Transformative Social Policy and Poverty Reduction

Section Two

If the 1980s were about separating the economic from the social, then the 1990s and beyond have signalled a rediscovery of the social. These changes have come in the wake of widespread realization that the neoliberal model has failed either to generate economic growth and dynamism or to reduce poverty. Despite an increased emphasis on the social dimensions of development, there is no consensus on an approach to social policy. Crucial issues include the appropriate interface between social and economic policies; the role of the state, not just as regulator but also as a provider of social welfare, and the degree of responsibility that markets and families should assume in providing services, including care; the scope, design and financing of social policies; and – fundamentally – the values that should underpin public policy, in particular core values of equality, solidarity and redistribution.

This section lays out an approach to social provisioning and protection rooted in universal values. It argues that the state must assume key responsibilities in terms of financing, administration and regulation. This contrasts with the orientation of social policy in many developing countries today, which emphasizes government programmes that target the poor as a supplement to private or market-led forms of provision and finance.

When a substantial proportion of a country's population lives in poverty, targeted interventions are unlikely to address the underlying causes of poverty or to achieve adequate levels of coverage. Narrowly targeted social policy interventions are costly, difficult to administer, politically vulnerable and produce segmented, uncoordinated welfare systems. Similarly, market-based approaches have a poor record, whether in terms of protection, coverage, redistribution and gender equity, or in contributing to economic development and stabilization. Furthermore, ostensibly cost-saving and efficiency-enhancing measures, such as user fees for social services, are inappropriate in developing country contexts where underutilization or lack of quality services constitute the greater public policy challenges.

This section makes the case for a comprehensive approach to social policy that combines universal basic social service provision with social protection programmes, both contributory and non-contributory, along with selective initiatives to reach the most excluded segments of the population. It examines not only conventional forms of social policy such as social assistance, insurance and services, but also the unequal burden of unpaid care work, and how this can be redistributed. It proposes financing structures that reinforce progressive redistribution and are sustainable in economic and political terms.

Such an approach places social policy at the centre of development strategies. It emphasizes the multiple tasks that social policy performs in relation to social protection, social reproduction, production and redistribution – tasks that are key to transformative social policy.

Towards Universal Social Protection

Protecting people from the vagaries of the market and life's changing circumstances is one of the main objectives of social policy. As a key component of social policy, social protection is concerned with preventing, managing and overcoming situations that adversely affect people's well-being. It helps individuals maintain their living standard when confronted by contingencies such as illness, maternity, disability or old age; market risks, such as unemployment; as well as economic crises or natural disasters.

In the developed world, social protection has traditionally been concerned with temporary or foreseeable income shortfalls and transitory experiences of poverty in otherwise relatively stable life trajectories and acceptable living conditions. In developing countries, by contrast, social protection has recently emerged as a policy framework for addressing poverty and vulnerability. In contexts where chronic poverty and persistent deprivation affect large sectors of the population, social protection programmes are evolving to include elements of promotion as well as protection, with the aim of tackling not only sharp declines in income but also persistently low incomes and their structural causes. In this sense, social protection is a key component of development policy that can support people in moving out of poverty and living more dignified and productive lives.

This chapter argues that universal social protection – that which covers the entire population with adequate benefits and is grounded in claimable entitlements, whether derived from rights or payments by institutions and individuals – can contribute to human security, reduce poverty and inequality, and build social solidarity. Universal social protection in developing countries can help protect living standards in general and provide basic levels of consumption to those living in, or at risk of falling into, poverty. Furthermore, it facilitates investment in human and other productive assets that provide escape routes from persistent and intergenerational poverty and that strengthen the agency of the poor.

> *Universal social protection can contribute to human security, reduce poverty and inequality, and build social solidarity*

Social protection instruments discussed in this chapter encompass social insurance, social assistance and labour market standards, with a focus on the first two, both of which are associated with some form of financial transfer or income support. Social insurance refers to employment-related programmes financed from contributions from employers and employees based on earnings. Social assistance provides transfers to those who are unable to work or excluded from gainful employment and who are deemed eligible, whether on the basis of their income, their vulnerability status or their rights as citizens. Income-generating interventions such as public employment programmes are also a form of social assistance. Social assistance is usually financed through general taxation and external resources (see chapter 8).

Whereas the instruments used for social protection have a long history, going back to the European welfare states and before, social protection as a policy approach in the field of development is relatively new, particularly in Asia and sub-Saharan Africa. It emerged from a context of economic crisis, structural adjustment and global integration, where the limitations of residual, ad hoc safety nets to address the social consequences of neoliberal policies became painfully apparent. Not surprisingly, this evolving approach to social protection is contested. The very purpose and design of social protection interventions are being scrutinized; the appropriate division of responsibility among households, states and markets deliberated; and fundamental principles, such as universalism versus targeting or residualism, debated. Nonetheless, as an approach, social protection offers an unprecedented opportunity to integrate concerns with livelihood security and poverty reduction within a unified conceptual and policy framework.[1]

> *Social protection offers an unprecedented opportunity to integrate concerns with livelihood security and poverty reduction within a unified conceptual and policy framework*

As the case studies in this chapter show, a wide range of instruments and pathways can be used to achieve the goal of universal social protection. These include measures to extend the coverage of contributory programmes as well as to expand social assistance. As the social protection component with the strongest direct impact on poverty reduction, social assistance has become a focus of major innovation in recent years,[2] and is a core element of national strategies to achieve the Millennium Development Goals (MDGs). The evidence in this regard points to the following conclusion: countries that have successfully reduced income poverty and improved social conditions on a significant scale have established comprehensive social protection programmes integrated into broader strategies of social policy and social development. In contrast, countries that have adopted social protection approaches emphasizing market-oriented instruments and narrowly targeted interventions have tended to be less effective in reducing poverty.

The analysis in this chapter highlights the following lessons.

- Achieving universal social protection requires the state to assume key responsibilities in terms of financing, administering and regulating social protection programmes and institutions.
- Social assistance programmes are most effective when designed as an integral part of a long-term social protection strategy, avoiding complex mechanisms of targeting and conditionality.
- Increased coverage and equity of formal social insurance schemes can be pursued through various routes.
- Extending social protection must be an integral part of efforts to create sustainable and employment-intensive growth paths and to advance towards more equitable, cohesive and democratic societies (see chapter 1).

Section 1 of this chapter makes the case for a universal approach to social protection. It also summarizes evidence on the positive impact of social protection in reducing inequality and poverty.

Section 2 examines the changing patterns of social protection provision in developing countries since the mid-twentieth century, drawing on the experience of a number of countries grouped according to their development and growth paths. These examples illustrate how social protection policies have been forged and adjusted with different outcomes in contexts of rapid economic and social transformation.

Section 3 presents policy lessons and recommendations.

1. The Case for Universal Social Protection

Universal social protection is defined as a minimum level of income or consumption granted as a right by the state to all citizens and residents of a country, thus treating everyone with equal consideration and respect.[3] Social policy grounded in universalism aims to guarantee a decent standard of living for all, making social services and a basic income accessible to the entire population. As a normative principle, universalism is concerned with solidarity and the notion of social citizenship, which includes social rights alongside civil and political liberties, and emphasizes collective responsibility for individual well-being. Its achievement requires social policies that foster social cohesion and coalition building among classes, groups and generations, working against different types of divisions in society.

A key argument running throughout this report is that universalizing the provision of social protection and social services is essential to sustained improvements in well-being. To understand the potential and challenges involved, this chapter first looks at the evolution of social protection as a policy approach for development and poverty reduction.

Neoliberal approaches to social protection fail to deliver on several counts

In the context of crisis, stabilization and adjustment of the 1980s, social policies were conceived of primarily as residual interventions to address market failures or to assist those adversely affected by crisis or unable to benefit from growth. Within this dominant neoliberal policy agenda, social protection interventions focused largely on targeted safety nets for the poor and vulnerable in order to mitigate the adverse consequences of economic or other shocks.[4] By extension, the role of the state was limited to being a provider of last resort, when individual, community or market responses were inefficient or insufficient. Whereas the state was responsible for a healthy macroeconomic environment and good governance in general, direct public support occurred only in the form of targeted social assistance for the neediest groups, alleviating the adverse impact of crises or catastrophic events. Non-income aspects of social protection, such as social inclusion and solidarity, were not considered key elements of a strategy to build people's ability to climb out of poverty. Rather, they were regarded as collateral outcomes of good social protection programmes.

The Asian financial crisis of 1997–1998 exposed the limits of such safety net responses, and a new discourse around social protection emerged that better integrated concerns with risk and vulnerability. The social risk management framework that evolved within the World Bank focused on analysis of risks (such as economic and environmental) and a set of mechanisms (market and non-market) designed to reduce, mitigate or cope with risk.[5] While this approach has extended the scope for better ex ante institutional arrangements, it remains primarily concerned with market mechanisms of provision, supplemented with narrowly targeted assistance for the most vulnerable.

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In practice, the combination of privatization and targeted public provision against a background of crisis, recession and social sector retrenchment starting in the 1980s resulted in a lost decade of development in many parts of the world.[6] Market-based approaches to reforming social protection, including the privatization of health and pension insurance and the introduction of user fees for health and educational services, have been pervasive in developing countries. These reforms were expected to contribute to development and well-being simultaneously by creating more efficient social systems, fewer market distortions and lower costs for the state. This agenda has failed to deliver, especially with regard to the extension of coverage, poverty reduction, broader risk-sharing and redistribution, and gender or other forms of equity.[7]

For example, funded schemes, such as individual savings accounts for retirement, sickness or unemployment, are generally unaffordable for low-income individuals. Moreover, certain categories of people, such as the chronically ill, may be required to pay more or may be rejected from private health plans when premiums are adjusted for risk. Since premiums and benefits are normally earnings-related and individualized (and therefore do not cover so-called dependants), they tend to accentuate existing labour market inequalities, such as wage differentials between women and men. They also discriminate against those who do not participate in formal, paid employment (such as caregivers, voluntary workers, the disabled and children). For this reason, private insurance schemes neither pool certain risks nor redistribute resources across different sectors of the population. In many contexts, the proliferation of private insurance providers has provoked or intensified the fragmentation of social protection into multiple schemes with different eligibility rules, contributions and benefit levels. The result is limited or patchy coverage.

The benefits of narrowly targeting social assistance are questionable

In response to these widening gaps in coverage, targeted social protection schemes have expanded dramatically in recent years, largely through various cash transfer programmes financed out of general budget revenues and aid. Because they do not rely on formal labour relationships and previous contributions, social assistance programmes are especially important for low-income countries with large informal sectors. Such programmes can be used as a means to extend social protection to sectors of the population traditionally excluded from statutory contributory social insurance, either because of their informal employment status or low incomes. They are therefore an indispensable instrument in a context of permanently deteriorating labour market conditions and global crisis. Existing programmes differ widely in terms of objectives and design, scope and degree of institutionalization. They include conditional cash transfer or integrated social assistance schemes; income transfers conditional on work, such as public works or employment guarantee schemes; and pure income transfers, such as non-contributory social pensions or child benefits (see chapter 7).

The benefits and shortcomings of targeting specific groups in these types of programmes remain controversial.[8] Targeting on the basis of income usually entails high administrative costs, significant errors of inclusion and exclusion, and substantial undercoverage, while potentially stigmatizing beneficiaries. It tends to foster the segmentation of social protection programmes and the separation of the poor from other social classes, possibly leading to lower levels of political and budgetary support, and weaker accountability mechanisms. Income-based targeting can be especially challenging in contexts where informality and poverty are widespread, and where governance structures and technical and administrative competencies are weak. Furthermore, by de-linking access to social protection from rights of citizenship, targeted schemes enhance the discretionary power of authorities, especially at the local level, to assign benefits and may thus create incentives for undesirable behaviour such as corruption.

> *Targeting based on income entails high costs, stigma and fails to reach the poor*

The lack of a recognized basis for entitlements can create the perception that recipients are receiving something for nothing,[9] leading to the criticism of welfare dependency. This in turn is used to justify the discretionary handling of benefits by authorities as well as interventions to regulate the behaviour of recipients. While questionable from a rights-based perspective, such approaches have also led to the promotion of programme designs with contradictory effects on poverty and equality. For instance, the conditionalities or co-responsibilities attached to the provision of cash benefits may require beneficiaries to perform certain verifiable actions to secure even minimum investments in children's education and health. Such conditionalities may play a political role in securing broad-based support for these initiatives from some sectors of the population or external donors. However, they may also involve erroneous and troubling assumptions about the causes of poverty and the behavioural choices of individuals and families. The costs of compliance with conditionalities may be high, particularly for women, and, in the absence of an adequate supply of good quality social services, may not lead to the desired outcomes.[10] In some contexts, improvements in basic education and health indicators might be better achieved by investing resources directly in the supply of these services (see chapter 6).

Universal social protection demands a strong state role

Achieving universal social protection requires the state to assume key responsibilities in providing, financing, administering and regulating programmes and institutions (see chapter 10). The experience of welfare regimes in advanced industrialized economies – in particular the conservative-corporatist (Germany and France) and social democratic types (the Nordic countries) – shows that public provision plays a central role in decreasing the dependence of citizens on market participation to secure livelihoods (decommodification) and in preventing them from falling into poverty. This has been accomplished largely through universal coverage of social protection and social services.[11]

The role of the state becomes even more important in a development context. Here, countries often face problems of weak private markets, especially labour and insurance markets, thus diminishing the capacity of individuals and families to compensate for inexistent or insufficient incomes and social services in highly unequal societies. Some developing countries have established occupational insurance schemes for some formal labour market workers. However, in development contexts, social rights and entitlements are more often grounded within the informal domains of social relationships and cultural norms, with non-state actors – such as kin, religious organizations, charities, non-governmental organizations (NGOs) and philanthropy – generally assuming a prominent role in social provision.[12] Despite the important role played by such non-state and private actors in reducing vulnerability and destitution, as well as in advocating social rights, they cannot act as substitutes for public action by the state.

Countries where informal welfare mechanisms dominate have not been successful in achieving sustained poverty reduction, as the case studies in this chapter will show. The advantage of the state is that it can provide uniform standards and universal coverage of social protection, using different redistribution mechanisms among different groups depending on risks and vulnerabilities, income and class, gender and ethnicity, and other characteristics. So while acknowledging the importance of non-state and informal activities, this chapter focuses on public action for social protection.

State interventions shape the conditions for the involvement of other actors, directly through regulations and subsidies or indirectly through the design and scope of public interventions. In turn, they may be shaped by other actors, either directly (for example, through donor influence on national social protection strategies) or indirectly (as when higher income groups opt out of public social insurance). In this sense, the specific welfare mix of any country – that is, the combination of policies and the roles of various actors (state, market, household, community, NGO and donor) in welfare provision – needs to be understood as part of the broader historical evolution of a country's development strategies and policies.

Universal programmes offer greater benefits

The more universal a programme becomes in terms of coverage, rules of access and membership, and adequacy of benefits, the greater the potential for redistribution, risk pooling, cross-subsidization, efficiency gains and quality control. The redistributive impact of universal programmes can be further enhanced through progressive financing mechanisms (see chapter 8).

> *The more universal a programme becomes, the greater the potential for redistribution, risk pooling, cross-subsidization, efficiency gains and quality control*

In practice, in terms of the steps and instruments through which universal social protection can be achieved, the line between a universal and a targeted approach may become blurred.[13] The ideal type of a universal social protection programme is a basic income grant for all citizens or residents, financed out of general revenues and provided on an unconditional basis (see box 5.1). In practice, however, benefits that cover the working population (often including dependants), such as social insurance benefits, or groups, such as non-contributory cash transfers for the elderly, the disabled or children, are interpreted as group-based (categorical) universalism. Affirmative action is deemed a necessary complement to universal programmes, since universalism strictly interpreted may ignore structural inequalities based on individual or collective characteristics (such as gender, age, disability or ethnicity; see chapters 3, 4 and 6). This could actually impede individuals or groups from benefiting adequately from a universal social protection programme.

BOX 5.1. Coping with the global economic crisis: Alternative approaches to social protection

Debate regarding social protection in the context of the global economic crisis has drawn attention to two alternative proposals, both grounded in a rights-based approach.

A basic income grant is income provided unconditionally to all citizens or residents on an individual basis, without means testing or a work requirement. Ideally, a basic income grant would replace all other forms of non-contributory social assistance available in a country, thus avoiding the costs and the stigma associated with means testing, targeting and conditionality. However, current proposals are focusing on partial schemes that would provide a low – and slowly increasing – basis to which other income, including remaining social security benefits and means-tested guaranteed income supplements, could be added. Alternatively, grants could be provided to certain categories first (children, the elderly) and then extended progressively to the whole population. Countries that have experimented with a partial basic income grant include Brazil, where the right to a basic minimum income for all nationals and residents was legislated in 2004, and Singapore, where, at the end of each fiscal year, the state redistributes any national budget surplus in cash to every citizen as a bonus of citizenship.

The social protection floor endorsed by the United Nations system in 2009, with the International Labour Organization (ILO) and the World Health Organization (WHO) designated as lead agencies for its promotion, consists of a guaranteed set of basic social transfers in cash or in kind to all. Countries may choose how to realize it. Transfers are granted to all residents as a right, and their financing is a collective responsibility, most likely to occur through general taxation. The ILO calculates the initial annual cost for a basic social protection package – including universal basic old-age and disability pensions, basic child benefits, universal access to essential care and social assistance/100 days employment scheme – in the range between 3.7 per cent and 10.6 per cent of gross domestic product (GDP) for a number of low-income countries in 2010. This approach has inspired the United Nations Chief Executives Board to adopt the social protection floor as one of its policies to cope with the global crisis.

Sources: BIEN 2009; ILO 2008d; UN System Chief Executives Board for Coordination 2009.

In general, benefits that are not based on means testing or conditionality and provide coverage across different income groups can be defined as universal measures.[14] Social insurance and publicly funded group-based schemes can therefore be considered steps in the progressive realization of the right to universal social protection.

Universal social protection can enhance economic progress

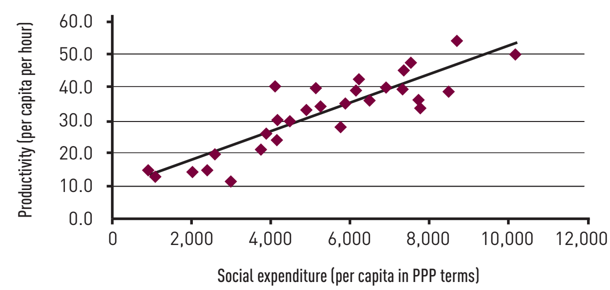
During the neoliberal adjustment era of the 1980s, mainstream economists criticized public social transfers financed through contributions and general taxes (or debt) for their rising costs and unsustainable fiscal burden, financial instability and inefficiency (due to adverse incentives on labour supply, savings and investment). The failure of their alternative residual approach to provide even minimal protection to the vulnerable in the event of crisis and over the lifecycle has since shifted the focus of attention towards ways in which social protection policies can favourably affect social and economic development.

> *The most prominent argument cites the positive impact of investments in education and health on human capital formation, and hence on labour productivity*

The most prominent argument in contemporary debates cites the positive impact of investments in education and health on human capital formation, and hence on labour productivity (see figure 5.1 and chapter 6). Social protection instruments, such as income transfers paid by social health insurance or social assistance programmes, help poor people access these services and cover related costs such as transportation, school supplies or medicines. Social assistance further supports the productivity and health of a population if cash transfers are invested in nutrition and housing, for example.

Social insurance policies such as pension programmes provide incentives to both employees and employers to undertake long-term investments in skills, allowing firms to pursue a pattern of economic specialization based on the production of high-value-added goods, thus influencing the growth path of the economy.[15] Social protection programmes also guarantee social reproduction (see chapter 7) in households that are affected by contingencies or poverty, potentially fostering local development through increased income security and diversification of assets and livelihoods.

FIGURE 5.1: Correlation between per hour productivity and social expenditure per capita in OECD countries, 2001



Note: $y = 0.0043x + 8.7845$; $R^2 = 0.7812$. Source: Reproduced from ILO, Social Security Department (2006). ILO calculations are based on data from the Organisation for Economic Co-operation and Development (OECD).

Equally important (and once again recognized in the context of the global crisis and the revival of Keynesian macro-policies) are the well-known effects of income replacement programmes (so-called automatic stabilizers) on macroeconomic stability. Such programmes, which are reinforced if accompanied by progressive funding mechanisms, help smooth economic cycles and avoid deflationary recessions by stabilizing demand and domestic markets. Income replacement programmes are not only a source of finance (for example, pension funds) and employment (for example, in the social service sector); they also have a beneficial effect on social cohesion, equity and political legitimacy, which are key ingredients for an investor-friendly environment with potentially positive effects on different types of investments such as foreign direct investment (FDI). They may also have a positive influence on individual and institutional behaviour, in terms of risk taking, labour mobility, long-term planning, accountability and financial sector development. Finally, the prospect of participating in earnings-related social protection schemes can contribute to greater labour market formalization, with possible positive spin-off effects on income levels and state revenues.

Universal social protection reduces poverty and inequality

Social protection schemes can be designed to redistribute vertically (towards low-income groups) and horizontally (towards groups with specific risks and vulnerabilities, such as women with care responsibilities, the disabled and those who are ill). In combination with progressive funding mechanisms (for example, progressive income and wealth taxation, as described in chapter 8), these public tax-transfer schemes have an important redistributive function with regard to primary distribution resulting from market processes and individual conditions.

Evidence from OECD countries shows that income inequality and poverty rates were significantly reduced following the implementation of tax-transfer schemes, with social democratic welfare states (Denmark, Finland, Norway and Sweden) being the most successful in producing egalitarian societies with low poverty rates (see table 5.1). Under this model, a wide range of health, education and care services, as well as social protection benefits and transfers, are provided publicly and universally by the state on the basis of citizenship or residence, rather than employment status or means testing.[16] Table 5.1 shows that poverty rates in social democratic welfare states were reduced by 78 per cent – from 19 per cent to 4 per cent of the working age population – following implementation of tax-transfer schemes. By contrast, poverty was reduced by only 40 per cent among working-age populations in liberal welfare states (Australia, Canada, Ireland, the United Kingdom and the United States). Moreover, the overall incidence of poverty post–tax and transfers in these countries was triple that of the social democratic welfare states. (See chapter 7, table 7.2 for poverty rates of children and chapter 4, figure 4.1 for poverty rates of single mothers in OECD countries.)

TABLE 5.1: Inequality and poverty by welfare state regimes

	Inequality among working-age population			Poverty among working-age population		
	Pre–tax and transfers Gini	Post–tax and transfers Gini	Reduction in Gini due to taxes and transfers (%)	Pre–tax and transfers (%)	Post–tax and transfers (%)	Reduction in poverty due to taxes and transfers (%)
Social democratic welfare states[a]	0.35	0.21	40.0	18.8	4.0	77.8
Christian-democratic welfare states[b]	0.35	0.26	26.0	15.6	7.0	51.6
Liberal welfare states[c]	0.42	0.32	24.4	20.5	12.0	39.5
Grand mean	0.37	0.26	30.1	18.3	7.7	56.3

Notes: Mean values. [a] Data refer to 1995 for Sweden, Norway and Finland, and to 1992 for Denmark. [b] Data refer to 1992 for Belgium and Switzerland; 1994 for the Netherlands and France; 1989 for Germany. [c] Data refer to 1994 for Australia, Canada and the United States; 1995 for Ireland and the United Kingdom.
Source: Adapted from Stephens (2007).

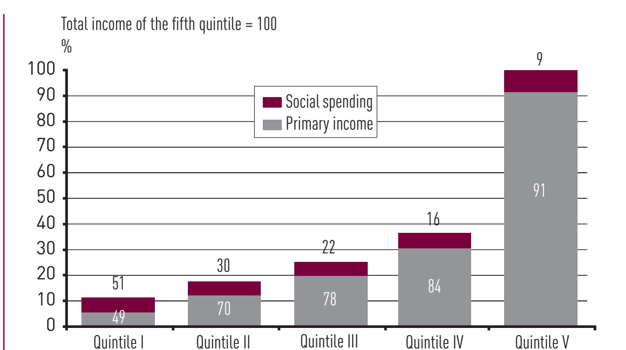
TABLE 5.2: Social transfers and old-age poverty in Latin America

	Poverty rate of adults aged 65 and older (%)		Reduction in poverty (%)
	Pre-transfers	Post-transfers	
Argentina	64.5	17.1	72.6
Brazil	67.8	16.9	75.1
Chile	52.8	15.0	71.6
Colombia	64.2	47.0	26.8
Costa Rica	52.7	28.7	45.5
Mexico	70.5	53.2	24.5
Uruguay	67.0	4.9	92.7
Average	62.8	26.1	58.4
Median	64.5	17.1	71.6

Note: Estimations are based on household surveys conducted in 1997, except for Chile and Brazil, where they refer to 1996. Source: UNRISD elaboration based on Tokman (2006), with data from Uthoff and Ruedi (2005).

Social protection programmes also have a clear positive impact on poverty reduction in developing countries, especially if de-linked from formal labour market participation. Old-age poverty in Latin America has been reduced by between 25 and 93 per cent through social transfers (see table 5.2). Figure 5.2 shows that social spending in Latin America accounts for more than half of the total income of the poorest income quintile and 30 per cent of the second quintile.

FIGURE 5.2: Redistributive impact of public social spending on income by quintiles of primary income in Latin America, 1997–2004



Note: Averages weighted according to the importance of spending in primary national income. Source: ECLAC 2007, based on national studies (18 countries).

However, the impact of social protection on equality is mixed, at least for those countries where data are available (see table 5.3 and figure 5.2). As can be seen in table 5.3, benefits from public social spending in Latin America, including social protection, are skewed towards higher income groups, with spending on tertiary education and on social security being the most regressive. This suggests that improved access by the poorest quintile to secondary and tertiary education and to social security programmes will require a more equal redistribution of resources between richer and poorer population groups. It also suggests that social expenditure needs to be redirected to non-contributory programmes that reach the poorest quintiles of the population and specific groups that remain excluded from social insurance mechanisms. This is different from concentrating expenditures solely on primary health and education services, which can lead to neglect of curative health and higher education (see chapter 6).

TABLE 5.3: Distribution of benefits from public social spending to the richest and poorest quintiles in Latin America (%)

	Poorest quintile	Richest quintile
Education	20.2	20.4
Primary	29.0	7.9
Secondary	13.2	18.3
Tertiary	1.9	52.1
Health	20.6	17.6
Social security	5.6	51.2
Total social spending	**15.0**	**30.4**

Notes: Numbers represent unweighted averages. Country coverage varies by category. For total spending, total education, health and social security spending, the number of countries covered is 8, 13, 14 and 9, respectively. Source: Clements et al. 2007.

The impact of social protection schemes on equality therefore depends on a variety of factors, such as the pre-existing level and the nature and sources of inequality, the nature and design of interventions and programmes, coverage of tax-transfer schemes and the volume of funds, and progressivity of revenue and expenditure policies. There is also evidence that highly unequal societies tend to reproduce inequalities through public policies and institutions due to existing power relations.[17] Figure 5.2 shows that, in Latin America, income inequality remains high even after accounting for redistribution through public spending.

2. Changing Patterns of Social Protection

A number of developing and transition countries in Latin America and Eastern Europe have been implementing social protection programmes for over a century. The expansion of social policies accelerated in the post-war period in a context of greater formalization of employment, which facilitated extension of social protection to larger segments of the population. Such protection often included benefits for dependent spouses and children, but excluded other household members engaged in unpaid care or domestic work or voluntary community service (see chapter 7).

The evolution of social protection programmes in these countries, however, in contrast to more developed nations, has been characterized by frequent disruptions and radical regime shifts, mostly as a result of global development trends over the past three decades. For the majority of the developing world (apart from the former socialist countries), the emergence of highly dualist labour market structures, marked by increasing informalization and high levels of unemployment, has also undermined the construction and financing of universal social protection measures.

These tendencies were reinforced during the recent period of globalization, especially following the first debt crisis of the early 1980s and the breakdown of the socialist bloc at the end of the decade. This period saw a decline in security even in countries with relatively more advanced social policy regimes, such as some Latin American or former socialist countries. As discussed earlier in this chapter, rising insecurity, highlighted particularly by the Asian financial crisis, focused attention on the dire consequences for human development and growth of inadequate protection mechanisms. As a result, a new social protection discourse emerged that emphasized the need for institutionalized and state-sponsored programmes on a larger scale.

TABLE 5.4: Coverage of social insurance programmes by employment status in the Republic of Korea, 2000–2003

	National pension scheme				Health insurance				Employment insurance			
	2000	2001	2002	2003	2000	2001	2002	2003	2000	2001	2002	2003
% of total wage earners	49.5	51.8	52.3	57.7	52.1	54.3	55.1	59.5	44.1	46.9	47.4	49.8
% of regular workers	88.0	92.7	92.2	96.6	90.7	94.8	94.6	97.6	74.2	80.0	79.1	79.5
% of non-regular workers	22.1	19.3	21.5	26.4	24.6	22.2	24.8	28.9	22.6	20.7	23.2	26.0

Note: Non-regular workers include part-time, temporary and daily employees. They represented 48.8 per cent of the labour force in 2004. Source: Kim Yeon-Myung 2006.

The remainder of this section examines how different social protection programmes have evolved across countries and areas, and over time, through the interplay of a variety of factors. These include the development model, labour market and social policies, and political variables, including prevailing ideas, institutions, interests and actors.[18] The case studies will show the role social protection (along with other dimensions of social policy analysed in subsequent chapters) has played in these contexts to prevent and reduce poverty, as well as to contribute to equality and social inclusion.

Various routes to universal social protection exist

Social protection in the context of developmentalism and industrialization

The Republic of Korea and Taiwan Province of China are among the most advanced areas of East Asia, catching up successfully in recent decades through a manufacturing-led development path. The expansion of formal employment accompanied by steeply rising incomes has led to a reduction in poverty levels and improvements in social indicators (see chapter 1).[19] The welfare regime in both places is organized around core social insurance programmes (related to health, old-age, disability, work accidents, unemployment, maternity and survivor benefits) which were gradually expanded in the late 1980s and 1990s. This East Asian social policy model has been labelled productivist or developmental, given its emphasis on the instrumental role of social policy for economic development, its focus on labour productivity (health and education) and support for workers in strategic sectors. Other aspects of social policy, such as income support schemes, have until recently been underdeveloped, with citizens relying principally on the family or private savings.[20]

Republic of Korea. The country introduced earnings-related social insurance programmes in the 1960s under authoritarian rule. By the late 1990s, during the period of democratic transition, reforms in health, pension and unemployment insurance programmes, as well as the introduction of a Minimum Living Standard Guarantee, increased the coverage and equity of the social protection system (see table 5.4).

Driven by demands from labour unions and civil society organizations, multiple health insurance funds were merged into a single integrated public scheme at the end of the 1990s by the reformist government led by President Kim Dae-Jung. Health reform had beneficial effects both in terms of efficiency (administrative costs decreased from 11.4 per cent of total expenditures in 1997 to 4.7 per cent in 2003)[21] and equity, since entitlement conditions were equalized (though premiums remain different), benefiting previously disadvantaged rural workers and the self-employed.[22] Despite the fact that contributory health insurance is now almost universal in terms of membership coverage, it still relies heavily on regressive out-of-pocket payments (accounting for an estimated 50 per cent of total national health expenditures)[23] and private service delivery.

The Minimum Living Standards Guarantee scheme and labour insurance reforms were introduced in the aftermath of the Asian financial crisis of 1997–1998. The former established a basic living standard as a civil right and adjusted benefits to a new poverty line, reaching 1.5 million people (3.19 per cent of the population) in 2007.[24] The latter provided cash benefits, job training and small loans to unemployed temporary workers.[25] Finally, universal coverage for old-age security (including farmers and the self-employed, but exempting the special regimes for civil servants, the military and private school teachers) was achieved after incorporating the large group of urban self-employed in 1999. There are not yet signs of fiscal pressures from the pension scheme, which is still in its build-up phase. However, they could arise in the future, since many temporary workers fail to pay their contributions (see table 5.4).[26]

Taiwan Province of China. In line with the sequenced development of social insurance typical of corporatist welfare models, Taiwan Province of China started in the 1950s by providing social insurance to strategic groups, such as workers in state-owned enterprises, key private industries, the civil service, the military and teachers.[27] Coverage of social protection schemes remained incomplete until the 1990s. The first universal programme, National Health Insurance, was introduced in 1995: it covers the entire population, with the government contributing part of the funding, not only for public employees but also for the self-employed, informal workers and farmers.[28] As in the Republic of Korea, the push for social sector reform occurred in a context of industrial restructuring, rising unemployment rates and democratic transition. Faced with rising wages, Taiwanese firms increasingly relocated their businesses to mainland China. The province was less affected by the Asian financial crisis than the Republic of Korea. Nonetheless, in response to rising unemployment, economic downturn and structural transformation after the crisis, the Employment Insurance Programme was introduced in 1999, offering temporary cash benefits and training programmes.

Challenges remain in the fragmented Taiwanese pension system. The main problems are a lack of annuity payments (lump-sum payments are the rule, except for civil servants, who receive life-long pensions) and non-compliance of private employers with regard to occupational pensions. This has resulted in low coverage levels, with 38 per cent of men and 69 per cent of women over age 65 relying on their children for support.[29] However, different types of tax-financed social pensions have been established for poor senior citizens, farmers and war veterans.

The examples of the Republic of Korea and Taiwan Province of China show that, in a context of sufficiently formalized labour markets, extension of formal social insurance is indeed possible and is also in line with a developmentalist orientation of social policy. Yet these achievements were initiated under authoritarian regimes, giving rise to debates about a possible trade-off between economic and social development versus human rights and democracy. It is worth noting, however, that the expansion of social protection was closely linked to labour mobilization and, ultimately, democratic transition. Indeed, new political and civil society actors have facilitated the expansion of non-contributory programmes for old-age, poverty and unemployment, moving these two Asian Tigers towards a more socially inclusive welfare model. Significantly, recent evidence suggests that such programmes have helped them become more resilient and responsive to affected citizens in the event of crisis.

> *The Republic of Korea and Taiwan Province of China show that, in a context of sufficiently formalized labour markets, extension of formal social insurance is possible*

Social protection in dualist contexts

Argentina, Brazil and South Africa are middle-income countries and growth poles in their respective regions, although their development paths have been characterized as stalled industrialization,[30] and their human development achievements vary considerably. Argentina ranks high on the human development index (HDI), Brazil ranks high to middle, and South Africa has achieved only medium scores due to the legacy of apartheid and the AIDS epidemic. The inability of these countries to complete the process of industrial transformation and the adoption of neoliberal adjustment policies has resulted in dualist labour markets: formal sector workers enjoy protection for a variety of risks and generous benefits through social insurance, while informal workers are excluded and marginally covered by social assistance programmes. However, the three countries display major differences. Development in Argentina has been regressive since the era of neoliberal adjustment, moving from a comprehensive welfare state towards a model characterized by fragmentation, underfunding and increasing exclusion. Brazil appears to be moving towards a more inclusive welfare model in the process of democratic consolidation. South Africa, which has traditionally had low coverage in terms of contributory social insurance programmes, relies heavily on means-tested social assistance benefits to provide minimum protection to its poor.

Argentina. Argentina achieved high employment levels and quasi-universal coverage of public social services and social protection schemes in the late 1960s, with free health and education services at all levels provided and financed by the state. It subsequently experienced multiple economic and political crises, including a highly repressive military dictatorship during the 1970s and 1980s and hyperinflation by the end of the lost decade. The country underwent neoliberal shock therapy in the 1990s, ironically under a Peronist government – the political party traditionally associated with the working classes, whose founder, General Juan Perón, had spearheaded expansion of social policies as part of his authoritarian-populist developmental state in the 1940s and 1950s. The neo-Peronist government of Carlos Menem (1989–1999) combined Washington consensus reforms with a rigid monetary stabilization plan (a currency board model based on parity of the Argentine peso with the dollar) in order to achieve rapid price and exchange rate stability and access to international capital markets. Since the new economic model could only work in a context of wage flexibility, balanced fiscal accounts and a strong financial sector, a range of social sector reforms were introduced with the aim of supporting these goals. These included the introduction of mandatory private pension funds, deregulation of the union-administered health insurance system, decentralization of public health and education facilities, privatization of social services such as water and sanitation, and reforms in labour market regulation and collective bargaining.[31] These radical policy shifts had drastic consequences for equity and social protection.[32] Coverage of the labour force in the pension system in 2004 declined by half (based on active contributors) to 25 per cent,[33] while health insurance coverage declined by 11 per cent over the period 1991 to 2001.[34]

After the 2001 Argentine state bankruptcy – the largest sovereign default in history – a combination of public emergency programmes and self-help activism at the community level helped overcome a deep economic and social crisis. Argentina's main emergency programme, Programa Jefes y Jefas de Hogar Desocupados, was set up in 2002 to support people who had lost their jobs and savings. It served to control an explosive social and political situation and to secure the legitimacy of the appointed transition government in the face of massive street protests by organized groups of the unemployed.[35]

Since its inception, the Jefas programme has been sponsored by the World Bank through concessional loans, and reached around 2 million applicants in its first year; by 2009, the number of beneficiaries had been reduced to about 620,000. The programme provides a payment of $50 per month to the unemployed head of a household (not covered by other contributory social insurance schemes) with children under 18, disabled dependents of any age and/or a pregnant woman, in exchange for a minimum of four hours of daily work. Its objective is not only to promote school attendance and health care among a household's children, but to encourage beneficiaries to enrol in formal education or take up training courses that will enable them to re-enter the labour market or to become involved in productive activities or community service. Despite the programme's visible impact on extreme poverty, which blunted the most negative effects of the crisis,[36] it has not been able to guarantee access to good quality, well-paid and stable employment. On the contrary, the relatively low level of benefits has forced beneficiaries to seek complementary incomes in the informal sector.[37] Once social and economic recovery were under way, new social assistance programmes were introduced to facilitate the social inclusion of vulnerable families receiving benefits under the Jefas programme. These included Plan Familias, a conditional cash transfer programme, and Seguro de Capacitación y Empleo, insurance for training and employment.

Brazil. Brazil is considered another pioneer in the introduction of public social insurance programmes in Latin America. It unified and centralized social protection programmes under a technocratic military dictatorship that took power in 1964 and expanded coverage to peasants, family workers and domestic workers in the 1970s. In the 1990s, it chose a different reform pathway from that of Argentina, reflecting the need to balance the competing pressures of democratization (after two decades of authoritarian rule) and economic liberalization.

Through a pragmatic path of gradual change, labelled "the political economy of the possible",[38] Brazil has implemented market-oriented reforms, while simultaneously paying tribute to a previously neglected social agenda, emphasizing social justice and citizenship rights, as enshrined in the new democratic constitution of 1988. Whereas the two presidential terms of social democrat Fernando Henrique Cardoso were mainly associated with economic stabilization and structural reform, a broad electorate called for greater social inclusion and economic recovery when they voted in the founder of the Left-wing Workers' Party, Luiz Inacio Lula da Silva, as president in 2002. To the relief of investors, Lula combined orthodox economic policy with gradual social changes, such as reforming a regressive pension regime and expanding progressive social assistance programmes targeted to the poor. These include the conditional cash transfer programme, Bolsa Familia, which provides a monthly transfer to poor households with children up to 15 years of age or pregnant women, and a monthly transfer to extremely poor households regardless of their composition (table 5.5). The two transfers can be combined when households fulfil requirements for both. In the first type of transfer, conditionalities include 85 per cent school attendance for school-age children, updated immunization cards for children up to six years of age and regular visits to health centres for breast-feeding or pregnant women. For the transfer targeted to the extreme poor, loosely enforced conditionalities involve participation in training programmes.

Brazil's current social agenda emphasizes social justice and citizenship rights

In 2006, Bolsa Familia reached more than 11 million households through cash transfers, benefiting some 40 million people. Despite its targeted approach and the failure to complement the initiative with more structural interventions to provide employment opportunities and long-term solutions to poverty, Bolsa Familia, along with Mexico's Oportunidades – the second largest conditional cash transfer programme in Latin America in terms of coverage – demonstrate that a large portion of the population can be reached through this type of social assistance, visibly affecting redistribution and poverty.[39] As table 5.5 shows, the financial investment in both of these programmes as a percentage of GDP is relatively small, though administrative costs for targeting and monitoring conditionalities can be substantial, especially when multiple benefits are provided to respond to different household needs, as in the case of the Mexican programme. Nevertheless, several other features of these programmes, including national ownership of their design, their long-term political commitment, their rigorous monitoring and evaluation of processes and outcomes, and the progressive involvement of beneficiaries in monitoring and governance mechanisms make Bolsa Familia and its Mexican counterpart the most promising examples among current conditional cash transfer programmes.

TABLE 5.5: Costs, benefits and number of households reached by conditional cash transfer programmes in Brazil and Mexico

	Per capita GDP in 2006 (PPP $)	Population below national poverty line (%)	Poverty headcount ratio at PPP $1.25 a day (% of population)	Budget ($)	Coverage (households)	Monthly monetary benefits in 2008 ($)	Administrative costs (% of programme budget)
Brazil: Bolsa Familia	8,949	21.5 (2003)	11 (in 2000) 5 (in 2007)	$5 billion in 2005 (0.36% of GDP)	11.1 million (2006)	$35 per extremely poor family $11 (variable) per child, up to 3 children $17 (variable) per adolescent, up to 2 adolescents	4
Mexico: Progresa/Oportunidades	12,176	17.6 (2004)	5 (in 2000) 2 (in 2007)	$3.1 billion in 2006 (0.4% of GDP)	5 million (of which 3.5 million were rural)	Education: $12–$77 per child (variable by school level/gender); $2 per child for school supplies Nutrition: $18 per child Pension: $25 per elderly Energy and food: $16 per family Youth: $3–$27 per young person	9

Sources: UNRISD compilation based on data from ECLAC (2009), World Bank (2009a), United Nations Millennium Development Goals Indicators 2009.

In addition to conditional cash transfers, Brazil has basic pension programmes financed through tax revenues and some social security contributions.[40] The rural pension scheme, founded in 1963, provides some 7.3 million beneficiaries (the elderly, widows and invalids) with pensions at the minimum wage level without recourse to earnings or inactivity tests.[41] Consequently, overall poverty rates and inequality have decreased, though the amount of spending on redistributive pension programmes is still very small if compared to the pension scheme for civil servants (Brazil spends 0.5 per cent of GDP on social pensions versus 3.8 per cent for civil servants).[42]

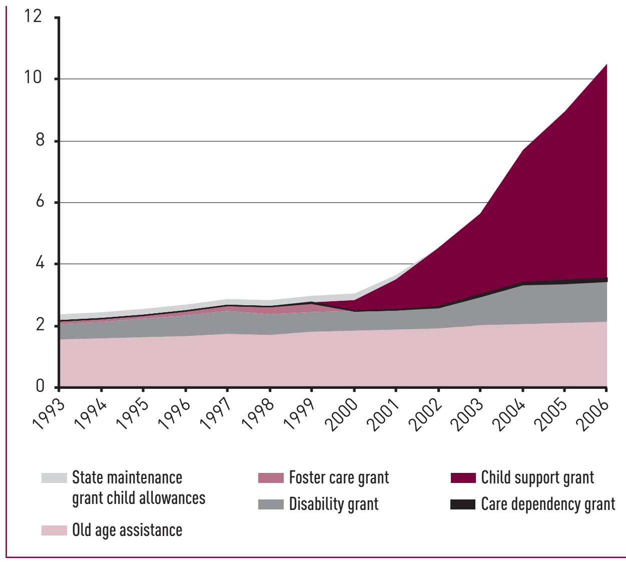
Under Lula's government, some progress has been achieved in terms of poverty reduction and equality at the same time that democracy is being consolidated.[43] The challenge ahead is to tackle the structural causes of inequality and poverty, which aredeeply entrenched in the country's economic model and system of social stratification.

Brazil's Bolsa Familia programme and Mexico's Oportunidades are the most promising examples among current conditional cash transfer programmes

South Africa. Like Brazil, South Africa's approach to social policy must be situated in a context of political transition and economic adjustment. After coming to power, the government of the African National Congress (ANC) committed itself to poverty reduction, better income distribution, lower unemployment levels and increased social assistance.[44] As in Brazil, the commitment towards social justice and social inclusion is firmly anchored in the new constitution, which establishes the universal right to social security.[45] Social protection in South Africa is largely focused on social assistance programmes, whereas the role of contributory social insurance is much smaller than in the Latin American countries discussed above.

Expenditure on social assistance programmes is relatively high, accounting for 3.5 per cent of GDP in 2006. A quarter of the population received a monthly grant paid out of general taxation in 2006. This totalled 11 million benefits, divided among the child support grant, disability and care dependency grants and social pensions (figure 5.3). Old-age pensions accounted for 37 per cent of total expenditure on social assistance, child support grants 31 per cent and disability grants 25 per cent.[46] These programmes, especially the old-age pensions, have a substantial mitigating effect on poverty in South Africa, reducing both the poverty headcount and the poverty gap.[47] It is estimated that the share of social assistance going to the poorest income quintile was a steady 60 per cent between 1993 and 2000.[48] South Africa's means-tested social pensions, paid to men and women starting from the age of 60, have been found to reduce the country's overall poverty gap by 21 per cent, and by 54 per cent for households with older people.[49] They sustain consumption, provide resources to be invested in small-scale economic activities and support job searching by other members of the household. Evidence also shows that social pensions are frequently shared with family members and often invested in the next generation. This function becomes even more important in a country where the incidence of HIV/AIDS, especially among adults, is transforming the nature of the family and household into elder-headed units of grandparents and grandchildren.

FIGURE 5.3: Number of social assistance beneficiaries by programme in South Africa, 1993–2006 (millions)



Source: Seekings and Nattrass 2008.

In South Africa, a quarter of the population received a monthly social assistance grant paid out of general taxation in 2006

On the other hand, South Africa has only a minimal formal social insurance programme. Mandatory contributions are limited to the Unemployment Insurance Fund, which covers formal sector workers, including agricultural and domestic workers. Beneficiaries of the fund account for only 5 per cent of the unemployed. Private sector pension and provident funds also exist, with 9 million active contributors. The biggest is the Government Employees Pension Fund. Concerns have been raised, however, about the semi-voluntary nature of pension schemes, the coverage gap (at least 40 per cent of formal sector workers are not covered, and an even smaller share of the unemployed and informal workers contribute),[50] the withdrawal of savings prior to retirement and the governance structures and investment policies of pension funds.[51]

In sum, South Africa's social policy is considered to be progressive and fairly effective in terms of poverty reduction. However, it has significant coverage gaps and low public involvement in social insurance programmes. Like its dualist counterparts in Latin America, South Africa shares the challenge of tackling persistent (though different) labour market problems as a precondition for extending contributory programmes. In South Africa, these problems relate to exclusion from labour markets and unemployment; in Argentina and Brazil, they encompass unfavourable inclusion (low wages and precarious conditions) and informality of labour. Heavy reliance on social assistance in South Africa and Brazil means that a considerable portion of the population survives at very low levels of income and is unable to reap the benefits of a growing economy, which is still reproducing entrenched patterns of inequality and social exclusion. As a possible alternative, basic income schemes grounded in citizenship are being discussed in all three countries. However, controversy surrounds the fiscal feasibility and general desirability of such an approach, and political commitment is weak (see box 5.1).[52]

Social protection in agrarian-informal contexts

Though there are significant differences in the structure and size of their economies, India and the United Republic of Tanzania share similar challenges in terms of social development and social protection. In both countries, agricultural and informal employment are dominant, creating formidable obstacles to extending coverage of social insurance programmes, and public expenditures for social services and non-contributory programmes are low.

India. India's economy is characterized by a growth-intensive service sector offering few jobs, a small manufacturing sector characterized by jobless growth and a large informal agricultural sector, where the majority of the population works (see chapter 1). In India, work-based entitlements funded through statutory contributions by employers and employees were introduced in the early phase of industrialization. The goal was to promote the commitment of the workforce to industrial and urban life and the loyalty of employees against unionization. Today, such entitlements are available only to a minority of the workforce who have a formal employment relationship, while public sector employees are fully covered by special schemes.[53] For instance, the Employees' Social Insurance scheme provides health care and cash benefits in cases of sickness, maternity, death or disability to around 8 per cent of the labour force.[54]

For the rest of the workforce and citizens not in paid employment, protection is provided in the form of social assistance (though there are signs of growing emphasis on the expansion of social insurance). Social assistance is either through national programmes, such as the National Employment Guarantee Programme, or through a multiplicity of state programmes. Since 2004, India has implemented the National Rural Employment Guarantee Programme, a social assistance programme that aims to ensure basic income security for vulnerable households. Initially it was intended to provide a guarantee of 100 days of labour in the 200 most backward districts, for one adult per household prepared to do unskilled manual labour for the minimum wage. In 2006–2007, the programme generated 905 million person days of labour for 200 districts. The scheme was subsequently extended to 330 districts and produced 1.4 billion person days of work in 2007–2008. In fact, the number of people who completed 100 days of work rose from 2.1 million (10 per cent of all participating households) in 2006–2007 to 3.5 million (11 per cent of all households) in 2007–2008.[55]

Some observers have questioned the process by which funds are allocated from central government to Indian states and have cited the dangers of petty corruption. They have also expressed doubts and concerns about the capacity of the programme to generate valuable public assets, low awareness of the programme in areas where it is being implemented, and cost.[56]

Besides social assistance, India has made efforts to expand social insurance schemes for specific groups of informal workers living in households under the poverty line. These efforts came together in 2000 under the Janashree Bima Yojana (JBY) scheme. Households contribute a fraction of the premium for disability and survivorship insurance and additional contributions come from state government and other agencies; the other 50 per cent is drawn from the central government's social security fund. A successful feature of this scheme is the provision of a scholarship for students in defined educational levels whose parents are covered by the JBY, without an additional premium. As of 2005–2006, around 6.5 million informal workers across India were incorporated. However, this represents just 1.7 per cent of the estimated total number of informal workers and coverage of risks is incomplete.

The multiplicity of programmes found in India to protect uncovered citizens demonstrates an effort to tackle the issue at both the central and local levels. However, it also reveals the lack of a consistent policy around a well-defined and uniform design for social security, capable of exploiting synergies among the different forms of social protection available. Against the backdrop of a relatively favourable macroeconomic environment and fiscal accounts, scaling up efforts towards progressive extension and unification of insurance schemes in India to achieve a universal and more equitable system should not only be desirable, but also possible.

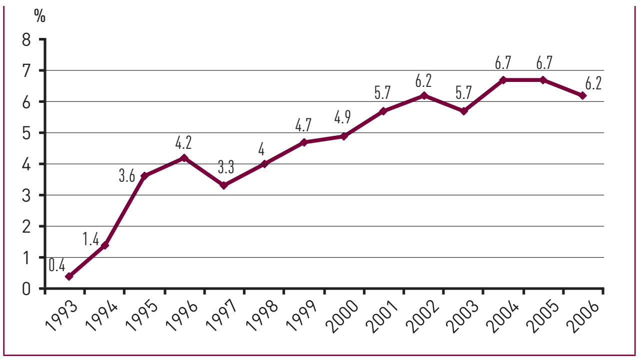
United Republic of Tanzania. The United Republic of Tanzania is a low-income country where high growth rates since the 1990s have failed so far to deliver sustained poverty reduction and social development (see figure 5.4). The shift from pro-poor economic policies implemented by the socialist party in the 1970s and 1980s to a market-driven economy in the late 1980s and 1990s did not have a significant impact on efforts to reduce poverty. Table 5.6 illustrates the low decline in poverty rates and the insufficient performance in non-income indicators compared to the goals set by the MDGs. Agriculture and agro-processing remain the largest economic sector, accounting for 45 per cent of GDP and 74.2 per cent of total employment.[57]

TABLE 5.6: Selected social indicators in the United Republic of Tanzania, 1991–2007

	1991–1992	2000–2001	2006–2007	MDG target 2015
Gini coefficient	0.34	0.35	0.35	–
Food poverty rate	21.6	18.7	16.6	11
Basic needs poverty rate	38.6	35.7	33.6	19.5
Unemployment rate	3.6[a]	5.1	11	–
Percentage of employed people living below PPP $1 per day[b]	72.6	88.5	n.a.	–
Net enrolment for primary education	n.a	66.1	90.8	100
Infant mortality rate (per 1,000 live births)[c]	115	99	68	38
Under-five mortality rate (per 1,000 live births)[c]	n.a	147	112	64
Maternal mortality rate (per 100,000 live births)[c]	n.a	529	578	133

Notes: n.a. = not available. – = not applicable. [a] Refers to year 1990/1991. [b] Source: UN Millennium Development Goals Indicators 2009. [c] United Republic of Tanzania Demographic and Health Survey 2004/2005. Figures refer to years 1999 and 2004/2005, respectively. Source: UNRISD elaboration with data from National Bureau of Statistics, United Republic of Tanzania (2009) and UN Millennium Development Goals Indicators 2009.

FIGURE 5.4: Real GDP growth rate in the United Republic of Tanzania, 1993–2006 (1992 constant prices)



Source: UNRISD elaboration, with data from United Republic of Tanzania (2007).

In the United Republic of Tanzania, high rates of informal employment (representing 94 per cent of the country's workforce in 2005–2006[58]) pose significant challenges to the extension of social protection. Indeed, social security is characterized by limited coverage in terms of membership, scope and access to benefits, with less than 1 per cent of the entire population and about 6.5 per cent of the formal working population reached by social insurance schemes.[59] The majority of those employed in the informal economy have limited access to public health care services, and generally rely on traditional and informal intra-family or intra-community networks for income support during old age or upon becoming sick or disabled.

In the United Republic of Tanzania, high rates of informal employment pose significant challenges to the extension of social protection

Public social assistance is targeted to vulnerable groups (people with disabilities, the elderly and vulnerable children); in 2006/2007, it represented 1.7 per cent of all government expenditure, with child benefits going to just under one million children.[60] With the state playing a residual role, the provision of cash transfers, in-kind assistance, services and capacity building by national and international NGOs with funding from international donors is significant, though largely undocumented and with low coverage rates since these efforts are mainly targeted at the community level.[61]

Free access to public health services is limited in the United Republic of Tanzania due to the introduction of user fees during the 1990s and inadequate coverage of social insurance funds. As a result, community and informal insurance mechanisms, such as community health funds and funeral associations, have proliferated. In community health funds, households or individuals contribute according to their capacity rather than a fee-for-service basis. Membership fees are matched by government subsidies encouraging people to join, ensuring the fund's sustainability. Less than 10 per cent of households have enrolled in this type of scheme, representing 2 per cent of government expenditure.[62]

Such forms of collective and informal welfare can be effective in protecting their members against various contingencies. However, due to their fragmentation, limited resources, scale, coverage and risk pooling, they cannot provide comprehensive and sustainable solutions to the structural social needs of the population. Nor can they compensate for the inability of the state to deliver universal social rights.

The United Republic of Tanzania has a comparatively narrower fiscal space and a less favourable macroeconomic context than India. Yet recent studies have shown that a minimum package of social protection benefits, including targeted social assistance, universal old-age pensions and child benefits could be affordable, costing just over 1.8 per cent of GDP annually in the longer term.[63] However, given the country's current dependency on donor funding for its social expenditures (33 per cent of all budgeted revenue and 12 per cent of GDP), efforts to build a more comprehensive and inclusive social protection system will inevitably rely on the delivery of donor commitments.

Towards a universal social protection model

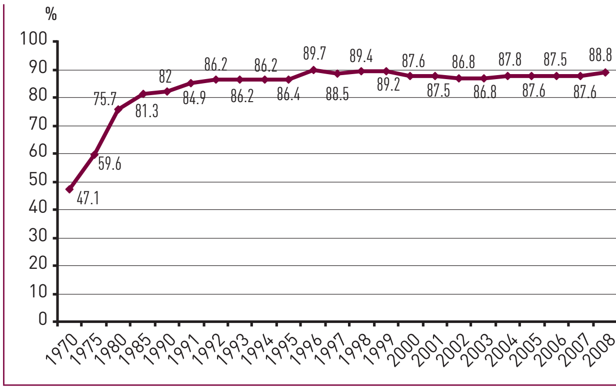
Costa Rica. Costa Rica has been labelled the social democratic model of Latin America. It has achieved high levels of development, social inclusion and democratization, ranking 54 among 182 countries in the 2009 HDI. Its performance in terms of social indicators is much higher than would be expected for its per capita income.[64] This is largely the result of universal social policies and resulting low levels of inequality and informality.

Initially, in the post-war era, Costa Rica pursued a development path led by agriculture and import-substituting industrialization policies. Following the economic crisis in the early 1980s, the country diversified its productive sector. New activities in the service sector, such as tourism and finance, as well as the expansion of export-processing zones, are responsible for recent positive growth and the creation of new employment opportunities. However, inequalities have risen and a high dependence on imports of intermediate and capital goods is resulting in persistent trade deficits.

The expansion of social policy from 1950 to 1980 was supported by domestically driven economic growth, in which the role for the state was prominent and connected to increasing salaries and the expansion of wage labour.[65] Costa Rica has also benefited from a democratic trajectory, which dates back to 1889, and the abolition of the country's military in 1949. State bureaucrats initially took the lead in promoting a central role of the state in welfare provision and social protection in particular. However, since the neoliberal reforms and retrenchment of the 1980s, civil society and labour movements have gained significant leverage.

The main features of the Costa Rican social model – forged around the right to basic social citizenship – are a strong commitment to universal education and health care as well as efforts to constantly expand pension and health care coverage, reaching universality (see figure 5.5).[66] Extension of coverage is pursued by expanding the number of workers contributing to social insurance schemes, while securing protection for those unable to contribute through social assistance. Specifically, the Costa Rican system has constantly raised wage-ceilings for mandatory contributions of salaried workers, introduced first voluntary and then mandatory affiliation for the self-employed, and established collective insurance for non-wage workers through cooperatives.[67]

FIGURE 5.5: Coverage of health and maternity insurance in Costa Rica, 1970–2008 (% of total population)



Source: MIDEPLAN-SIDES 2009b.

> *Costa Rica has expanded social insurance coverage while securing protection through social assistance for those unable to contribute*

Targeted social assistance was introduced in Costa Rica during the 1970s as a complement to universal services and insurance schemes. For more than 30 years, family allowances have been at the centre of social assistance, representing annual average spending of 0.4 per cent of GDP. This funds a number of programmes, including transfers for families and old-age social insurance, non-contributory health care and other services, such as school meals and nutrition centres. Total spending on social assistance as a proportion of GDP is very high (5.6 per cent of GDP in 2008, as shown in table 5.7), especially when compared to the other countries analysed in this chapter. In addition, funding for social assistance in Costa Rica relies on payroll taxes for more than two-thirds of its budget, which requires a strong element of solidarity and redistribution across workers and citizens in general.

TABLE 5.7: Public social spending as a percentage of GDP in Costa Rica, 1987–2008

	1987	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total	16.4	16.3	15.3	17.3	18.7	18.7	18.5	17.7	17.2	16.9	17.4	19.4
Education	3.7	3.9	3.8	4.7	5.2	5.5	5.5	5.4	5.3	5.0	5.2	5.8
Health	4.6	5.0	4.6	5.0	5.4	5.7	5.7	5.1	4.9	4.9	5.1	5.9
Social assistance	5.9	5.2	5.1	6.0	6.3	5.6	5.4	5.3	5.3	5.2	5.3	5.6
Housing	2.0	2.0	1.6	1.5	1.7	1.7	1.7	1.8	1.6	1.7	1.7	2.0
Other[a]	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1

Note: [a] Includes cultural, entertainment and religious services. Source: UNRISD elaboration, based on data from MIDEPLAN–SIDES 2009a.

The expansion of coverage increased more rapidly from the 1970s onwards and was maintained during the crisis of the 1980s. In contrast to the retrenchment trends experienced by the rest of Latin America, radical privatization of public social insurance was never considered an option. In terms of pensions, Costa Rica did not follow the Chilean model of privately managed savings accounts, but reformed its pension system in 2000 by introducing a compulsory second pillar based on private savings accounts (so-called fully funded pensions) in addition to the public pay-as-you-go (PAYG) scheme. Costa Rica avoided some of the pitfalls associated with multi-pillar pension reforms: since contributions remained unchanged in the public scheme and the funded pillar was financed by employers' contributions, no transition costs occurred. Meanwhile, the conservation of the public – earnings – related pension benefit plus social pensions prevented a decrease in coverage rates.[68]

Labour market informality, reaching 39.9 per cent of total urban employment in 2005, is low compared to other Latin American countries such as Argentina and Brazil (with shares of 43.6 and 49.1 per cent, respectively).[69] Still, considerable efforts have been made to include groups typically thought of as difficult to cover, such as the self-employed, domestic workers and peasants, into formal pension schemes. Affiliation is obligatory and the state subsidizes a portion of the contribution, leading to relatively high rates of coverage for these groups (24, 39 and 44 per cent, respectively).[70] In terms of covering low-income groups, 50 per cent of the poorest quintile in Costa Rica contributed to a pension scheme in 2004, while the figure ranges between 1 per cent and 25 per cent in other countries in the region.[71]

By 2007, retirement insurance covered 53.6 per cent of the economically active population, and health insurance reached 61.9 per cent of the same group.[72] Income poverty decreased from an estimated 29 per cent of the population in 1987 to 20.2 per cent in 2006, with a decrease in extreme poverty from 9.1 per cent in 1987 to 5.3 per cent in 2006.[73] More recently, efforts to facilitate the participation of specific vulnerable and excluded groups (women, children and teenagers, indigenous communities, the elderly and the disabled) in the design and monitoring of public policies as well as the negotiation of social pacts show that bottom-up approaches to social reform are becoming more prominent.[74]

In short, Costa Rica has been pursuing a heterodox development model entailing redistributive public investment and deliberate efforts to combine economic growth with social development and welfare. Improvements in living conditions within a favourable economic environment have allowed the country to become more socially and politically integrated, and have fostered social mobility.[75] Still, the country faces new sets of challenges, such as the expansion of unemployment and the informal economy, the persistence of fiscal deficits and growing trade deficits, the growing importance of out-of-pocket expenditures for health, and the increasing role of private actors in both the funding and delivery of health services.

3. Instituting Universal Social Protection: Implications for Policy

Social protection programmes are crucial instruments providing an income or access to other resources in times of need. They enhance people's well-being throughout their lives and enable them to cope with contingencies or shocks. Such programmes have the potential to reduce poverty in all its dimensions, contributing to more equal and socially inclusive societies. Social protection is particularly important for developing countries, since it has beneficial effects on productivity as well as economic and political stability, and can cushion the adverse social effects of rapid structural change, including those associated with migration, unemployment, rising inequalities and pandemics.

An analysis of social protection across selected countries shows that the extension of social insurance and social assistance can follow various paths. These depend on policy choices as well as the nature of existing institutions, the level of economic development and fiscal space, and features of social and economic transformation. One route to universality may be through top-down universalization with the expansion of public programmes. This is more likely to occur in countries that can build on a legacy of comprehensive public social protection programmes, that are committed to expanding coverage and improving equity, and that have the political and fiscal resources to do so. The opposite route – bottom-up universalization – involves the integration and scaling-up of local programmes and is often discussed as a viable path for poorer countries characterized by multiple, fragmented and largely informal protection mechanisms. However, the fiscal and administrative challenges in terms of standardization, unification and institutionalization are steep.

Where poverty is widespread, social protection programmes should promote sustainable livelihoods and redistribution

In all of the case studies presented, recent expansion of social assistance programmes was aimed at overcoming obstacles to social protection imposed by persistent (or, in the case of East Asia, more recent) labour market problems. Non-contributory tax-financed protection schemes, including public works programmes and different types of cash transfer programmes for the poor and vulnerable, are especially important in contexts where the informal economy is widespread, where the majority of the population work in the agricultural sector, and where chronic poverty and persistent deprivation affect large sectors of the population. In these settings, social protection must include components that promote sustainable livelihoods, with the aim of enhancing people's living conditions on a more permanent basis.

In a development context, social protection goes beyond income maintenance and must also tackle persistently low incomes and their structural causes, therefore promoting human capabilities, sustainable livelihoods and redistribution. The provision of an income source to poor and vulnerable households through the social assistance programmes reviewed in this chapter is a step in the right direction. The case of South Africa shows that these transfers reduce poverty, sustain consumption, foster investment and encourage labour market participation by recipients and other household members. Social pensions are frequently shared with other household members, often children, thereby improving intergenerational justice. As Brazil and Mexico demonstrate (see table 5.5), the impact of cash transfer programmes on the broader national poverty headcount and inequality indicators is likely to be stronger and sustained when their residual and targeted nature, aimed at the poorest individuals and households, is mitigated by extensive coverage and consistent long-term financial investment.

A rights-based approach to social protection should seek to limit conditionality and targeting

The evidence presented in this chapter supports the case for the provision of cash transfers or a basic income on a universal, stable and long-term basis. In addition, a social protection approach grounded in the recognition of basic human rights, and the understanding that individuals and households make rational decisions for themselves, should limit the use of conditionality whenever possible. Cash transfer programmes, such as child benefits (see chapter 7) and social old-age pensions, based on categorical targeting rather than means testing, seem to be promising instruments for the extension of social protection in developing countries. The rural pension scheme in Brazil is a good example, together with pension schemes based on citizenship, as in Bolivia (see chapter 8) and several sub-Saharan African countries.

Public works programmes in Argentina and India have proved to be good buffers in times of crisis. They are effective in reaching informal labourers with no access to other formal social programmes. However, they display a limited ability to provide sustainable and durable solutions to poverty and inequality. Work is provided for short periods of time and the wage rate is set at a value below equivalent market wages to attract only those in desperate need. This may entail ineffective targeting in those cases where only individuals who can access other sources of incomes are actually able to take up low-paid public works. However, the initiatives reviewed seem to indicate that some degree of policy learning is taking place, since the programmes include new efforts to promote labour market mobility for unskilled workers through training. Yet where unemployment is structural, providing adequate skills for which unmet demand does exist will need to be combined with expenditure-side and regulatory policies to promote the demand for labour.

Social assistance should be complemented by policies that promote redistribution and decent work

Even a well-designed and well-performing social assistance programme – or sets of these – will have a limited impact on vulnerability, poverty and inequality unless complemented by broader interventions that address the structural conditions that affect an individual's ability to live a decent life. Such interventions include broader social policy efforts (described throughout this report), such as land reform, promotion of rural livelihoods, care services, active labour market policies and support to small- and medium-sized enterprises. Such policies aim to expand social and economic opportunities for the most disadvantaged and facilitate the pursuit of a sustained growth path to create a favourable environment for decent employment and income generation. Indeed, more people earning a living within conditions of decent work also allows the state to base social policies on sustainable funding mechanisms that promote solidarity and reduce financial and political dependence on external resources (see chapter 8).

> *Even a well-designed social assistance programme will have limited impact unless complemented by broader interventions that address structural conditions*

Best practices in the extension of formal social insurance schemes are numerous, as the examples in this chapter have shown. They include specific measures for difficult-to-cover groups, such as mandatory legal coverage, regulation and supervision of compliance with contribution payments (by employers, employees and the self-employed); subsidies for low-income groups; and special incentives to join insurance programmes, such as free additional benefits (for example, family allowances or scholarships) or coverage of dependants. Moreover, most countries not only aim to extend coverage, but to harmonize and unify fragmented systems in order to lower costs and increase equity.

Although social policy is implemented at the country level, global actors such as international organizations and donors play an important role. As this chapter shows, they shape global debates on social protection, the international normative framework and global funding for social protection initiatives. The international financial institutions in particular pushed for reform models to be adopted in the developing world, as in Latin America and sub-Saharan Africa, which have proved detrimental for social development and poverty reduction. International actors respecting countries' development strategies and supporting democratic political institutions and policy frameworks are likely to have a stronger positive impact on social development and democratization.

The varieties of policy regimes examined demonstrate that, far from converging on a similar paradigm, citizens and their governments have the space to manoeuvre and make choices. To avoid unintended negative outcomes in political and economic terms, the right to social protection has to be realized in a context of reasonable economic and social stability. And, as demonstrated by the successful cases, the progressive realization of universal social protection needs to be grounded in a social contract and in economic conditions that are conducive to this objective. A policy regime most likely to confront these challenges in a way that enhances welfare is one that is characterized by a high degree of institutional complementarities, that develops synergies between economic and social policies, and that is based on a social contract grounded in the principles of universalism and solidarity.

Notes

1 Cook and Kabeer 2009.
2 Barrientos 2010.
3 Esping-Andersen 1990.
4 Mkandawire 2005.
5 World Bank 2001c.
6 Barrientos 2010.
7 Mesa-Lago 2008; Müller 2003; Bertranou 2001; Simms et al. 2001; Mackintosh and Koivusalo 2005; Huber and Stephens 2000.
8 Mkandawire 2005; Standing 2008.
9 Fraser and Gordon 1994.
10 Slater 2008.
11 Kannan 2004; Kangas and Palme 2005; Riesco 2007; Pierson 2004.
12 Wood and Gough 2006.
13 Von Oorschot 2002.
14 Townsend 2007.
15 Mares 2007.
16 Stephens 2007.
17 Ocampo 2008.
18 Gough, with Abu Sharkh 2009.
19 Kwon and Yi 2008.
20 Holliday 2005; Kwon 2005; Gough 2004; Goodman and White 1998.
21 Yang 2005.
22 Wong 2005b.
23 Matthews and Jung 2006.
24 Lee 2009.
25 Yi and Lee 2005.
26 Van Ginneken 2003.
27 Lue 2008.
28 Kwon 2007.
29 Chen 2005.
30 Heintz 2009.
31 Lo Vuolo and Barbeito 1998; Alonso 2000.
32 Barbeito and Goldberg 2007.
33 Mesa-Lago 2008.
34 Bertranou and Bonari 2005.
35 Golbert 2004.
36 Tabbush 2009.
37 Galasso and Ravallion 2003.
38 Santiso 2006.
39 Melo 2008.
40 Schwarzer and Querino 2002.
41 Ministerio da Previdencia Social do Brazil 2007.
42 Caetano 2008.
43 Draibe 2007.
44 Pauw and Mncube 2007a.
45 Seekings and Nattrass 2008.
46 According to figures for 2008/9, expenditure on social assistance increased to 5.5 per cent of GDP. Other percentages remained steady (SASSA 2009).
47 Seekings and Nattrass 2008.
48 Seekings and Nattrass 2008.
49 Samson and Kaniki 2008.
50 Seekings and Nattrass 2008.
51 Hendricks 2008.
52 Lo Vuolo 2008; Standing 2008; Seekings and Nattrass 2008; Lavinas 2001.
53 Sen and Rajasekhar 2009.
54 Labour Bureau of the Government of India 2007.
55 Jha et al. 2009.
56 Standing 2008.
57 Meena 2008.
58 ILO 2008e.
59 ILO 2008e.
60 ILO 2008e.
61 ILO 2008e.
62 ILO 2008e.
63 ILO 2008d.
64 UNDP 2009.
65 Martínez Franzoni 2007.
66 Filgueira 2005.
67 Martínez Franzoni 2007.
68 Titelman et al. 2009.
69 ILO 2006.
70 Mesa-Lago 2008.
71 Arza 2008.
72 CCSS 2008.

73 Estimates are based on the number of households with a known income, surveyed by the Encuesta de Hogares de Propósitos Múltiples and elaborated by the Instituto Nacional de Estadística y Censos (INEC), Costa Rica (MIDEPLAN-SIDES 2009a). In 1987, 76.8 per cent of households knew their income and could declare it, while in 2006, 91 per cent of households could declare a range within which their income fell.

74 Barahona et al. 2005.

75 Barahona et al. 2005.