

Universal Social Protection

Developmental
impacts of expanding
social protection



Universal social protection key to achieve the Sustainable Development Goals

“Social protection systems and measures for all” figure highly among the priorities set out by the international community inside the Sustainable Development Goals (SDGs). Ensuring necessary investments in social protection expansion will help member states make good on this commitment, but also many others included in the 2030 agenda.

Universal social protection is likely to advance progress on a host of SDGs, including on reducing poverty and inequalities, the promotion of decent work, inclusive growth, and improvements to health and education outcomes. These cross-cutting developmental impacts are illustrated in an expansive and growing body of literature. Evidence from this research is synthesized and presented in this brief to show how investments in social protection contribute to more productive, prosperous and equitable societies.

Social protection floors reduce poverty and inequalities

Social protection reduces poverty and social exclusion

Social protection is a crucial instrument in addressing all forms of poverty. Cash transfer schemes have successfully reduced poverty in Africa, Asia, Central and Eastern Europe, and Latin America, potentially delivering much faster results than those expected from the “trickle-down” effects of economic policies. Although in practice benefits have tended to be lower than needed, a cash transfer at an adequate level can bring people out of poverty overnight. Equally importantly, cash transfers have had even larger effects on reducing the depth of poverty. For example, South Africa’s

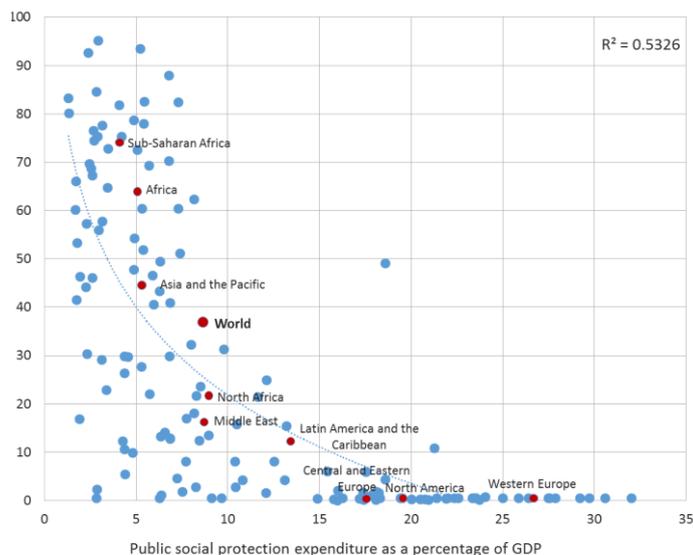
non-contributory grants have reduced the poverty gap by more than one-third (Woolard et al., 2010), the Oportunidades programme in Mexico has reduced the numbers living in poverty by 10 per cent and the poverty gap by 30 per cent (Skoufias and Parker, 2001), and Kyrgyzstan’s Social Protection Programme has reduced the numbers in extreme poverty by 24 per cent and the poverty gap among beneficiaries by 42 per cent (World Bank, 2003). The expansion of food assistance in the United States is reported to have reduced the number of households in extreme poverty by half (CBPP, 2014). Overall, social transfers and taxation have reduced poverty by more than 50 per cent in most European countries.

Social protection expenditure has a prominent role in reducing and preventing poverty, containing inequality and addressing social exclusion. Particularly crucial is its capacity to ensure that people can escape poverty for good: the risk of falling back into poverty is very high where effective social protection mechanisms do not exist (Chronic Poverty Advisory Network, 2014). Social protection is essential in addressing not only monetary poverty but also social exclusion (Babajanian and Hagen-Zanker, 2012). Indeed, social protection constitutes one of the essential channels through which governments can distribute and redistribute income and resources, and share the benefits of growth, reinforcing the democratic mandates granted them on election to fulfil societal expectations. The key role of social protection in inclusive growth is now widely recognized (e.g. OECD, 2009). It is therefore not surprising that higher levels of social protection expenditure are associated with lower levels of poverty (Figure 1).¹

¹ The relationship between public social security expenditures and poverty outcomes is complex, involving a variety of factors. It should be noted in particular that US\$2 PPP per day does not

represent a meaningful absolute poverty line in high-income countries; this cut-off point was selected for the purpose of the graph to ensure international comparability.

Figure 1: Social protection expenditure (percentage of GDP) and proportion of the population in poverty



Notes: $R^2 = 0.5326$.

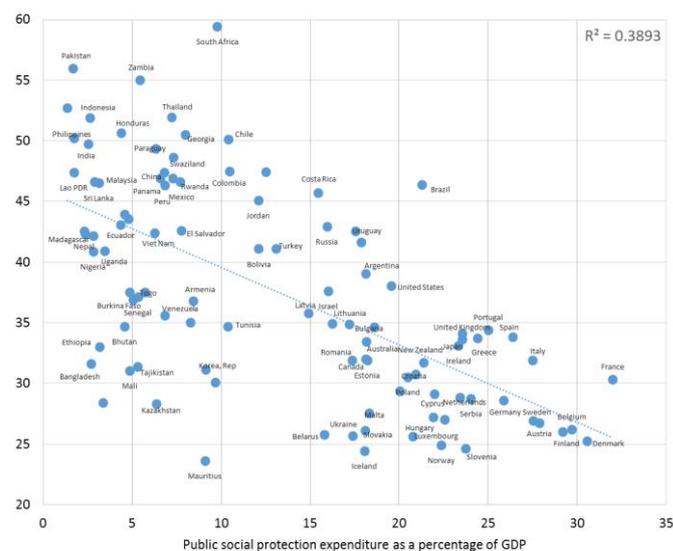
Sources: Social protection expenditure: Based on data from IMF, OECD, Eurostat, ILO, CEPALSTAT, ADB and national sources. Poverty headcount: World Bank, World Development Indicators (accessed April 2013).

Social protection reduces income inequality

The role of social protection reaches far beyond a mere reduction of income poverty. While debate has for some time focused narrowly on poverty reduction and the efficiency of targeting, it is increasingly acknowledged that the reduction of poverty is not sufficient to promote inclusive growth (UNDP, 2013; UN, 2013a; UN, 2013b). Broader social protection policies encompassing approaches such as extending social insurance are needed to help prevent poverty and insecurity and to contain inequality (Figure 2).² The correlation between public social protection expenditure and inequality (as expressed by the Gini coefficient) is less strong than for poverty, but there is still a distinct relationship, suggesting that higher levels of social protection expenditure are associated with lower levels of inequality.

² Again, the relationship between social protection policies (measured here by expenditure) and inequality (here measured by Gini coefficient) is much more complex than can be captured here. Well-designed social protection policies address not only income inequality, but also various

Figure 2: Social protection expenditure (per cent of GDP) and income equality (Gini coefficient), latest year



Note: $R^2 = 0.3893$.

Source: Social protection expenditure: based on data from IMF, OECD, Eurostat, ILO, CEPALSTAT, ADB and national sources. Gini index: World Bank, World Development Indicators (accessed Jan. 2014); ADB, UN ECLAC; Solt, 2009; Solt, 2013).

Social protection contributes to human capital development, reduces hunger and contributes to food security

There is strong evidence of the positive impacts of social protection on hunger and nutrition. In Africa, Asia and Latin America, cash transfers have been shown to improve both the quantity and the diversity of food consumption, and to protect food consumption during shocks or lean periods. Better nutrition also contributes to better physical development: programmes in Mexico, Malawi, and Colombia all demonstrate reductions in the numbers of children with stunted growth (Yablonski and O'Donnell, 2009; Tirivayi, Knowles and Davis, 2013), while children in South African households receiving a pension grow on average five centimeters taller than those in households without a pension (Case, 2001).

other dimensions of inequality (see e.g. UNRISD, 2010; OECD, 2011; UNDP 2014).

Social protection supports positive education outcomes

Social protection programmes, including cash transfers, the supply of free tuition and materials, and school feeding programmes, have all been shown to lead to higher school enrolment rates, fewer school drop-outs and less child labour by removing demand-side barriers to education, including the need for poor families to rely on children for income-earning and care work. Transfer programmes in Bangladesh, Brazil, Cambodia, Ecuador, Ethiopia, Malawi, Mexico, Nicaragua, Pakistan, South Africa, and Turkey have all demonstrated significant increases in children's school enrolment and/or attendance (Adato and Bassett, 2008).

Social protection supports positive health outcomes

Social protection can contribute to better and more equal health outcomes in various ways. Investments in health infrastructure, staff and drugs are most urgently needed where the burden of illness is heaviest. Financial support is also needed to prevent families falling into poverty because of heavy out-of-pocket health expenditures. A WHO cross-country study showed this can be done by reducing the health system's reliance on out-of-pocket payments and providing more financial risk protection (Xu, Evans and Kawabata, 2003). Thailand's commitment to achieving universal access to health care led to significant improvements in health outcomes on a number of measures, including take-up of services and the rate of health-related impoverishment (Evans et al., 2012; Tangcharoensathien et al., 2009).

The Oportunidades programme in Mexico combined cash transfers and free health services with improvements in the supply of health services, leading to a 17 per cent decline in rural infant mortality over a three-year period and an 11 per cent reduction in maternal mortality rates (Barham, 2010; Adato and Bassett, 2008). In Ghana, user fee

exemptions for pregnant women led to a significant reduction in the maternal mortality rate (Witter et al., 2007).

More recently, there is evidence on the usefulness of broader social protection interventions in HIV and AIDS prevention, treatment, and care and support (ILO, 2008; Temin, 2010). Cash transfers, for example, were found effective in supporting families to care for people living with HIV/AIDS and in improving access to treatment and adherence.

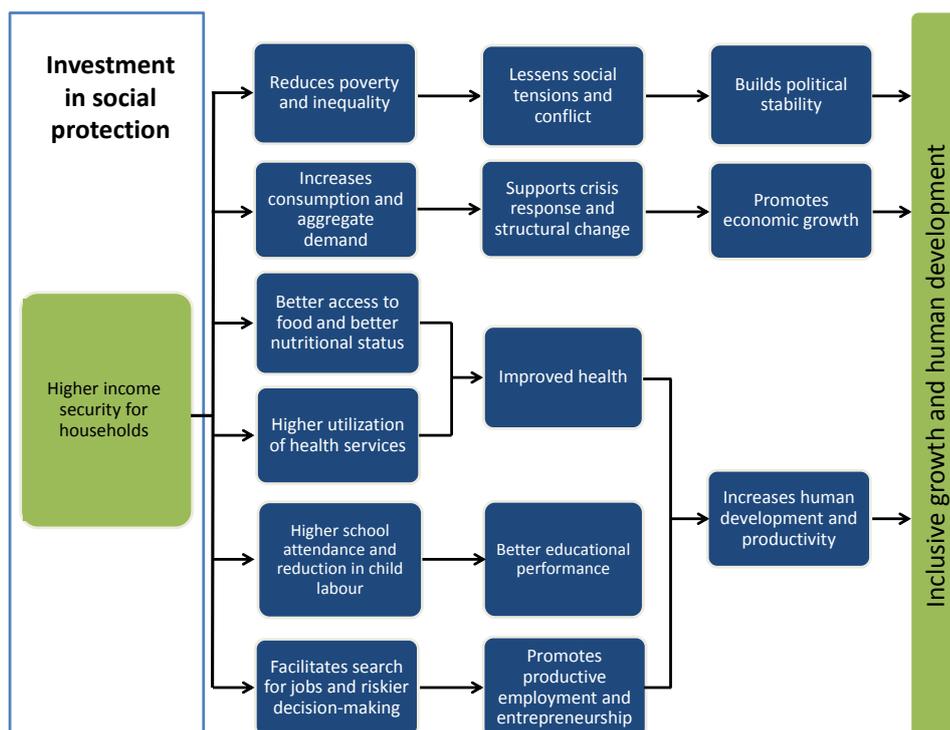
Social protection floors promote decent employment and inclusive growth

Social protection promotes employment

Social protection plays a major role in creating access to full and productive employment and decent work for all, including women and young people, through cash transfers, active labour market measures, health insurance and family support policies. These have been shown to encourage labour market participation in low- and middle-income countries by guaranteeing public work opportunities, covering the costs of jobseeking and supporting those with child-care responsibilities – with particularly strong effects for women. In South Africa, labour market participation among those receiving cash transfers was 13–17 per cent higher than in similar non-recipient households, with the greatest difference among women (Economic Policy Research Institute, 2004). For young people who are structurally unemployed or at high social risk, the Joven programme in Chile combines work experience, training and apprenticeships, and this model has been replicated in other South American countries (World Bank, 2003).

In other countries, such as India and Uganda, cash transfers have been used to provide employment for local youth and poor people. Cash transfers can also provide critical

Figure 3: Positive impacts of the extension of social protection on inclusive growth



Source: Based on Behrendt, 2013; ILO, 2014

resources for funding jobsearch, supporting quality training and skills development, increasing access to credit and bolstering the resilience of agricultural smallholders in maintaining production. Public employment programmes can also be linked to green jobs and environmental improvements, as for example in Brazil and the Philippines. A recent study from the United States indicates that giving food assistance to the children of poor families increases their average annual earnings in the long run by as much as US\$3,000, and their average number of hours of work by 150 annually (CBPP, 2014).

Many countries in Asia, Africa and Latin America have developed ways of coordinating social protection mechanisms with labour market policies and services, thereby strengthening opportunities for the unemployed to return to the market. One particularly interesting finding is that adult participants in a number of the Latin American cash transfer programmes mentioned above, as well as beneficiaries of similar schemes in South Africa, could increase their rate of economic activity, finding their employability boosted through simple investments in and access to training and employment services, and able to look for work more effectively with the costs of searching for jobs boosted through the modest cash transfers received by families.

Social protection promotes economic growth

Social protection schemes contribute to sustainable economic growth by raising labour productivity and empowering people to find decent jobs. Injecting money into rural

communities can have important multiplier effects on the local economy, stimulating trade in goods and services and encouraging more dynamic local development based on both agricultural and off-farm activities (Tirivayi, Knowles and Davis, 2013; Alderman and Yemtsov, 2012). Social protection represents an investment in a country's "human infrastructure" no less important than investments in its physical infrastructure. Only a population that is healthy, well nourished and well educated can realize its potential for productive employment. The positive impacts of cash transfers on children's nutrition, and on access to health and education, have been well recorded around the world. Well-designed social protection systems thus enable a country to unlock its full productive potential and to promote inclusive growth.

There are multiple channels through which social protection systems can support such investments in people (see ILO, 2010; Social Protection Floor Advisory Group, 2011; Behrendt, 2013), with beneficial effects in both the short and the longer term. In the short

term, social protection can help to improve the health of the population, stabilize aggregate consumption, enable people to take more risky decisions and to engage in more productive economic activities, preserve and promote human capital and enhance the functioning of the labour market. It thereby contributes to supporting structural changes in the labour market and the economy, and also exercises its much-needed counter-cyclical function in economic downturns, such as that caused by the recent global crisis.

In the longer term, the effects of better access to food, better nutritional status and better health will contribute to the better physical and mental development of the population. The effects of enhancing access to education and improving educational performance boost human development and also contribute to fostering a more productive and more readily employable workforce, which is one of the preconditions of sustained and inclusive growth (Figure 3).

The crisis has triggered a shift in the way the international community sees the relationship between growth, public intervention and social protection. In Asia and the Pacific, for example, policy-makers are increasingly moving away from export-led growth approaches alone towards more inclusive employment-intensive recovery strategies which emphasize the need to reduce high domestic savings rates and improve the region's underdeveloped social protection programmes (Ortiz et al, 2010; ILO, 2014).. China is a good example, having massively expanded social protection schemes in recent years to raise national living standards and promote national demand.

In Africa and elsewhere, the food price crisis highlighted the limitations of family- and community-based traditional support systems in responding to aggregate shocks and spurred efforts to strengthen local agriculture. At the global level, there is now an awareness of the need to raise household incomes, expand

internal markets and prepare better for future shocks by building up stronger systems during the current crisis recovery period.

Universal social protection thus is key for socio-economic recovery, inclusive growth and human development, an essential component of the 2030 Development Agenda.

This brief was elaborated by the ILO.

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