Stefano 2016). Yet, quick legislative responses, such as the creation of new categories of employment in the gig economy, should be avoided. This would also ensure that general labor regulations apply to this form of work (De Stefano 2016). Platform workers are generally considered as self-employed. Yet, some platforms intervene in the work to such an extent that they are classified as employers by national courts. Such misclassifications can be effectively addressed by labor laws (OECD 2019). In particular, platforms that operate on local markets should be within reach of existing regulatory frameworks (Drahokoupil and Fabo 2016; Vandaele et al. 2019). This would increase coverage of workers in dependent self-employment and reduce the number of workers in disguised self-employment (ILO 2017).

8 Uber’s business model has been challenged, for example, in the United Kingdom and France. In both cases, courts have recognized the rights of Uber drivers to be considered as employees (Reuters 2020; The Guardian 2018).
Measures to ensure equal treatment between self-employed and wage workers may further prevent firms from reclassifying workers as self-employed and avoid the payment of social insurance contributions. The OECD (2018) suggests introducing a wage premium for flexible work arrangements, such as independent contractors, on-call workers or those with flexible-hour contracts. The wage premium would compensate for the entrepreneurial risk and compensate for the lack of benefits, such as paid holidays and social insurance. Others suggest extending collective agreements to a wider category of ‘employees’, which would also include platform workers or recognize platform workers as a category in need of special protection similar to part-time or agency workers. This could, for example, include the right to temporarily deactivate an account (Drahokoupil and Fabo 2016). Although trade union density has been steadily decreasing over the last decades (Balliester and Elsheikhi 2018), union representation can extend to and support the position of NSE workers and particularly those in the gig economy. As examples from the United Kingdom and Belgium have shown, both traditional and new worker collectives have been instrumental in fighting for the rights of local platform workers such as Uber and Deliveroo (The Guardian 2018; Vandaele et al. 2019). However, regulating crowd work on globally operating platforms will be much more challenging. Still, crowd workers should be allowed ‘to exercise their freedom of association and collective bargaining rights’ (Berg et al. 2018, xix).

41.4.2 Extend Social Insurance Schemes

Extending statutory social insurance coverage to currently excluded workers would ensure the equal treatment of different contractual arrangements and would improve the protection of NSE and self-employed workers (Behrendt and Nguyen 2018). In order to include NSE workers in social insurance systems, existing minimum thresholds with respect to hours, earnings or employment duration need to be lowered or eliminated. Ideally, every hour counts towards social insurance contributions (ILO 2017; Behrendt and Nguyen 2018). Such an approach also accounts for instable incomes and limited contribution capacity. Extending the period during which contributions are considered will improve access to benefits for workers with interrupted contribution periods (ILO 2017).

A lot can be gained by simplifying administrative procedures (registration and contribution), improving access to information and facilitating the portability of entitlements between different insurance schemes and employment statuses (ILO 2017). Portability is important to protect accumulated benefits from being lost. Schemes should also be adapted to cater for workers with multiple employers (Behrendt and Nguyen 2018).

However, if fewer workers have continuous employment records, it is debatable whether collecting contributions through employers is still the most effective way (Barr 2018). The individualization of social protection, which essentially means untying contributions from employment relations, is offered by some as a solution. Barr (2018), for example, recommends the introduction of notional defined contribution systems. All contributions made by worker, employer or state are individually recorded in one account. It is not a new idea, but recently gained traction especially for platform workers (Etsy 2016, in OECD 2019). However, given that individual accounts do not include risk-pooling elements, they may not be sufficient to protect against catastrophic risks (OECD 2019). Low-income and part-time workers have the additional disadvantage that they hardly accumulate enough contributions for a meaningful
benefit unless contributions are subsidized by the government or the government contributes directly (OECD 2019; Behrendt and Nguyen 2018).

To address the double contribution issue, independent workers could be required to pay both employer and employee contributions, with the effect that it would raise the price of labor as for example in the United States (OECD 2019). Yet, self-employed workers may not be able to shift the additional costs to the client and prefer the informal sector, especially if transactions cannot be properly monitored (OECD 2019). Alternatively, clients could be charged directly as in the case of Germany’s artist insurance (OECD 2019; Behrendt and Nguyen 2018).

41.4.3 Extend Tax-Financed Social Protection

Alternatively, social protection could be made more universal by granting entitlements to tax-financed benefits based on need. Health care or health insurance and provisions for maternity leave are already universally available in most countries. The OECD, for example, suggests ‘[i]ncreasing the role of tax-financed social protection elements to help address gaps in existing provisions, i.e. use universal and means-tested benefits to complement benefits linked to employment status and/or the level of contributions’ (OECD 2019, 83). Such an approach would automatically extend coverage to all NSE workers and could reduce the administrative challenge of tracking all contributions.

Earnings-related benefits must remain contributory, but where the primary purpose is insurance (health care) or poverty relief (basic pension), contributions need to be redesigned as the current system through employers is no longer effective. It can even discourage formal-sector employment (Barr 2018). Recognizing that contributory social protection is linked to some form of employment, the combination with non-contributory measures linked, for example, to residence allows for the design of comprehensive social protection systems that are equitable and sustainable (ILO 2017). A flat-rate basic pension based on age and residency, financed from tax revenues, without contribution requirement has the advantage of relieving poverty and reducing the inequality of retirement income between men and women (Barr 2018). NSE workers can be further supported by tax-financed family benefits, unemployment protection and social assistance. Health risks can be addressed by an insurance scheme with everybody in a single pool (Barr 2018).

The risk of extending tax-financed benefits to other contingencies is the crowding out of employer contributions. If benefits are no longer linked to employment, the challenge is how to ensure that employers continue to contribute (OECD 2019). If low coverage with social insurance has to be compensated with more tax-financed social assistance, social assistance schemes may become overburdened and financially unsustainable. It would challenge the solidarity between contributors and beneficiaries.

41.4.4 Introduce a Universal Basic Income

Recently, the universal basic income (UBI) emerged once again as a possible policy response to issues such as increasing inequality and future labor displacement due to automation. In a world which is becoming more complex, ‘the simplicity of a UBI is alluring’ (Gentilini et al. 2020, 1). Many see it as the optimal policy for poverty and inequality reduction. In its 2019 World Development Report, the World Bank (2019) emphasized the need to expand social assistance programs in developed countries. A UBI would increase the low poverty
and unemployment benefit take-up rate, and it would provide protection to those workers who are currently not or insufficiently covered by social insurance schemes. A more universal social assistance system could tackle the challenges of ‘lack of awareness of benefits, misunderstanding of eligibility rules, the stigma associated with assistance, bureaucratic obstacles and the opportunity costs of accessing benefits among beneficiaries’ (World Bank 2019, 108). The money transferred to the rich would be recovered by a progressive tax and the UBI would replace all other cash transfer programs and tax allowances. A UBI is not by definition a Pareto-efficient or equity-enhancing solution. It would create winners and losers, depending on its design and funding principles (World Bank 2019). If the funding for the UBI is transferred from existing benefits, previous beneficiaries may experience significant income losses (Martinelli 2017).

Atkinson (2015) proposed a taxable universal child benefit and a participation income (PI) to expand current social assistance coverage in developed countries. The PI is a form of UBI for adults, with broad eligibility conditions: any resident with civil engagement (paid or unpaid) or performing household duties would be eligible. Unlike the World Bank, Atkinson proposed the PI as complementary to current social protection systems. However, the PI would be taken into account for the assessment of income-related or social insurance-based benefits.

Critics of the UBI argue that it would change labor market participation. However, the existing evidence from Alaska and Finland shows that effects are modest or had no effect on employment rates (Feinberg and Kuehn 2018; Jones and Marinescu 2019; Kangas et al. 2019). Cowan (2017) argues that these studies have not considered the disincentive effect from the possible increase in income tax rates. Some argue that a UBI may also incentivize employers to reduce wages as the government already provides part of the income. A study from the 1970s Canadian UBI experiment in the area of Dauphin shows the opposite. The comprehensive guaranteed income pulled wage rates up by a considerable amount as it gave workers more bargaining power (Calnitsky 2018).

41.4.5 Activate, Retrain and Up-skill Workers

Skills needed for the successful participation in the labor market are changing rapidly in line with the advancements in technology. Companies will require different skill sets, which has implications for the individual worker (Illanes et al. 2018). The question is who should take the lead in training, reskilling and up-skilling the labor force. Governments can help people to acquire the right type of skills either by investing in formal education or by creating new training programs (OECD 2017).

The Global Commission on the Future of Work recommends the implementation of a universal lifelong learning approach as a way to cope with the changing nature of work offering ‘a pathway to inclusion in labor markets for youth and the unemployed’ (ILO 2019, 30). Investments in lifelong learning systems are also recommended by the OECD with the objec-

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9 No one can be made better off without another person being worse off.

10 Preliminary results for Finland show that the program led to an improvement in general mental well-being (Kangas et al. 2019).

11 ‘Lifelong learning encompasses formal and informal learning from early childhood and basic education through to adult learning, combining foundational skills, social and cognitive skills (such as learning to learn) and the skills needed for specific jobs, occupations or sectors’ (ILO 2019, 30).
tive ‘to permit adults to regularly update, upgrade, and sometimes even acquire completely new knowledge, skills and competences in order to stay employed and/or find new employ-
ment’ (OECD 2017, 19).

Young workers belong to the groups most vulnerable to automation, despite their likely tech-savviness, and they are more likely engaged in NSE (ILO 2016; Nedelkoska and Quintini 2018). By introducing employment programs and supporting young entrepreneurs, govern-
ments can promote youth employment opportunities. The private sector could contribute by offering quality apprenticeships and entry-level jobs. This is particularly important for those adolescents that are not in employment nor in education to prevent long-term unemployment and social exclusion (ILO 2019). For older workers, apart from lifelong learning, the Global Commission on the Future of Work suggests providing more flexible working arrangements (both in terms of working hours and locations), partial retirement policies or raising the optional retirement age (ILO 2019). This could possibly help to alleviate pressure on current social protection systems due to aging demographics, changes in the nature of work and reduced returns on pension investments.

Providing sufficient retraining and new job opportunities could be challenging for many governments. The Global Commission on the Future of Work calls for a close collaboration of governments, education institutions and firms (ILO 2019). Governments are expected to redesign and adapt employment services and training systems to the changing nature of work. To assist workers in transitioning in the labor market, governments are suggested to invest more in public employment services (ILO 2019). The reform of labor market institutions could be further facilitated by the use of new digital technologies to improve accessibility and more flexible solutions, such as online training.

Firms, together with labor unions, are expected to play a leading role in the definition of the new skills required by the market (ILO 2019), and they have to take a larger role in providing workers with opportunities to upgrade their skills (Barr 2018). Given the challenge ahead, the awareness that firms also have a responsibility in retraining and up-skilling their employees is rising (Illanes et al. 2018). Based on a global survey with close to 300 executives from large companies (over USD 100 million in annual revenues), ‘addressing potential skills gaps related to automation/digitization’ is considered a top-ten priority by 66 percent of the respondents (Illanes et al. 2018, 2). Sixty four percent of the United States executives and 59 percent of the executives surveyed in Europe ‘believe that corporations, not governments, educators, or individual workers, should take the lead in trying to close the looming skills gap’ (Illanes et al. 2018, 3). Yet, companies themselves struggle in identifying how jobs will change and what skills will be needed in the coming years (Illanes et al. 2018).

41.4.6 More for the Firms?

Finally, firms and especially multinational companies might play an active role in the process of transformation supporting the extension and coverage of social protection. However, this aspect is still under-researched. The beauty of platform work is also that all transactions are registered online. This property could be utilized for the collection of taxes and social contributions. Online platforms could be asked to share information on payments or to withhold taxes directly. The latter could be challenging if the firm is located in another country than the platform worker and would require cross-country agreements (OECD 2019).
Recently, the ILO has shown some interest in the potential engagement of the private sector in the process of social protection reform. Tessier et al. (2013) refer to Danone and L’Oréal, two multinational companies which have implemented projects aimed at assuring a minimum level of protection to their employees working in different countries over the world. Such measures can generate additional benefits due to the potential positive effects on the companies’ brand attractiveness as well as the positive effects on the motivation and productivity of their workers. However, in order to ensure an effective coordination with other components of the social protection systems, governments should be informed about such initiatives (Tessier et al. 2013).

41.5 CONCLUSION

Technological change as such is nothing new. Yet, the current transformation is unprecedented and will have consequences on how and how much we work. European welfare states are not well prepared for these changes. Firms and workers benefit from new technologies as they lower transaction costs and offer flexibility in working arrangements. Yet, this flexibility can also lead to precarity. Part-time, temporary or platform workers still earn an income, but they miss the benefits linked to full-time employment. They may no longer rely on the protective function of social insurance mechanisms. NSE workers have a higher likelihood of falling into poverty in the event of a shock, such as illness, disability, maternity or retirement.

The challenge for contemporary welfare states in developed countries is how to extend effective social protection to NSE workers. The increase in job insecurity particularly for NSE workers and lower incomes from work put existing social protection systems under pressure. The demand for social protection is increasing while the contribution base is eroding. Due to the rules and regulations of current contributory social protection schemes, many NSE workers are not or only partially covered by social and health insurance. This leads to a higher poverty risk in the event of job-related contingencies and a larger burden for tax-financed social assistance schemes. The erosion of the contribution base leads to financing gaps, which puts a strain on existing social protection systems and jeopardizes the adequacy of existing systems. This imbalance threatens the intra- and intergenerational solidarity of our current systems and the social contract between citizens and institutions.

Hence, it is time to review current systems and work on social protection that is truly universal and includes all irrespective of their level and type of employment. There is no easy fix given the diversity of employment and the differences in preferences regarding the size of the welfare state. At a time of rapid innovation, governments need to be just as innovative in order to ensure the continued well-being of their citizens. ‘[The] future of the welfare state depends not only on economic feasibility, but also very much on what people, through the political process, decide that they want’ (Barr 1998, 414).
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Climate change is the most pressing challenge of our time. Temperatures have already risen by one degree centigrade, with current projections forecasting an increase of more than three degrees by the end of the century, even if current pledges are met (IPCC 2018). The consequences will include changing precipitation regimes and more frequent climate shocks (such as droughts and floods), landslides, increases in the levels and acidity of seas. This will, in turn, lead to decreases in crop yields and lower availability of water, food and nutrients, conflicts for scarcer resources and human diseases. In summary, the world as we know it may cease to exist.

Science tells us that to avoid these devastating consequences, bolder climate change mitigation action is required. For example, carbon dioxide (CO₂) emissions need to decrease by 7.6 per cent per year globally (UNEP 2019). If adequate climate change mitigation action is taken, it will have significant effects on both social and economic systems (Haug et al. 2018). For example, prices of carbon-intensive goods will increase, and some jobs, especially in polluting industries, will be cut. These socio-economic consequences may hit the vulnerable segments of the population harder than others as they spend proportionally more on energy and carbon-intensive goods, and they represent a large share of low-skilled employment in environmental polluting sectors, such as coal mines.

On the other hand, even if bold action is taken and climate change mitigation is adequately addressed, climate change adaptation is still unavoidable (IPCC 2018). In fact, given the long lifetime of CO₂ emissions, both slow-onset events, such as the rise in temperatures, and climate shocks will continue for some time. Climate shocks and slow-onset events affect more strongly the poorest groups. In fact, lower-income individuals often lack the economic resources and capital (human, social and physical) that are necessary for adaptive capacity to climate change (Tol et al. 2004). In addition, when considering the international extreme poverty line of USD 1.90 a day, the majority of the global extreme poor live in middle- and low-income countries which are geographically more prone to climate change (Tanner et al. 2015).

Social protection (SP) systems can play a critical role in addressing the aforementioned negative socio-economic effects of climate change, and the actions taken to mitigate them. SP schemes include non-contributory transfers (social assistance), contributory schemes (social insurance) and labour market policies (see Chapters 2, 3 and 4). Social assistance can be further categorized in unconditional cash transfers; conditional cash transfers (CCTs, requiring a behavioural intervention); public employment programmes that aim at providing employ-

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1 ‘GHG [greenhouse gas] emissions have grown every year since the global financial crisis in 2009, with only slightly lower growth in 2015 due to big declines in coal use in both the United States of America and China’ (UNEP 2019).
ment building assets; and integrated social assistance programmes, which combine a range of interventions that focus on social inclusion alongside human and physical assets accumulation. This categorization is crucial for the analysis presented in the chapter.

The chapter is structured as follows. Sections 42.2 and 42.3 present an overview of the links between SP and climate change adaptation and mitigation. Section 42.4 discusses steps to improve the adaptability of SP schemes to deal with consequences of both climate change and the policies aimed at mitigating it. Section 42.5 presents the policy implications and the conclusions.

42.2 SOCIAL PROTECTION AND CLIMATE CHANGE ADAPTATION

This section starts by discussing how climate change impacts poverty and vulnerability. It then presents the literature on how SP can be a critical tool for climate change adaptation. Finally, the section outlines examples of SP programmes with direct links to this climate change adaptation. The overall message is that, to avoid devastating consequences of climate change on poverty, SP systems and programmes need to be linked to climate risks explicitly.

42.2.1 How Climate Change Increases Poverty and Vulnerability

The effects of climate change-induced shocks (both covariate, affecting regions or macro areas, and idiosyncratic, affecting the single household) and slow-onset events can exacerbate poverty and vulnerabilities through different economic and social channels (Carleton and Hsiang 2016).

Most importantly, climate change can have a negative impact on health indicators such as mortality and morbidity rates, especially through higher temperatures. For example, risks from some transmissible and vector-borne diseases, such as malaria and dengue fever, are projected to increase with warming (IPCC 2018). Health and nutrition may also be negatively affected by decreases in food availability, which can result from lower agricultural yields and loss to marine biodiversity, fisheries and ecosystems (IPCC 2018). In turn, lower health status may also negatively affect labour productivity. In addition, there are other significant economic effects on the poor, such as lower income gains from agricultural activities. Finally, the scarcer availability of key resources (such as food yields) may increase conflicts and negatively affect social cohesion.

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2 Throughout the chapter, the term climate change indicates both mitigation and adaptation.
3 This includes both mainstreaming social protection more in the climate change discourse as well as including climate change considerations in social protection planning.
4 Covariate shocks may be natural (drought, floods, typhoons and earthquakes), political (political crises and armed conflict) or economic (economic downturns or high food prices).
5 Vector-borne diseases are human illnesses caused by parasites, viruses and bacteria that are transmitted by vectors. Every year there are more than 700,000 deaths from diseases such as malaria and dengue.
6 Furthermore, natural risks, for instance the risk of a drought, can keep people poor by affecting behaviours (Brown et al. 2018).
These effects are especially relevant for poverty and vulnerability for two main reasons. First, the effects of climate change will be greater in regions such as Africa and Asia, where there are large populations in, or vulnerable to, poverty. Second, within countries, the poor are the most vulnerable to climate change effects; in fact, they have a higher exposure and a lower adaptive capacity, determined by limited economic resources, human capital and access to new technologies (Tanner et al. 2015). As a result, it has been estimated that, without adequate mitigation efforts, several hundred million people will fall into poverty due to climate effects (Hallegatte et al. 2015; IPCC 2018). In summary, it is crucial to consider the direct and explicit impacts of climate change on poverty and vulnerability.

42.2.2 The Potential of Social Protection for Climate Change Adaptation

An increasing strand of literature has analysed how SP can address climate change adaptation (Davies et al. 2013; Kuriakose et al. 2013; Ulrichs et al. 2019). This body of research recognizes that the different SP general functions (protective, promotive, preventive and transformative; see Chapter 1 of the handbook) can enhance different capacities related to climate change adaptation: adaptive (and anticipatory), absorptive and transformative (Devereux and Sabates-Wheeler 2004). Figure 42.1 summarizes these links, further developed in the next paragraphs. Moreover, there are overlaps as a single programme can play multiple roles.

First, the preventive function of SP can address vulnerability by anticipating the risks and increase the preparedness. The main examples are the provision of social insurance, which deals with risks and uncertainties of income and asset losses. Similarly, cash transfers that increase savings before the climate event, to be used in case of an emergency. Evidence confirmed that households increase their precautionary savings because of the cash transfer receipt (Bastagli et al. 2016).

The promotive function of SP programmes can help in implementing strategies to reduce vulnerabilities to climate risks by encouraging livelihood diversification, and building capacity to respond. Examples of such programmes are particular social assistance programmes, such as public employment programmes, which contribute through paid employment to asset creation, skills and work experience (Beazley et al. 2016); integrated SP programmes (Barrientos 2013), which incentivize investments in human and physical capital, towards long-term productivity. Significant examples of these integrated programmes are the BRAC programme (Raza et al. 2012) or the Ingreso Etico Familiar (formerly Chile Solidario) (Martorano and...
### Social Protection Function

<table>
<thead>
<tr>
<th>Social protection function</th>
<th>Role in climate change adaptation</th>
<th>Social protection program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protective</td>
<td>Absorptive: absorb and cope with climate-related shocks while/after they occur and reduce the immediate negative impact</td>
<td>Cash transfers, community and livelihood reconstruction and recovery</td>
</tr>
<tr>
<td>Preventive and promotive</td>
<td>Adaptive: adapt to multiple and long-term climate risks; reduce vulnerability to similar shocks in the future. Anticipatory, avoiding or reducing exposure by minimizing vulnerability to the shock</td>
<td>Insurance, livelihood diversification, climate-resilient infrastructure, human capital</td>
</tr>
<tr>
<td>Transformative</td>
<td>Transformative</td>
<td>Minimum wage; social transfers to the marginalized</td>
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</tbody>
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*Source: Author’s own illustration adapted from Kuriakose et al. (2013) and Ulrichs et al. (2019).*

**Figure 42.1** Social protection and climate change adaptation
Sanfilippo 2012). In summary, the preventive and promotive functions enhance the ex ante adaptive (and anticipatory) capacity for climate change adaptation (see Figure 42.1).

Second, the protective function of SP minimizes the effects of climate shocks and events after (or while) they happen, providing a significant buffer. In this sense SP addresses the absorptive capacity. This is especially important in the case of shocks and disasters that cannot be forecasted or avoided, and in general where the risks and impacts are not addressed by SP schemes before they materialize. Some of the SP instruments that deliver this absorptive role are cash and food transfer schemes. These schemes can represent a critical buffer for unprepared households losing incomes, assets and livelihoods due to climate change effects (Roberts and Pelling 2018). Similarly, public employment programmes can help in rebuilding infrastructure after a disaster (Godfrey-Wood and Flower 2018; Schwan and Yu 2018). Some research has shown that the protective function of SP was the most prominent if the size of the cash transfers was too small to make any larger investments to transform livelihoods (Ulrichs et al. 2019).

The fourth general function of SP, the transformative one (Devereux and Sabates-Wheeler 2004), can also potentially play a role within climate change adaptation. Overall, SP can play a transformative role when it does not only decrease poverty and vulnerability, but also addresses the root causes and social inequalities that produce them. For example, minimum wage (as part of labour market policies) can increase the bargaining power of discriminated workers; or cash transfers to marginalized workers can increase their political inclusion. But the transformational potential, both generally and in relation to climate change adaptation, has not yet been properly achieved (Tenzing 2019), also due to the need of a more long-term vision and the need for more systemic approaches and integrated SP systems.

Finally, to properly address climate change adaptation, two issues are crucial. First, to have integrated SP systems. Second, that these systems and other social policies act in coordination (both institutional and funding) with institutions and policies that deal with disasters and climate change (Kuriakose et al. 2013). This need has been underlined by the adaptive social protection (ASP) framework coined by the Institute of Developmental Studies, defined as ‘bringing together the three linked policy arenas of climate change adaptation (CCA), disaster risk reduction (DRR) and social protection (SP), in a synthesised framework… to reduce or manage vulnerability to future climatic risk, while achieving socially just outcome’ (Devereux and Solórzano 2016, 69). ASP also underlines that using SP for climate change adaptation can improve the transformational effects of climate change adaptation. Shock-responsive social protection, on the other hand, considers just the disaster risk reduction component; and it is therefore more linked to covariate shocks and protective (absorptive) capacity.

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12 Another channel through which ex ante, or ex post, roles can materialize is through migration. Social protection can favour migration and, on the other hand, can help climate migrants.

13 Also in the case of social insurance, there will be a transfer to the household after the climate shock. But as the original measure (insurance) is agreed before the shock, insurance is considered as an anticipatory (ex ante) function.

14 Adaptive social protection considers both slow-onset events and climate shocks through the link with disaster risk reduction and climate change adaptation.
42.2.3 Social Protection Programmes Explicitly Linked with Climate Change Adaptation

While the previous section showed that SP can contribute to climate change adaptation through its general functions and instruments, these positive effects can be further enhanced if SP programmes explicitly address climate change adaptation in their design (Davies et al. 2013). For example, some parts of a programme (such as the size of the cash transfer or the number of recipients) can be linked to the occurrence of a climate change-related shock. Here, we outline just a few examples for space reasons.

The absorptive role of SP is made explicit in only a few cash transfer programmes. The Hunger Safety Net Programme in Kenya represents one of the most frequently cited examples. This provides extra funding in times of crisis, such as during droughts (Ulrichs et al. 2019). Similarly, in Ethiopia, the Productive Safety Net Programme, on top of regular cash transfers, adds a payment linked to a weather index: therefore when droughts are expected, the recipients receive a top-up payment (Kuriakose et al. 2013). Using a similar approach, in Latin America, the Bono de Desarrollo Humano CCT gave in the wake of the 2012 floods an extra amount to its beneficiaries (Agrawal et al. 2019). In Lesotho, the Child Grant Program was also extended to other households affected by the disaster, in addition to increasing the transfer amount to beneficiaries (O’Brien et al. 2018).

The adaptive role of SP can be an explicit goal of public works and employment guarantee schemes aiming to build infrastructure that is specifically climate resilient. For example, the Mahatma Gandhi National Rural Employment Guarantee Act has created 3.8 million infrastructure assets to date (Godfrey-Wood and Flower 2018), including climate-resilient ones.

Illustrations of the anticipatory role are represented by insurance programmes linked to climate events, such as crop- and index-based insurance programmes. Concrete cases include the Application of Community-Based Adaptation Measures to Weather Related Disasters in Nepal (Davies et al. 2013), the Indian Pilot Project on Climate Change Adaptation for Sustainable Rural Development (Panda 2013) or the Mexican Componente de Atencion a los Desastres Naturales programme. The latter, insuring smallholder farmers, has achieved wide-spread coverage by making the state and federal governments pay the premiums, instead of the individual farmers (Ritchie et al. 2016).

42.2.4 International Frameworks

To strengthen and complement national programmes, international frameworks have started to address the aforementioned link between SP and climate change adaptation policies.

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15 Also in the United States, following Hurricane Katrina in 2005, the benefit ceiling was raised for affected residents already enrolled in a food safety net programme. Enrolment of new participants was also facilitated.

16 Similarly, the Index of Vulnerability to Climatic Shocks in the Dominican Republic can support early action in the face of an emergency.

17 The adaptive capacity is also represented by public works and employment guarantee programmes giving work during agricultural lean seasons and/or in the aftermath of unexpected shocks (Godfrey-Wood and Flower 2018).

18 These programmes are considered as social protection especially when they are subsidized for poorer farmers.
This happened especially in the context of global climate agreements and was driven by the global nature of climate change. Three main international frameworks are the three following (Aleksandrova 2019). The Sendai Framework for Disaster Risk Reduction 2015–2030 considers SP critical in linking disaster risk reduction with poverty and other critical social goals. The Strategic Framework 2018–2030 of the United Nations Convention to Combat Desertification makes the case of the role of SP in the occurrence of droughts. Finally, the Warsaw International Mechanism for Loss and Damage emphasizes SP as one of the mechanisms to be used for risk management due to the significant losses that can arise from climate change.

42.3 SOCIAL PROTECTION AND CLIMATE CHANGE MITIGATION

This section starts by defining climate mitigation policies and discussing how they may also negatively impact poverty and vulnerability. It then argues why SP can play a critical role in the context of climate change mitigation. Finally, the section presents examples on how some SP policies have direct links to climate change mitigation policies, showing that the integration is more widespread than one would think. Having a full picture of the links and programme types is crucial as both SP and climate policies are developing and there is an opportunity to develop the links in a stronger way.

42.3.1 How Climate Change Mitigation Policies Affect Poverty and Vulnerability

To avoid climate change and its catastrophic effects, net zero CO₂ emissions need to be reached by 2050 (IPCC 2018). To achieve this goal, countries are increasingly employing climate mitigation policies, even if at an insufficient scale (King and van den Bergh 2019). These policies can be categorized as market-based and non-market ones. The former category includes taxes and emissions trading schemes, as well as the removal of fossil fuel subsidies. The latter encompasses regulations (such as standards), financial and policy support towards green technology, as well as information and reporting requirements. While in the past there was a preference for command and control regulations (Fullerton and Muehlegger 2019),¹⁹ the consensus today (especially among economists) is for market policies (Aldy et al. 2010) due to their higher efficiency.²⁰ The main example is represented by carbon-pricing mechanisms, which have been employed or considered by 96 countries representing more than 50 per cent of global greenhouse gas emissions (World Bank and Ecofys 2019). Given their increasing importance, the focus of this section is on climate change is on market-based climate change mitigation policies.²¹ While the majority of research and policy analysis is on high-income

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¹⁹ As they were thought to have less effects on poverty and costs that were less concentrated.
²⁰ A global carbon tax would be the most efficient way to reduce emissions, avoiding carbon leakage and other issues. In addition, revenues of per capita transfers would be higher (Carattini et al. 2019).
²¹ In addition, assessments of regulations are scarce in the literature. And in any case, many regulations can be understood/analysed as a combination of taxes and subsidies (Fullerton and Muehlegger 2019).
countries (HICs), some conclusions can be drawn also for lower middle-income countries (LMICs) using recent simulation studies, as well as past experience on fossil fuel subsidies.

While climate mitigation policies will have positive health impacts by cutting global carbon emissions and reducing pollution, they may also increase poverty and vulnerability through two main channels (Dercon 2014). The first, and most straightforward, is an increase in prices. For example, a carbon tax would increase the price of goods, both directly (higher energy prices) and indirectly (higher costs of production). While, contrary to HICs, carbon-pricing policies may be progressive in LMICs (Ohlendorf et al. 2018), there still are negative consequences as lower-income households will see their purchasing power decrease. Dorband et al. (2019) estimate that, in a sample of 87 mostly LMICs, a carbon tax of USD 30 per tonne of CO$_2$ would lower the income of the poorest households by 2.5 per cent. Their study is based on a static analysis where the price increase from a global carbon tax is passed entirely to the consumers.

The second channel through which climate mitigation policies can affect poverty is through economic and structural transformations. In fact, climate mitigation policies may lead to job losses and reallocation, as industries and sectors that are carbon-intensive will become uncompetitive. Empirical studies and simulations (Montt et al. 2018) show that in the medium–long run, even though there could be an overall net job gain, job losses will occur, especially for the lower-skilled workers and poorer individuals with insufficient human and physical capital to adjust their productivity (Dercon 2014). Negative employment effects will also materialize in the short run, especially in specific regions, such as coal communities (Spencer et al. 2018), that depend on carbon-intensive economies and will need time to achieve significant structural transformations.

In summary, whilst having positive effects, mitigating climate change and reducing emission levels can also undermine poverty reduction and increase existing inequalities.

42.3.2 The Relevance of Social Protection in the Context of Climate Change Mitigation

Market-based climate policies, such as carbon taxes, generate significant revenues that can be used for different purposes. In HICs, most of the revenue is used to lower distortionary taxes, to increase the general government budget or to finance green projects (Carl and Fedor 2016; Klenert et al. 2018). Some share is also returned to households through (uniform lump-sum) transfers. Potentially, in LMICs the share allocated to cash transfers granted to households could be significantly higher. The main reason is that other options for allocating the revenues from carbon-pricing schemes may not be available. For example, underdeveloped tax systems (Ricciuti et al. 2018) and high informality may undermine the potential of changing tax levels to address potential negative distributional consequences. The implementation of cash transfers and SP as a recycling mechanism can be favoured also due to the increasing number of countries with existing SP schemes in place.22

SP and its general functions can play different roles within climate change mitigation, similar to the ones seen for climate adaptation (see Figure 42.2). Until now, the majority of the focus has been on SP as a tool to compensate poor households for higher prices (Vogt-Schilb

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22 In addition, upstream carbon taxes can incentivize a decrease in informality.
This compensatory role is given by the protective function of SP and can be achieved by the use of cash transfers.

But SP as a whole can address the negative effects of climate mitigation beyond a simple compensatory role for higher prices. SP can, in fact, assure that the poorest and most vulnerable are included in the green economic and structural transformations (the second channel outlined previously). The preventive function embedded in passive labour market policies, such as unemployment insurance, can anticipate temporary job losses. On the other hand, active labour market policies are best placed, through their promotive function, to deal with necessary reallocation in the job market. Public employment programmes can achieve additional training and skills development (Beazley et al. 2016). Active labour market policies are especially important in this context as low-skilled workers may need retraining, and SP can facilitate the reallocation of workers across sectors through labour policies. Unfortunately, links with labour markets (and between social assistance and labour market policies) are weak and require improvement.23

Ideally, different instruments and functions should be combined for integrated SP systems. For example, in HICs, income support to compensate price increase and labour market policies to deal with job losses are usually jointly implemented.

Finally, SP can improve climate change mitigation efforts directly, and not just by counterbalancing the possible negative socio-economic effects of its policies. This direct effect may materialize through two main channels. First, SP can make climate mitigation policies more acceptable, alongside addressing the distributional implications of climate mitigation policies.24 This channel is crucial as low public acceptability is a significant constrain to the implementation of climate mitigation policies (Carattini et al. 2018). Second, SP programmes may improve, directly or indirectly, environmental outcomes. For example, some programmes have explicit conditions that aim at improving the environment (Norton et al. 2020; see next section for explanations and examples). In addition, cash transfers can unintendedly decrease environmental degradation as they make the poor less dependent on natural resources (Malerba 2020; Woolf et al. 2018). Unfortunately, the evidence base of the direct effects of SP programmes on the environment is very thin especially due to methodological issues (Alpízar and Ferraro 2020).

### 42.3.3 Examples of Social Protection and Climate Change Mitigation

As for the case of climate adaptation, some SP policies are explicitly linked to climate mitigation. This can lead to potential win–win situations and strengthen the links between the two.

As previously mentioned, one of the main examples is the implementation of public employment programmes that aim to build climate-friendly infrastructure or improve environmental outcomes (Norton et al. 2020). For example, South Africa’s Working for Water programme (Buch and Dixon 2009) is a public employment programme dealing with the clearance of invasive alien plants that threaten the country’s biodiversity and water resources. As in similar programmes, the wages are below market level to attract the poorest and more marginalized

23 The anticipatory and adaptive roles can also be achieved by the cash component, if it enables investments into green productivity (promotive) or increases savings (preventive).

24 For example, recycling revenues through cash transfers can increase trust in governments (Evans et al. 2019).
Source: Author’s own illustration.

Figure 42.2   Social protection and climate change mitigation
among society. Similarly, in the Philippines, Environmental Cash for Work programmes provided additional incomes to many poor inhabitants of coastal regions in exchange for mangrove reforestation (Altenburg et al. 2017). But, overall, this potential win–win outcome of public employment programmes has not adequately materialized due to the general lack of technical skills for these programmes, especially crucial for the long-term maintenance of environmental assets.

Other programmes (their number is limited) can be defined as environmental CCTs as they condition the receipt of cash to environmental behaviour and outcomes.25 In some cases, recipients of previously existing CCTs receive an additional amount. For example, in Brazil, Bolsa Verde targets ultra-poor households living in protected conservation areas and already receiving Bolsa Familia benefits, providing them with an additional cash transfer and sustainable enterprise training linked to forest conservation activity (Schwarzer et al. 2016).26 The Paraguayan PROEZA links the basic CCT Tekoporã to additional payments if the Tekoporã recipients achieve positive agroforestry production outcomes. It is worth noting that these environmental CCTs are different from typical payments for environmental services (Altenburg et al. 2017; Ma et al. 2017).27

Some SP programmes were created (or adjusted) to address higher prices of goods prevalent in the consumption baskets of the poor, arising from carbon-pricing policies. This has been used to make past fossil fuel subsidy reforms more acceptable, for example in India and Iran (Klenert et al. 2018; Rentschler and Bazilian 2017). Targeted SP has higher efficiency in reducing poverty and targeting the poorest compared to subsidies (Vogt-Schilb and Hallegatte 2017).

Finally, SP measures have also been implemented to offset the negative labour market consequences of climate policies; the main examples are unemployment benefits, social assistance programmes and training for people affected by environmental regulations in the forestry, agriculture and energy sectors (ILO 2017). China has extended its unemployment benefits and cash transfers to workers and residents affected by land use restrictions in particular areas (Cao et al. 2010; ILO 2017). Similar SP employment measures are also at the centre of discussion in proposed green structural transformations, such as the Coal Commission in Germany (Spencer et al. 2018) or the European Green Deal.

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25 The assessed environmental outcomes differ by programme, but may include the gathering of fruits, the extraction of latex, artisanal fishing and the production of crafts from natural resources. Their efforts are monitored using surrounding forest cover as a proxy indicator, through satellite images and radar hotspots. One of the biggest barriers for these programmes is the lack of necessary technical skills and financial means.

26 Bolsa Floresta in Brazil is a hybrid of a conditional cash transfer and payment for environmental services.

27 Payments for ecosystem services are programmes that disburse cash under the condition of environmental protection. Despite some success, these programmes have shown limitations due to lack of rights of many vulnerable populations. And they have not reduced poverty (Börner et al. 2017). Most payments for ecosystem services programmes, unfortunately, have not been subject to evaluations meeting the same scientific standards as conditional cash transfers.
42.4 INTEGRATING CLIMATE CHANGE INTO SOCIAL PROTECTION

This section deals with the practical integration of climate change into SP. First, it outlines the possible general steps that policymakers could follow. Second, it outlines the multiple challenges in integrating climate change into SP, underlining the need for institutional coordination and increased financing. In this regard, integrated SP systems are crucial, but many countries still do not have them in place.

42.4.1 Planning and Implementing Social Protection Programmes in the Context of Climate Change: General Steps

To make sure that climate change, and the efforts to mitigate it, do not compromise the objectives of SP policies and development in general, the design of SP policies needs to follow critical steps (Kuriakose et al. 2013). The first step has been discussed already, and concerns the clarification of the role(s) that SP should play in the context of climate change: anticipatory, adaptive, absorptive or transformational?

The second step is the need for an in-depth assessment of the distributional implications: who is going to gain and lose from climate change, or from climate mitigation policies (Rao et al. 2017)? For example, greater empirical evidence on the economic and non-economic impacts of slow-onset events on the poor and socially marginalized groups is needed. This includes going beyond distributional impacts across income groups and looking within income groups (Pizer and Sexton 2019).

Based on the previous two, the third step is the actual design of SP systems. OPMI (2016) and Yemtsov and Moubarak (2018) sketch out different possibilities to adapt SP to the needs of climate change. In the best case scenario, the existing programmes can be easily and quickly adapted through small tweaks. A second possibility is to increase the amount of the benefits, as seen before for some existing programmes (vertical expansion). The third possibility is to increase the number of beneficiaries and modify the targeting (horizontal expansion). The fourth possibility is to create new programmes. Yemtsov and Moubarak (2018) show that, for the case of fossil fuel subsidy reforms, the majority of countries introduced a new programme or used an existing measure rather than implementing vertical or horizontal expansions. Most importantly, while adjusting single programmes is important, it is even more crucial to create comprehensive SP systems, although it may be more challenging in the short term.

Within these general steps in implementing climate-adapted SP, three more cross-cutting issues need to be carefully considered. First, what is the best policy sequencing, especially in the context of climate mitigation policies? For example, delivering cash transfers before carbon-pricing mechanisms will ensure that the policy is more accepted. On the other hand,

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28 It is also clear that climate policies need to be designed in a way to take poverty and vulnerability into account. For example, by taxing goods not consumed by poor households, or by implementing progressive taxation systems.

29 This also requires analysis of different policy designs. For example, the direct effects of energy taxes are not always regressive. This is particularly true for gasoline taxes in poorer countries.

30 Or borrowing elements of an existing programme while delivering a separate emergency response (OPMI 2016).
revenues from the carbon pricing will not be available for the first disbursements (Meckling et al. 2017). Second, the needed flexibility due to uncertainties. In fact, the effects of climate change are highly uncertain. To address uncertainty, for example, climate adaptation may make use of early warning systems or forecast-based financing (Costella et al. 2017), linking cash transfers with specific triggers. Third, the context. Both climate change effects and SP heavily depend on contextual factors, including the maturity and readiness of the current SP system.31

42.4.2 Challenges in Mainstreaming Climate Change into Social Protection

The implementation of climate-adapted SP protection outlined in the previous sections presents several challenges. The main one is probably financial sustainability. Is climate-adapted SP sustainable? This question needs to be addressed by looking separately at climate mitigation versus adaptation, and between domestic and international financing sources. In the context of climate mitigation policies, as previously underlined, climate SP could be achieved by using part of the revenues collected. Research shows that by recycling just part of the revenues from carbon pricing, negative effects on poverty can be avoided (Vogt-Schilb et al. 2019). This point becomes more evident in relation to the removal of fossil fuel subsidies. The International Monetary Fund estimated the global distortion for fossil fuel subsidies alone at USD 5.3 trillion in 2015, or 6.5 per cent of gross domestic product (Coady et al. 2017). The current SP programmes cost on average 1.5 per cent of gross domestic product (Barrientos 2013), although this amount is far from what is needed.32

For climate change adaptation the discourse is more complex as compared to climate change mitigation as there are no revenues to be recycled, and the additional resources need to be sourced elsewhere. One option is to have a sufficient budget for a comprehensive SP system dealing with all the risks and needs, including climate change-related ones. Another option is coordination with disaster risk reduction, climate change adaptation and humanitarian budgets. The most critical issue is to have dedicated funds ready to use. In addition, SP for both climate change mitigation and adaptation may benefit from international climate finance sources; the Paris Agreement stated the intention to mobilize USD 100 billion a year by 2020 to address the mitigation and adaptation needs of developing countries (Weikmans and Roberts 2019). Until now, the amounts disbursed have not matched these promises. As a final argument, when considering funding issues, policymakers need to consider not just the cost to adapt to, and mitigate, climate change, but also the costs of inaction, which can be considerably higher.

Linked to financial sustainability, a further main issue is the coordination between institutions and policy mechanisms. One requirement is the need for comprehensive SP systems, currently missing in many countries. But it also means integrating climate components into existing SP policies and mechanisms. And integrating SP with national climate change policy frameworks. Within climate adaptation, the need for coordination with disaster risk reduction and climate change adaptation agencies has been underlined, as highlighted by the ASP framework. Within climate mitigation, the link with taxes or budget lines, for example from the elimination of fossil subsidies, needs to be strengthened. In addition, some advances

31 Meeting needs of coverage, timeliness, predictability, elimination of duplicated delivery systems and processes and sustainability.
32 But also how to finance social protection with climate mitigation policies and maybe less growth.
have been made in the literature by looking at eco-welfare states, focusing on how to deliver social policies in the context of environmentally sustainable societies and states (Bailey 2015; Meadowcroft 2005).

Apart from financial sustainability and institutional coordination there are other main challenges, two of which are the following. First, maladaptation. More research is needed to understand if short-term climate change adaptation may mean weaker long-term solutions. Second, the issue of how to avoid SP programmes becoming overburdened with additional objectives related to climate change. In fact, capacity building to increase in-country expertise is lacking.

42.5 CONCLUSIONS AND POLICY IMPLICATIONS

It is clear how climate change will pose significant additional challenges for SP, in terms of both adapting to new risks and making sure that the fight against poverty and vulnerability is not reversed (Béné 2011). This chapter underlined how SP can potentially play different significant roles, for both climate change adaptation and mitigation. It also highlighted some crucial steps to better mainstream climate change into SP policies, as well as the main challenges (Kuriakose et al. 2013).

One of the main messages is that, to fully exploit the potential synergies, urgent action is required. The reason is not just the pressing nature of climate change, but also the window of opportunity presented by the fact that many LMICs are currently developing their SP programmes and systems (Barrientos 2018). Urgent action also includes a better understanding of the interactions between SP and climate change and the impact of ongoing mega trends such as urbanization and migration.

While some work, especially conceptual, has been developed in relation to climate adaptation (Ulrichs et al. 2019, despite the focus being on climate shocks and not slow-onset shocks), more research is needed in the context of climate mitigation policies, and how SP can deal with its adverse distributional implications. The importance of better linking SP and climate mitigation can also be advocated on the grounds of national climate action (such as the Coal Commission in Germany) and Green Deal proposals such as those of the United States (Barbier 2019) and Europe. Even degrowth movements recognize SP mechanisms as crucial policies to achieve climate goals in a just way. While mainly proposed in HICs, these green transformations will be critical also in LMICs to achieve social and environmental goals jointly, as advocated by the Sustainable Development Goals. In addition, linking climate mitigation to SP should not be seen as a new development as many SP programmes already originate from climate mitigation efforts. This includes established SP programmes initially implemented in response to climate mitigation challenges such as the removal of fossil fuel subsidies, or climate adaptation issues such as food insecurity arising from droughts (Mahatma Gandhi National Rural Employment Guarantee Act in India and the Productive Safety Net Programme in Ethiopia).

Finally, by linking SP and climate change in green transformations, there is also the possibility of better achieving the transformative role of SP, which has been until now underperforming.

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33 This was crucial especially from funding perspectives.
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43. Pandemics and other macro crises

John Woodall

43.1 INTRODUCTION

This subject of this chapter is that of crises of a kind which are unpredictable in a rather fundamental sense – which in an economic context may be termed ‘macro shocks’ – and hence may radically defeat the basis of regular statistical analysis which underlies the usual planning frameworks for social protection systems. Such shocks may be of very diverse kinds, being both ‘natural’ (such as earthquakes) or ‘man-made’ (examples of which might include financial crises). However, a category which illustrates vividly many of the relevant features is that of a ‘pandemic’ disease outbreak. Such an occurrence is ongoing at the time of writing (the emergence of Covid-19 in 2020), and provides a specific focus for discussion of the overarching question of the adjustments needed to planning (and perhaps policy) frameworks for systematic approaches to social protection.

Key questions relate to the mass realization of those aspects of vulnerability that social protection systems are designed to address, and the spectrum of individuals at risk, together with which of the instruments of social protection can best be brought to bear to deal with emerging needs. In the light of the sheer diversity of the circumstances impacting on different schemes, and different countries, we seek to provide an indicative survey, rather than many specific details. It is important, however, to consider not only the severe challenges to social protection systems in terms of provision, but also the challenges – which may be existential – of immediate and long-term resourcing.

A pandemic is defined as ‘an epidemic occurring worldwide, or over a very wide area, crossing international boundaries and usually affecting a large number of people’ (World Health Organization 2011). From a social protection perspective, a pandemic represents an extreme example of a macro crisis; such an event is by its nature unforeseen (although not unforeseeable, as explained in the following section) and – while the way in which a crisis of any kind impacts on individuals in ways which demand the engagement of social protection schemes and systems – it is highly likely that means by which social protection institutions themselves must meet those demands will fall well outside their regular mechanisms and resources.

A pandemic outbreak stands out to some extent from other types of macro crises in that urgent demands are placed on both the health-care and the livelihood ‘branches’ of social protection. The challenges – seen vividly and impacting globally in the case of Covid-19 – include severe difficulties as regards the availability of resources. These will certainly include financial resources, but also those of appropriately skilled staff and supplies. In addition, the seemingly very selective impact of the disease itself, in particular on elderly victims, casts a sharp light on already known weaknesses in the system of long-term care provision in many developed countries, including most of those in Europe.
The chapter is structured as follows:

- To provide a contextual framework, historical and topical perspectives are presented, together with a third perspective view setting out some significant issues of transnational complexity and disparities across countries globally.
- This is followed by a section concerned with the question as to how best to organize the responses of social protection schemes and systems; this is focused primarily on the available instruments of social protection, but considers also issues of phasing of systemic responses. These are grouped in three subsections, organized around the sequencing of different modes of response, with a fourth subsection highlighting the possible role (or more generally absence) in the suite of available instruments of a ‘universal basic income’ (UBI).
- The two closing sections offer commentary on, respectively, questions of planning (and the importance for this purpose of data and modelling), and of the implications for prospective paths and future sustainability of systems of social protection.

43.2 PERSPECTIVE APPROACHES

This section seeks to spell out the significance for social protection systems of a crisis event such as a pandemic, and to provide context for the following discussion, by considering a three-fold set of perspectives:

- A historical perspective, in order to provide some assessment of the degree to which an event such as the Covid-19 outbreak is, in fact, extraordinary.
- A current perspective, within which to consider aspects of the contemporary response by social protection schemes to a shock such as a pandemic outbreak.
- A transnational perspective, which illustrates many aspects of both the need for cooperation between national systems of social protection and of globally inequitable outcomes.

43.2.1 Historical Perspective

This subsection sets out a review, somewhat selective, of pandemic events (that is, shocks which originate from causes which are primarily – although not exclusively – disease-related) over the last century. These can provide valuable insights as regards social protection responses, while it is worth noting the additional lessons to be learned from studying a wider range of shocks. Moreover, such cross-referencing should offer lessons as regards the response of social protection systems to that wider class of shocks. Some such crises originate from shocks which are demographic in character, as noted in Chapter 39 on demographic change.

The introduction, above, notes that in the nature of an event such as a pandemic, the occurrence of a specific crisis cannot be predicted, at least in terms of its place and timing. It is not at all surprising that humankind has experienced crises, including major and troubling disease outbreaks with a frequency of perhaps once per decade, and some significant examples are listed below. Of these, the outbreaks which have brought the most severe impacts at a global level are the global influenza outbreak of 1918–19 and the ongoing (at the time of writing) outbreak of the Covid-19 disease.
### Table 43.1  Major pandemic outbreaks since 1900

<table>
<thead>
<tr>
<th>Descriptive name</th>
<th>Timing</th>
<th>Type and assumed pre-human host</th>
<th>Death toll estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Spanish’ flu</td>
<td>1918–19</td>
<td>H1N1 virus/pigs (?)</td>
<td>40–50 million</td>
</tr>
<tr>
<td>Asian flu</td>
<td>1957–58</td>
<td>H2N2 virus</td>
<td>1.1 million</td>
</tr>
<tr>
<td>Hong Kong flu</td>
<td>1968–70</td>
<td>H3N2 virus</td>
<td>1 million</td>
</tr>
<tr>
<td>Swine flu</td>
<td>2009–10</td>
<td>H1N1 virus</td>
<td>200,000</td>
</tr>
<tr>
<td>SARS</td>
<td>2002–03</td>
<td>Coronavirus/bats, civets</td>
<td>Less than 1,000</td>
</tr>
<tr>
<td>Ebola</td>
<td>2014–present</td>
<td>Ebolavirus/wild animals</td>
<td>At least 11,000</td>
</tr>
<tr>
<td>MERS</td>
<td>2015–present</td>
<td>Coronavirus/bats, camels</td>
<td>Less than 1,000</td>
</tr>
<tr>
<td>Covid-19</td>
<td>2019–present</td>
<td>Coronavirus/uncertain</td>
<td>Unknown at time of writing</td>
</tr>
</tbody>
</table>

Source: Author’s own adapted from World Economic Forum (2020).

That these are separated in time by just about 100 years seems to give credence to the notion that these outbreaks are ‘once-in-a-century’ events. This is, however, a rather dangerous perspective; events of this kind occur in a statistically random way, and there is no guarantee whatsoever against (indeed a considerable likelihood of) the occurrence of some crisis event, quite possibly in the nature of an epidemic or pandemic of a greater or lesser degree of severity, within a period of a few years. This possibility must be reflected properly in planning frameworks.

Table 43.1 sets out the major pandemic outbreaks of previously unknown infectious or contagious diseases over the years since 1900.1

It is also interesting to look back further into history and note for comparison the infectivity and lethality (with a fatality rate possibly above 10 per cent of those infected) of the outbreak in the fourteenth century, and recurrence over the following 300 years, of (mainly bubonic) plague – the so-called ‘Black Death’. This is estimated to have resulted in the loss of up to 200 million lives in total, predominantly, but not only, in Europe. A study of that pandemic also offers interesting sidelights as regards the response measures of a broad ‘public health’ type, introduced very urgently by many countries on the outbreak of Covid-19. Even at as early a date as the first major outbreaks of the Black Death, societies recognized the need for measures of the kinds now described as ‘lockdown’, ‘self-isolation’ and ‘social distancing’.

In addition, useful insights for social protection systems may be gained from events not (directly at least) disease-related, such as the financial crisis of 2007–2008, and ‘natural’ disasters such as the Indian Ocean tsunami of 2004.

#### 43.2.2 Current Perspective

On identifying a crisis of a kind likely to develop as an epidemic or pandemic, the primary expectation of a social protection system – and each of its schemes – is to mobilize the earliest possible delivery of benefits to those protected individuals who are, or should be, so entitled.

As is seen, however, in the case of the Covid-19 outbreak, the emergency circumstances of a pandemic may well result in overwhelming pressure to provide benefits and services on the

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1 This list reflects the events typically reviewed by groups working on pandemic planning in recent years, including health-focused agencies such as the World Health Organization and groups focused on economic and financial aspects such as the World Economic Forum.
basis of, to say the least, a relaxed interpretation of whatever rules are notionally applicable. An important advantage lies in using schemes’ infrastructure and the expertise of their administrators to facilitate payments (of formal claims, or more broadly) in conditions which may be unhelpful, particularly so in less-developed countries, where the impact is felt not only in crowded cities but also in rural areas that may be remote and likely to be poorly connected (in terms of either transport or electronic communications).

It is useful to review, as below, the significance of specific types of benefits in a pandemic situation, together with some aspects of the timing of social protection interventions, which may be considered very broadly in terms of three phases.

In general, the primary need following the onset of a pandemic (or other crisis) is to ensure the means for survival. Individuals must have access, both to appropriate health care and to the basic necessities of life including food, clothing and (quite possibly) shelter. In the first phase, this requires the urgent mobilization of cash transfers or in-kind provisions (Chapter 2 on social transfers and Chapter 16 on humanitarian aspects provide further perspectives). Within a fairly short period of time, a transition may be expected to a second phase characterized by more extended forms of support to individuals and communities, by way of provisions including sustained cash provision and longer-term medical support where needed.

Typically, the post-outbreak situation stabilizes gradually, and in a third phase it should be possible, however gradually, to focus attention towards the potential long-term economic and social impacts of the crisis event on the longer-term plans and objectives for social protection systems.

It is important, also, to consider the characteristics of those individuals and families likely to need benefit provision of different kinds. These will always include, of course, those in poverty, but a number of groups should be identified as having particular vulnerabilities, and hence the need for specifically focused protection. In the circumstances of a pandemic outbreak, these are likely to include:

- informal economy workers and those having insecure, precarious forms of employment not covered by statutory social protection at all or covered only partially, who – as seen globally in the Covid-19 outbreak – face an acute risk of peremptory loss of their employment and hence livelihoods (see Chapter 22);
- migrant workers and refugees, who typically lack savings and often documentation, so cannot easily establish their rights to benefit from social protection schemes (see Chapter 23);
- those (already) suffering disablement and long-term sickness, whose conditions may well be exacerbated if exposed to a pandemic illness, and who are in any case disadvantaged in the inevitable competition, in crisis conditions, for the attention of benefit administrators (see Chapter 19);
- children, whose loss of educational opportunity has many repercussions (and is known to exacerbate any existing disadvantage), but significant numbers of whom have been shown to be seriously vulnerable, in crisis conditions, to exploitation and abuse (see Chapter 20); and
- those at risk of gender-based violence, which is known to become increasingly intense in conditions of high stress, increased confinement and reduced access to dedicated support mechanisms (see Chapter 18).

In fact, large numbers of women and girls are disadvantaged in a wide variety of ways (Tessier et al. 2013), notably, and for the purposes of the present discussion, in terms of their access to adequate or appropriate social protection provisions as a result of their gender; this represents
a factor of discrimination which is cross-cutting across the different dimensions of social protection.

It may be noted, too, that social protection systems often encounter severe difficulties in providing livelihood and other measures of support for workers who are not registered in statutory or other formal schemes of social protection; this is a major issue in developing economies, where ‘informal economy’ workers predominate. However, these difficulties are increasingly mirrored in the economically developed countries, reflecting the worldwide rise in precarious, so-called ‘non-standard’, forms of employment.

Notwithstanding considerable efforts to address specific vulnerabilities, the impact of any pandemic outbreak is inevitably highly unequal. Within a country, the health and mortality factors may bear heavily on the elderly population cohorts, while the economic and employment aspects do so on the poorest and most generally vulnerable – those with the lowest levels of the resources needed to see out the immediate crisis. A parallel set of disparities plays out between different nations, and accordingly the patterns of need to be addressed by social protection systems will likewise be diverse.

43.2.3 Transnational Perspective and Global Disparities

Amongst a range of issues relating fundamentally to cooperation between countries, one in particular that poses wide and deep challenges for social protection systems arises from the growth of international migration for work, in both legal and informal settings (International Labour Office 2020a). These challenges stand to be addressed by the systems of social protection in both ‘sending’ and ‘host’ countries (reflected in, for example, Chapters 23 and 40, but also more widely in this handbook). Issues of a rather similar kind arise in countries such as India and China, in relation to ‘internal’ migration between states or provinces, rural areas and cities, where provisions under systems of social security and social protection may not be mutually well aligned.

In the circumstances of a pandemic outbreak, workers far from home are likely to find themselves – in the light of the ‘lockdowns’ and severe travel restrictions imposed by many countries, including the main host centres for migrants – with no work, no income and no immediate opportunity to return home. The issues are illustrated by the plight of the very large numbers of migrants employed as domestic workers, often having fully documented status in their host countries, but who, in the conditions of lockdown and ‘social distancing’, are likely to find themselves immediately excluded from their employment, and possibly also their accommodation. Large numbers of such workers are from countries including Sri Lanka and the Philippines, which face not only the challenge of repatriating and providing for their nationals, but also ‘knock-on’ impacts from the loss of flows of remittances. Following the Covid-19 outbreak, the Philippines have put in place some emergency assistance for their overseas workers. Other countries for which the social protection of migrants is of significant concern include Nigeria and Colombia.

A straightforward approach for host countries is to offer the facilities of their social protection systems to these groups of workers, and in the circumstances of the Covid-19 outbreak, a few host countries have taken this step promptly. Portugal, for example, has extended residence status, albeit on a temporary basis, while Argentina has mandated protection specific
to domestic workers. France also hosts a significant number of migrant workers, many doing domestic work, and has an elegant system of social security registration which in principle allows domestic workers to aggregate their earnings from multiple short-term employments in such a way as to qualify for benefits in a similar way to full-time single-employment workers. This should be valuable in allowing rapid outreach to the workers concerned in the circumstances of a pandemic outbreak; unfortunately it seems probable that a rather myopic view of self-advantage in better times has led to significant levels of avoidance of registration in this system.

Reversing the perspective, it is evident that there will be repercussions to be addressed by social protection systems (if any exist) in the sending countries, where those for whom the sudden loss of livelihood by way of remittances from breadwinners having migrated overseas may be disastrous. A country which has faced social protection problems of this kind over a long period is Nepal, whose workers seeking migration opportunities have long tended to find those opportunities in countries which provide little or no social security coverage. Moreover, an unfortunate consequence of the systemic stresses prevailing in crisis conditions tends to be the rapid discarding of workers’ rights in relation to not only social protection but indeed other forms of protection (see Human Rights Watch 2020, and also note 7 in this Chapter).

43.3 RESPONSES AND INSTRUMENTS

This section is concerned with the question as to the basis on which to organize the responses of social protection schemes and systems. While the primary focus is on the selection of tools from the suite of available instruments of social protection (see Part I of the handbook), consideration is also given to issues of the phasing of systemic responses.

43.3.1 Short-Term Response

At the onset of a pandemic, any institution managing the provision of social security or social protection must address the immediate needs, first of its already registered members or protected persons, but very possibly with wider scope. In the case of a pandemic, treated primarily as a health emergency, the most prominent among those needs – to be met by either cash benefits or in-kind provision – are likely to be:

- access to appropriate medical facilities;
- the expenses of daily living, not least food; and
- shelter.

(see a range of references in Part III).

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2 Rolling assessment of the implementation of such measures, country by country, has been put in place by the World Bank (a ‘living’ newsletter initiated by Ugo Gentilini (2020)) and the International Labour Office (2020b).
It is likely that, in an event on the scale of the Covid-19 disease, many social insurance scheme members would stand to receive benefits of both types, possibly under multiple ‘branches’ or sections of the scheme rules. In many cases, however, people are protected for different contingencies by different schemes, or may be protected only for some contingencies – if protected at all – with the result that problems of coordination may result in provision of benefits that are inadequate. In addition to access to health care, benefits may be provided in principle under several such sections of a comprehensive social insurance scheme or by different schemes separately, including unemployment benefits, sickness benefits and perhaps disability and family benefits; benefits may also support surviving family members on the death of an insured member.

Sickness benefit is a component of social protection systems that has become relatively undervalued in recent years, having been seen to some extent as uneconomic in terms of cost for both schemes and employers. It should, however, be viewed as a component of social protection systems that, even in less-developed economies, is relatively easy to implement (at least for formal employees), and is particularly important at the time of an outbreak of a communicable disease, when it is vital that workers who contract an illness such as Covid-19 be dissuaded from attending work while potentially infectious. The lack of statutory coverage for this contingency, even in a developed country such as the United States of America, can be seen retrospectively as having exacerbated the impact of the outbreak in that country.

43.3.2 Medium-Term Response

The context for medium-term responses is likely to be a period when society generally will be looking towards a ‘recovery’ phase. The Covid-19 outbreak has highlighted some issues, perhaps rather unexpected for social protection systems in the global north, relating to shelter for the homeless. The nature of the crisis demands that these individuals be accommodated in safe spaces. Measures implemented on an emergency basis, but necessarily continuing into the following phase of activities, have included the requisitioning of hotel accommodation.

The measures listed in the previous subsection are likely to continue, with adaptations, particularly for ongoing periodic cash livelihood support payments (see Chapter 2 in this handbook), while sickness and unemployment benefits should continue to support those who may be able to return in due course to their previous employments. Experience in recent pandemic situations such as Covid-19 shows the importance of continuing and perhaps increasing vigilance as regards the needs of those groups having specific vulnerabilities, such as those listed in sub-section 43.2.2 above.

43.3.3 Longer-Term Considerations

Historically, pandemic outbreaks have always subsided in due course (albeit that this may be a matter of centuries), giving way to a societal ‘reactivation’ phase; to the foregoing needs by way of provisions under social protection, we should add long-term care, together with continuing sickness or disablement benefits. Some surviving victims of Ebola, for instance, may recover only partially, and need long-term support by way of health care and livelihood; it seems likely that this will be the case also for some of those infected by Covid-19.

Of equal importance at this stage, systemic reviews should be starting with regard to the impact of changed circumstances on the framework for future planning and funding. It may
be necessary, for example, to review radically the relationship between individual health-care and public health needs. The greatest need of all is, perhaps, to put in place measures by way of preparedness for future crisis events.\(^3\)

43.3.4 Instruments: Universal Basic Income

The foregoing subsections have suggested a range of benefit types, or ‘instruments’, which may be of value in matching benefit provision to the needs of those in need. The characteristics and applications of different instruments are fully discussed in Part I of the handbook; here it is useful merely to comment that the nature of a pandemic outbreak, say, poses particular challenges in relation to certain types. For example, schemes having the character of mutuality-based insurance (individually premium-rated coverage, in contrast to solidarity-based social insurance) coverage for health, sickness and unemployment may be overwhelmed by the extreme volume of crisis-related claims; this may likewise be the case for some schemes of the micro-insurance type (see, for example Micro Insurance Network 2020).

Some additional commentary is, however, merited regarding Universal Basic Income (UBI), which is a prospective instrument found only very rarely until the present in any national system of social protection (the best-known example, perhaps, being a trial, now ended, in Finland), and yet whose absence is widely regretted at a time of crisis.

UBI is taken to mean ‘a transfer that is provided universally, unconditionally, and in cash’ (World Bank 2020). Others use similar definitions, in some cases spelling out the terms of the definition in more detail, as regards in particular the characteristic of the provision as an ongoing and regular payment (see for example Basic Income Earth Network 2020).

The concept attracts some controversy. The World Bank (2020) notes that:

> [UBI] holds an attractive promise of change across many lines. These include coverage potential, fairness in social contracts, power relations in labour markets, and gender equity, among others. It may speak, for some, to the appetite for social justice generated by glaring and growing inequalities in societies… while… its design features – all in cash, no conditions, and no targeting – challenge current practices to varying degrees… The case against the ‘U’ in UBI rests principally on cost, fit for purpose, and a different appreciation of the magnitude of its possible benefits.

At a time of crisis, especially a pandemic, the merits of having a system of UBI already in place (or of introducing a temporary scheme of UBI on an emergency basis, as for example in Japan) seem self-evident – the provision of livelihood support to registered recipients should be greatly simplified, and advocates for the introduction of schemes of UBI state this case forcefully.\(^4\)

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\(^3\) An issue which may not be ‘high on the radar’ of administrators in the midst of a pandemic response, but has the potential for serious additional disruption of social protection management, is the possibility of disasters, perhaps weather-related (and perhaps seasonal), with the result that social protection systems must manage two crises simultaneously. An article by McClean describes an illustrative approach of a range of agencies to assessing and preparing for such possibilities in the context of the Covid-19 outbreak (United Nations Office for Disaster Risk Reduction (Denis McClean) 2020).

\(^4\) Standing, for example, has long been an advocate for UBI, and has written about many aspects, including analytical assessments in relation to the questions as to whether and how a national scheme of UBI might be implemented in practice. A fairly recent report is specific to the United Kingdom – where those questions are at present purely hypothetical – but the report provides a comprehensive listing
43.4 MANAGEMENT, EVALUATION AND PLANNING ISSUES

This section aims simply to highlight selected issues of importance for social protection systems in the light of the rather remarkable flows of quantitative (perhaps at the expense of qualitative) information, made possible in the modern, globally connected world.

Each successive crisis event, impacting on social protection systems along with every other aspect of society, takes place in a world where the flow of data is incrementally greater than the previous such event. The scope and opportunities for statistical analysis in the time of the Covid-19 outbreak are unprecedented, perhaps to the extent that consumers of the available analysis should beware of the phenomenon of information overload or ‘too much information’, which is observed to result, potentially, in the deteriorating quality of decision making (see, for example, a discussion with the psychologist Daniel Levitin in CNN (Dr Sanjay Gupta) 2015).

Modelling of unfolding future scenarios is crucial to the way in which authorities go about their policy and planning in a time of pandemic. The results from this work provide key insights for policymakers, but should nevertheless be treated with some caution, for a number of reasons. First, not only do the data protocols underlying the actual figures collected vary widely across countries, but so also do the relevant practices. The results are likely to yield comparisons of only limited value between the experience in different countries, even between neighbours. Second, the pressure resulting from the urgency of the planners’ needs for guidance means that the modelling assumptions incorporated into any projections are likely, however informed, to have a significant speculative element.

Some convergence of the thinking of those working on quantitative models in relation to the Covid-19 outbreak may be seen around the notion of identifying (to the extent possible) ‘excess’ deaths, namely those which exceed the numbers expected on a seasonally adjusted basis from past years’ experience; these figures should provide a better measure of the overall impact of the pandemic than a rather fruitless attempt to identify deaths solely attributable to Covid-19. Even this analysis is somewhat fraught, as explained by Spiegelhalter in a newspaper article (2020).

It is vital, nevertheless, that authorities (and perhaps administrators) appreciate the need for adequate explanation to the public of the way in which modelling results are incorporated into policy and planning frameworks. It will also be useful to keep in mind that the environment following the outbreak of a pandemic is one of wide uncertainty. That extends far into the future, and the impacts in terms of both social and economic aspects limit the capacity of all agents to plan, for example, enterprise renewal and the rebuilding of damaged livelihoods. Accordingly, the insurance and general stabilizing aspects of social protection have important roles to play. Planners must envisage a long time frame, extending to years, with much revision of statistics likely to be necessary before firm conclusions at any reasonable level of statistical significance can be drawn.

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5 In countries such as the United Kingdom and Sweden, poorly informed discussion a few weeks into the Covid-19 crisis of the way in which the achievement of ‘herd immunity’ might be seen as a policy objective suggested perhaps an uncaring and inappropriate policy approach.

6 Retrospective statistical analyses of the 1918–19 outbreak of ‘Spanish’ flu in the United States have been presented by, for example, Roser (2020) and suggest, perhaps, that some standard demo-
43.5 FUTURE PATHS AND SUSTAINABILITY

At a time of crisis, it is usual that a somewhat polarized debate comes into public prominence, as to whether in the aftermath the global community should seek (at the extremes) radical alternatives to the prevailing economic and, perhaps, social models, or should prefer to restore and reinforce existing frameworks. This is a debate which plays out continuously in the broad ‘political economy’ of each nation (see Part VI), rather than representing the more familiar discussion of ‘political will’ in relation to questions of governance, and so may provide only limited opportunities to (directly) engage social protection practitioners.

However, the trends which may be initiated in the outcome are likely to be of profound importance to social protection institutions. Moreover, renewed attention will surely be drawn to the interrelationship between policies towards social protection and towards labour markets, which themselves are likely to be redrawn. If, for example, an outcome of a pandemic such as Covid-19 is the reduction of long-distance air travel, with lasting implications for tourist industries that have been painstakingly built up in many developing countries in Africa (for example, Kenya) and Asia (such as Thailand), what will be the implications for the livelihoods of the many millions working in these countries in the hospitality and entertainment industries, in not only the formal but predominantly the informal economy? Likewise, if the scale of the industry in fashion and other mass-produced garments is greatly reduced, what will be the impact for countries such as Bangladesh and Myanmar, and the development of mass labour force participation by women (International Labour Office 2020b)?

The impact of the Covid-19 outbreak, more than any other since, perhaps, that of Spanish flu in 1918–19, has fallen on countries around the globe in ways that differ sharply between the developed and developing countries. It has also shone a harsh spotlight on aspects of global interconnection, and called into question the capacity of nations to deliver a cooperative response (see, for example, the comments of the United Nations Secretary-General in his press briefing of 30 April 2020 (United Nations 2020), all of which have significant implications for national systems of social protection).

Key issues for a national system of social protection and its component schemes (regardless of how closely, or not, that system approaches universal coverage) are, therefore, the degree of flexibility that can be brought to its response, particularly in the early stages of an outbreak, its ability to mobilize the necessary financial and human resources and equipment on a scale likely to be well beyond its usual capacity and the need for an approach reflecting a range of aspects of coordination.

Of fundamental concern for social protection systems is likely to be the impact of any pandemic-type crisis on the financing model, whether reliant on contributions by individuals and employers, on taxation or on outside support such as international donors. Each of these modalities is likely, for a period of years in the immediate future, to reflect heavily competing demands from other, highly vocal, lobbies. To the extent that schemes may rely partly on investment of reserves (particularly in relation to pension provision), the disruption of

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graphic analyses, including calculations of life expectancy, were in effect destabilized for several decades after the original event. This perspective may be reinforced in the light of claims that demographic signals of that pandemic could be detected in the analysis of the United States’ census returns as late as 1980, showing a range of ongoing socio-economic disadvantages suffered even until some 60 years later among subgroups of those ‘in utero’ at the time of the pandemic (Almond 2006).
financial markets may pose severe problems, as seen in relation to the global financial crisis of 2008–2009.

An ever present theme underlying the discussion above is the mutual reliance of countries of both the ‘global north’ and ‘global south’, reflecting the process of globalization which has grown strongly, even in the relatively few years since the SARS pandemic of 2002–03 (see Chapter 40). As always, the advantages and disadvantages are by no means equitably distributed. The limited capacities and strains on health services in developing countries revealed by the Ebola outbreak were not mirrored in the global north, with the impact of that disease confined to a relatively small area of Africa. Conversely, Covid-19 has impacted severely on the health services of developed countries, while in the less-developed countries the most devastating immediate impact has been the economic disaster resulting from lockdown-initiated loss of income. The experience following the emergence of HIV/AIDS in the 1980s provides a further perspective. Here, impacts were seen around the globe, with widely varying intensity as between the global north and global south. However, a relatively high level of international cooperation (and the involvement of both civil society and philanthropic institutions) has led to the eventual development of life-preserving treatment regimes at cost levels which allow relatively wide (if not universal) implementation globally (UNAIDS 2020; United Nations 2020), not least in terms of preparedness for future events.

The discussion here has indicated a range of disparities which may be exacerbated in any pandemic outbreak, and almost certainly will be in the aftermath of Covid-19. One common thread, however, is the fundamental principle that social protection systems act as a channel for the fulfilment of human rights.\footnote{A detailed survey in the context of a human rights perspective may be found at Human Rights Watch (2020); this lists many issues which stand to be addressed in such planning and policy making.}

In so doing, systems of social protection must rely on social principles including those of solidarity, trust and cooperation, across the spectrum of local, regional, national and international levels. In this light, the impact of a pandemic crisis may be seen as a critical stress test of those systems.

REFERENCES


Case study R: A humanitarian social protection response to COVID-19 in Kenya
Larissa Pelham

1 INTRODUCTION

This case study describes how and why the response to saving lives during the 2020 COVID-19 pandemic in Kenya, by the international non-governmental organisation Oxfam, is focused on supporting the government social protection system instead of working through the traditional humanitarian aid architecture alone.

Within weeks of the announcement of the COVID-19 pandemic, virtually every government in the world had responded to its economic impact with some form of social protection intervention, to a total of USD 589 billion, by June 2020. By comparison, the UN Covid-19 Global Humanitarian Response Plan at that time was USD 6.71 billion (subsequently revised to USD 10.3 billion). The pandemic exposed that the humanitarian aid architecture is not fit for responding to all types of humanitarian emergencies. The scale of support that is needed has overwhelmed the capacity of the international humanitarian system and which is often not sufficiently localised to deliver remotely at speed and scale.

The first case of COVID-19 in Kenya was reported on 12 March 2020. Within five weeks, there were 281 confirmed cases and 14 reported deaths of which 80 per cent were in Nairobi, mostly in the city’s informal settlements. Numbers were likely higher due to incomplete reporting and limited testing. In Kenya, as elsewhere, Oxfam, like others, anticipated that the health impacts and spread of the virus would be particularly virulent in low-income and densely populated areas. In Nairobi these settlements house over 1 million people. They are characterised by overcrowding, a lack of sanitation facilities and other basic services and prohibitively expensive access to clean water – a worryingly perfect location for the virus to spread. But there was also anticipated a vast humanitarian need when the Kenyan authorities, like other cities and governments, imposed restrictions on movement, a national curfew and physical distancing to limit contagion.

Many small-scale businesses shut down due to lack of customers’ purchasing power, and larger businesses due to uncertainty and social distancing restrictions. The concern was this would result in lost jobs and therefore income, in neighbourhoods where around 84 per cent

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1 This case study is based on the experience of supporting Oxfam Kenya’s COVID-19 response as a social protection adviser in Oxfam’s Global Humanitarian Team. My sincere thanks to the Oxfam Kenya team for their comments and their precious time in helping to compile this, particularly John Kitui, Matthew Cousins and Gabriella d’Elia.


3 www.unocha.org/covid19.
of the population is highly dependent on informal employment.\(^4\) Panic buying and food price inflation aggravated the immediate food insecurity that many households experienced. Movement restrictions also inhibited many other basic rights, such as access to education, healthcare and, of particular concern to Oxfam, a dramatic increase in the incidence of sexual and gender-based violence (SGBV), with a 42 per cent increase in SGBV reported by the government and a 1000 per cent increase in calls to a national domestic abuse hotline (Flowe et al. 2020). This pattern in Kenya mirrored reports of dramatic increase in gender-based violence elsewhere in the world as a ramification of the lockdown policies and the economic impact of the pandemic (UN Women 2020). In addition, the high concentration of youth – and youth unemployment – in these settlements could become a tinderbox in response to this extreme stress.

The need to prevent the spread of the illness and protect loss of life, coupled with overcoming the social and economic impacts of the movement, became the cornerstone of Oxfam’s approach to its global response to COVID-19. This case study focuses on the second of these issues.

2 A DIFFERENT HUMANITARIAN APPROACH

Recognising the limits to the humanitarian approach and the need for change, in 2020, just as COVID-19 was emerging, Oxfam developed a social protection ‘lens’ to its humanitarian work to include supporting, building and helping people’s right to social protection as one way to save lives. This lens is framed as a series of questions in three stages for Oxfam to ask in designing any humanitarian intervention:

- understand existing formal and informal social protection;
- explore what, if any, existing social protection systems can be either utilised or supported to deliver the response; and
- advocate for permanent government social protection and help households to access long term social protection support.

This differs from the conventional emergency response design which is based on needs assessments and risk analysis alone and is coordinated through the international humanitarian cluster system, which can operate largely independently of a government. In Kenya, Oxfam adopted this new approach in consortium with predominantly local NGOs.\(^5\) The challenge was how to deliver assistance to large swathes of the population, and meets the specific needs of the most vulnerable individuals, quickly, in a way that was safe and minimised the spread of COVID-19. Oxfam recognised that it could not reach the scale needed, but could test and demonstrate what can work in such a context, for the government to take on subsequently, at scale. This has also reinforced the importance of local humanitarian leadership: working with the Kenya Red Cross gave access to their vast volunteer network who live within the com-

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\(^5\) This project is funded by the European Union, DANIDA and the GFFO and implemented through a consortium comprising ACTED, Concern, the Center for Rights Education and Awareness (CREAW), IMPACT initiatives, the Kenya Red Cross Society, Oxfam and the Wangu Kanja Foundation.
communities to reach households in Nairobi’s informal settlements. Developing local networks is high on Oxfam’s agenda but investment in this has been long overdue and is an important aspect of reaching at scale.\(^6\)

3 THE PROJECT

The purpose of Oxfam’s response is to ‘Provide a safety net for vulnerable households to protect against the economic impact of measures implemented to contain and suppress the spread of COVID-19’. This takes the form of monthly unconditional cash transfers to meet food and other basic needs, shield households from the economic and social impacts of COVID-19 and so disincentivise people from breaking social distancing and lockdown rules. A second objective is to respond to the heightened gender-based violence and protection risks related to the pandemic through financial support to women and women’s organisations. The link to social protection is threefold: (1) base targeting on existing social protection and vulnerability lists; (2) demonstrate that it is possible to deliver cash transfers at scale in a COVID-appropriate way, so that this can be adopted by government social assistance schemes in future; and (3) verify and register households that may require social assistance in future crises, so that schemes can be scalable going forward. This mirrors Oxfam’s new humanitarian social protection approach.

Three target groups within informal settlements are identified for this project. First, unlike many humanitarian approaches, households receiving the government’s Inua Jamii social assistance\(^7\) are included as eligible for a top-up to meet 50 per cent of the minimum expenditure basket (MEB). Second, households already identified as vulnerable by the local Nyumba kumi\(^8\) system are registered for full cash assistance of 50% MEB. Third, women who have reported themselves to partner women’s organisations as at risk of SGBV since the start of the COVID-19 outbreak equally benefit from a package of cash and non-cash support. The cash is delivered electronically through the mobile money transfer platform MPESA.

Following a pilot in May, registration of 29,400 recipient households (117,600 people)\(^9\) was phased over several months first in Nairobi, then in Mombasa. Despite being a humanitarian ‘safety net’, six months passed since physical distancing measures were imposed in Kenya before some households received any support. Transfers provide KES 7802 (USD 72) per household monthly for three months. This is 50 per cent of the minimum (multi-sector) COVID-adjusted MEB in urban areas. Eligible households who receive cash from the government’s Inua Jamii social assistance programme receive a monthly top-up to reach 50 per cent of the MEB.\(^10\)

\(^6\) Personal communication, by email, September 2020.
\(^7\) Inua Jamii is the government social protection programme which provides cash assistance to four vulnerable groups: older persons, people living with disability, orphans and other vulnerable children and the Hunger Safety Net Programme in northern Kenya.
\(^8\) Nyumba kumi is a government initiative which groups 10 neighbouring households into an administrative structure to share and improve security and information about the residents within a community. Through this process it has identified the most vulnerable households.
\(^9\) Based on donor-approved proposals and contracts with Oxfam at the time of writing.
\(^10\) The MEB was developed by the Cash Working Group and adjusted for COVID-19 contexts. It was agreed across the cash working group that COVID-19 cash transfers should meet 50 per cent of the
A hotline was established for complaints and feedback. The main grievance reported is non-receipt of cash (typically this was because they were registered to receive cash from a different agency), spending the cash without realising; or the transfer was automatically used to pay off existing debts with MPESA.\textsuperscript{11}

4 COVID-SAFE DELIVERY

To minimise COVID-19 transmission risks the project has been designed to be implemented with as little physical contact as possible. For non-governmental organisations, delivering assistance remotely to households is by no means new. Conflict contexts commonly require aid agencies to implement from afar. Recent international experience with Ebola in 2014 was also useful for learning how to communicate with communities in a physically safe way. This placed Oxfam in a good position to establish contactless delivery in Kenya. Non-governmental organisations may have more experience than governments with remote communications, technology and delivery. This is knowledge that can be usefully shared, particularly in the COVID-19 context.

Mobile money is the process of digitally transferring cash to an account on recipients’ phones. MPESA is a digital money transfer application that is ubiquitous in Kenya and so requires no introduction to users. Recipients receive a short message service informing them they have received the monthly transfer into their MPESA ‘account’. They can use this to digitally pay for goods through the same application. Physical handling of cash can be avoided and it does not require any form of person-to-person contact. A final benefit of this platform is that unlike bank cards used in the Hunger Safety Net Programme in northern Kenya, it does not require recipients to have a bank account. If people do not have bank accounts, bank transfers are not a feasible distribution mechanism in an emergency. An implicit objective of the project was to demonstrate to the government that mobile cash payments are a feasible means to deliver ‘COVID-safe’ cash in urban areas.

Details of the most vulnerable households who had already been pre-identified were passed to the Kenya Red Cross’ community volunteers to undertake door-to-door registration, who were required to wear personal protective equipment (and/or conduct interviews from the doorstep by video). Women eligible for support under the SGBV criteria were registered by local organisations Centre for Rights Education and Awareness and the Wangu Kanja Foundation. Next, verification was carried out by Concern and Oxfam, via telephone surveys which averaged 12 minutes. The aim was to register (and clean the data for) 2500 households per week, although due to data quality issues, it has actually been significantly less.

Feedback and complaints are handled through a telephone helpline and post-distribution monitoring is carried out by the consortium. This has limited the entire face-to-face contact to only one point of the process (registration), in order to be as COVID-safe as possible.

\textsuperscript{11} www.vodafone.com/what-we-do/services-m-pesa.
5 INCLUSION

This project reaches around 10 per cent\textsuperscript{12} of the approximately 1 million people in Nairobi’s informal settlements, but even with other agencies distributing cash many remain excluded. Regarding the modality, not everyone can utilise cash and arrangements are needed for in-kind distributions to those that may be unable to use cash, or are isolating such as older persons or the chronically sick. In terms of criteria, the targeting is inclusive, but limited resources mean humanitarians focus on minimising inclusion errors, knowingly overlooking often vast exclusion errors. This is not inclusive from a social protection and rights perspective. Targeting in the project has delayed distributions, incurred administrative costs and can increase the risk of fraud. There is a worry that it might be increasing tensions in communities between who is and is not included. It was decided to verify every household. This reduces inclusion errors, prevents ghost households and fraudulent activity, thereby raising implementing and funding organisations’ confidence in the project. However, taking approximately 12 minutes per household the process also proves expensive and time-consuming. Moreover, rapid scale-up during a crisis or pandemic is hard to envisage when exclusionary criteria, complex documentation or lengthy verification processes prohibit access. The reality of this ‘inclusive approach’ is evident in the following:

- To qualify for SGBV-related support, project applicants must have reported or proven abuse took place since the start of the pandemic. This has been imposed to limit the demand but excludes the many women wanting support who experienced SGBV pre-COVID.
- To be classified as ‘living with disability’ and therefore eligible for government (or project) support, a person must not only prove they require round-the-clock care but acquire expensive documentation to register this. This has meant that many people living with disability are frequently missed.

The alternative to targeting, universal coverage, providing transfers to everyone in the community, would have meant delivering the project in fewer locations but ‘would have saved time and would have reduced the incentive for corruption’.\textsuperscript{13} Without concerted action it is difficult to conceive that this inclusive approach that delivers the right of individuals to social protection will hold sway given political aversion to an increased caseload in the welfare system, increasingly tight donor budgets and the accepted convention of targeting by the humanitarian community. But in pandemics and other crises, as a minimum we need to reconsider whether targeting in densely populated areas exacerbated by chronic poverty is practical or even ethical: does minimizing inclusion errors justify the time, cost, complexity and delay of delivering resources in emergencies? This would require a more financially sustainable approach to humanitarian assistance. Regardless of a universal or targeted approach, it requires data-sharing agreements between relevant actors to register households and prevent double counting. Better coordination and information sharing between actors is necessary to assist in any targeting or registration process.

\textsuperscript{12} Based on project information at the time of writing.
\textsuperscript{13} Personal communication.
CONCLUSION

The project is still ongoing, so analysis of delivery and impact are not available at the time of writing. Despite risks of delivering cash, the modality tested here still presents a useful example to government to continue to deliver ‘COVID-safe’ transfers at scale in Kenya and to scale up in future shocks, recognising that some people may require in-kind transfers in crises, particularly if they are isolating, and not all will be able to utilise cash. Forthcoming research will be used to advocate for those on the existing lists in chronic need, to be included in the government’s social assistance. The local neighbourhood lists of vulnerable households has been fully screened and this list will be shared with the government so that they can expand social assistance in urban areas either permanently or in response to shocks. And learning about delivering cash at a distance will be shared to help improve the government system going forward. These are much needed steps at the end of every humanitarian intervention, particularly in the context of multiple waves of COVID-19 and movement restrictions which may leave people repeatedly at risk.

What has become apparent to Oxfam is that articulating an emergency response in the context of the national social protection environment is pragmatic in a context such as a pandemic where the needs stretch beyond the reach of the international humanitarian community. And it is necessary for a more sustainable approach to humanitarian interventions. Over time, this approach should become the norm. The conditions in Kenya are favourable for this project: a stable government context, recent and well-established working relations with government, an existing social assistance scheme and consortium members with a history of working together in emergency and preparedness contexts and in social protection in the country. Oxfam is also witnessing during COVID-19 how its new social protection approach to humanitarian response is articulated differently in less sympathetic contexts.

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