Social protection:

How can we protect the vulnerable, promote productive integration and enhance social cohesion?

Markus Loewe

German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), Bonn

Lecture series on “The Agenda 2030: Dealing with grand challenges for mankind” during winter semester 2016/2017, University of Bonn, 3 November 2016
The share of people in absolute poverty has been halved …

Percentage of the population in the developing world living below different PPP international poverty lines
... while the share of people in ultra-poverty is almost stagnating since 2004 ...

**Percentage of the population in the developing world living below different PPP international poverty lines**

*Source: Ravallion (2012): Bailing out the world's poorest*
But SDG 1 is to end poverty in all its forms …

SDG 1  End poverty in all its forms everywhere
Target 1.1  By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day

Source: Ravallion (2012): Bailing out the world’s poorest

SDG 1
End poverty in all its forms everywhere
Target 1.1  By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day

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SDG 1
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Source: Ravallion (2012): Bailing out the world’s poorest

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The ultra poor seem to be decoupled from global growth trends …

Global growth incidence curve

(change in real income 1988-2008 at different percentiles of population in constant 2005 US$)

Source: Milanovic (2012)
There is no chance that SDG1 will be achieved just by economic growth.

Projections on the reduction of the global extreme poverty rate at current growth rates & different scenarios of changes in income inequality.

Economic growth like in past 10 years

*Source: WB (2016)*
Main individual factors of income poverty

- **lack of assets:**
  - real capital (land, machinery...)
  - financial capital
  - human capital (health, education, creativity...)
  - social capital

- **low returns to assets (due to voicelessness and powerlessness):**
  - difficulty in access to
    - labour, capital and commodities markets
  - technology and know-how
  - institutions
  - because of **deficits in infrastructure & rights**

- **high volatility of returns to assets (due to vulnerability):**
  - lack of access to adequate means to manage risks
    - prevent risks
    - mitigate risks
    - cope with risks
### Table 2.1: Mobility Into and Out of Poverty for Selected Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Period</th>
<th>Always poor</th>
<th>Sometimes poor</th>
<th>Never poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1985-1990</td>
<td>6.2</td>
<td>47.8</td>
<td>46.0</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>1987-1988</td>
<td>25.0</td>
<td>22.0</td>
<td>53.0</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1994-1997</td>
<td>24.8</td>
<td>30.1</td>
<td>45.1</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1986-1991</td>
<td>3.0</td>
<td>55.3</td>
<td>41.7</td>
</tr>
<tr>
<td>Russia</td>
<td>1992-1993</td>
<td>12.6</td>
<td>30.2</td>
<td>57.2</td>
</tr>
<tr>
<td>South Africa</td>
<td>1993-1998</td>
<td>22.7</td>
<td>31.5</td>
<td>45.8</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1992/93-97/98</td>
<td>28.7</td>
<td>32.1</td>
<td>39.2</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1992/93-1995/96</td>
<td>10.6</td>
<td>59.6</td>
<td>29.8</td>
</tr>
</tbody>
</table>

Main individual factors of income poverty

- **lack of assets:**
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  - human capital (health, education, creativity...)
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  - institutions

  because of **deficits in infrastructure & rights**

**Social protection:**

**Risk prevention:**
- hygiene
- education, training
- sound macroeconomic policy
- environmental policy
- dams, irrigation etc.

**Risk mitigation:**
- private or public insurance
- savings and finance

**Risk coping**
- social assistance,
- public works
- public health policy
Problem: income volatility

Shocks:
- illness
- work-disability
- unemployment
- harvest failure
- ...

only half the truth: many never have enough income

© d·i·e Markus Loewe: Social protection
Problem: income volatility

only half the truth: many never have enough income

income

Y

minimum expenditure

0  

childhood / education  working life time  old-age

income

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Risks

Hazards: are possible events which - if they materialise – can adversely affect welfare:

• loss of income (e.g. unemployment, work-disability)
  and/or
• additional financial burden (e.g. medical treatment)

Risk: is the possibility of a hazard

… refers thus to uncertainty pertaining to

• the timing and probability
  And/or
• the magnitude (possible effects) of a hazard.
<table>
<thead>
<tr>
<th>Risks</th>
<th>micro level</th>
<th>meso-level</th>
<th>macro-level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health risks</strong></td>
<td>-disease</td>
<td>-epidemia</td>
<td>-endemia</td>
</tr>
<tr>
<td></td>
<td>-injury, disability</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Life-cycle risks</strong></td>
<td>-old age</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-death of earner</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economic risks</strong></td>
<td>-unemployment</td>
<td>-decrease in demand for a good</td>
<td>-output colapse</td>
</tr>
<tr>
<td></td>
<td>-bankruptcy</td>
<td></td>
<td>-currency crisis</td>
</tr>
<tr>
<td><strong>Social and political risks</strong></td>
<td>-crime</td>
<td>-bomb attack</td>
<td>-war, civil war</td>
</tr>
<tr>
<td></td>
<td>-theft</td>
<td>-riots</td>
<td>-coup d'état</td>
</tr>
<tr>
<td></td>
<td>-domestic violence</td>
<td>-resettlement</td>
<td>-political default</td>
</tr>
<tr>
<td></td>
<td>-ethnic discrimination</td>
<td>-gangs</td>
<td>-social upheavals</td>
</tr>
<tr>
<td><strong>Environmental risks</strong></td>
<td></td>
<td>-pollution of river</td>
<td>-nuclear disaster</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-deforestation</td>
<td></td>
</tr>
<tr>
<td><strong>Natural risks</strong></td>
<td></td>
<td>-flood</td>
<td>-drought</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-landslides</td>
<td>-earthquake</td>
</tr>
</tbody>
</table>
Risks

Percentage of households in urban Ethiopia, 2006

- Any shock?
- Illness in family
- Price shocks
- Job loss
- Death in family
- Theft/crime
- Livestock death
- Land eviction
- Crop pests
- Drought
- Rain/flood
- Frost

Source: Young Lives data, www.younglives.co.uk

Percentage of households in rural Ethiopia, 2006

- Any shock?
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- Frost
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Source: Young Lives data, www.younglives.co.uk
Effects of risks

Incident: Shock

Immediate consequences:
- Unexpected expenditures or income losses

Reactions:
- Reduce consumption
- Ask for support by family or friends
- Dissave
- Increase labour supply
- Ask for credit
- Sell assets (land, machinery etc.)
- Credit failure
- Non-fulfilment of social duties
- Take children out of school, child labour

Indirect consequences:
- Change of habits
- Use up savings, indebtedness
- Consumption of real, human and social capital

Use up savings, indebtedness

Change of habits

Consumption of real, human and social capital
Vulnerability
„is the likelihood of a decline in well-being as a result of risk occurrence“

<table>
<thead>
<tr>
<th>„magnitude“ of individual risks</th>
<th>individual ability to manage risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>relevance of risks: probability of risk occurrence</td>
<td>availability of financial, natural, human and social capital</td>
</tr>
<tr>
<td>significance of risks: expected effects (damage)</td>
<td>access to risk management instruments</td>
</tr>
</tbody>
</table>

- Relevance of risks: probability of risk occurrence
- Significance of risks: expected effects (damage)
- Magnitude of individual risks
- Individual ability to manage risks
- Access to risk management instruments
- Availability of financial, natural, human and social capital

- Vulnerability factors:
  - Individual ability to manage risks
  - Access to risk management instruments
  - Availability of financial, natural, human and social capital

- Vulnerability factors:
  - "magnitude" of individual risks
  - Relevance of risks: probability of risk occurrence
  - Significance of risks: expected effects (damage)
Vulnerability and poverty: a vicious cycle

Vulnerability

- use of efficient risk management strategies
- working and living conditions

Shocks

Income poverty, informality
Vulnerability and poverty: a vicious cycle

Map 3.2 Poor people live closer to hazard-prone areas in Bogota

Source: WB 2010 (Natural hazards, unnatural disasters)
Vulnerability and poverty: a vicious cycle

- Income poverty, informality
- Risiko-averses Verhalten
- Use of efficient risk management strategies
- Shocks
- Working and living conditions

Vulnerability
Vulnerability and poverty: a vicious cycle

Pigou (1932): Risks are the “forgotten production factor”

Sinn (1995): The existence of risk makes people try to avoid economic activities that involve additional risk – even if these activities are highly profitable

“Risk can be seen as a factor of production, a necessary input for the economy without which a high level of productivity could not be achieved. The factor "risk" is probably no less important than "waiting", the factor economists have familiarized themselves with under the name of capital. [...] Risk taking should be considered at least as responsible for economic prosperity as capital investment.”

“The welfare state plays an extremely important role as a device for stimulating risk taking, thereby liberating productive forces and increasing aggregate income.”

Options to manage risks

• **Risk prevention:**
  Reduce probability of risk occurrence

• **Risk mitigation:**
  Limit possible effect of shock
  • risk pooling / sharing (insurance)
  • risk diversification (self-insurance)
    • risk provisioning
  • risk exchange / hedging

• **Risk coping:**
  Relieve the impact of a shock

ex ante

ex post
The three tasks of social protection

... refers to policies and actions which enhance the capacity of poor and vulnerable people to escape from poverty and enable them to better manage risks and shocks.

preventionaional function

promotional function

protective function
### Who can organise social protection?

<table>
<thead>
<tr>
<th>Risk prevention:</th>
<th>Household</th>
<th>Society</th>
<th>Market</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Hygiene</td>
<td>- Collective action for dams/dykes, mountain terraces, infrastructure</td>
<td>- Company-based safety at working place</td>
<td>- Sound economic policy</td>
</tr>
<tr>
<td></td>
<td>- Healthy diet</td>
<td>- Mountain terraces and infrastructure</td>
<td>- In-house training</td>
<td>- Environmental protection</td>
</tr>
<tr>
<td></td>
<td>- Care in traffic</td>
<td>-</td>
<td>-</td>
<td>- Public health policy</td>
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<tr>
<td></td>
<td>- Locker at door</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk diversification:</th>
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<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Stocks</td>
<td>- ROSCAs</td>
<td>- Savings accounts</td>
<td>- Trade liberalisation</td>
</tr>
<tr>
<td></td>
<td>- Crop and plot diversification</td>
<td>- Diversification of jobs (e.g. across sectors)</td>
<td>- Further training</td>
<td>- Access to financial markets for all</td>
</tr>
<tr>
<td></td>
<td>- Investment in social capital</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk pooling:</th>
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<th>Market</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Marriage</td>
<td>- Mutual support networks</td>
<td>- Private health / life insurance</td>
<td>- Social insurance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Micro-insurance</td>
<td></td>
<td>- Tax-financed transfers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk coping</th>
<th>Household</th>
<th>Society</th>
<th>Market</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Sale of assets</td>
<td>- Borrowing from friends</td>
<td>- Bank loans</td>
<td>- Disaster relief</td>
</tr>
<tr>
<td></td>
<td>- Child labour</td>
<td>- Charity</td>
<td>- Sale of financial assets</td>
<td>- Public works</td>
</tr>
<tr>
<td></td>
<td>- Migration</td>
<td></td>
<td>- Subsidies</td>
<td></td>
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</tbody>
</table>

**State**
- Sound economic policy
- Environmental protection
- Public health policy

**Market**
- Company-based safety at working place
- In-house training
- Savings accounts
- Further training

**Society**
- Collective action for dams/dykes, mountain terraces, infrastructure
- Mountain terraces and infrastructure
- Diversification of jobs (e.g. across sectors)
- Mutual support networks
- Micro-insurance

**Household**
- Hygiene
- Healthy diet
- Care in traffic
- Locker at door
- Marriage
- Sale of assets
- Child labour
- Migration
The social, economic and political effects of social protection

Prevent & reduce income poverty and hunger

Help people to escape from poverty
The social, economic and political effects of social protection

Projections on the reduction of the global extreme poverty rate at current growth rates & different scenarios of changes in income inequality

Economic growth like in past 10 years

Economic growth like in past 20 years

Source: WB (2016)
The social, economic and political effects of social protection

Contributions of Growth and Redistribution to Poverty Reduction

Cambodia 2008-12

Mali 2001-10

Peru 2004-14

 WB 2016: Taking on inequality
The social, economic and political effects of social protection

Social protection

- Prevent & reduce income poverty and hunger
- Help people to escape from poverty
- Reduce inequalities
The social, economic and political effects of social protection

**Poverty, inequality and redistribution**

Population living with less than 50% of the median income, 2009 or latest, %

<table>
<thead>
<tr>
<th>Country</th>
<th>Before taxes and cash transfers</th>
<th>After taxes and cash transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td></td>
<td></td>
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<tr>
<td>Chile</td>
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<td>United States</td>
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<td>Japan</td>
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<td>South Korea</td>
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<td>Australia</td>
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<td>Spain</td>
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<td>Greece</td>
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<td>Germany</td>
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<td>Sweden</td>
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<td>France</td>
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</tbody>
</table>

Gini coefficient; 0=perfect equality and 1=perfect inequality, 2009 or latest

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<tr>
<td>France</td>
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</tr>
</tbody>
</table>

Sources: OECD; United Nations ECLAC

*Before taxes and cash transfers data not available
The social, economic and political effects of social protection

- Prevent & reduce income poverty and hunger
- Help people to escape from poverty
- Reduce inequalities
- Improve access to education, health, water, housing
- Empower women
- Encourage & help people to provide for risks
- Encourage low-income earners to invest
- Economic growth
- Karlan & Udry (2013): Ghana
  Gehrke (2015): India
Esther Gehrke: Does the Indian Employment Guarantee reduce households' risk exposure? Assessing the effects of the NREGA on crop choice

District-wise land use statistics for cotton
The social, economic and political effects of social protection

Esther Gehrke: Does the Indian Employment Guarantee reduce households' risk exposure? Assessing the effects of the NREGA on crop choice

<table>
<thead>
<tr>
<th>Effect of the NREGS on inputs allocated to Cotton by registration status (Fixed Effects)</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NREGS registered (2007)</td>
<td>0.074*</td>
<td>0.085*</td>
<td>0.064*</td>
<td></td>
</tr>
<tr>
<td>(0.030)</td>
<td>(0.036)</td>
<td>(0.027)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NREGS registered (2009)</td>
<td></td>
<td></td>
<td>0.015</td>
<td>(0.017)</td>
</tr>
<tr>
<td>Variable inputs (log)</td>
<td>0.073***</td>
<td>0.080***</td>
<td>0.090***</td>
<td>0.077***</td>
</tr>
<tr>
<td>(0.018)</td>
<td>(0.018)</td>
<td>(0.021)</td>
<td>(0.019)</td>
<td></td>
</tr>
<tr>
<td>Area cultivated (acres, log)</td>
<td>-0.007</td>
<td>-0.003</td>
<td>-0.016</td>
<td>-0.008</td>
</tr>
<tr>
<td>(0.008)</td>
<td>(0.009)</td>
<td>(0.011)</td>
<td>(0.008)</td>
<td></td>
</tr>
<tr>
<td>Irrigated area (% of total)</td>
<td>-0.039†</td>
<td>-0.041</td>
<td>-0.048†</td>
<td>-0.035</td>
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<tr>
<td>(0.021)</td>
<td>(0.027)</td>
<td>(0.025)</td>
<td>(0.021)</td>
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<tr>
<td>Annual income, off-farm activities (log)</td>
<td>-0.005</td>
<td>-0.004</td>
<td>-0.007</td>
<td>-0.006</td>
</tr>
<tr>
<td>(0.005)</td>
<td>(0.005)</td>
<td>(0.007)</td>
<td>(0.006)</td>
<td></td>
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<tr>
<td>Wealth index</td>
<td>-0.015</td>
<td>0.045</td>
<td>-0.042</td>
<td>-0.008</td>
</tr>
<tr>
<td>(0.074)</td>
<td>(0.091)</td>
<td>(0.076)</td>
<td>(0.075)</td>
<td></td>
</tr>
<tr>
<td>Ilh benefits from credit/training program</td>
<td>-0.009</td>
<td>-0.001</td>
<td>-0.006</td>
<td>-0.008</td>
</tr>
<tr>
<td>(0.014)</td>
<td>(0.018)</td>
<td>(0.017)</td>
<td>(0.014)</td>
<td></td>
</tr>
<tr>
<td>Rainfall (deviation, lag)</td>
<td>-0.074</td>
<td>-0.077</td>
<td>-0.094</td>
<td>-0.030</td>
</tr>
<tr>
<td>(0.055)</td>
<td>(0.059)</td>
<td>(0.059)</td>
<td>(0.049)</td>
<td></td>
</tr>
<tr>
<td>Year 2009 (dummy)</td>
<td>0.048</td>
<td>0.036</td>
<td>0.069†</td>
<td>0.044</td>
</tr>
<tr>
<td>(0.032)</td>
<td>(0.035)</td>
<td>(0.037)</td>
<td>(0.031)</td>
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<tr>
<td>Observations</td>
<td>2236</td>
<td>1712</td>
<td>2214</td>
<td>2236</td>
</tr>
</tbody>
</table>

Clustered standard errors in parentheses.
Dummy for self reported shocks included, but not reported.
† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$
The social, economic and political effects of social protection

- Prevent & reduce income poverty and hunger
- Help people to escape from poverty
- Reduce inequalities
- Improve access to education, health, water, housing
- Empower women

Social protection

- Encourage & help people to provide for risks
- Encourage low-income earners to invest
- Economic growth
- Stabilise economy
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Build social capital
The social, economic and political effects of social protection

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- Help people to escape from poverty
- Reduce inequalities
- Improve access to education, health, water, housing
- Empower women
- Encourage & help people to provide for risks
- Encourage low-income earners to invest
- Economic growth
- Stabilise economy
- Build social capital
- Promote social inclusion
- Strengthen social cohesion and stability
- Reduce likelihood of conflicts
- Legitimise and stabilise the state
International legislation

Universal Declaration of Human Rights (UN General Assembly 1948):

- **Article 22:** “Everyone, as a member of society, has the right to social security […] .”

- **Article 25 (1):** “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family […] and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

- **Article 25 (2):** “Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.”
National constitutions recognising a right to social security

Albania (59); Algeria (59); Andorra (30); Angola (47); Armenia (33); Azerbaijan (38); Bahrain (3); Bangladesh (15); Belgium (23); Belarus (47); Bolivia (164); Brazil (203, 230); Bulgaria (51); Burkina Faso (18); Cambodia (36, 72, 75); Cape Verde (7, 67, 72); Chile (19); China (45); Hong Kong Province of China (36, 145); Colombia (44, 46, 47, 48, 49); Côte d’Ivoire (6); Croatia (57, 58, 64); Cuba (9, 48); Cyprus (9); Democratic People’s Republic of Korea (72); Democratic Republic of the Congo (47, 50); Dominican Republic (8); Ecuador (55, 56, 57); Egypt (17); El Salvador (66, 70); Eritrea (21); Estonia (28); Ethiopia (41, 89); Finland (19); France (Preamble); Gabon (1); Georgia (32); Germany (20); Ghana (37); Greece (21, 22); Guatemala (94); Haiti (22, 260); Honduras (142); Hungary (70e); Iceland (76); India (41); Indonesia (34); Iran, Islamic Republic of (29); Ireland (45); Italy (38); Kazakhstan (24, 28, 29); Kenya (21, 43); Kuwait (11); Kyrgyzstan (27); Latvia (109); Liberia (8); Liechtenstein (26); Lithuania (48); Luxembourg (11, 23); Madagascar (30); Malawi (13); Maldives (28); Mali (17); Malta (Sec.17); Marshall Island (Sec. 15); Mexico (123); Mongolia (16); Namibia (95); Nepal (26); Netherlands (20); Nicaragua (82, 105); Nigeria (16, 17); Oman (12); Pakistan (38); Panama (109); Paraguay (58, 70, 95); Peru (4, 10, 11); Philippines (15); Poland (67, 69); Portugal (63, 72); Puerto Rico (2); Qatar (23); Republic of Korea (34); Republic of Moldova (47, 51); Romania (33, 43, 45, 46); Russian Federation (7, 39); Sao Tome and Principe (27, 43); Saudi Arabia (27); Seychelles (37); Sierra Leone (8, 22); Slovakia (39); Slovenia (50); South Africa (27); Spain (41, 49, 50); Sri Lanka (22, 25); Sudan (11); Suriname (50); Sweden (2); Switzerland (12, 41); Syrian Arab Republic (46); Tajikistan (39); Thailand (52, 54, 55); The former Yugoslav Republic of Macedonia (34, 35, 36); Timor-Leste (20, 21, 56); Togo (33); Turkey (60, 61); Turkmenistan (34); Uganda (35); Ukraine (46); United Arab Emirates (16); United Republic of Tanzania (8, 11); Uruguay (44, 46, 67); Uzbekistan (39); Venezuela (80, 81, 86); Viet Nam (59, 67).
Social protection in MICs and LICs

Society (income stratification):

- **Contributory social insurance**
  - (employees of formal enterprises: 5-40%)

- **Non-contributory pensions**
  - (civil and military servants: 2-10%)

- **informal and traditional forms of social protection** (mutual support): limited in scope and reliability
  - informal sector: 40-90%
  - social aid & credit, public works, health vouchers (0-10%)

- **Private insurance**
  - (more affluent people: 2-12%)
Social protection in MICs and LICs

Informal and traditional forms of social protection (mutual support):
- Limited in scope and reliability

Contributory social insurance
- Employees of formal enterprises: 5-40%
- Private insurance (more affluent people: 2-12%)

Non-contributory pensions
- Civil and military servants: 2-10%
- Informal sector: 40-90%

Formal sector

Plus: sometimes free public health system (at least for primary care)
- Social aid & credit, public works, health vouchers (0-10%)

Society
(income stratification):
- Society (income stratification): rich to poor

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Options to extend coverage

**Up to 80% of population, but only in some MICs, difficult in informal sector and never the poorest**

- Raise the coverage of contributory social insurance

**Up to 20% of population, but not the poorest**

- Promote informal self-organised schemes (e.g. micro-insurance)

**Possibly 20% of population, but never the poorest**

- Promote the down-scaling of commercial insurance

**Can reach out to entire population, incl. the poor**

- Extend the out-reach of non-contributory transfer schemes

and: protection is independent from kind of risk
Options to extend coverage

Non-contributory transfer schemes (cash and in-kind):

- **with targeting**
  - reduce error of inclusion
- **without targeting** (universal)
  - reduce error of inclusion
  - reduce administration and targeting cost
## Options to extend coverage

### Non-contributory transfer schemes (cash and in-kind):

<table>
<thead>
<tr>
<th></th>
<th><strong>with targeting</strong></th>
<th><strong>without targeting other than categorical</strong></th>
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<tbody>
<tr>
<td><strong>with conditioning</strong></td>
<td>• targeted conditional cash transfer scheme <em>(e.g. Mexico)</em></td>
<td>• untargeted conditional cash transfers <em>(e.g. Brazil)</em></td>
</tr>
<tr>
<td></td>
<td>• targeted public works scheme <em>(e.g. Ethiopia)</em></td>
<td>• universal public works scheme <em>(e.g. India)</em></td>
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<tr>
<td><strong>unconditional</strong></td>
<td>• general social assistance <em>(e.g. Mozambique)</em></td>
<td>• free public health system <em>(e.g. Egypt)</em></td>
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<td>• social pensions <em>(e.g. Lesotho, Botswana)</em></td>
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<td>• orphan grants <em>(e.g. Zambia)</em></td>
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<td>• child allowances <em>(e.g. RSA)</em></td>
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<td>• basic income grant <em>(only pilots in Namibia &amp; India)</em></td>
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</tbody>
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### Conditions for social, economic and political effects of social protection

#### Social effects  
(**reduction of vulnerability, poverty and inequality**):  
- protecting against most relevant risks  
- eligible for large parts of the population  
- good targeting

#### Economic effects  
(**promotion of productive investment and growth**):  
- protecting against all major risks  
- eligible for **low-income earners** (esp. near-poor)  
- reliable / trustworthy

#### Political effects  
(**social cohesion and state legitimacy**):  
- protecting against most relevant risks.  
- eligible for **entire population**  
- fair and transparent  
- provided by the state  
- no overly rigid targeting or conditioning

- comprehensive social insurance schemes with very high coverage  
- well institutionalised social transfer schemes with no overly rigid targeting (best: universal scheme)
DIE research on social protection

All publications available online at:
Thank you very much for your attention!

www.die-gdi.de/markus-loewe