**Expert Group Meeting**

# Strategies for eradicating poverty
# to achieve sustainable development for all

## The impact of social protection floors on reducing poverty - ILO[1]

### Overview

While the need for social protection is widely recognized, the fundamental human right[2] to social security remains unfulfilled for the large majority of the world's population. Only 27 per cent of the global population enjoy access to comprehensive social security systems, whereas 73 per cent are covered partially or not at all. It is clear that the global community needs to make greater efforts in realizing this right. With this in view, it is opportune to recall the many countries that historically have built sound economies at the same time as decent societies with social protection. Still grappling with the economic repercussions of the global financial crisis, the world is faced with a deep social crisis which is also a crisis of social justice. Fiscal consolidation and adjustment measures threaten household living standards in a significant number of countries. Despite progress made in reducing levels of extreme poverty in some parts of the world, high levels of poverty and vulnerability persist; what is more, poverty is actually increasing in many high-income countries. In addition, high and still rising levels of inequality in both advanced and developing economies are widely acknowledged as cause for great concern.

Social protection measures are essential elements of a policy response that can address those challenges. They not only support the realization of the universal human right to social security, but are both a social and an economic necessity. Well designed and implemented social protection systems can powerfully shape countries, support incomes and domestic consumption, enhance human capital and productivity, eradicate poverty, reduce inequalities and contribute to building social peace. The bold efforts in extending social protection in many developing countries, from Brazil to China, from Ecuador to Mozambique, have underlined its key role in reducing poverty and vulnerability, redressing inequality and boosting inclusive growth. By establishing universal social protection systems, including social protection floors, countries can ensure that no one is left behind and that prosperity is shared.

### The SDGs – A new momentum for social protection

The strong positive impacts of social protection have brought social protection to the forefront of the development agenda. The international community now recognizes the importance of social protection's cross-cutting policy approach to make a real difference for people. Social protection is placed prominently across the 17 SDGs. Widespread evidence demonstrates that social protection can contribute to the achievement of the SDGs in terms of human capital development, social risk management, social cohesion, macroeconomic resilience and the promotion of inclusive economic growth. The 2030 Agenda identifies a strong role for social protection in combatting poverty and reducing inequalities, and calls for universal approaches to social protection provision while accelerating efforts for the poor and vulnerable. It finds explicit mention, namely in SDGs 1 on ending poverty (target 1.3: Implement nationally appropriate social protection systems and measure for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable), SDG 5

[1] This note is based on the "World Social Protection Report 2014/2015, Building economic recovery, inclusive development and social justice, ILO, 2014"

[2] "Everyone, as a member of society, has the right to social security" (Article 22 of the Universal Declaration of Human Rights, 1948).

on achieving gender equality (5.4[3]) and SDG 10 on reducing inequalities (10.4[4]), when it comes to its main impacts of tackling poverty and inequalities within populations and individual households. There is also a reference in SDG 3 on ensuring healthy lives (3.8[5]) and SDG 8 on promoting sustainable economic growth and decent work for all (8.5[6]).

Moreover, the recently (July 2015) adopted Addis Ababa Action Agenda recognizes social protection as one of the core cross-cutting areas where initiatives are needed in order to be able to achieve the SDGs. More in particular, paragraph 12 on "delivering social protection and essential public services for all" states that "…In our effort to end poverty in all its forms everywhere, we commit to implement nationally appropriate social protection systems and measures for all, including floors, with a focus on those furthest below the poverty line and people in vulnerable situations…".

**ILO Social Protection Floors Recommendation**

Universal social protection coverage is at the core of the ILO's mandate, guided by ILO social security standards including the Social Protection Floors Recommendation, No. 202, adopted by 185 states in 2012. Many countries have embarked in expanding social protection coverage and are reporting significant progress. Universal social protection floors are nationally-defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion. These guarantees should ensure at a minimum that, over the life cycle, all in need have access to essential health care and basic income security. This protection can be provided through social insurance, tax funded social benefits, social assistance services, public works programs and other schemes guaranteeing basic income security. National social protection floors should comprise at least the following four social security guarantees, as defined at the national level:

1. Access to essential health care, including maternity care;
2. Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
3. Basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;
4. Basic income security for older persons.

Such guarantees should be provided to all residents and all children, as defined in national laws and regulations, and subject to existing international obligations.

**Social protection floors reduce poverty and social exclusion – country examples**

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

[3]Target 5.4: Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.

[4] Target 10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

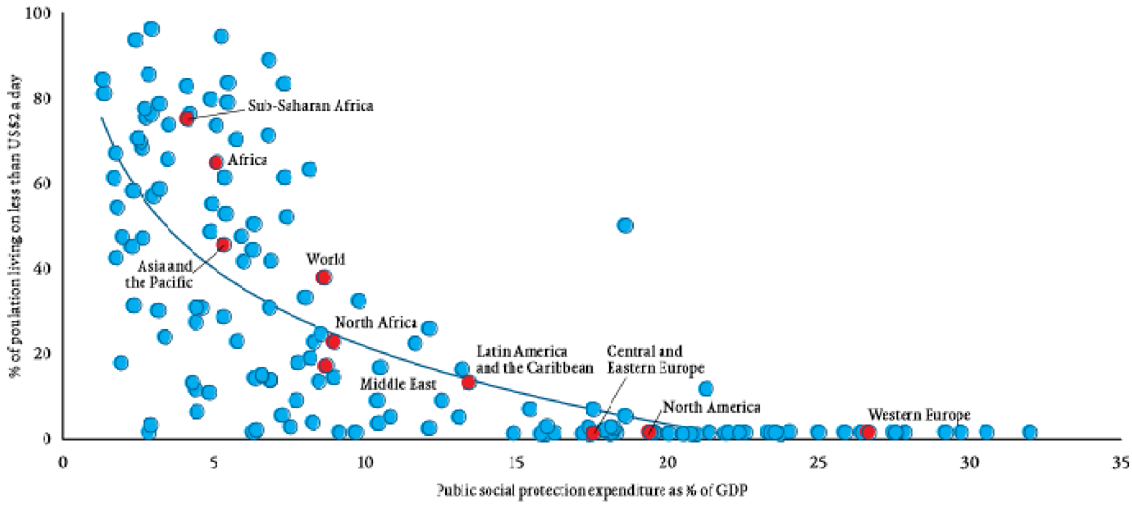
[5] Target 3.8: 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

[6] Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

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, the Oportunidades programme in Mexico has reduced the numbers living in poverty by 10 per cent and the poverty gap by 30 per cent, and Kyrgyzstan's Social Protection Programme has reduced the number of people living in extreme poverty by 24 per cent and the poverty gap among beneficiaries by 42 per cent. The expansion of food assistance in the United States is reported to have reduced the number of households in extreme poverty by half.

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. Social protection is essential in addressing not only monetary poverty but also social exclusion. 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. It is therefore not surprising that higher levels of social protection expenditure are associated with lower levels of poverty.

Public social protection expenditure (percentage of GDP) and proportion of the population in poverty




Notes: R2 = 0.5326. The relationship between public social protection expenditure 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.

Sources: Public 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).

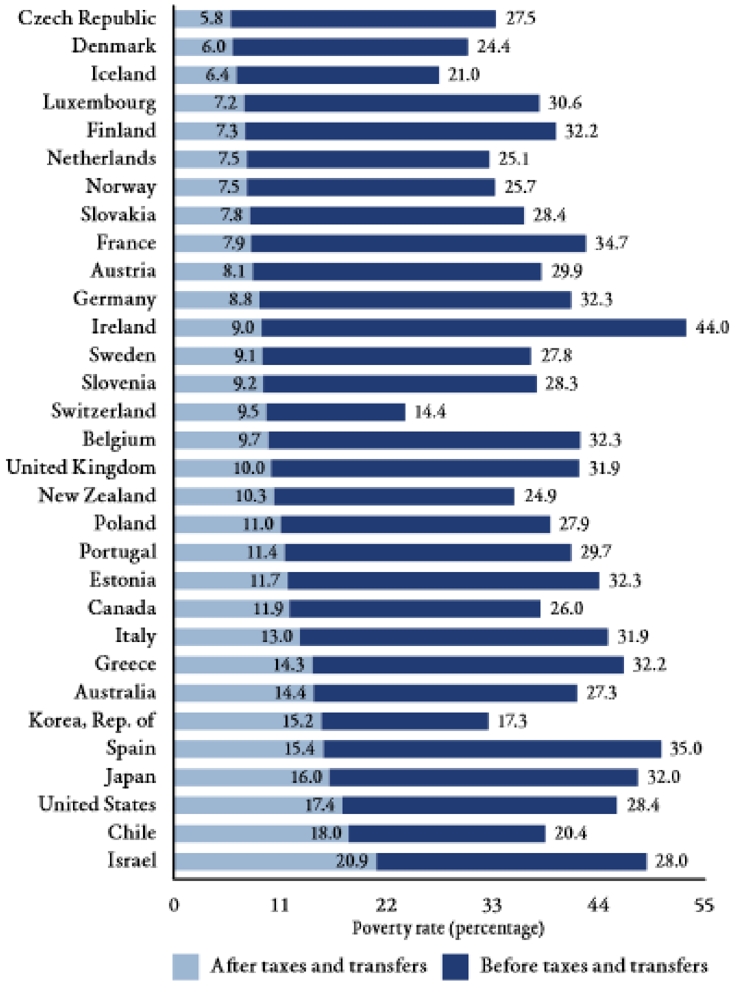
Europe

Overall, social transfers and taxation have reduced poverty by more than 50 per cent in most European countries. The figure below sets out the effective poverty prevention and reduction capacity of national transfers and tax systems in OECD countries. It shows quite significant differences between countries, even for those at a similar level of economic development and potential fiscal resources, illustrating the point that it is the political will of each society that sets the framework for its social protection system. Social protection plays a role in preventing as well as reducing poverty in all societies, although the potential of different social protection systems to prevent and reduce poverty varies. For example, without social protection transfers and tax measures, 32.2 per cent of the people of Finland would have found themselves in poverty in 2010, as opposed to the 7.3 per cent of the population who actually were in poverty that year.

Social protection supports growth and structural change in the labour market. It also supports household income, essential to sustain consumption and domestic demand. Adequate levels of social protection are an important element of an inclusive growth strategy.

Integrating social protection, employment and taxation policies is key to a socially responsive recovery. The increase in poverty and inequalities reflects to a large extent not just the recent crisis, but a longer-term trend weakening the State's developmental role and redistributive capacity.

Poverty rates in OECD countries before and after taxes and social protection transfers, latest available year




Middle-Income countries

In many middle-income countries, the dominant trend of recent years, starting well before the global crisis of 2008, has been that of an expansion of social protection coverage, yet with wide cross-national variation. Many social protection policy reforms explicitly acknowledged the importance of investments in health, education and social protection, in order to foster inclusive growth and poverty reduction in the short term, and to build human capital and human capacities in the longer term. In many ways, these policies mark a clear break with some of the policies of the

1980s and 1990s, which emphasized cutbacks to the public sector, the introduction of user fees for health, education and other public services, and the privatization of pensions. The experience of the fiscal and economic crises of the late 1990s in Asia and Latin America prompted many countries to reconsider their economic models. The new policies recognize a more active role of the State in fostering social and economic development and strengthening domestic demand. The strong emphasis on social protection policies in many middle-income countries is a powerful testimony to the premise that sustainable and equitable growth cannot be achieved in the absence of strong social protection policies and the progressive extension of social security coverage to much larger groups of the population. Several middle-income countries, including Argentina, Brazil, China, India, Indonesia, Mexico, Namibia, South Africa and Thailand, have significantly extended various elements of their social protection systems, particularly since the early 2000s, with remarkable outcomes.

The expansion of social protection coverage in Brazil, China and Thailand are particularly instructive examples, as in these cases the extension of social security coverage was embedded in a broader approach aimed at moving the economy to a more inclusive and more sustainable growth pattern, which included also measures to reform minimum wages. These countries have implemented a package of economic and social policies combining contributory and non-contributory programmes to reinforce their national social protection floors and strengthen their social security systems. These have been coordinated with employment policies, and particular emphasis has been placed on making the benefits and services accessible to the population through an integrated approach. These governments have not focused exclusively on reducing poverty by targeting social protection measures on the poorest, but have pursued a broader strategy, which also helped low income earners and the middle classes to improve their living standards sustainably. These cases highlight the importance of coherent strategies that embed social policies in a wider range of coordinated employment, labour market, fiscal and macroeconomic policies.

## Low-Income Countries

Low-income countries face stronger constraints in extending social protection coverage than middle- and high-income countries. Typically, they face higher levels of poverty and destitution that have to be addressed with fewer financial resources, through weaker institutional capacities and within often fragile contexts. Nonetheless, a number of low-income countries have also taken decisive steps towards the extension of social protection in various areas. Rwanda, for example, thoroughly reformed its health system in order to ensure effective access for more than 90 per cent of the population to health services and improved the quality of health services provided; this has contributed to a rapid decrease in maternal and child mortality. Bangladesh, Kenya and Malawi are among the countries that have introduced conditional cash transfer programmes, which contributed to enhancing income security and access to education for the targeted vulnerable households in difficult contexts where public services and delivery capacities were sometimes too limited even to meet food security emergencies. In Nepal, the extension of social pension coverage has enhanced income security for older women and men. In Mozambique, a large cash transfer programme has improved income security for vulnerable households, many of which include older persons and children. In Ethiopia, Malawi and Niger, among other countries, public employment programmes contribute to enhancing income security for workers in rural areas during the lean season.

Although the coverage of some of these programmes is limited to certain geographic areas or narrowly defined groups of the population, they constitute an important investment in the health, nutrition, education and productive capacities of the population, and have generated significant effects in reducing poverty and vulnerability and improving living standards.

Poor households, including the working poor, face insecurity in countries that provide no basic guarantee of income security and health care through social protection mechanisms. Many poor people work in the rural informal economy, where they depend largely on the income they can earn from selling their crops. From an economic perspective, the lack of social protection coverage leads to inefficient use of resources, forcing poor rural households to opt for low-risk, low-return crops, to hold liquid but less productive assets, and/or to withdraw children from school in response to crises. The absence of insurance or other forms of protection can thus lead to chronic poverty, or to a situation in which people can easily fall back into poverty in the event of shocks and thus are not in a position to improve their situation in a sustainable manner. Social transfers can contribute to improving household income security by stabilizing and protecting consumption, which in turn can facilitate investment. In recent years, social protection policies have been actively promoted in low-income countries, in recognition of their role in reducing chronic poverty and vulnerability, and in contributing to the attainment of economic and social development objectives. Emphasis has been placed on the role of social protection in enhancing nutrition, health and education outcomes, particularly for children, and in strengthening human resources and capabilities. More recently, stress has also been placed on the economic role of social protection in stabilizing household consumption, boosting aggregate demand and stimulating local markets, particularly in remote areas. Simulations of cash transfers in Ethiopia and Kenya demonstrate that the aggregate real benefit to the local economy is significantly higher than the actual amount of the transfer itself.

These developments have shifted perceptions of social protection policies in low-income countries away from the assumption that they represent a cost (often assumed to be unaffordable) to an understanding that they constitute an "investment in people" that is in fact indispensable for future development. As a result of this shift, recent policies have placed a stronger emphasis on social and human development, with a focus on reducing extreme poverty and promoting "pro-poor growth".

**Beyond safety nets: Towards national social protection floors**

Low-income countries face certain specific constraints, including limited fiscal space, the unpredictability of external aid and weak institutional capacity, including with regard to tax systems. Economists often counsel governments in these countries to target social protection more narrowly as a way to reconcile poverty reduction with fiscal consolidation, a line of advice that has been particularly prevalent in the current recession and slow growth period. As a result, social protection programmes are often implemented in the form of temporary, small-scale safety net programmes, often narrowly targeted and/or limited to certain geographical areas.

Allocating scarce resources to respond to the social protection needs of the population in a context of widespread poverty is a challenge, particularly with regard to establishing eligibility criteria that are equitable and transparent, and protect the dignity of the intended beneficiaries. It is important to bear in mind that people who manage to climb out of poverty are at high risk of falling back into poverty. In rural Ethiopia, between 1999 and 2009, less than 40 per cent of those who escaped poverty managed to remain above the poverty line.

While programmes of the safety-net type initially offer social protection to those targeted, their effectiveness is often hampered by their lack of foundations in national legislation and of stable, reliable sources of funding. Few low-income countries provide rights-based entitlements with clear definitions of eligibility criteria and type and level of benefits. Targeting social programmes on the extreme poor, excluding most of the poor and vulnerable households who are also in need of public assistance, is a politically difficult and administratively complicated enterprise. In many countries, there is a marked cleavage between contributory and non-contributory schemes. Whereas social insurance schemes are often perceived as catering to the interests of the (often small) number of employees in the formal economy, non-contributory schemes (means tested or not) tend to be considered as part of poverty reduction policies. By better coordinating and combining contributory and non-contributory programmes, countries can find more effective ways not only to reduce poverty, but also to prevent impoverishment, keep those who escape poverty from falling back into it, and enhance economic security for the entire population. Comprehensive and well-coordinated social protection systems are therefore a major component of an integrated policy package to address chronic and recurrent poverty. Some low-income countries have made great strides in improving coordination of existing social protection programmes, bringing them under a common strategic framework owned by the Government and developed with the participation of key stakeholders, and strengthening national legal, institutional and fiscal frameworks, so as to render national social security systems more effective, efficient, equitable and sustainable. Such efforts reach beyond a narrow focus on (often fragmented) safety nets, and aim at building national social protection floors and social security systems.

During times of crisis, it is important to scale up, rather than scale down, social investments, and narrowly targeted safety nets tend to represent a de facto reduction in coverage. Given the critical importance of supporting households in times of hardship, and of raising people's incomes in order to encourage socio-economic recovery, a strong case can be made for the progressive extension of universal transfers to (for example) families with children, older persons, persons with disabilities and other groups.