

SOCIAL EXCLUSION OUTSIDE EUROPE

Social Protection: An Instrument for Poverty Reduction and Social Cohesion

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"Poverty anywhere is a threat to prosperity everywhere."

ILO Declaration of Philadelphia, 1944

Social protection is a right, and an affordable one. It is also a powerful instrument for poverty reduction and social cohesion. Social security promotes sustainable economic and social development, and countries with social protection systems have been better able to cope with the global economic crisis. As part of its efforts to eradicate poverty and promote decent work and social justice inside and outside its borders, the EU should: 1) provide financial and technical support to developing countries in their efforts to set up and scale up a basic set of social security mechanisms, and 2) support the UN Social Protection Floor Initiative.

Decent work and social protection

"Everyone, as a member of society, has the right to social security" (Article 22 of the Universal Declaration of Human Rights, 1948). More than 60 years after the adoption of the Universal Declaration of Human Rights, it is estimated that only about 20% of the world's working-age population (and their families) have effective access to comprehensive social protection systems (ILO 2009a). Among the 80% living in conditions of social insecurity, 20% are poor (Cichon 2006).

Social security is one of the conditions for sustainable economic and social development. It works as an economic, social and political stabiliser; provides mechanisms to alleviate and prevent poverty; reduces income disparities to acceptable levels; and enhances human capital and productivity.

The global economic crisis has highlighted that investment in social security² systems

is not just a social need, but an economic necessity. The International Labour Organization (ILO) found that the employment effect of automatic stabilisers (including social transfers) were as important as the stimulus package. Governments with social protection systems in place were better able to cope with the crisis as the impact on households was softened and the drop in aggregate demand alleviated (ILO 2009a).

Social protection and decent work in development cooperation

In 2005, the UN MDG Summit agreed on the inclusion of a specific target for Decent Work under MDG 1: "Achieve full and productive employment and decent work for all, including women and young people".³ Nevertheless, progress in this area has been meagre (United Nations General Assembly 2010) and little attention has been given to social protection – a core pillar of the Decent Work Agenda – by public policymakers (OECD 2009). Nevertheless, available evidence demonstrates that:

1. Social protection is an effective tool to prevent and fight poverty

Social transfers⁴ can directly and immediately reduce the vulnerability of the young and the old and are an effective tool to fight poverty. This is particularly important in countries where AIDS has led to a huge increase in the number of orphaned children, leaving older people, particularly widows, to care for grandchildren with no support. Cash transfers that bring about improvements in children's health, nutrition and education have long-term effects on productivity and earnings, and thus contribute to breaking the intergenerational poverty cycle. The impact of social transfers on marginalised groups can be even greater when supported

benefits, employment injury benefits, family benefits, maternity benefits and invalid benefits. 'Social protection' is a broader concept covering actions to address more than risk, such as, for example, measures to address discrimination and safety at work and social services such as health and education.

³ Paragraph 47 of the 2005 World Summit Outcome.

⁴ 'Social transfers' are regular and predictable grants – usually in the form of cash – provided by governments or non-governmental organisations to individuals or households to decrease chronic or shock induced poverty.

by legal measures to combat discrimination in areas such as employment, access to education and healthcare, access to credit, inheritance and land ownership.

Social transfers can reduce vulnerability to shocks. Well-designed social transfer schemes can prevent the non-poor from falling into poverty as a result of economic or environmental shocks. Globalisation is continually creating new groups of people who are poor and excluded, who 'lose out' as market and production patterns change. And climate change threatens to bring unprecedented changes in production and migration patterns, which will create new pockets of poverty. Social transfers will be important in mitigating the effects of this economic and environmental change on people's livelihoods (European Working Group on Social Protection and Decent Work and the Grow Up Free from Poverty Coalition 2010, p 5).

In the last decade, there has been an increase in the number of large-scale cash transfer programmes in developing countries. Overall, these programmes make a significant contribution to addressing poverty and vulnerability among the poor and poorest households in developing countries. One of the best known and successful is the Brazilian *bolsa familia* (family grant). The programme currently covers 12.4 million households and pays mothers around USD 12 per month per child as long as their children attend school and receive medical checkups. According to the Fundacao Getulio Vargas, about one-sixth of the poverty reduction experienced by Brazil (more than 8% every year since 2003) can be attributed to this conditional cash transfer (The Economist 2010).

In Tanzania, it is projected that a combination of basic universal old pension benefits and child benefits to school children under the age of 14 would reduce the overall poverty rate of around one-third (Cichon 2006).

In most developing countries, many people do not have access to healthcare unless they can pay for it. These 'out-of-pocket' payments for healthcare exacerbate social exclusion and poverty. The World Health Organization has estimated that every year around 100 million are pushed under the poverty line just because they have to use, and pay for, health services. Social health insurance mechanisms reduce reliance

¹ This article is a personal elaboration based on a previous briefing published by the European Working Group on Decent World and Social Protection.

² The terms 'social protection' and 'social security' are used interchangeably in this report. A distinction can, however, be made: ILO Convention 102 describes 'social security' as guaranteeing a stable income through medical care, sickness benefits, unemployment benefits, old-age

on out-of-pocket payments. Community-based health schemes (i.e., mutual schemes) are being developed in several developing countries (mainly in Asia and Africa), and currently reach around 40 million people.

2. Social protection promotes pro-poor growth

Social protection promotes pro-poor growth (OECD 2009) enhancing the ability of the poor to participate in, contribute to, and benefit from growth. It does so by increasing access to social services (namely, health and education), which reinforces the productivity and participation of the poor in the labour market, and by protecting the poor against shocks and reducing their vulnerability.

3. Social protection is affordable

ILO estimates that only 2% of global GDP would be necessary to provide the world's poor with a basic social security package (universal access to basic healthcare and basic income transfers⁵) and 6% to cover all those who do not have access to social security (ILO 2008a). In 12 low income countries examined, the cost of introducing a basic social security package would be in the range of 3.7 to 10.6% of GDP in 2010, while individual elements of the package would be more affordable: the annual cost of providing universal basic old age and disability pensions in 2010 would be between 0.6 and 1.5 of GDP; essential healthcare would cost between 1.5% and 5.5% of GDP; providing assistance to unemployed or underemployed would cost between 0.3% and 0.8% of GDP (Hagemeyer 2009, in OECD 2009).

Nevertheless, affordability does not necessarily mean that resources are available, or that domestic resource alone could finance a basic social security package. Developing countries have a big role to play (e.g., by increasing social spending as a proportion of GDP and as a proportion of total government spending, redistributing funds between social policy areas, and so forth) and the international community has to translate its policy commitment into concrete support for national social protection initiatives.

4. Social protection can have a direct positive impact on growth

By raising the income of the poor, social security transfers increase domestic demand and, in turn, encourage growth by expanding domestic markets. In Zambia, for example, 80% of social transfers are spent on local goods.

Moreover, social protection makes growth

equitable, builds social cohesion and, hence, makes growth more sustainable. The importance of equitable growth has been widely recognised. At the same time, the quality of growth can be enhanced through improved income distribution (Cichon 2006).

The case of Europe demonstrates that high levels of social expenditure and economic growth can coexist. In OECD countries, the establishment of universal social security systems has been a determinant of social and economic development and has contributed to reducing poverty and strengthening social inclusion. It is estimated that, today, the 30 OECD countries commit an average of 13% of their GDP to social security (in low-income countries this average is lower than 2%) (Townsend 2009). In the European Union (plus Iceland, Norway and Switzerland), expenditure on total social protection expenditure is on average over 25% of GDP (ILO 2010), and it is generally recognised that – with few exceptions – high levels of social protection expenditure corresponds with low levels of poverty. Hence, ensuring social security coverage to the world's poor is a question of political will in setting the right priorities, rather than a lack of means.

Social protection – A global commitment

The development of comprehensive social security systems in countries where only rudimentary systems exist is a key task to prepare global society for future economic downturns and to achieve other global objectives such as the Millennium Development Goals, sustainable economic development and fair globalisation.

There is increasing recognition among international agencies, donors, governments and civil society organisations that social protection can play a pivotal role in preventing and reducing poverty, and promoting social and economic development.

Social protection is a demand of developing countries

There is a growing demand coming from developing countries for more public action on social protection and employment. An example of this is the 2008 African Union Social Policy Framework, which calls on African governments to implement national social protection plans based on a minimum package.

The UN Social Protection Floor Initiative (UNSPFI)

The need for social protection systems has also been addressed at the global level. The ILO Declaration on Social Justice for a Fair Globalisation (10 June 2008) (ILO 2008b) includes a promotional framework for the implementation

of the four 'pillars' of decent work at national, regional and global levels. Moreover, the concept of a basic social security floor has been taken up by the UN which has launched the Social Protection Floor Initiative (SPFI).

Based on the principle of progressive universalism, the Social Protection Floor Initiative seeks first to ensure a minimum set of social security benefits for all: the social protection floor. Based on that floor, higher levels of social security should then be sought as economies develop and the fiscal space for redistributive policies widens.

The ILO Global Jobs Pact, adopted at the International Labour Conference in June 2009, requests countries to:

*... build adequate social protection for all, drawing on a basic social protection floor including: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor.*⁶ (ILO 2009b)

Groups of civil society organisations all around Europe are supporting the ILO Campaign for Social Security and Coverage for All, including the European Working Group on Social Protection and Decent Work in Development Cooperation,⁷ which is working to see social protection given the prominence it deserves in EU aid policy and as part of the Decent Work Agenda.

Conclusions and recommendations

"There is enough for everybody's needs, but not enough for everybody's greed."
(M. Gandhi)

With the Lisbon Treaty, the European Union's development policy has been strongly focused on poverty eradication:

Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty... (Article 208, Official Journal of the European Union 2008)

The EU is also fully committed to ILO's Decent Work Agenda, which includes social protection as one of the four pillars. This has brought about a renewed interest in the role of social security in development, as well as in combating poverty.

⁶ Global Jobs Pact, paragraph 12 (1) ii

⁷ Formed in 2007, The European Working Group on Social Protection and Decent Work in Development Cooperation is made up of civil society organisations including Help Age International, World Solidarity, Light for the World, Stop Aids Alliance and SOLIDAR.

⁵ Basic child benefits, universal basic old age and disability pensions, social assistance for the poor and unemployed.

The EU 2020 strategy reaffirms its commitment to turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion.

Moreover, the EU has recognised the importance of social protection in its response to the global economic crisis and food and fuel price hikes. It acknowledges that social protection measures are critical in dealing with these crises at global, national and local levels. In its 2009 Communication 'Supporting Developing Countries in Coping with the Crisis', it recommends that the Commission and EU Member States support developing countries to create and strengthen social protection programmes, such as cash transfers (Commission of the European Communities 2009). The more recent (June 2010) Foreign Affairs Council Conclusions on the MDG Summit review acknowledges that social protection systems, as well as reducing inequality, are essential for each developing country to achieve the MDGs.

Nevertheless, the EU does not have a coherent policy or strategy to promote social protection through development cooperation. It is now time to address this policy incoherence. Based on its economic development history and its technical expertise, the EU should:

1. Provide adequate, long-term and predictable financial assistance and technical support to leverage developing countries' efforts to build social protection systems or to expand the coverage of existing social security mechanisms.
2. Reinforce the International Labour Organization's Social Protection Floor Initiative.
3. Include social protection and decent work as focus sectors in more country and regional strategy papers by providing guidance for sector and budget support policy dialogue in this area. This will ensure that EU funds benefit the most marginalised people, including those living in chronic poverty and those working in the informal economy.

These are the key demands that civil society organisations all around Europe are putting forward to the EU. ■

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