

Chapter XIV

ENHANCING SOCIAL PROTECTION

Social protection, vulnerability and risk

1. As described in chapter XIII, vulnerability is part of the human condition and we are all exposed to various types of risks in our daily life. Therefore, one can think of social protection as the well articulated response of sensible communities and their representatives at the government level to deal with vulnerability and risk. Social protection may be seen as an explicit, human-centred, day-to-day attention to attenuate, reduce, mitigate or cope with the latter. Every community has ways to address vulnerability and risk, thus shaping a particular social protection coverage for its members.

2. As explained in the present chapter, social protection is a multifaceted and broad-based theme. One of the difficulties in taking an integrated approach to social protection is that the information about it – whether quantitative – or qualitative is fragmented and dispersed, making it often difficult to identify and cover the whole spectrum of social protection components. While seeking to bring major issues to the forefront, the present chapter cannot presume to elaborate on all technical issues subsumed within social protection.

The nature of social protection

Definition of social protection

3. There are substantial differences among societies in terms of how they approach and define social protection. Differing traditions, cultures and organizational and political structures affect definitions of social protection, as well as the choice about how members of society should receive that protection. In the context of the present report, social protection is broadly understood as a set of public and private policies and programmes undertaken by societies in response to various contingencies in order to offset the absence or substantial reduction of income from work; provide assistance for families with children; and provide people with health care and housing. This definition is not exhaustive; it basically serves as a starting point for the analysis in the present report, as well as a means to facilitate the present analysis.

4. In general, the following points can be noted in defining the terrain of social protection policy:

(a) Social protection embodies society's responses to levels of either *risk* or *deprivation* that

are deemed unacceptable. Underpinning the operation of social protection systems, therefore, is a social consensus (which may be implicit or explicit) about fundamental values concerning acceptable levels and security of access to the means of meeting basic needs and fulfilling basic rights. These include secure access to income, livelihood, employment, health and education services, nutrition and shelter. Social protection is therefore multidimensional, and does not refer solely to meeting variability in cash income with public transfers or regulated insurance (which remains the predominant understanding in some countries);

(b) Values of social solidarity, civility and fraternity, as well as responsibility and self-help, underlie social protection. The existence of social protection systems promotes more humane societies. However, social protection regimes and the values underpinning these regimes are not static: there has been a shift in the understanding and application of social solidarity, as well of some other principles;

(c) Social protection deals with both the absolute deprivation and vulnerabilities of the poorest, as explained in chapter XIII, and also with the need of the currently non-poor for security in the face of shocks and lifecycle events (particularly ageing);

(d) The character of the policy response may involve a range of different institutions: central or local government, civil society (voluntary or membership associations, trade unions, NGOs) and the private sector;

(e) There are two predominant subcategories of social protection. *Social assistance* encompasses public actions that are designed to transfer resources to groups deemed eligible due to deprivation. *Social insurance* is social security that is financed by contributions and based on the insurance principle: that is, individuals or households protect themselves against risk by combining to pool resources with a larger number of similarly exposed individuals.

5. Countries vary in the way they have structured their social protection systems. The narrow interpretation of social protection has been more or less restricted to social security systems that are fundamentally occupational related insurance schemes – both publicly provided and private. Admittedly, social security remains an integral component of social protection, which in turn is more inclusive and broader than social security. Social protection also

encompasses social assistance programmes for the poor through non-contributory schemes aimed at ensuring a minimum standard of dignity, by providing social services for the elderly, children and other vulnerable groups. Social protection should be seen in a holistic rather than a stand-alone manner, and should be integrated into political, economic and social goals, as well as being successfully prioritized.

Social protection and human rights

6. The existence of social protection can be recognized as one of the great social achievements of the twentieth century. As an important objective of social policy in many countries, social protection is often seen as the fundamental right of individuals to have access to effective and efficient programmes that alleviate hardship arising from social risks, such as sickness, old age, unemployment and social exclusion, as well as programmes that secure the income of the population through food security, job training, supplementary education and affordable housing.

7. As a concept, social protection may be seen as a further development of the long-established aim of social security. The fundamental international human rights instruments, such as the Universal Declaration of Human Rights of 1948 (General Assembly resolution 217 A (III)) and the International Covenant on Economic, Social and Cultural Rights of 1966 (see General Assembly resolution 2200 A (XXI), annex), refer directly to social security. Article 22 of the Universal Declaration of Human Rights states that everyone, as member of society, has the right to social security. Article 9 of the International Covenant on Economic, Social and Cultural Rights refers to the right of everyone to social security, including social insurance.

8. The World Summit for Social Development, held in Copenhagen in 1995, stressed the importance of equity, participation, empowerment and solidarity, emphasizing a more inclusive approach to social protection. The Copenhagen Declaration on Social Development adopted by the Summit contained a commitment to develop and implement policies to ensure that all people have adequate economic and social protection during unemployment, ill health, maternity, child-rearing, widowhood, disability and old age.¹ At its twenty-fourth special session, convened in Geneva in June 2000 to assess achievements and obstacles in the implementation of the Copenhagen commitments and to decide on further initiatives to accelerate social development for all, the General Assembly underscored the importance of establishing or improving social protection systems, as well as sharing best practices in this field.

The role of stakeholders

9. In short, social protection represents a collective intervention of society to protect citizens from risks and vulnerabilities, sustain their well-being and enhance their capability in managing risks. It embraces both public and private action. The role of government is particularly important in this regard since it must ensure the existence of adequate institutional and regulatory frameworks and ensure that people are aware of their rights and entitlements in this field. The effectiveness of social protection is closely connected to the legitimacy of government. When the conceptualizing of respective schemes and provision of social protection is based on democratic governance, credible long-term policies and sound institutions, it creates a truly enabling environment for the development of a sustainable social protection system and paves the way in the event of the need to reform the system. It is the responsibility of Governments, acting in close collaboration with civil society organizations, to devise mechanisms to avoid the “capture” of social protection systems by special interest groups, as well as to ensure the independent regulation of the private sector. In many countries, particularly developing countries, Governments encourage informal arrangements, including community-based mechanisms, which support the survival of the population. That approach may be valid but should not be seen as a substitute for public action in providing basic protection, especially in the context of growing global economic integration. An anticipatory approach may require innovative social protection measures to alleviate the adverse effects of globalization, particularly taking into account the needs of vulnerable groups.

10. When the poor are consulted by Governments and the civil society and identify their priorities in the design of social protection schemes, the outcomes of such programmes are usually better for the recipients. In that context, national participatory governance mechanisms play an important role in the establishment, review and evaluation of social protection systems, making it possible to take into account the views and interests of all stakeholders. At the same time, when efforts are made to make legal systems more responsive to the poor, for example by removing legal/administrative barriers for informal self-employed workers, these systems become more user-friendly and more attuned to the real needs of the poor. The costs of social protection could be reduced through improvements in their governance, administration and efficient implementation.

11. A comprehensive approach to social protection may facilitate delineating the role of government, the private sector, the community and the family in social protection. The role of the private sector, acting in partnership with other stakeholders, is

important for efficient social protection. At the same time, notwithstanding its changing nature and often fluid family boundaries, the family continues to be a central and crucial element insulating the individual against major contingencies. However, for many older persons, increasing needs for personal care are no longer provided by the family. Single-parent households are particularly vulnerable to economic shocks. In many societies, the family as a mechanism of social protection is under major stress due to poverty and other social ills; public help to families is thus essential.

Objectives and functions of social protection

12. The ultimate purpose of social protection is to increase capabilities and opportunities and thereby promote human development. While by its very nature social protection aims to provide at least minimum standards of well-being to people in dire circumstances, enabling them to live with dignity, social protection should be seen not simply as a residual policy function of assuring the welfare of the poorest but as a foundation at a societal level for promoting social justice and social cohesion, developing human capabilities and promoting economic dynamism and creativity.

13. While poverty eradication remains the top priority, the specific objectives of social protection may vary, depending on the country context. They may include specific even if broad-based objectives, such as nutrition for all; universal health coverage and universal access to education; creation of opportunities for productive work, including the effective incorporation of rural workers, informal workers and microentrepreneurs into the registered labour force and social protection system; effective combination of instruments — both public and private — to cover social risks; effective coordination to avoid duplication, excessive costs of programmes and poor quality; and effective monitoring and assessment to reduce/eliminate moral hazard, adverse selection, “free riding”, social exclusion and discrimination. These objectives are not at all exclusive and exhaustive since every country may view and prioritize its objectives differently.

14. The functions of social protection can be seen in four dimensions: as very active primary coverage to protect people against contingencies and risks; as a sustaining function aimed at basic needs provision; as a developmental function aimed at capacity-building; and as a social justice function aimed at social solidarity and integration. All these functions are closely connected to one another even though they may rely upon different instruments. Also, there is some inevitable overlapping in the instruments used. For example, such instruments as social assistance,

social work and social services can be effectively used to fulfil various functions.

15. In most countries, social protection objectives usually include short-term and long-term considerations. The short-term measures embrace protective measures to take care of immediate contingencies, such as natural disasters. Another field is assistance provided in the context of economic reforms. A caring and inclusive society does not tolerate the marginalization and exclusion of poor and vulnerable groups. Direct social assistance is given to help the poor to come out of the above contingencies.

16. It is important that Governments put in place a national preparedness programme for disaster management, with the involvement of civil society, to ensure that the programmes reach the poor and vulnerable groups. The programmes may cover training for civil defence and action, harnessing of resources and transport, rehabilitation and maintenance of essential buffer stocks, mobilization of the media for community training and the timely dissemination of information, and the harmonizing of government and community efforts.

17. Ensuring protection against health-related risks due to illness, injury, human immunodeficiency virus/acquired immunodeficiency syndrome, disability and old age are among the central components of the social protection system. Another important component of short-term measures is mitigating economic and social distress due to economic liberalization. Rehabilitating retrenched workers by offering training and unemployment insurance for the unemployed are also provided under that rubric.

18. Long-term objectives are normally associated with promotional and preventive measures which form part of the long-term policy for social protection. Such measures concentrate more on increasing individual capabilities, for example through improving the health and education of communities. Reducing inequalities in assets allocation is another key component. Land reforms are one such example of reducing inequalities. In many developing countries, inequalities in incomes between unskilled and skilled workers have been increasing, so that skill improvement of unskilled workers may be considered another component of long-term measures. An important objective should be to focus instruments of social protection on the sources of risk.

19. It is important to stress the gender dimension in social protection. In many societies, women experience discriminatory treatment under existing social protection regimes. Many women are still barred from paid employment because of their homemaking and child-care duties. Inferior access to health, education and training places them in a disadvantaged position in the labour market, where

many women predominate in low pay, low status, part-time or contract work that offers limited opportunities of social security coverage. In some systems, full-time homemakers qualify only as dependants of their husbands and at a fraction of what male workers get in terms of salary. In addition, unequal access to productive resources, such as land, capital, credit, technology and extension services, has the effect of reducing incomes and savings, thereby restricting women's capacity for self-protection and increasing their dependence on their families. Despite many government attempts to provide equal opportunities and fight discrimination, mainstreaming gender equality into developmental goals and policies remains an incomplete project in most societies.

Political economy of social protection

20. On the surface, social protection programmes may appear to be a financial burden for government, depleting public coffers and reducing opportunities for investment in other priority areas. Critics of social protection on economic grounds argue that it has a negative impact on overall economic performance, either because it costs too much or because it hinders structural change. However, that approach has proved to be short-sighted and superficial. The experience of countries successful in economic, political and social terms shows that economic development and social protection are mutually reinforcing — essentially they are elements of the same paradigm. Social protection is an important dimension of social life, promoting cohesion and reducing social pathologies. Any trade-off between public spending items and between various economic needs and the need for social protection must incorporate recognition of the long-term negative impact of social pathologies. Finance ministries need to be as rigorous in estimating the economic and social benefits of social programmes as they are about calculating their costs.

21. Social protection facilitates the process of social and economic change by moderating the costs of economic transition and structural change in the affected countries. By providing a cushion, it encourages the necessary economic restructuring. While social protection should not be considered separately from macroeconomic stability, the right to social protection should not be sacrificed to conjunctural considerations. Social protection must go hand in hand with macroeconomic stabilization and other efforts aimed at restructuring. Absence of social protection has a high opportunity cost and may lead to social conflict and unrest. Therefore, social protection spending should be seen not as non-productive expenditure but as important investment into human capital and social cohesion, as well as a necessary condition of a humane society.

22. The historical record shows that social protection evolved as an important complement to the modern employment relationship and is even more important today, as labour markets become more flexible. Social protection may provide an incentive for people to invest in education and training, thereby augmenting human capital. Overall, social protection has produced positive impacts on the development of the twentieth century economy.² In many cases, social protection benefits both employers and employees, as well as society as a whole, because it contributes to labour productivity, which in turn leads to economic development. The major contemporary challenge is to find solutions which allow social protection to meet increasing needs in such a way that it contributes positively to economic performance.

Multilateral efforts

Social protection programmes of specialized agencies of the United Nations system

23. At the national level, social protection reforms are undertaking the challenging job of answering difficult questions, such as the following: What is the best mix between insurance, assistance, self-help schemes, social services and the public-private partnerships? What are the priorities in terms of values, vision, stages and process? What type of coverage should be provided and to whom? To help countries make difficult choices, United Nations specialized agencies are developing innovative approaches to the construction of social protection paradigms, policies and programmes.

24. The *International Labour Organization* has been engaged in the development of social protection since its establishment over 80 years ago. The *ILO* vision is built on the conviction that social protection should be developed through labour protection and social security, in the context of distributive justice and basic security for all. Against the normative background of international labour standards, the *ILO* helps Member States to improve and expand the protection they provide to all members of the community across the full range of contingencies: basic income security as needed, health care, sickness, old age and invalidity, unemployment, employment injury, maternity, family responsibilities and death. It seeks to identify cost-effective and equitable ways by which social protection can be extended to all groups, and to assist and advise policy makers on schemes to promote social and economic security.

25. The *World Bank* provides technical assistance and financial support in the areas of labour market interventions (to assist Governments and individuals in meeting the technological challenges of a changing

world through pre- and in-service skill enhancement programmes, improving the functioning of labour markets and the development of active and passive labour market programmes); pensions (to assist Governments in the creation of or improvements in private pension provision, mandatory savings and public old-age income support schemes); social safety nets (to assist Governments in the provision of targeted income support and access to basic social services to the poorest population groups, and/or those needing assistance after economic downturns, natural disasters or other events that pose major risk); and social funds (agencies that channel grant funding to small-scale projects to help poor communities design and implement their own projects).

26. Against the background of asymmetrical information and different types of risk, the *World Bank* now constructs its approach to social protection using the conceptual framework of *social risk management*, emphasizing the double role of risk management instruments — protecting basic livelihoods as well as promoting risk taking.

27. The *World Health Organization* implicitly recognizes social protection as one of its overriding and most important goals. The overall objective of *WHO* is the attainment by all people of the highest possible level of health, with special emphasis on closing the gaps within and among countries.³ While *WHO* does not have an explicitly formulated approach to social protection, a number of its overall policy directions are of direct relevance in this regard.

28. *WHO* has highlighted the importance of reducing the risk factors that pose a threat to human health, many of which arise from social factors that are indirectly related to health. Inadequate protection from such risks as poverty, lack of basic education, inadequate housing, social exclusion, environmental degradation, lack of employment and loss of or low income poses a threat to the health of individuals. It is recognized that while achieving the goal of universal access to basic health services is a central objective of *WHO*, some of the major determinants of health outcomes are not directly linked to the provision of health services. Improvements in the area of health are thus contingent on actions that successfully address risks in spheres including social protection.

29. The *United Nations Children's Fund* views social protection as more than just an insurance scheme or a safety net. Social services play an important role in the protection of children. There is strong emphasis on the promotion of access to basic social services as one of the most effective and least expensive ways of breaking the inter-generational poverty cycle. In this context, the *UNICEF* strategy is summarized by the slogan "Poverty reduction starts with children".

30. The policies and programmes of *UNICEF* employ a human rights approach to poverty reduction and emphasize the equal worth and dignity of every individual, underlining that freedom from discrimination forms the basis for social protection and effective participation in society.⁴

31. *UNICEF's* major areas of policy intervention include basic education, primary health care, nutrition, water and sanitation, special protection and policy advocacy.

32. The *United Nations Development Programme* places social protection in the centre of poverty eradication efforts. Through its support for anti-poverty efforts at the community and national levels, *UNDP* is working to ensure stronger links between actions at the micro and macro levels. Recognizing that poverty is not a sectoral issue, *UNDP* supports a broad range of policies and community programmes where the emphasis now is on social mobilization — and on helping the poor to achieve social protection by building livelihoods that are viable and sustainable.⁵

33. The international protection function of the *Office of the United Nations High Commissioner for Refugees*⁶ includes ensuring the basic rights of refugees, as well as their physical safety and security. While the main responsibility for safeguarding the rights of refugees lies with Government, *UNHCR's* statutory role is to assist Governments in taking the necessary measures, starting with asylum and ending with the realization of long-term solutions. *UNHCR's* mission statement stresses its role in leading and coordinating international action for the worldwide protection of refugees and the resolution of refugee problems.

34. One of the main objectives of the *United Nations Centre for Human Settlements* is to ensure adequate shelter and social services for all. *Habitat* has recently launched an initiative to promote the security of tenure, a basic component of the right to housing. Security of tenure is a fundamental requirement for the social protection and integration of the urban poor, guaranteeing legal protection against forced evictions, harassment and other threats.

European Union

35. The debate about common challenges as well as about possible directions of modernization and improvement in social protection systems of member States has been an important feature of political discourse of the *European Union*. The need to adapt to the changing world of work, new family structures and substantial ongoing demographic changes is well recognized. At the same time, clearly expressed wishes of citizens for continued high levels of social protection

provide an important foundation in the quest for changes, which would affect individuals and families.

36. As part of the concerted strategy of the *European Commission* for modernizing social protection, four broad objectives to guide future action were proposed by the *Commission*. The first objective is to make work pay and provide secure income. It is acknowledged that the characteristics of today's labour market are substantially different compared to times when social security systems were installed, in particular regarding new working arrangements which have emerged. Adaptation to these changes calls for striking a new balance between security and flexibility, as well as between rights and responsibilities. The second objective is to make pensions safe and pension systems sustainable. The new strategy calls for anticipating the impact of demographic ageing on social protection systems, creating a coherent policy mix between labour market and pensions policies, and finding an appropriate balance between funded and pay-as-you-go systems. The third objective is the promotion of social inclusion and combating social exclusion. Social protection, in conjunction with other policy instruments, is seen as important for the provision of minimum income benefits and access to housing and health services, as well as a means for the broadest possible participation in society. The fourth objective is to ensure high quality and sustainability of health care. It includes meeting the demand for health-care systems, taking into account the needs of ageing populations and the need to reduce health inequalities.

37. To facilitate a new intensified debate and engagement regarding these objectives, the *European Commission* envisages substantive monitoring of policy developments, closer cooperation among member States in the field of social protection and extensive involvement of civil society in addressing this issue.⁷

The evolution of social protection

38. The concept of social protection is not static. It has been evolving under the influence of two convergent processes of the 1990s. One process is the wave of reforms that contemplate, plan or implement major changes to current social protection (particularly social security) systems by a large number of countries. This impetus is driven by the need to realign countries to recent globalization trends in terms of fiscal pressures, the introduction of market-oriented reforms, reorientation of economic growth, structural adjustment and transitions. The other process is an attempt by countries, international institutions and other agencies to formulate reforms that in structure and character exert effects on society and on the economy. To that end, a "crusade" of efforts has been undertaken which aims to

design the scope, range and level of social protection that is most desirable in specific countries. However, since there is no single answer on to how to extend social protection in any single country, the opportunities and possibilities for changes are innumerable.

39. The challenges of social protection in a globalizing world are numerous. The debates on the nature of globalization and its potential impacts on human well-being are complex, and its full range and diversity could never be completely analysed. Nonetheless, some major themes can be isolated and explored which encompass elements of contemporary change processes in the global economy and global society that have particular relevance for the debate on social protection. The major challenges can be formulated as set out below. Social protection policies need to be able to meet the following challenges:

(a) To adapt to the changing nature of risk and vulnerability as a result of the growing global interconnectedness of trade and capital markets;

(b) To reduce and mitigate growing national and international inequality;

(c) To maintain the will and capacity of public policy to provide resources for social protection and improve the cost-effectiveness of public interventions in the context of constrained resources;

(d) To deal with the changing structure of power and authority as a result of changes associated with globalization, taking account of the growing influence of transnational actors, such as transnational corporations in particular to promote enhanced social responsibility and accountability of the private sector.

40. With reference to the changing nature of risk and vulnerability in the new millennium, the issues are different in different country contexts. For some industrializing and middle-income countries, the crisis events of the 1990s demonstrated the key significance of ensuring that capital market liberalization does not run ahead of the capacity of countries to regulate such markets effectively to guard against social and economic instability. As capital becomes more "footloose", there is a significant danger that companies may invest less in developing the human capabilities of their workforce and the broader community from which the workforce is drawn. A wide range of approaches may be needed to combat that trend, including international consumer and investor pressure, strengthened national and international regulation, and the strengthening of the capacity of corporations themselves to contribute to building social cohesion and human capability in the societies where they are active.

41. In developed market economies and economies in transition, certain phenomena have been identified which indicate a general trend towards a

loosening of the traditional formal guarantees of long-term employment security with a single employer (the job for life). These include moves towards fixed-term rather than open-ended contracts, increasing prevalence of flexible forms of employment contract (including part-time work), a trend towards increasing levels of self-employment and the loosening of legal guarantees concerning the long-term obligations of employers. Under such conditions, social protection has a key role in underpinning the capacity of individuals to learn new skills and adapt to changing conditions and demands in the labour market.

42. In developing country contexts, the great majority of the population stands outside formal systems of social protection, being engaged in various forms of rural or urban self-employment. Extending social protection meaningfully to these groups is a huge challenge. It also raises real questions concerning what we mean by social protection, as it can be difficult to separate “promotional” activities that seek to strengthen people’s capacity to sustain their own independent livelihoods from forms of protection that guarantee a collective public response for those deprived or seriously at risk. A further issue worth noting is that much participatory research suggests that in such contexts the majority of effective support that poor men and women receive comes not from public sources but from institutions of kinship, community and civil society more broadly, especially religious organizations. In addition, there is frequently a sense of skepticism concerning the will or capacity of public policy to deliver for the poorest. Women may be caught in the paradoxical situation that while they have worked hard to care for and protect their families all their lives, the patriarchal nature of many societies does not give them equal treatment when they need help from informal institutions and formal systems.

43. After a decade of wrenching stabilization and transformation efforts, a substantial differentiation exists in economies in transition. Some of those countries have entered a path of more balanced economic and social development with the clear aim of participating in the process of economic and political integration under the initiation of European partners with developed market economies. These transition economies need to focus more on the social insurance side, after successfully stabilizing social assistance. In many other transition economies, however, substantial economic, social and legal groundwork still needs to be carried out before meaningful social protection reforms can take root. These countries still face daunting social assistance pressures, the alleviation of which demands coherent economic and social policy steps as well as the elimination of incongruities inherited from the past. One of the most pressing needs is the social protection of workers and other population groups living in small

cities built around industrial enterprises. With the arrival of the market economy and the elimination of “soft budget constraints”, many of these enterprises have become non-viable, while the local economy can offer a very limited number of jobs and steady incomes.

44. In many transitional country contexts (and some middle-income developing countries), a specific issue concerns the changing responsibilities of enterprises for the general well-being of their workforce. Frequently, enterprises (state-run or private) were the main providers of social services for their workforce — supplying primary health, housing and education for families and communities, as well as taking responsibility for welfare functions and caring for elderly ex-workers. In those countries, a headlong rush to adopt a neo-liberal model of government functions and responsibilities has frequently left large populations bereft of any effective institutional structure for delivering social protection and social programmes more broadly. Whatever the economic imperatives of such change, there is an absolute necessity to ensure that social provision does not disappear, even on a temporary basis, during the process of transition.

45. The challenges of growing global inequality at the national and international levels are daunting. Proponents of the idea that there is a linkage between policies of liberalization, globalization and increasing levels of inequality point to the following as potential explanations for that trend:

(a) In developed countries, international trade and technological changes have contributed to a lowering of the cost of unskilled low wage labour, particularly in those sectors exposed to international competition, thereby increasing the gap between high income earners and those on low pay;

(b) Erosion of the redistributive role of Government following changes introduced over the last 20 years in tax and transfer systems;

(c) Changes in labour institutions (reduced regulation, erosion of the minimum wage and of trade unions, higher labour mobility);

(d) A rise in the share of forms of income derived from capital (interest, profits, rents) in total global income.

46. The maintenance of social stability at the global and national levels is intimately related with this issue. In particular, forms of inequality that promote growing disparities between regions and ethnic groups have the potential to lead to forms of civil conflict, with disastrous consequences. As explained in chapter XIII, the vulnerability and increased disadvantage of a large majority of people who are trapped in poverty need to be addressed.

Action to lessen growing global inequality should be seen as both a moral and instrumental priority for the international community. The role of social protection policy in terms of promoting social justice and equity is significant but partial. Also of major significance are the redistributive potential of policies in the following areas: taxation; land and other asset tenure; human capital development (health, education and nutrition); and labour markets. An effective social protection strategy should form part of a range of public policies designed to combat inequality and reduce poverty.

47. Attention should also be given to the increasing difficulties experienced by many countries in raising revenues to support social expenditures. This is due, in some cases, to policies of trade liberalization which restrict many sources of revenue (e.g., tariffs) that were previously available to Governments to fund social expenditures, threatening a “fiscal squeeze” on revenues needed to fund social expenditures at the government level. In addition to the increasing restrictions on trade tariffs, there is a broad-based move away from payroll taxes towards indirect taxation. A further significant trend is the increasing capacity of transnational corporations to find ways of reducing tax demands through such practices as transfer-pricing and the use of tax havens.

48. There is a counter-argument to this proposition, namely that by increasing economic growth and trade flows globalization increases the base from which revenue can be raised. These effects are by no means guaranteed, and if they do occur are likely to take effect only over the medium to long term. In most poor countries, tariffs have been a major source of revenue relative to revenue raised through underdeveloped (and often regressive) domestic tax systems.

49. The differential impact of globalization results in inequalities both within and among countries, and increases vulnerabilities. It is therefore one of the key concerns in the context of social protection. For example, smaller countries are generally more vulnerable to globalization and there is a need to use social protection in these countries to mitigate the adverse impact of globalization. The world is facing great challenges in providing social protection to its citizens in the presence of ongoing liberalization and increased reliance on market mechanisms. It has been observed that considerations of distributive justice are being neglected as countries are increasingly determined to opt for rapid economic growth through open market conditions. Under those conditions and in the absence of appropriate redistributive measures, the development process threatens to leave the poor behind.

50. In short, national Governments remain the major actors in social protection systems, and the

capacity of Governments to raise revenues equitably and effectively is of obvious relevance to maintaining effective social protection systems. A truly global approach to the issue needs to go beyond national Governments: there is a need to examine the potential for building on existing practices and initiatives to promote redistribution at the regional and global levels to support social protection systems. The maintenance of social solidarity at the international level is key to the sustainability and development of such approaches.

51. In summary, the challenge that faces us can be summarized as follows. *There is a need to develop new interlocking systems for sharing responsibilities for collective social protection between:*

- The individual and the family;
- The community;
- Civil society;
- National and local governments;
- The private sector (both national and international);
- The international community (at the global and regional levels).

52. The development of such a network of shared responsibilities will require extensive dialogue between the various groups outlined in order to encourage the development of new forms of local, national and international solidarity to underpin the sustainability of a new global approach to social protection.

Key elements in a broad policy and institutional framework

Supportive policy framework

53. Effective social protection policy should be cradled in a broader policy context that provides conditions in which sustainable, secure livelihoods and the reduction of poverty are promoted through coherent public policies in all sectors. Of particular concern are the following issues:

(a) *Transparent, accountable governance in the public and private sectors.* This entails establishing a climate in which information is shared on policy and budget processes, civil society organizations can operate openly, participation of all citizens in open policy processes is encouraged, there is respect for human rights, and access to justice systems is promoted for all;

(b) *A culture of improving performance and effectiveness in public service.* This entails

evaluating public policies and programmes against outcomes, allocating resources in accordance with stated priorities and developing policy on a basis of evidence of needs and results;

(c) *Effective integration of social and economic goals and policies.* This means that the goals of equity and social justice should be applied to the formulation of macro level as well as sector policy;

(d) *Responsible macroeconomic policy ensuring that social protection measures are financially sustainable.* Effective medium-term budget planning is important to ensure the availability on a stable and predictable basis of public funding necessary to underpin social protection measures;

(e) *Investing in developing the human capabilities of all citizens, with particular attention to excluded and marginalized groups.* This entails an emphasis on early childhood development, universal access to primary education in all countries, expanding access to high quality education and training at all levels and for all age groups, and effective universal primary health-care access in all countries;

(f) *Ensuring to the fullest extent possible equitable and sustainable access to key assets for all — especially poor men and women — to the point where they have the best possible chance of achieving a sustainable independent livelihood.* It should be recognized that in the poorest countries, the effective management of common property resources is often of key importance to the poor in sustaining their livelihoods (forests, fisheries, pasture). Other relevant measures include equitable land reform and changes to legal systems to reinforce the property rights of women, in particular widows, who often suffer double discrimination under inheritance laws;

(g) *Promoting the fullest possible access to labour and financial markets to ensure conditions for the greatest number to sustain independent livelihoods.* In all countries, employment markets are critically important to ensuring secure livelihoods, thus emphasizing the importance of policies to promote economic dynamism and growth and ensure equitable access to employment. Access to reliable and trustworthy financial services is also significant in promoting independence and opportunity at the household level;

(h) *Developing information systems which offer effective analysis and monitoring of poverty, deprivation and trends in well-being* in order to inform policy makers of the nature, causes and distribution of poverty, and of the perspectives, needs and priorities of poor men and women in relation to public policy;

(i) *Effective policy approaches to planning for reducing vulnerability to major sources of risk at the national, local and household levels.* In the context of recent crisis events, the need to manage and regulate capital flows better in emerging markets is an area of concern.

54. An emphasis on the above priorities is needed to create a climate within which social protection policy can play an optimal role in contributing to general well-being, the reduction of poverty, economic growth and social cohesion.

Supportive institutional framework

Provision

55. The strengthening, reform and introduction of new instruments to attain specific outcomes should be prioritized, sequentially planned, phased and appropriately budgeted. Attention should be given to the institutional set-ups and agencies that already exist to build upon their existing strengths and correct their deficiencies.

56. An appropriate mix of public and private participation is needed, based on a clear and transparent definition of responsibilities in the provision of coverage. The direct provision of public services should solve market failures as well as address/regulate private sector participation. In particular, Governments should identify and remedy vulnerability and the disadvantages that the excluded are facing.

57. Developing countries with large populations living in poverty and structural unemployment should introduce major steps to improve their social protection systems as part of their economic plans. For that purpose, social policies should not be subordinated to other competitive objectives.

Institutions and delivery

58. Governments should promote various institutions for the efficient functioning of social protection programmes.

59. At the national level, Governments may wish to establish an expert body to undertake a critical review of the existing range of social protection measures and devise a comprehensive social protection strategy, taking into account national development objectives and the effective allocation of available resources. The strategy thus identified should serve as the basis for cost-effective and sustainable social protection plans and programmes.

60. Governments should find effective ways to provide social services to traditionally under-covered persons, including through public-private partnerships and coordination with community-based organizations, local associations, self-help groups and others, which through clearly articulated arrangements could deliver services to beneficiaries. The delivery of services has to be effective and uninterrupted in order to improve capabilities, raise income and advance human development.

61. The input of the beneficiaries with regard to their needs and the effectiveness of delivery mechanisms ought to be incorporated into social protection programmes. Their input can be obtained at any stage of the delivery process, and providers should be responsive and flexible to change in order to improve outcomes.

62. There are many evaluations of government programmes in several countries. One common finding of concern is the ineffectiveness of programmes because of their “top down” approach, lack of people’s participation and poor delivery systems. Decentralization of decision-making will improve delivery systems and their accountability.

63. One way of increasing the accountability of national Governments and local bodies is to ensure the right to information on the funds spent in social protection schemes. There is a need for transparency and social audit of relevant expenditure. The demand for transparency is a method by which people’s rights can be realized. Governments should formulate methods to disseminate information among citizens.

64. NGOs and community-based organizations can play an important role in creating an environment for social mobilization and the effective delivery of social protection schemes. The main objective of social mobilization is to encourage the poor to create participatory organizations based on the direct and full participation of all members of different varied sociocultural backgrounds, irrespective of income, ethnicity, gender or other attributes that invite discrimination. Governments should engage in strategic planning, which includes creating an enabling framework, setting objectives, committing resources, acting as a catalyst — especially for capacity-building — and engaging in a process of social mobilization that aims, inter alia, to put the management of related activities into the hands of people’s organizations and the people themselves. NGOs and community-based organizations play a vital role in strengthening the hands of Governments; at the same time, there is also a need to improve their accountability.

65. Apart from this, there are anti-poor biases built into a host of existing policies, regulations and laws that cut across all sectors and vitiate any benefit

that accrues to deprived communities. Social protection policies should remove such obstacles.

Administration and regulation

66. Coverage of various risks implies different expertise and administrative structures. For the most part, Governments should play regulatory and supervisory roles and create incentives for the sustainability of programmes that are in place. The private sector, in its various capacities, should take an active role in the management of delivery systems. Each country should ensure that its national social protection administration is upgraded so as to be fully capable of managing the system of social protection in an efficient and effective manner.

67. Social protection programmes cut across several departments at the national and local levels. Governments should ensure that there is convergence of such programmes for efficient implementation.

68. Governments should also have reliable data and information on programme implementation. Proper monitoring and evaluation systems also have to be developed.

69. Appropriate regulatory mechanisms are needed for the proper functioning of government and private-sector programmes and administration. Regulation, however, should be transparent and over-regulation should be avoided.

The funding of social protection

70. Coverage of social needs (social spending), risks and contingencies varies across nations. Variables playing an important role are values, traditions and priorities that Governments hold with regard to nurturing and providing a secure environment for the human development of their people. Legislation and schemes in place to secure coverage of those demands represent yet another fundamental determinant. Short-term processes and events, such as economic growth, peace and prosperity, help attain improvements in social protection; on the contrary, economic and financial crisis, conflict and natural disasters work in quite the opposite direction. Thus, social protection systems are influenced by long-term or structural determinants, such as beliefs and laws, and short-term events, which may be anticipated or are simply random.

71. The funding of social protection is the quintessential core of social protection systems. It shows how a particular nation values the coverage of needs, contingencies and risks. Furthermore, the funding of social protection schemes fulfils the functions of redistribution, insurance, and sustaining and promoting development and social justice.

Although social protection systems are varied and unique between nations, there are certain organizing principles that seem to be represented in a number of them. First, Governments protect a minimum level of satisfaction of essential needs through social spending/assistance/work, with budget transfers from general public revenues. Second, whether directly or with the help of international agencies/donors, Governments provide financial support to social funds or other specifically denominated funds that help to reduce the incidence of poverty resulting from structural adjustments, the impact of disease or natural disasters, conflicts or any other random effects. Third, in modern societies the protection of social risks, such as family allowances, health care, maternity, pensions, unemployment or work injury, is employment-related and funded from direct contributions under mandatory social or private insurance. Fourth, there is always the possibility of acquiring additional protection through voluntary contributions. Fifth, in some societies, in addition to the above, families provide coverage — so-called “informal protection”. Finally, the funding of social protection schemes should be accepted as fair by the population.

72. The funding of social protection has important ramifications for both public and private sectors. In the public sector, the composition of expenditures and the level of tax revenue relative to national income reflect the degree and type of government intervention. Some Governments grant social protection rights to their citizens, and therefore universal and accessible coverage lead to large public social expenditures. On the other hand, Governments may adopt a market-oriented approach to social protection and regard the latter as a service that is delivered by for-profit market mechanisms. In that case, Governments explicitly shrink their social expenditures and provide a minimum baseline support to the very vulnerable. The mix of public-private funding is not a trade-off because social protection expenditures derive from and return to the general circular flow of the economy, thus generating a virtuous cycle of economic activity. The fundamental issue at stake concerns redistribution: Who is funding what in a direct manner and what are the outcomes of such funding? Or, to put it differently: How much solidarity is appropriate?

73. Governments should assess the range and level of social protection they render and identify whether funding is fairly distributed. Governments should take measures to improve the equity of the system and reduce or eliminate coverage gaps. Research has shown, again and again, that progress is intimately and directly related to equity in the distribution of income, assets and opportunities for all. Lack of equity and accessibility can take multiple forms. A large working class may unfairly pay the burden of a welfare system that creates a perpetuating

group of rentiers at the poverty level. In contrast, a very large poor and indigent population excluded and lacking social cohesion can coexist with privileged professionals who receive benefits from public transfers, such as the armed forces or unionized workers in finance and banking. In each of these cases, Governments should seek to implement changes that overcome unanticipated effects.

74. Many countries have embarked on reforms of their social protection systems that have important socio-economic and political consequences. Reforms affect the development of domestic markets and the relative size of the private sector. They modify the financial structure of health-care and old-age coverage, for example by abandoning the traditional redistributive function of governmental agencies and adopting the market-oriented principle of pay for service. They redefine the role of Governments away from direct provision of services and towards the fulfilment of regulatory and supervisory responsibilities. In some instances, reforms have reduced the discretionary capacity of Governments in redistributing resources to guarantee a minimum level of protection to citizens. In such cases, people sense a loss in ownership and in their rights. In some instances, the pendulum has moved too far from sometimes excessive government intervention to its absence.

75. Social protection expenditures can be funded with public or private sources of funds and are therefore not the same as public social expenditures. Social protection expenditures include (a) public social expenditures in education, health, housing, sanitation infrastructure (which can be organized by a ministry or secretary, and can be national, regional or local); (b) private expenses in education, health, housing and sanitation infrastructure, which represent the private or community-based initiative that supplements public expenditures; (c) social insurance expenditures (for health care, invalidity, old age, work injury, unemployment etc.); (d) insurance fees paid by households for the acquisition of coverage; (e) out-of-pocket expenses to cover risks by individuals that are not covered either publicly or by employment-related insurance, and are not included under subparagraph (b) above; and (f) NGO expenditures that offer coverage of certain risks to targeted populations. One way to monitor progress on social protection coverage is to generate a methodology that estimates national expenditures in those specific schemes.

76. In view of the breadth of the concept of social protection, embracing aspects of health, education, social security, employment-related services as well as other areas, social protection cannot be limited to a single budget category. Rather, Governments' efforts to evaluate the impact of social expenditure on achieving social protection should focus on analysing

both the proportion and the impact of social expenditure within overall government spending. The role of government is to permanently assess whether national social protection goals are being met, what is the level of coverage, what areas need to be improved, what the appropriate level of supplementing funding with public resources is and whether funds exist for random shocks affecting the safety of the people. In a global economy, it remains to be seen if randomness of shocks, particularly economic and social, increase or not. This evidence will help generate additional protection to guarantee human development objectives.

77. Mobilization of resources for social development is difficult without strong and sustained economic growth, which in turn allows countries to generate the fiscal resources that are needed to fund the introduction of effective social protection programmes. In countries with very small coverage of social risks due to poverty and skewed income distribution, Governments should actively pursue the use of progressive tax structures to directly provide social services in education, health care, sanitation etc. They should also reprioritize their budget expenditures in favour of social protection programmes. A commitment to basic social protection through social assistance is particularly important to improve capabilities and to promote human development.

78. In general, however, income-earners should all contribute to the social protection programmes from which they will derive benefits. When economic growth and human development takes place, social assistance as a component of social protection will decrease substantially.

79. There are various options available for mobilizing the resources for financing social protection:

(a) *Taxes*. Extending the tax base and raising of extra resources by reducing tax avoidance and tax evasion;

(b) *Discriminating user fees*. Improvement in social services so that the better-off pay for the services and the poorer sectors pay only nominal fees, particularly for primary education and primary health care;

(c) *Reallocating budgetary resources within sectors*. Shifting expenditure from low priority to high priority uses — say, from curative to preventive health, or from tertiary to primary education;

(d) *Disincentive effect*. Reordering budgetary priorities across sectors, such as shifting expenditure from military to social sectors. Governments can use a mix of these options, including reducing defence expenditure for financing social protection.

80. Every country should come up with a clear definition of financial responsibilities. Government is responsible for what is considered as basic protection. Earnings-related benefits should be financed out of contributions. Innovative approaches to resource mobilization, including small and community-based schemes, can be useful.

81. Microcredit is being increasingly used as an instrument of mobilizing savings and credit facilities for poor women. Governments have an important role in supporting microfinance-based groups, which in turn provide social protection.

NOTES

¹ See *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8), chap. I, resolution 1, annex I, commitment 2 (d).

² See for instance, Anthony B. Atkinson, "Social protection and economic performance in a changing economy", paper presented at a conference on the theme "Social protection as productive factor", Porto, Portugal, 2000; issued in a conference compendium entitled "Communications and curriculum notes".

³ See Robert Holzmann and Steen Jorgensen, *Social Risk Management: A New Conceptual Framework for Social Protection and Beyond*, Social Protection Discussion Paper, No. 0006 (Washington, D.C., 2000).

⁴ ⁷ See UNICEF, *Poverty Reduction Begins with Children* (New York, 2000).

⁵ See UNDP, *Overcoming Human Poverty* (United Nations publication, Sales No. E.99.III.B.2).

⁶ As defined in the 1951 Convention and the 1967 Protocol relating to the Status of Refugees (United Nations, *Treaty Series*, vol. 189, No. 2545; and *ibid.*, vol. 606, No. 8791).

⁷ See European Union, *A Concerted Strategy for Modernizing Social Protection* (1999).