

Building Comprehensive and Universal Social Protection Systems in Latin America

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Motivation

- Between 2003 and 2013, higher economic growth and improvements in income distribution led to massive poverty reduction. Almost 65 million persons were lifted out of poverty (from 46.3% to 29.7% of the population). What role played the different social protection systems?
- In the last two years poverty reduction already seems to be stagnating. Amidst projections of lower economic growth, what is the next step for social protection? Can social protection systems compensate lower economic growth and maintain previous gains, protecting the population against falling back into poverty?

An index to measure comprehensive Social Protection Systems in LAC

Universality

Health coverage among working population

Affiliation to pensions among working population

Old-age population receiving a pension

Coverage gap on access to health between the salaried and non salaried labor force

Coverage gap on affiliation to pensions between the salaried and non salaried labor force

Solidarity

% of poor people with access to some kind of social protection

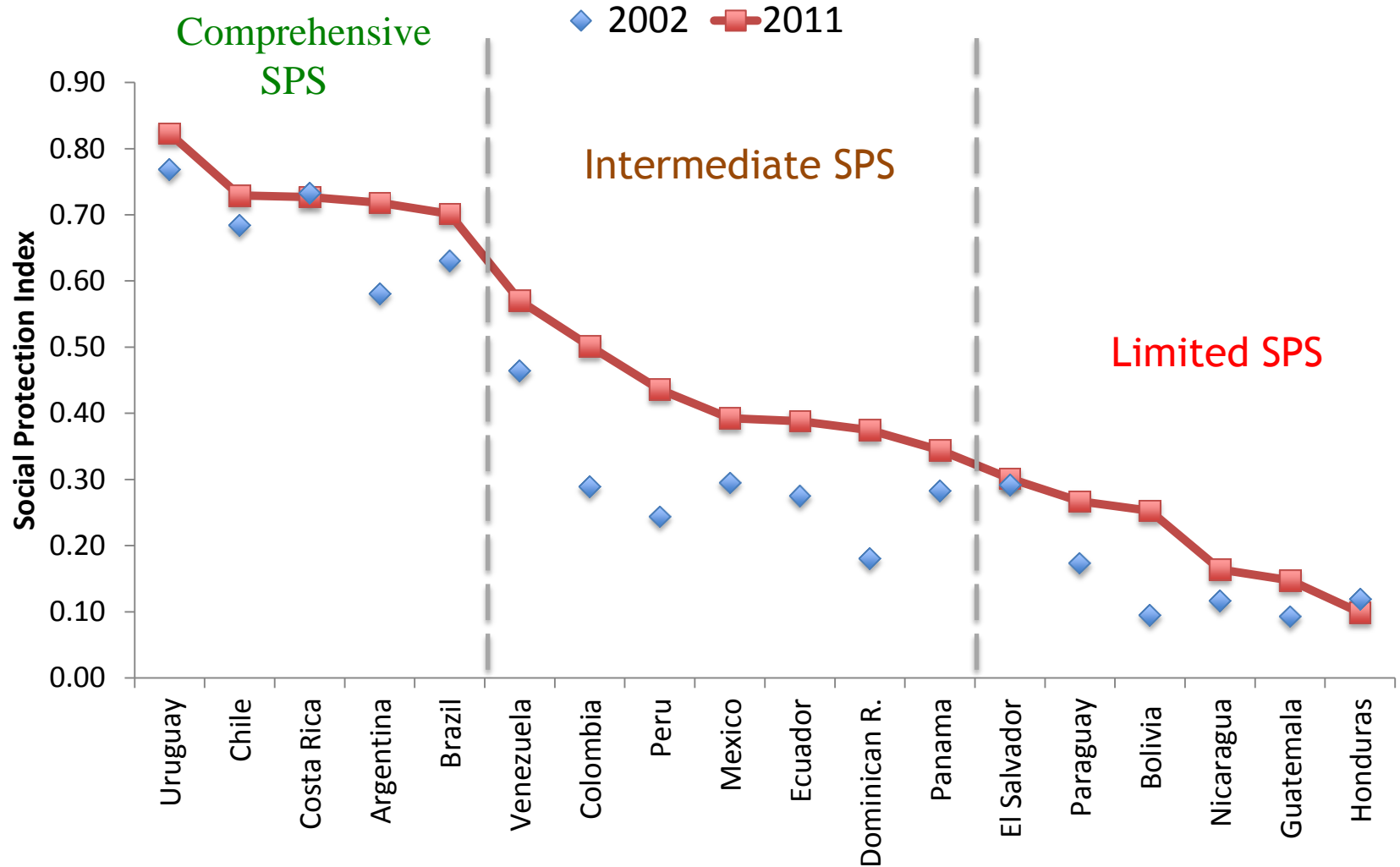
Coverage in poorest quintile of all Social Assistance

Social Spending

Social spending in social protection (security and assistance) as % of GDP

Social spending in health as % of GDP

The results



Most countries improved their score between 2002 and 2011.
Intermediate countries improved the most

The state of social protection: Four facts

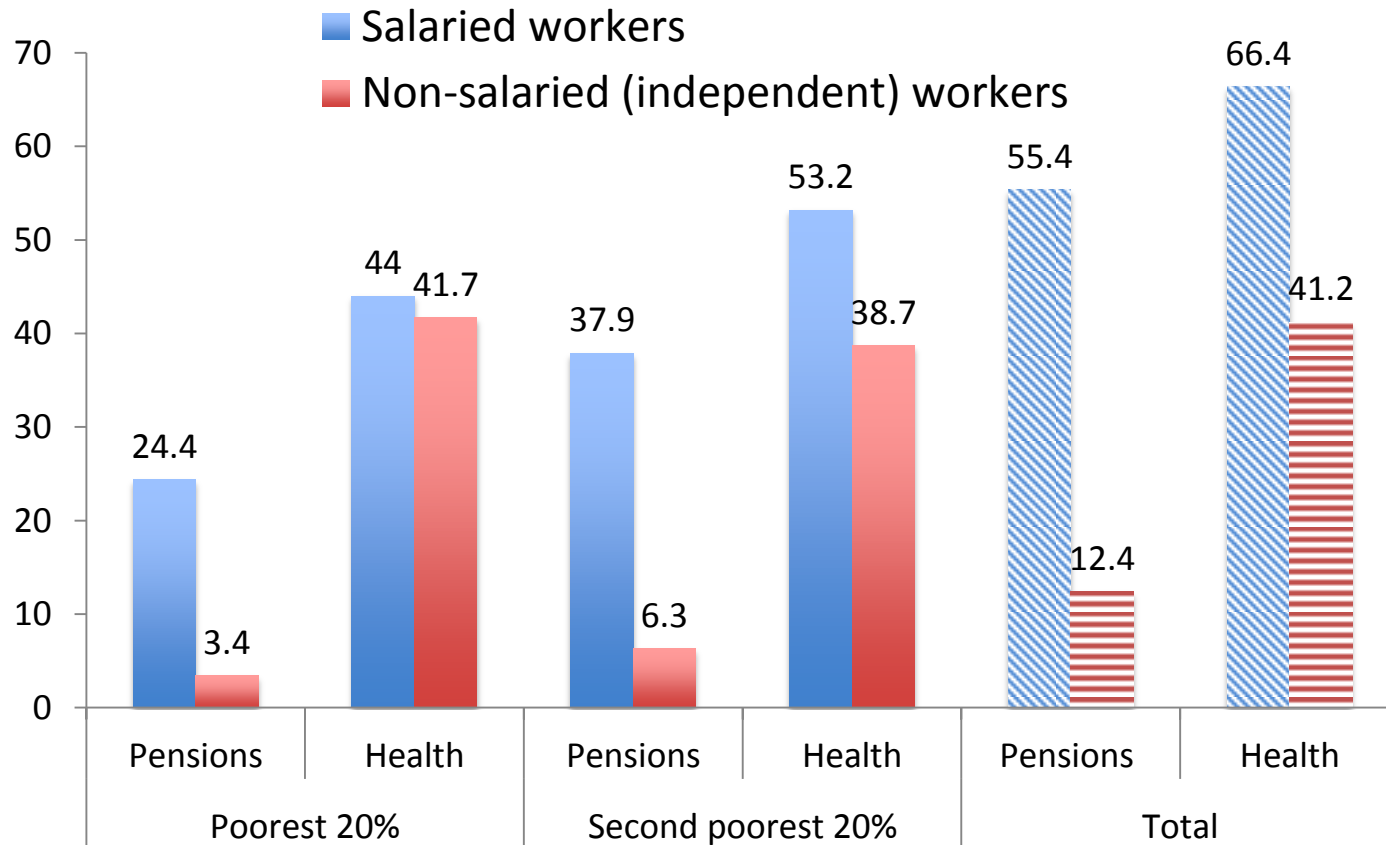
1. Significant improvements between 2002 and 2011, mainly in health
2. Access to pensions is still low, particularly among independent workers
3. Important coverage gaps by type of employment and income quintile groups
4. Social spending has increased, mainly in social insurance and assistance, but it is still low compared to developed countries

Health coverage and affiliation to a pension system among working population by type of employment



There is still a segmented SPS by type of employment...
... but there have been significant improvements in health coverage among non-wage workers

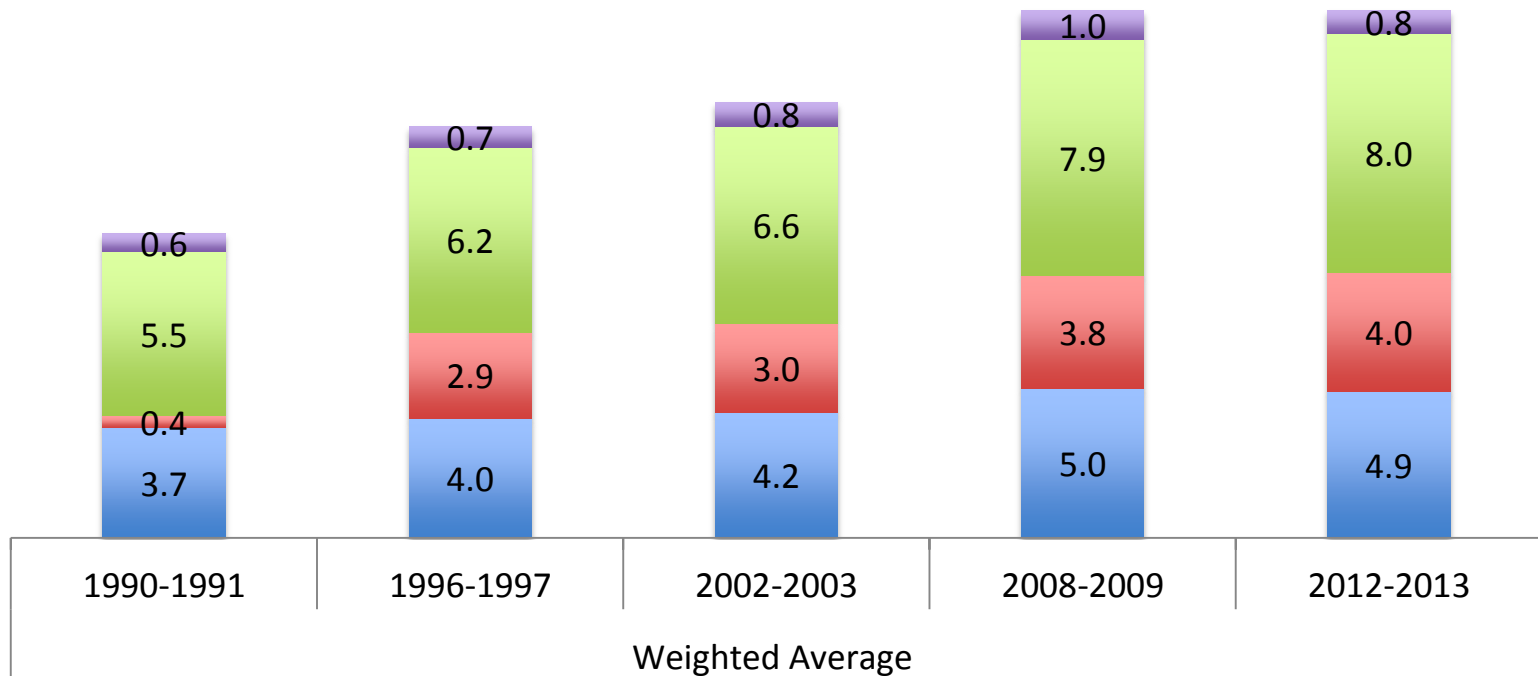
Health coverage and affiliation to a pension system among working population by type of employment and quintile, 2011



Non-wage workers are less likely to have access to health and pensions even among the lowest quintiles

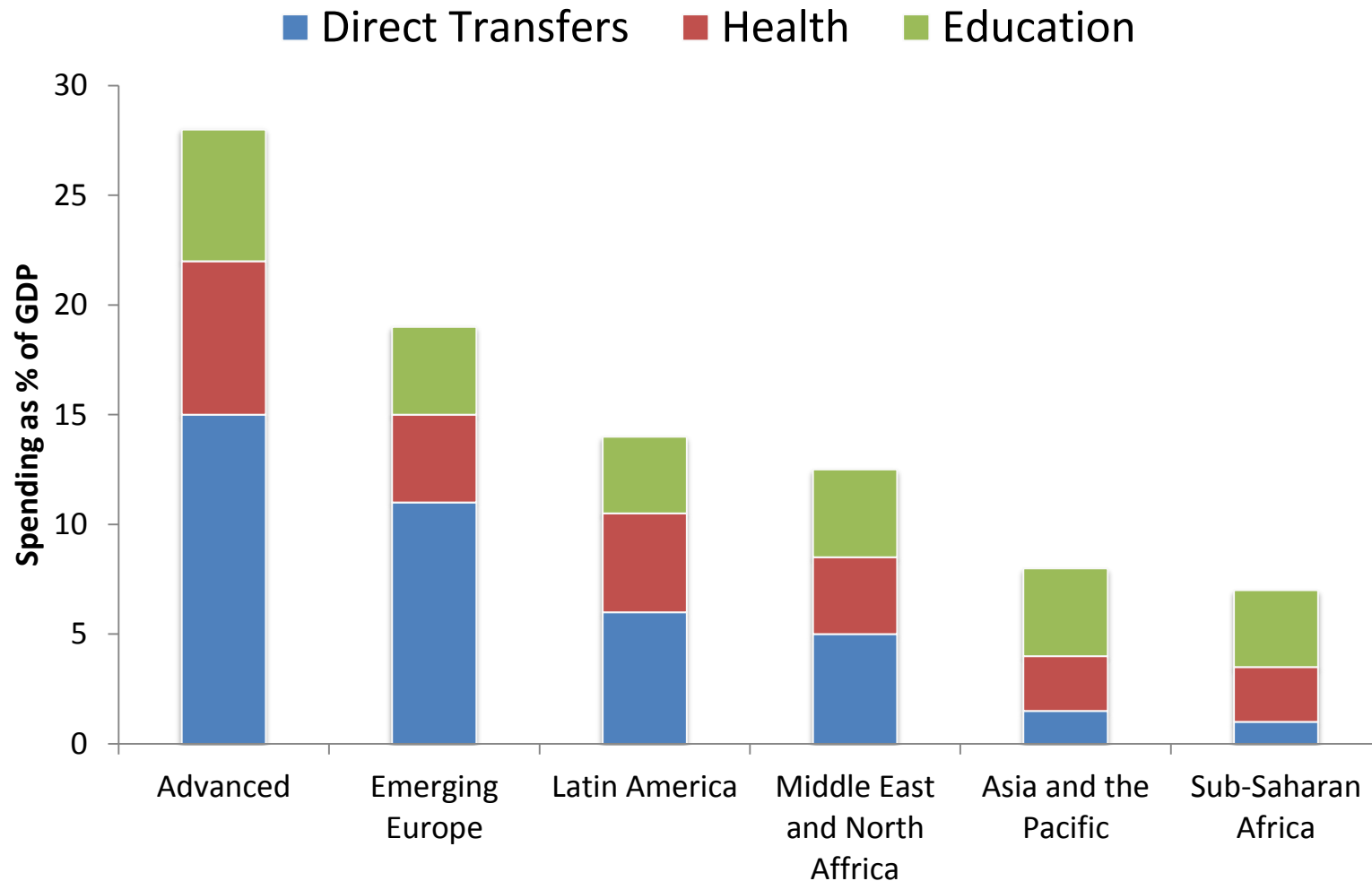
Composition of public sector spending (as % of GDP)

■ Education ■ Health ■ Social Protection ■ Housing



Social spending has increased, particularly in health and social protection...

Composition of public sector spending (as % of GDP)



... but it is still low compared to developed countries

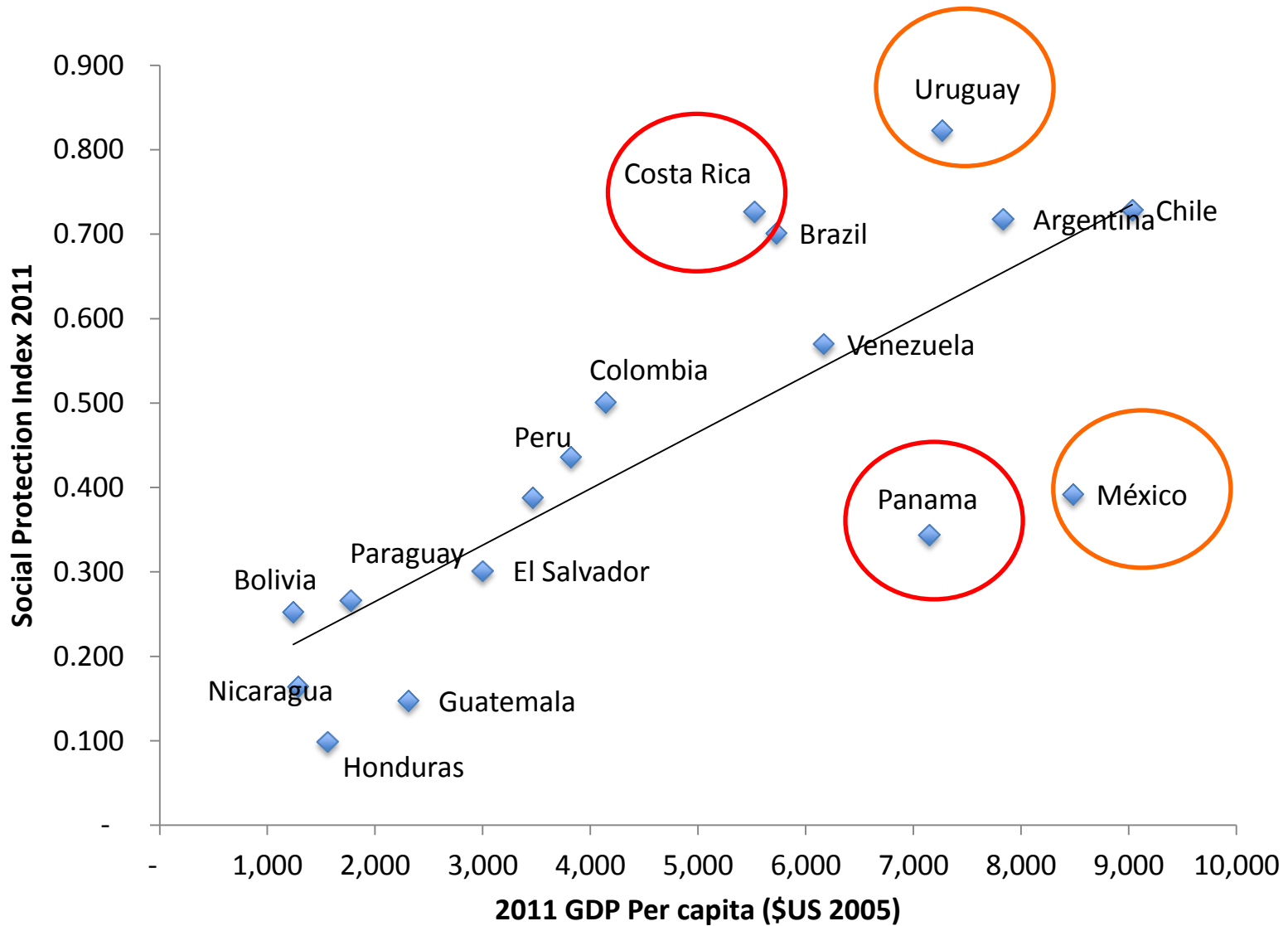
The links between social protection and economic growth: some myths

- At each stage of development societies can only afford a certain level of social expenditure (The affordability myth)
- There is a trade-off between social expenditure (redistribution) and economic growth (Okun's famous trade-off)
- Economic growth will automatically reduce poverty (Trickle-down myth)

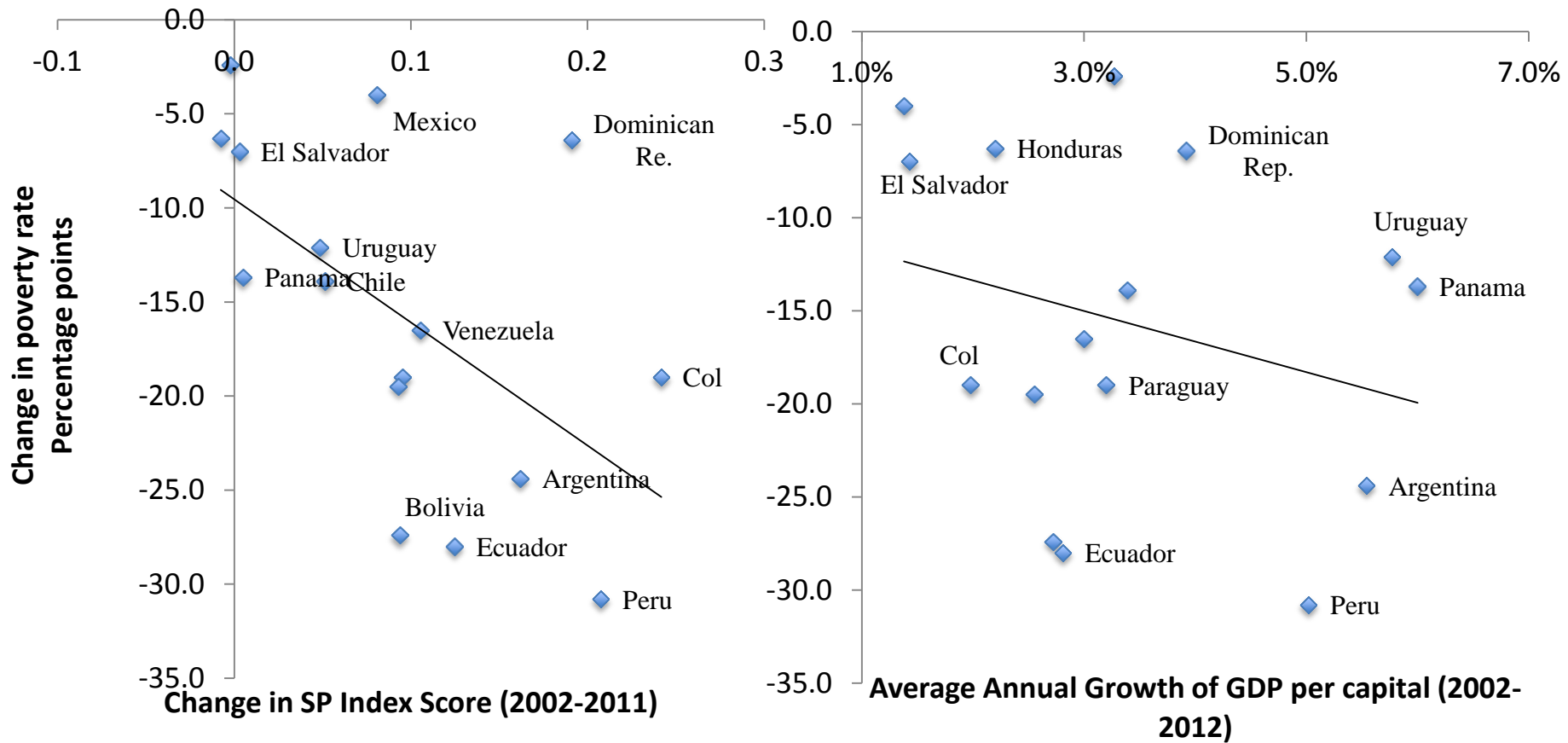
Facts and challenges

- On the first myth: there is a clear association between higher GDP per capita and a higher Social Protection Index score. However, there is also high variation in the SP index score among countries with the same level of GDP per capita -e.g.: Costa Rica vs. Panama, and Uruguay vs. México
- On the second and third: poverty reduction has been associated much more to the expansion of social protection than to economic growth
- Without an expansion of social protection systems, it is thus unclear how “more of the same” will continue delivering massive poverty reduction.
- Higher challenges given lower growth, and still high informal sector.

Social Protection Index and GDP



Poverty reduction has been associated much more with expansion of social protection than with economic growth (2002-2011)

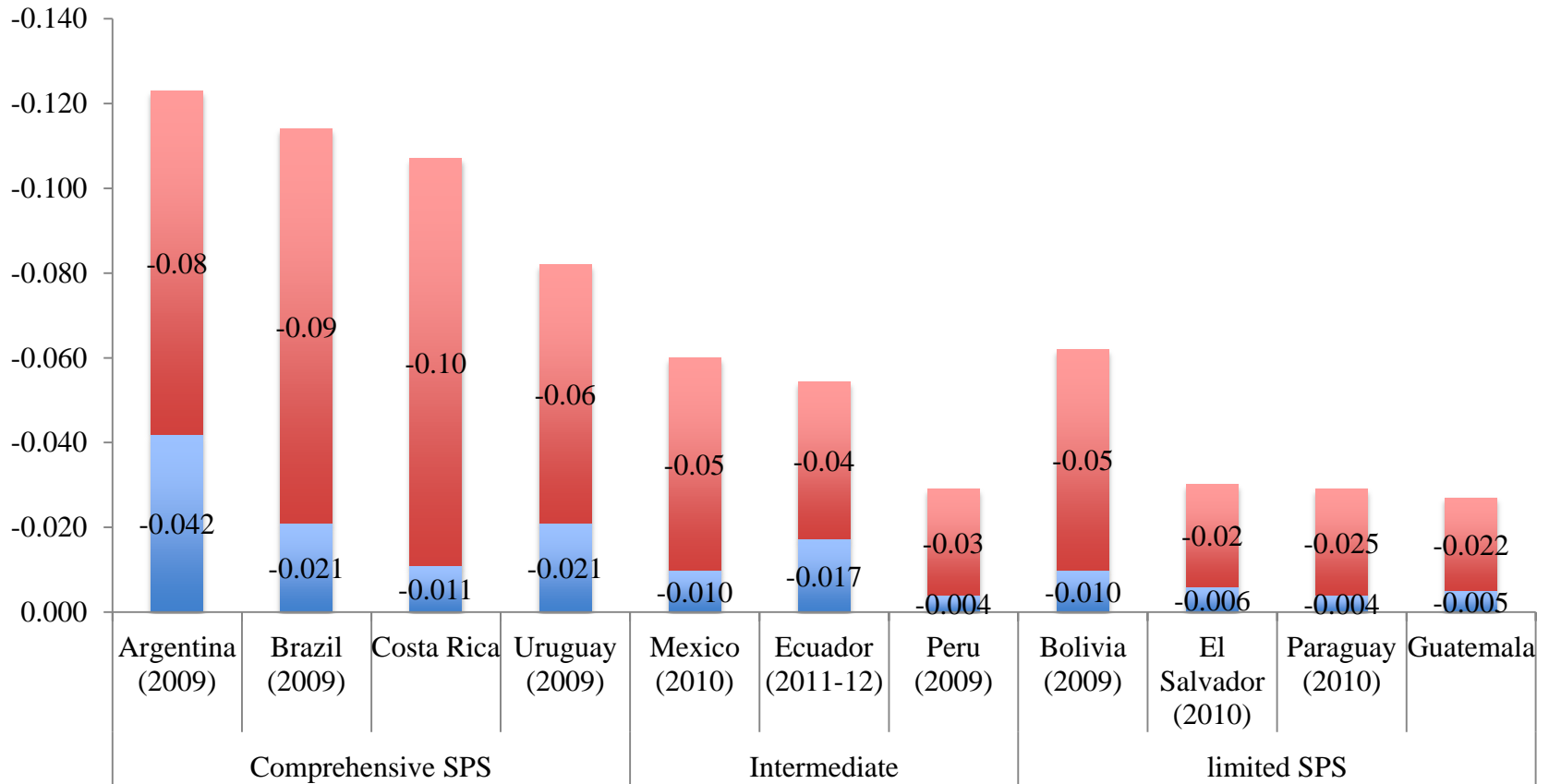


The redistributive impact of Social Protection Systems

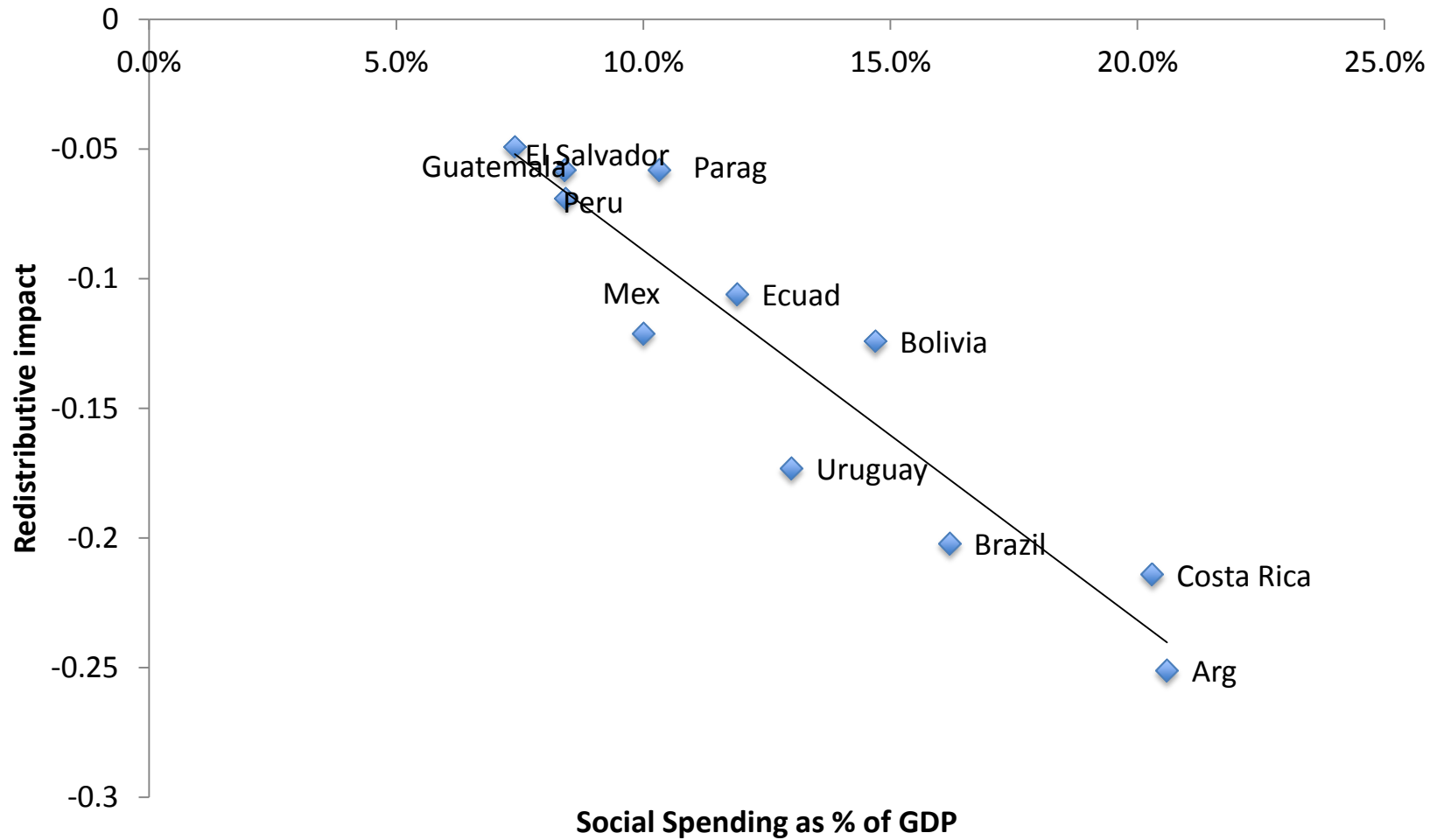
- Universal policies (like primary education and health) are more redistributive
- Targeted direct transfers, like CCTs have an important redistributive effect, but the total impact is low given low spending.
- Regardless of the type of SPS, the redistributive effect of in-kind transfers is higher than the effect of direct transfers.
- This mainly indicates the fact that the budget allocated to health and education as a % of GDP is almost more than twice the budget allocated to direct transfers.
- Overall, more comprehensive social protection systems have higher redistributive impact, and have a higher share of benefits concentrated in the poorest households

Redistributive effect of direct and in-kind transfers (Absolute change in Gini)

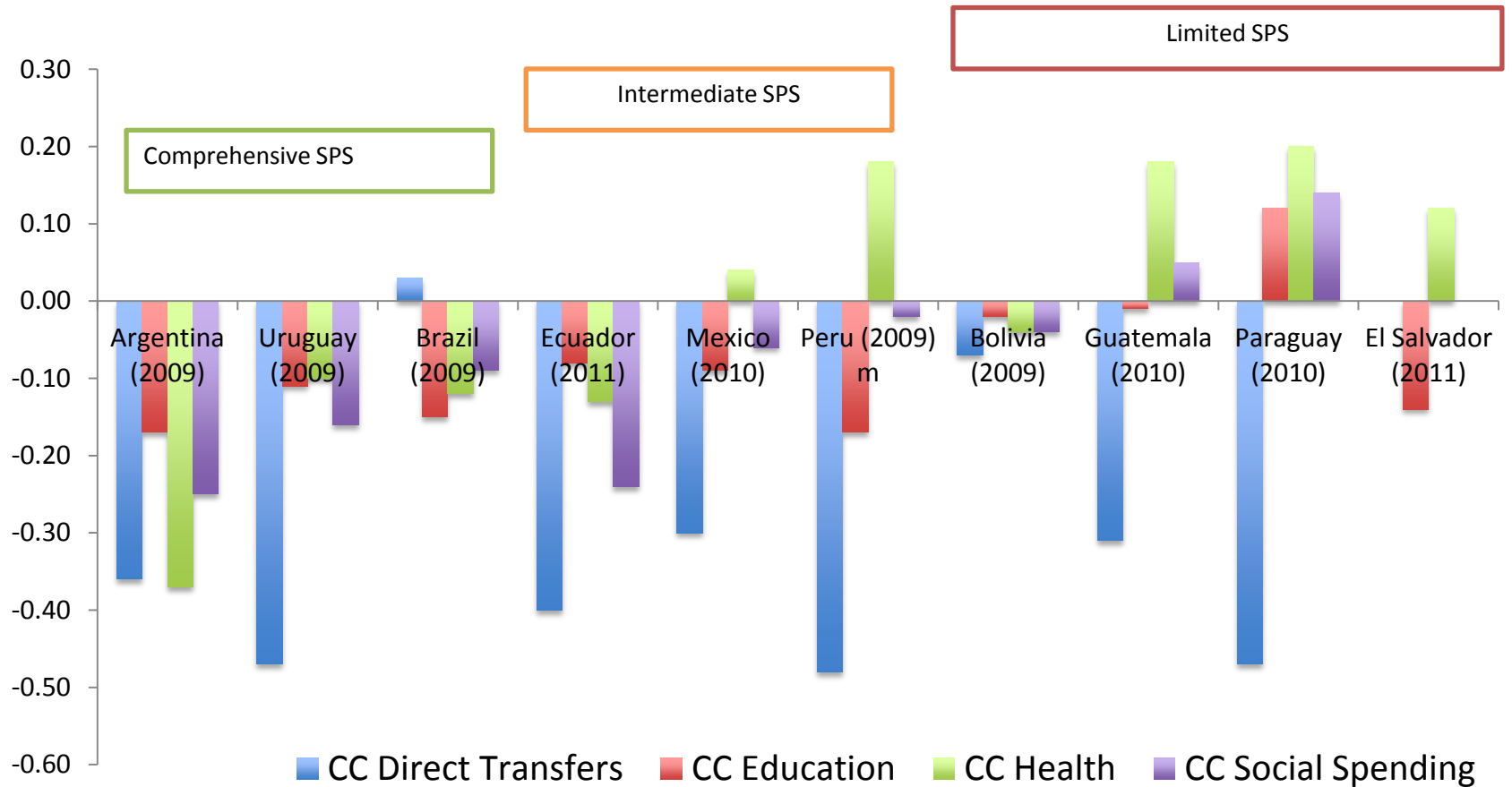
■ Direct Transfers ■ In-kind Transfers



Redistributive impact of social spending (direct and In-kind transfers)



Cuasi-Gini Coefficient by type of spending



Source: Commitment to Equity Project - CEQ based on the working paper for each country

Conclusions

- There is still a segmented social protection system by type of employment.
- Need for innovative instruments both for access and contribution. One example, Monotax scheme in Uruguay
- There is no trade-off between higher redistribution and growth.
- The redistributive impact is higher among universal policies
- Quality of employment and higher labor market formalization is essential for future improvements.

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