# Chapter I
# Social protection and social progress

## Key messages

- Evidence from across the world shows the potential of social protection systems to prevent poverty, reduce inequality and improve levels of health and education.
- Even in countries where social protection is guaranteed by law, not all segments of the population are reached effectively. Discrimination, socioeconomic disadvantage and the way in which policies are designed and implemented play a role in keeping social protection out of the reach of some individuals and groups.
- Lack of universal, tax-financed social protection measures, inaccurate targeting, complex registration systems and insufficient information increase the risk of exclusion from social protection for those most in need.
- Understanding the barriers that potential beneficiaries face in obtaining access to social protection is necessary if SDG target 1.3 is to be met for all nations, peoples and segments of society.
- Promoting social inclusion requires social protection policies that address the causes of poverty and exclusion, rather than merely their symptoms, throughout the life cycle.
- Social protection is just one, albeit important, element of fiscal policy. The impact of fiscal policy on poverty, inequality and exclusion depends on how the burden of taxation and public spending are distributed. Governments must ensure that fiscal policy improves the situation of people who are disadvantaged, instead of making it worse.

## A. Social protection systems in context

Comprehensive social protection systems are common in more developed regions. An increasing number of countries in less developed regions are also expanding their social protection programmes or putting new ones in place, with support from the international community. This section presents social protection in the framework of the international development agenda and provides a brief overview of recent trends in social protection coverage.

### 1. Concepts and definitions

In this report, social protection is defined as all measures providing benefits in cash or in kind to guarantee income security and access to health care. Comprehensive social protection systems secure protection from, among other things, lack of work-related income caused by sickness, disability, maternity, employment injury, unemployment, old age or death of a family member, and general poverty and social exclusion; they also ensure access to basic health care, and provide family support, particularly for children and adult dependants (ILO, 2014a). For the purposes of this report, "social protection" is an alternative term for "social security". Other definitions of social protection, beyond the scope of this report, include access to key services, such as education, social work and social care, as well as other measures, including labour market polices (ADB, 2001; World Bank, 2012; UNDP, 2016a).

Public social protection schemes are usually funded through the payment of contributions by individuals and/or employers (contributory schemes) or through taxes (tax-financed schemes).[5] The most common contributory programmes are social insurance schemes, including unemployment and health insurance schemes. Contributory schemes may be fully funded by contributions made by beneficiaries and employers, but many are partly financed through taxes, either in the form of subsidies or to make up for scheme shortfalls. Public support allows for a more equitable distribution of benefits, particularly for individuals with low incomes and short or interrupted work careers.

Tax-financed (or non-contributory) programmes include many forms of social assistance. Some offer universal coverage, as with social pension schemes under which eligibility is determined solely by citizenship or residence status, or, in some cases, by non-receipt of any other type of social insurance or pension. Other schemes are means tested. Entitlement to means-tested schemes is granted only to those with income or wealth below a prescribed threshold, as with minimum-income benefits, or to those meeting other criteria defined in proxy means tests.

Some tax-financed schemes require the participant to meet specific conditions to receive the benefit. Unemployment assistance, for instance, is often contingent on beneficiaries enrolling in vocational training programmes designed to help them to find work. Conditional cash transfer programmes include conditions designed to encourage certain practices in beneficiary households, such as ensuring that children complete a course of vaccinations or enrol in school.

Although tax-financed programmes are also referred to as non-contributory schemes, taxes are one form of contribution by members of society to public well-being. Individuals who meet the requirements of each programme are entitled to benefit from them. Rather than being beneficiaries of charity, people have the right to social protection and may lodge claims to access it under international law, as is set out below.

## 2. Social protection and the international development framework

The human right to social security is set forth in the Universal Declaration on Human Rights and various human rights instruments, while International Labour Organization (ILO) conventions and recommendations define the normative framework and set standards for the establishment and development of social protection systems.[6] The ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), was the first international instrument to establish minimum standards applicable to all countries, regardless of their degree of economic development, for the following social security benefits: sickness, unemployment, old age, employment injury, family, maternity, invalidity and survivors, as well as medical care.

In 1995, at the World Summit for Social Development, Governments agreed that social protection systems should be anchored in law and, as appropriate, strengthened and expanded "in order to protect from poverty people who cannot find work; people who cannot work due to sickness, disability, old age or maternity, or to their caring for

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[5] In less developed regions they may also be (at least partly) financed by external development assistance.

[6] See the Universal Declaration of Human Rights (arts. 22 and 25), International Covenant on Economic, Social and Cultural Rights (arts. 9 and 11), the Convention on the Elimination of all Forms of Discrimination against Women (arts. 11 and 14), the Convention on the Rights of the Child (arts. 26 and 27), the Convention on the Rights of Persons with Disabilities (art. 28) and various ILO instruments. ILO has produced a compendium of social security standards and human rights instruments (ILO, 2017c).

children and sick or older relatives; families that have lost a breadwinner through death or marital breakup; and people who have lost their livelihoods due to natural disasters or civil violence, wars or forced displacement".[7] In 1994, Governments had agreed in the Programme of Action of the International Conference on Population and Development to "establish social security measures that addressed the social, cultural and economic factors behind the increasing costs of child-rearing".[8] In the Beijing Declaration and Platform for Action, adopted at the Fourth World Conference on Women in 1995, world leaders agreed to create or review social security systems "with a view to placing individual women and men on an equal footing, at every stage of their lives".[9] The World Summit for Social Development was, however, the only occasion on which the need to enhance social protection following the established minimum standards was addressed at a major United Nations summit.

The notion of social protection as a policy instrument for eradicating poverty and promoting development gained momentum in the 2000s. In 2001, participants at the eighty-ninth session of the International Labour Conference reaffirmed the commitment of ILO to the Declaration of Philadelphia (1944) and its obligation to extend "social security measures to provide a basic income to all in need of such protection and comprehensive medical care" (ILO, 2001). They also stressed the role of social security as a fundamental means of fostering cohesion in society and thereby helping to ensure social peace and inclusion. Two years later, the World Bank also made the case for social protection as a key instrument for development, given its capacity to reduce vulnerability and smooth out patterns of consumption, and noted that "there is a major mobility in and out of poverty, and thus concentrating on the (ex-post) poor instead of the (ex-ante) vulnerable may be less effective" (World Bank, 2003, p. 1).

In 2009, the United Nations System Chief Executives Board for Coordination launched its Social Protection Floor initiative as one of its nine system-wide joint crisis initiatives aimed at alleviating the impact of the 2008 financial crisis. In the initiative, it was noted that alleviating the social impacts of the crisis was but one of the objectives of the social protection floor. The role of a social protection floor should be to provide a rights-based, systemic "insurance" against poverty for all people at all times. Member States endorsed the initiative at the United Nations Conference on Sustainable Development (Rio+20) in 2012 and underscored the importance of social protection in General Assembly resolution 66/288. Subsequently, ILO adopted the Social Protection Floors Recommendation, 2012 (No. 202), reflecting a consensus among Governments, employers and workers on the extension of social protection (see box I.1).

The international consensus on the importance of social protection as a key policy tool for promoting far-reaching improvements in human well-being was reinforced by the adoption of the 2030 Agenda. In particular, under SDG 1 ("End poverty in all its forms everywhere"), Governments have committed to implementing social protection systems and measures for all, including floors, with a focus on achieving substantial coverage for the poor and vulnerable (target 1.3). Success should be measured, according to associated indicator 1.3.1, by progress in increasing the proportion of the population covered by social protection floors/systems, by sex, and distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable. Directly

7 *Report of the World Summit for Social Development* (United Nations, Sales No. E.96.IV.8), chap. I, resolution I, annex I, para. 38.

8 *Report of the International Conference on Population and Development* (United Nations, Sales No. 95.XIII.18), chap. I, resolution I, annex, paras. 5.2 and 5.9.

9 *Report of the Fourth World Conference on Women* (United Nations, Sales No. 96.IV.13), chap. I, resolution I, annex II, paras. 58(o) and 106(d).

related goals include SDG 3 on health and achieving universal health coverage (target 3.8), SDG 5 on gender equality, including valuing unpaid care and domestic work (target 5.4), SDG 8 on decent work for all and sustainable economic growth and SDG 10 on reducing inequalities.

Box I.1
**Social protection floors**

The ILO Social Protection Floors Recommendation, 2012 (No. 202), has received broad approval at the global and regional levels, having been endorsed by the United Nations, the Group of Twenty (G-20), the Association of Southeast Asian Nations and the European Union. The structure of social protection systems will vary from country to country, but the ILO recommendation provides broad guidance on how to lay the foundations of a comprehensive system. A basic social protection floor should ensure that all in need, whether children, people of working age or older persons, have access to basic health care and income security throughout the life cycle.

The United Nations, through various agencies, supports Member States in establishing and promoting nationally defined social protection floors as part of their broader social protection systems. For example, Cabo Verde and Mozambique have developed such floors with the support of United Nations country teams. In June 2015, the World Bank Group and ILO launched the joint Universal Social Protection Initiative, calling the attention of world leaders to the importance of universal social protection policies and their financing. The United Nations Office for South-South Cooperation and ILO have facilitated peer-to-peer learning in this area and major events, such as the China high-level event on achieving the SDGs in relation to social protection, which was held in Beijing in September 2016. In addition, bilateral cooperation initiatives on the issue have emerged.

The Addis Ababa Action Agenda envisages a new social compact to end poverty in all its forms everywhere, whereby States commit themselves to providing "fiscally sustainable and nationally appropriate social protection systems and measures for all, including floors, with a focus on those furthest below the poverty line and the vulnerable, persons with disabilities, indigenous persons, children, youth and older persons".[10] This commitment signifies a renewed willingness on the part of countries to place social protection at the heart of their public budgeting in order to combat poverty, with an overarching concern for equity.

## 3. Trends in social protection coverage

Great strides were made in the twentieth century in terms of social protection around the world. By 1930, countries such as Australia, Denmark, Germany, Ireland, Norway, Sweden and the United Kingdom were devoting more than 2 per cent of gross national product (GNP) to employment injury protection, public pensions and poor relief programmes (Lindert, 2004). Social protection systems expanded rapidly in what are now high-income countries starting in 1945 and, subsequently, in others that are now classified as middle-income, namely in Central Asia and Eastern Europe, Latin America and the Caribbean and in Southern Africa (ILO, 2014a). Currently, legal entitlements for every citizen are established in all relevant areas of social protection in most countries in Europe, Northern America and Latin America.

[10] General Assembly resolution 69/313, para. 12.

There has been significant progress in Africa and Asia, particularly since the early 2000s. In many countries, however, legal coverage is limited to a few areas and only a minority of the population has access to social protection schemes anchored in national legislation. Often, only public sector workers or those in other types of formal employment are covered by contributory schemes, while tax-based schemes are fragmented and available only to a small percentage of the population.[11]

Countries have tended to broaden their social protection systems sequentially, depending on national circumstances and development priorities. Most began with stand-alone schemes to address employment injury, then introduced old-age pensions, disability and survivors' benefits, followed by sickness, health and maternity coverage. Benefits for children and families, and unemployment benefits, typically came later. As systems have become more comprehensive, countries have moved to strengthen the links between different programmes (ILO, 2017a).

The expansion of comprehensive social protection systems has not, however, been a steady process. During the 1980s and 1990s, multilateral financial institutions and donors promoted targeted, often temporary, social assistance schemes as a more cost-effective way than universal schemes to alleviate extreme poverty in lower-income countries. Increasingly, targeted schemes substituted, rather than complemented, universal measures. In some Latin American countries, for instance, universal schemes were dismantled in favour of narrower means-tested approaches (ECLAC, 2015). In 2014, ILO found that 122 countries had reduced public expenditure on social protection as a percentage of gross domestic product (GDP) since 2010. Those cuts came in the aftermath of the 2008 crisis, when the income security of much of the population of those countries was at great risk (ILO, 2014a).

Many developing countries have, however, attempted to expand access to social protection. Even in regions where comprehensive legal coverage is less widespread, such as Southern Asia and sub-Saharan Africa, some countries have grounded their efforts in the right to social security. In India, the National Food Security Act of 2013 entitles approximately two thirds of the population to highly subsidized food grains, and the Mahatma Gandhi National Rural Employment Guarantee Act of 2005 guarantees 100 days of wage employment per year to every household whose adult members apply for unskilled manual work. In South Africa, the right of all to social security, including appropriate social assistance, is guaranteed under the Constitution (chap. 2, art. 27).

The extension of legal provisions does not, however, guarantee effective coverage, which may be hampered by inadequate implementation and enforcement of the law or by the lack of institutional capacity to design and deliver transfers. Legal coverage measures entitlement as stipulated under the law, while effective coverage measures how legal provisions are implemented.[12]

Despite improvements over the past decades, it is estimated that only 45 per cent of the world's population is effectively covered by at least one social protection scheme (ILO, 2017a). The remaining 55 per cent of the population—around 4.1 billion people—are not covered at all (ibid.). These averages mask large regional differences.

[11] For a detailed description of trends in social protection by country and region, as well as by specific type of social protection, see ILO (2017a). Information may also be gleaned from international databases, such as ILO Social Security Inquiry (SSI) (www.ilo.org/dyn/ilossi/ssimain.home), the SDG Indicators Global Database (https://unstats.un.org/sdgs/indicators/database) and the World Bank Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) database (http://datatopics.worldbank.org/aspire/home).

[12] Effective coverage is different from programme take-up, which refers to the number or proportion of people who claim a benefit. Even in the case of universal programmes (such as child benefits), the aim may not be 100 per cent take-up. People may not participate because they are sufficiently well-off and the benefit would have a negligible impact. Effective coverage estimates include all individuals for whom benefits are guaranteed.

Almost 90 per cent of the population is covered by at least one benefit in Europe, a little more than 60 per cent is covered in Latin America and the Caribbean and less than 15 per cent is covered in sub-Saharan Africa.[13]

Moreover, only 29 per cent of the global population enjoy comprehensive coverage, including disability, employment injury, maternity and unemployment benefits, old-age pensions and child or family benefits (ibid.). Nonetheless, there has been a steady increase in coverage in recent years, particularly with regard to pensions (see chapter IV). Countries such as Brazil, Cabo Verde, China, Ghana, India, Mexico, Mozambique, South Africa and Thailand have made significant efforts to extend social protection.

## B. The impact of social protection on well-being

### 1. Reducing income poverty and inequality

In general, countries that have reduced poverty and improved living conditions on a broad scale have developed comprehensive social protection systems covering a majority of the population. On average, public social protection expenditure accounted for 27 per cent of GDP in Western Europe and 19 per cent in Northern America in 2015 (ibid.).

Social protection not only benefits people living in poverty, but promotes the well-being of societies at large. While the impact of social protection programmes varies according to their design, the level of implementation and the adequacy of transfers, evidence from around the world shows their potential not only to prevent poverty, but also to reduce inequality and stimulate economic growth. Income insecurity prevents households from making productive investments and may lead them to forgo necessary health care and withdraw children from school. By helping people living in poverty to address trade-offs between meeting their immediate needs and securing future livelihoods, social protection measures can encourage the accumulation of productive assets and investment in physical and human capital, ease access to credit and help households to manage risk. Transfers can also stimulate demand and boost consumption. During economic downturns, when private spending is constrained, increased public spending in social protection is vital to revive economies and stimulate employment. Thus, if properly designed and implemented, social protection programmes promote inclusive and equitable economic growth and can address some of the root causes of poverty and inequality.

Fiszbein, Kanbur and Yemtsov (2014) calculated that the number of people living in extreme poverty—estimated at 767 million in 2013—would have been up to 165 million higher without the transfers households received from social protection programmes.[14] Among the regions covered in their study, the impact of social protection on poverty is greatest in the richer countries with economies in transition—in Eastern Europe and Central Asia—and smallest in sub-Saharan African countries for which data are available, where social protection transfers move less than 1 per cent of

[13] Regional and country-level data can be accessed through the SDG Indicators Global Database (Available from https://unstats.un.org/sdgs/indicators/database, accessed 7 December 2017). See also ILO (2017a).

[14] The estimates are based on data from the World Bank ASPIRE database (http://datatopics.worldbank.org/aspire/home), which contained data for 59 countries, mostly in the developing world, at the time of the study. Countries in the more developed regions other than countries with economies in transition (in Eastern and Southern Europe) are not included in the database. To obtain their estimates, the authors extrapolated data from the 59 countries to the total population in developing regions. The estimates use a $1.25-a-day poverty line and take into consideration the impact only of cash transfers on current well-being; they do not include the impact of insurance on protection against future shocks or income from productive investment or employment generated through social protection. The total poverty headcount for 2013 comes from United Nations (2017a).

the population out of poverty. Although some countries of sub-Saharan Africa have significantly stepped up efforts to expand access in recent years, social protection programmes are still piecemeal and often do not provide adequate benefits (ILO, 2014a). Moreover, poverty in sub-Saharan Africa is, on average, deeper than in other regions, and the amount of income needed to lift people to the poverty line is therefore greater.

Additionally, a study of 33 Asian countries finds that the impact of social protection on poverty—using the $1.25-a-day and $2.50-a-day poverty lines—is significant even after controlling for the effect of such variables as GDP, GDP growth and population age structure (Wagle, 2017). It finds that poverty reduction is faster in countries that spend more on social protection, at similar income and income growth levels, and regardless of population age structure.

Overall, almost half of the poverty gap in developing countries is eliminated through social protection, according to Fiszbein, Kanbur and Yemstov (2014). However, most transfers are not meant to close the poverty gap: only 8 per cent of all transfers contribute to reducing it. Immediate poverty reduction is certainly not the only goal of social protection programmes—many measures are in fact designed to prevent people from falling into poverty. Nevertheless, achieving substantial coverage of the poor and the vulnerable calls for more progressive social spending and a stronger focus on ending poverty.

While informative, the above-mentioned estimates only quantify the impact of social protection transfers on the prevalence of extreme poverty at one point in time. Poverty, however, does not affect only a fixed group of individuals; everyone is at risk of experiencing it at some point. Many people escape poverty only to fall back into it, or fall into poverty for the first time because of an economic shock, natural disaster or health problem.

Evidence regarding the impact of social protection on the dynamics of poverty is largely limited to assessments of social assistance schemes that aim to graduate beneficiaries out of receiving support once they reach a certain level of assets, income, age or time in the programme. Research indicates that temporary cash transfers alone are insufficient to ensure that beneficiaries remain out of poverty.[15] In the United Kingdom, according to Cappellari and Jenkins (2008), 32 per cent of beneficiaries of social assistance programmes who exited poverty became beneficiaries at least once again between 1991 and 2005. Villa and Niño-Zarazúa (2014) estimate that, in Mexico, only 29 per cent and 27 per cent of beneficiary households in urban and rural areas, respectively, graduated from the Oportunidades programme between 2002 and the period from 2009 to 2012—that is, they were no longer receiving transfers from 2009 to 2012.

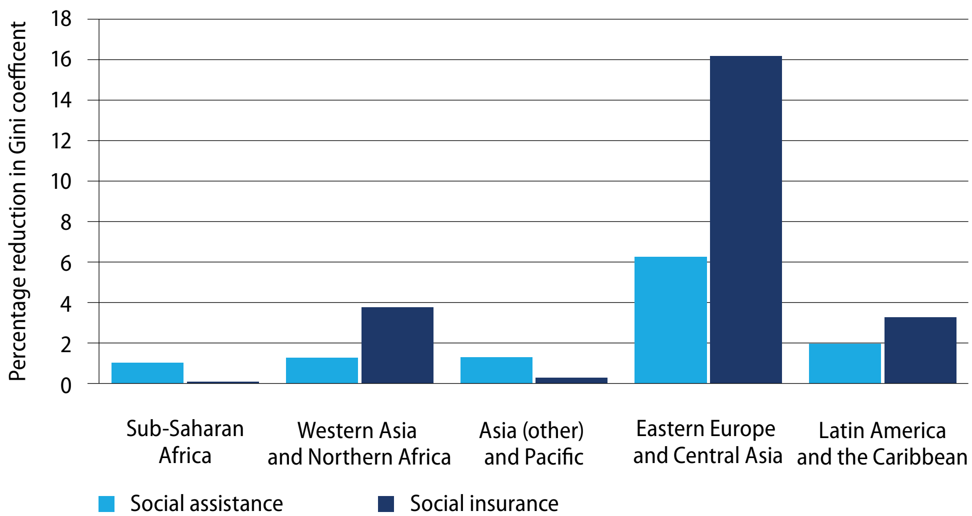
The above-mentioned findings underscore that social protection programmes should ensure the well-being of all throughout the life cycle by addressing the risk of poverty, rather than poverty itself. They also make the case for broad policy action to tackle the conditions that cause and perpetuate poverty, rather than merely its symptoms (see chapter VIII).

Social protection also affects income inequality as measured by the Gini coefficient. Among the regions shown in figure I.1, the combination of social insurance and tax-financed social assistance programmes available has the greatest equalizing effect in countries of Eastern Europe and Central Asia. In countries where informal employment is widespread and overall institutional capacity is weak, namely in parts of Asia and sub-Saharan Africa, tax-financed social assistance programmes have the

[15] See Browne (2013), Devereux and Sabates-Wheeler (2015) and Bastagli and others (2016).

most marked impact on inequality. Social insurance schemes play a greater equalizing role in middle- and high-income countries.

Figure I.1
**Impact of social insurance and social assistance programmes on the Gini coefficient in selected regions**




*Source*: World Bank, The Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) database, table 5. Available from http://datatopics.worldbank.org/aspire (accessed 14 November 2017).

*Note*: The figure shows weighted regional averages of the Gini inequality coefficient reduction owing to social protection programmes as a percentage of the pre-transfer Gini coefficient. The estimates are based on data from the most recent household surveys (ranging from 2000 to 2014) in 107 countries (see annex 1 for data by country). The extent to which information on specific social protection transfers and programmes is captured in household surveys varies from one country to another. The nature of those programmes and transfers also varies significantly. Under social assistance programmes, ASPIRE includes data on conditional and other cash transfers, social pensions, food and other in-kind transfers, school feeding programmes, fee waivers and targeted subsidies, public works programmes and what the database generally designates as "other social assistance" (ranging from scholarships to country-specific cash transfer programmes for children). That is broadly in line with what is termed tax-financed programmes in this report, with the important difference that ASPIRE does not provide data on public health expenditure.

However, the situation varies considerably by country. Social protection transfers lead to a dramatic decline in income inequality in developing countries such as Mauritius, Mongolia and South Africa (annex 1), where public expenditure on social protection, including health, is relatively high. Spending amounted to about 10 per cent of GDP in Mauritius and South Africa—two of the countries with the highest such spending in sub-Saharan Africa—and 14 per cent in Mongolia in 2014-2015 (ILO, 2017a).

## 2. Improving other dimensions of well-being

Social protection programmes also have a positive impact on non-monetary dimensions of poverty, namely access to education and health. Research on cash and in-kind transfers in developing countries shows that, in the short-term, those measures have helped to increase school enrolment and attendance and to improve the health and, to a certain extent, nutritional status of people in beneficiary households (ILO, 2010; Bastagli and others, 2016). The impact is often greater where levels of health and education are lowest at baseline—in rural areas and especially among girls (Attanasio and others, 2005; Agüero, Carter and Woolard, 2007; ILO, 2010). In Colombia, for instance, the introduction of the Familias en Acción programme resulted in a 10 per cent improvement in school attendance among children aged from 12 to 17 in rural areas and a 5 per cent increase among those in urban areas (Attanasio and others, 2005). Of 15 studies on the impact of social protection programmes on boys and girls, 12 reported a statistically significant impact for girls on at least one measure of school attendance (Bastagli and others, 2016).

Positive results are achieved both through schemes that make transfers conditional on school attendance and medical check-ups as well as through those to which people are entitled without conditions (Baird and others, 2013; ILO, 2010). As measured by levels of stunting, for instance, both types of scheme have similar effects on child nutrition (Manley, Gitter and Slavchevska, 2012).

While the immediate impact of such schemes is well documented, their long-term effects are less obvious. There is little evidence, for instance, that cash and in-kind transfers result in improved knowledge, better test scores or, eventually, better employment opportunities (Araujo, Bosch and Schady, 2016; Filmer and Schady, 2014; Baez and Camacho, 2011; Schurmann, 2009). In Malawi, the positive effects of a temporary cash transfer scheme on levels of teen pregnancy, child marriage and human immunodeficiency virus (HIV) prevalence disappeared two years after the beneficiaries stopped receiving the transfer (Baird, McIntosh and Özler, 2016). A conditional cash-transfer scheme in the same country resulted in some sustained improvement in educational attainment but not in HIV prevalence or employment.

Nevertheless, the short-term gains observed in educational attainment and in health, even if not sustained beyond the duration of the programme, can have an impact on the well-being of beneficiaries, especially if good-quality services and labour market opportunities are made available. Aizer and others (2016) found that, in the United States, children who benefitted from the Mother's Pension programme—a temporary cash-transfer scheme available between 1911 and 1935—were 50 per cent less likely to be underweight, had more years of education, higher earnings as adults and lived one year longer, on average, than children of families with comparable characteristics who did not benefit from the programme.[16] There is evidence to suggest that, by keeping young people in school longer, for instance, social protection programmes have helped to reduce the risk of HIV infection and the likelihood of early pregnancy among young women in countries such as Kenya and South Africa (Handa and others, 2015; Cluver and others, 2016; Pereira and Peterman, 2015). Attah and others (2016) also find evidence of a virtuous cycle between access to social protection, school attendance and increased self-esteem among beneficiaries.

It is, however, important to note that the cash and in-kind transfer schemes on which recent impact evaluations are based constitute but one component of social protection systems. Many of the schemes assessed are small-scale, time-bound projects that arguably have less impact than nationwide, universal programmes. Although the effects of larger programmes on human capital have not been assessed as systematically, it can be assumed that they also have a positive effect, insofar as they reduce people's vulnerability to poverty. Health-care coverage, in particular, is directly linked to human capital formation. Measures that reduce the income insecurity of adults, including unemployment protection, disability benefits and social pensions, also enhance children's opportunities. The effect of old-age pensions on children are discussed in chapter II.

Regarding impacts on labour market participation and employment, the prospect that social protection may discourage labour supply among people of working age has informed social policy reforms in developed countries in the past decades. The proliferation of active labour market programmes, for instance, has been driven, at

[16] For a summary of the long-term impact of various temporary cash-transfer schemes on beneficiaries in the United States see also Butcher (2017).

least in part, by concerns that the availability of unemployment benefits can discourage people of working age from looking for work—even though such programmes also aim to facilitate the transition into new jobs and to upgrade skills. Conversely, it is argued that, by protecting incomes, spending and consumption, social protection can provide an economic stimulus and therefore promote labour demand. Cash transfers can also contribute to enhancing children's future productive capacity and their employment prospects by improving educational attainment and skills development.

Whether social protection promotes or discourages employment is hard to assess empirically, as it is difficult to isolate the impact of social protection measures from that of other economic and social factors affecting employment. A literature review by Bastagli and others (2016) found that cash transfers had not had a significant impact on adult employment in more than half of the 74 studies reviewed. In studies that do report a significant effect, the majority find an increase in adult labour market participation and a decline in the prevalence of child labour. Other studies suggest that cash transfers lead to better employment opportunities for members of poor households because they free up time and allow for greater investment in job searching, particularly among women (Mathers and Slater, 2014; Samson and others, 2004; Burns, Keswell and Liebbrandt, 2005; UNDP, 2013; ILO, 2010). When they contribute to improvements in the productive capacity of beneficiaries, by allowing them to save and make productive investments, for instance, cash transfers also have a positive impact on earnings (Alderman and Yemtsov, 2013). Means-tested schemes can, however, create disincentives to work, for instance in cases where a rise in the beneficiary's income leads to a cut in benefits.

Recent studies have stressed the impact of social protection on broad social trends, including its potential to strengthen social cohesion (OECD, 2012; ILO 2010 and 2014a). Legal guarantees of social protection for all members of society promote a sense of belonging and social justice (Lindert, 2004). In South Africa, inclusion of the right to social security in the Constitution of 1996—itself an expression of the political commitment to greater equity—contributed to strengthening social cohesion (Devereux, 2011).

However, systems consisting mainly of means-tested social assistance and social insurance programmes covering only workers in formal employment leave much of the population in developing countries—the so-called missing middle—without coverage and thereby pose a threat to democracy and social cohesion (de Laiglesia, 2011; OECD, 2012). The missing middle includes a large segment of workers in informal employment who, although they may be living above the extreme poverty line, are highly vulnerable to poverty and exclusion.

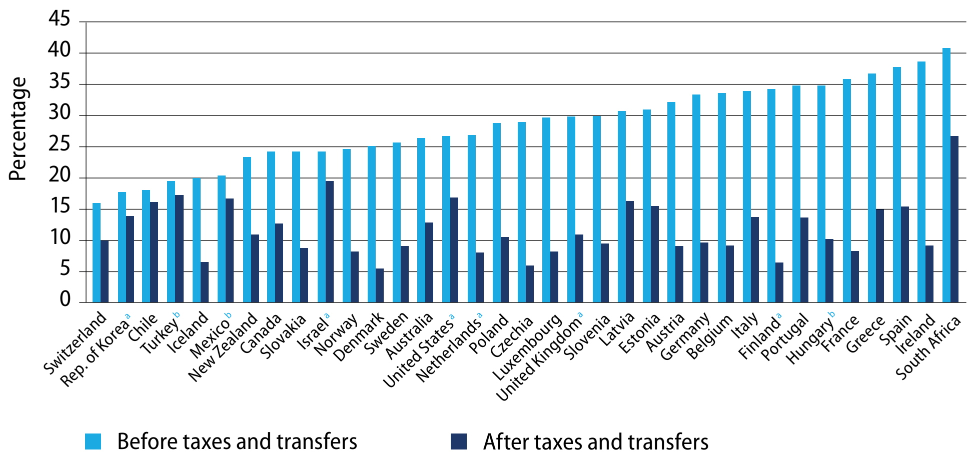
Social protection schemes can also affect social cohesion in the community through their influence on relationships and trust. Beneficiaries of such schemes may interact more frequently, namely during travel to pay points or attendance at required meetings (in the case of conditional cash transfers), providing opportunities to meet people and exchange information (Pavanello and others, 2016). Poorly targeted schemes with unclear selection criteria, however, can generate conflict and threaten cohesion if community members perceive the allocation of resources to be unfair. There is ample evidence of inaccurate selection processes causing frustration and even triggering protests and violence (Adato, 2000; Pavanello and others, 2016; Widjaja, 2009; Kidd, Gelders and Bailey-Athias, 2017).

## 3. Beyond social protection: the impact of fiscal policy

Social protection programmes represent just one, albeit essential, element, of fiscal policy. How policy affects poverty, inequality and other development objectives depends on the way in which the burden of taxation and public spending is distributed. Specifically, the extent of redistribution depends on how progressive the tax system is (direct income and property taxes are usually progressive, while indirect taxes such as sales or value-added taxes are regressive) and on the degree to which people living in poverty benefit from social protection transfers and public services. The positive effects of social protection programmes on poverty reduction can be undone by a regressive tax system.

Fiscal policy has a significant redistributive impact in developed regions, with transfers having a larger equalizing effect than taxes (EUROMOD, 2017; United Nations, 2013a; OECD, 2011 and 2015a; Wang and Caminada, 2011).[17] The combined effect of taxes and transfers, however, differs by country. In Finland, 34 per cent of the population would have been in relative poverty in 2015 in the absence of direct taxes and transfers. In fact, only 6.3 per cent of the population were in poverty that year, a difference of more than 27 percentage points. In the United States, by contrast, fiscal policy reduced relative poverty by less than 10 percentage points (from 26.7 to 16.8 per cent) in the same year (see figure I.2).

Figure I.2
**Proportion of the population living in relative poverty before and after taxes and transfers in 2014, selected countries**




*Source*: Author calculations based on OECD Income Distribution Database. Available from www.oecd.org/social/income-distribution-database.htm (accessed 14 November 2017).

*Note*: Relative poverty is defined as 50 per cent of the median household income.

a Estimates are for 2015.

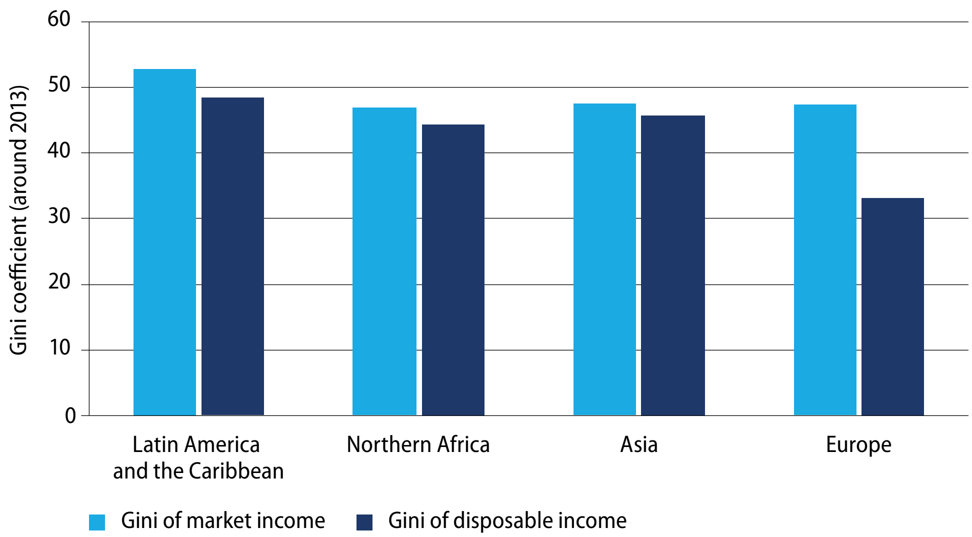
b Relative poverty post-taxes and before transfers.

Findings for developing regions are more mixed. A comparison of income inequality before and after taxes and transfers, proxied by the Gini coefficients of market and disposable incomes, indicates that, in general, fiscal policy has a moderate impact on inequality (see figure I.3). On average, the extent of redistribution is significantly smaller in the less developed regions than in Europe. The amount of public spending is greater in Europe than in developing countries. In general, personal income taxes represent a smaller proportion of total tax revenue in developing than in developed countries for a

17 The studies cited use the difference between the Gini values of market and disposable income as a measure of the overall redistributive impact of taxes and transfers at one point in time. The calculations do not take into account the impact of indirect taxes and indirect subsidies (such as food and energy subsidies), since they are not discounted from disposable income.

variety of reasons.[18] Direct taxation requires more advanced administrative capacities than indirect taxation. Given the extent of informal employment in many developing countries, the tax base for income taxes is small. There are differences in terms of compliance and in the efficiency of tax collection. However, the picture varies greatly from one country to another. Among the Latin American countries included in the average shown in figure I.3, for instance, the difference in the Gini coefficient of market and disposable incomes is almost 10 points in Brazil but just above 2 points in Mexico.

Figure I.3
**Gini coefficients for market and disposable incomes, by region**




*Source*: Calculations based on data from Frederck Solt, Standardized World Income Inequality Database (SWIID), version 6.1, released October 2017. Available from http://fsolt.org/swiid (accessed 5 March 2018).

*Notes*: Regional averages are based on recent data (2015, in most cases) for 4 countries in Northern Africa, 36 countries or areas in Asia, 24 countries in Latin America and the Caribbean and 38 countries in Europe.

Market and disposable incomes are used as proxies of income before and after taxes and transfers, respectively.

Beyond the aggregate impacts described, more analytical fiscal incidence studies show what sectors of the population are positively (and negatively) affected by fiscal policies and how different taxes and transfers affect various groups. In a study of 28 low- and middle-income countries, Lustig (2017a) finds that, although fiscal systems were equalizing in all 28 countries around 2010, the extreme poverty headcount was higher after taxes and transfers in five of them: Ethiopia, Ghana, Guatemala, Nicaragua and the United Republic of Tanzania. The study confirms that indirect taxes, in particular high consumption taxes on basic goods, are the main cause of fiscally-induced impoverishment. In contrast, public spending on pre-school and primary school education appears to benefit people living in poverty the most. Yet, as the author notes, this could also be a reflection of middle- and high-income groups opting for private education.

Although direct taxes and transfers are generally progressive, their effect is limited in many developing countries. In Viet Nam, for instance, personal income tax and public transfers have little impact on inequality (OECD, 2014a). There and in many other countries, the revenues collected from income taxes are low, owing to tax relief measures

[18] See International Centre for Tax and Development (ICTD) and United Nations University World Institute for Development Economics Research (UNU-Wider) Government Revenue Dataset (www.wider.unu.edu/project/government-revenue-dataset, accessed 14 November 2017) and Ortiz-Ospina and Roser (2017).

and non-compliance. Public transfers are therefore small. Similarly, in Cambodia, the relatively low coverage and value of social protection transfers renders them insufficient to offset the negative impact of taxation on poverty and inequality (OECD, 2017a).

The above-mentioned findings have implications for resource mobilization efforts. The types of resources mobilized to fund social protection and other public goods and services, how they are collected and allocated, who pays, and how taxes and transfers interact are all key to the social fairness of the fiscal system. The Addis Ababa Action Agenda includes a commitment to enhance "revenue administration through modernized, progressive tax systems, improved tax policy and more efficient tax collection" in an effort to raise additional domestic public resources.[19] Attention must be paid also to the redistributive role of taxation and the combined effect of all fiscal tools, beyond social protection. Alternatives for financing social protection systems are discussed in chapter VIII.

## C. Social protection and inclusion

Social inclusion and exclusion encompass a broad set of concerns. People may be excluded from many domains of life—social, economic, political, civil or spatial—and the relative importance of each domain depends on the country and local contexts. Exclusion is also a personal experience, and the views of those affected by it or at risk of being left behind cannot be disregarded. Measuring social inclusion, exclusion and the impact of policy on either is therefore a challenging task.

The *Report on the World Social Situation 2016* took a relative approach to social exclusion: rather than defining a threshold below which individuals or groups could be considered excluded, it took disparities across social groups in a number of indicators as symptoms or outcomes of exclusion. Under this approach, social protection is promoting inclusion if it is helping to reduce inequalities across social groups.

While there is ample evidence of the effects of social protection on well-being, including on the reduction of poverty and income inequality, less is known about its impact on inequalities across social groups. The next chapters summarize some of that evidence.

As far as social protection coverage is concerned, recent data indicate that some social groups are better covered than others. The most notable advance in recent decades has been the extension of old-age pensions (see chapter IV). Worldwide, 68 per cent of older persons received a pension in 2015 (ILO, 2017a). At the same time, only 28 per cent of persons with severe disabilities received disability benefits, 35 per cent of children received child or family benefits and 22 per cent of unemployed workers received unemployment benefits. As the following chapters show, there has been progress in closing some coverage gaps. For example, Governments in many developing countries have made efforts to reach indigenous peoples and ethnic minorities through tax-funded schemes (see chapter VII). However, levels of effective coverage continue to differ significantly between social groups and between countries.

The first part of this section examines some of the drivers of exclusion from social protection. In particular, it considers how gender, labour market situation and place of residence affect access. The second part discusses the role of policy formulation and delivery in promoting inclusion or, conversely, keeping social protection schemes beyond the reach of some.

[19] General Assembly resolution 69/313, para. 22.

## 1. What drives exclusion from social protection?

Even in countries where social protection is guaranteed by law, not all segments of the population are reached effectively. Gaps in coverage, insufficient benefits and barriers to access that affect some social groups more than others render social protection less effective in reducing inequalities and leaving no one behind.

On the one hand, gaps in access are but one outcome of the forces that drive disadvantage and exclusion. The prejudicial treatment of people on the basis of their characteristics or identity results in unequal power relations, which in turn operate in the formulation of social policies and the delivery of public services. These unequal relations are then reflected in, for instance, the quality of services that different population groups receive.

There has been progress in reaching some traditionally disadvantaged social groups, as described in the following chapters. Many laws that formally restricted access to social protection and public services to certain population groups have been repealed (United Nations, 2016a). Nevertheless, discrimination continues to reinforce some of the barriers they face, including a lack of information on entitlements or the political voice or representation necessary to claim such entitlements (Hossain, 2011).

On the other hand, socioeconomic disadvantages also play a role in hindering social protection coverage, even in countries where formal barriers to access are no longer imposed and efforts have been made to counter discrimination. In the labour market, members of indigenous communities and ethnic minorities, migrants, persons with disabilities and young people are less likely than others to secure a decent job, for instance, and, when they do, they often earn lower wages, as do women (United Nations, 2016a; ILO, 2017b). Indigenous people and members of other ethnic minorities often live in rural areas and in remote locations where access to public services and infrastructure is limited.

Lastly, policy design and implementation play an important role in keeping social protection out of the reach of some—or, alternatively, in giving those left behind opportunities to participate. The impact of social protection on poverty and inequality is, as discussed above, generally greater in countries that invest more in it. However, its availability does not in itself guarantee that the needs of disadvantaged groups are addressed. The impact of social protection on social exclusion depends on the specific measures in place and on their implementation.

### *a. Gender dimensions*

Women face more barriers than men to the enjoyment of their rights, including the right to social security. The economic, political and educational disadvantages that women face impinge on the entitlements available to them and on their effective coverage. The design of social protection programmes can itself hinder women's access to them or aggravate the barriers they face.

Persistent inequalities between men and women in the labour market affect gender disparities in social protection coverage. Labour force participation is lower among women than men in most countries. Women are also overrepresented in informal employment and work more often than men under non-standard (temporary or part-time) contracts (ILO, 2016a; Tessier and others, 2013). When in full-time work, women earn, on average, between 10 and 30 per cent less than men (United Nations, 2015b). Women also continue to bear more responsibility than men for unpaid care work and therefore have less time to engage in formal employment and education, participate in political activities or, simply, leisure. On average, women devote three hours more per day than men to unpaid work in developing countries and two hours more in developed countries (ibid.). When both paid and unpaid work are taken into account, women work longer hours than men, particularly in developing countries. The overall result of these inequalities is a gender gap in contributory social protection coverage, including contributory old-age pensions.

Gender inequalities in political participation can also affect women's access to social protection schemes. Without the perspective and input of women, programmes can fail to consider their needs and priorities. That is especially so in the case of poverty-targeted and conditional schemes. When women are excluded from decision-making processes that determine eligibility criteria, for instance, targeted programmes are more likely to be unresponsive to unequal intra-household dynamics (UNDP, 2017). Similarly, gender gaps in education and literacy can influence take-up: less educated women may be unaware of programmes for which they are eligible or may have difficulty understanding the complex administrative procedures for gaining access to them.

The design and implementation of social protection programmes can also affect women's inclusion. Programmes that target households, rather than individuals or women directly, do not consider unequal intra-household power dynamics that affect women's access to and control over resources. When gender gaps in consumption are overlooked, programmes fail to take into account women living in poverty who reside in non-poor households (United Nations, 2015b). Furthermore, when designed without due consideration of sociocultural contexts, some social protection programmes can deter women from seeking access to benefits. Social norms that restrict women's mobility outside the home, for instance, can hinder the delivery of payments to them (Ulrichs, 2016). A lack of child-care services can prevent women from participating in public employment programmes (Holmes and Jones, 2010).

Social protection systems need not only to be mindful of sociocultural contexts and how they affect women's access but must equally refrain from exacerbating gender inequalities. A case in point are the conditions attached to some cash-transfer programmes aimed at children and families, the design of which often relies on the role of the mother as the main caregiver. Thus, women are traditionally considered responsible for health-care visits, attending meetings and other mandatory conditions, at the expense of activities such as remunerated work (ibid.). Those formal responsibilities reinforce traditional divisions of labour within households and communities and constrain women's access to employment-based social protection schemes.

### *b. Informal employment and social protection*

Workers in informal employment, among whom young people, persons with disabilities, migrants, women and other disadvantaged groups are overrepresented, are insufficiently covered by social protection, or not covered at all. In fact, lack of social protection coverage is often used as a criterion for identifying informal employment (Gatti and others, 2014). Employment-based contributory schemes, in particular, cover mainly workers in formal employment and therefore leave a significant proportion of the labour force unprotected.

There are few comparable estimates of informality, although the evidence indicates that it remains most pervasive in less developed regions. One series of comparable estimates puts the share of informal employment outside agriculture at 82 per cent of total employment in South Asia, 65 per cent in East Asia (excluding China) and South-East Asia, 51 per cent in Latin America and the Caribbean and 66 per cent in sub-Saharan Africa (ILO, 2013 and 2014b).[20] Despite the common traits that define

[20] Data for sub-Saharan Africa are available only for a limited number of countries. For data and metadata on women and men in the informal economy, see also the ILO labour statistics database Ilostat (www.ilo.org/ilostat). It is worth noting the presence of informality in developed countries as well: in 2013, the informal economy accounted for an estimated 18.8 per cent of GDP in the European Union (Schneider, 2015).

it, the informal economy encompasses a broad range of activities and workers. Most workers whose jobs are not subject to national labour legislation, taxation or social protection are employed in the informal economy, but some are employed in formal enterprises. Some are employers themselves, while others are self-employed or work as unpaid family workers. Many work without a contract: in Latin America, for instance, 68 per cent of workers in the informal economy and 26 per cent of workers in the formal sector worked without a written contract in 2005 (ILO, 2011).

In recent decades, economic growth has failed to create the number of decent jobs necessary to absorb a growing labour force. Informality remains high and has even grown in contexts of poor governance. Weak or ill-conceived legal and institutional frameworks lead to a lack of trust in institutions and administrative procedures, a disengagement from public mandates and a proliferation of informal employment. In addition to trapping workers in a cycle of low productivity and exploitation, the informal economy results in lost tax revenue and limits the fiscal space available to Governments to expand or improve social protection schemes.

SDG target 8.3 includes an international commitment to promote "decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services". Governments have also committed to protecting workers' rights and promoting safe and secure working environments for all workers. The ILO Social Protection Floors Recommendation, 2012 (No. 202), states that social security extension strategies should apply to persons in the formal and informal economy and support the growth of formal employment and the reduction of informality (para. 15). Additionally, the ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), affirms that, through the transition to the formal economy, countries should progressively extend the coverage of social insurance to workers in the informal economy (paras. 18-21 and 25). It is increasingly recognized that, in addition to reducing the vulnerability and promoting the income security of workers in the informal economy, social protection can help to unleash their productive potential and transition to the formal economy.

In recent years, Governments in many countries have tried to expand the coverage of existing contributory social insurance schemes by adapting contributions and administrative procedures to the situation of workers in informal employment or by subsidizing contributions. Others have put new schemes in place. In Uruguay, for instance, tax authorities and the social security administration have created a simplified collection scheme for small contributions—the "monotax"—to promote coverage among workers and companies that are not otherwise covered by the social security system (ILO, 2014a). Other countries have designed micro-insurance schemes specifically for workers in the informal economy (Samson and Kenny, 2016).

A shortcoming of programmes aimed exclusively at the informal economy is that, if their benefits are not fully portable, workers transitioning to formal jobs may lose accumulated benefits as a result of their change in status. The availability of different schemes for workers in the formal and informal economies can also reinforce divisions in the labour market and in society at large. Schemes involving voluntary affiliation have also spread, and some benefit workers in non-standard forms of employment. However, their uptake in the informal economy is quite low, mainly owing to a lack of information but also because the low and unreliable incomes typical of the informal economy make the regular payment of contributions by workers and employers difficult (Handayani, 2016; ILO, 2015a).

In many developing countries, the expansion of tax-financed schemes—particularly old-age pensions—has also helped to extend coverage to some workers in informal employment and lift them out of extreme poverty (Kidd and Damerau, 2016). In Latin America and the Caribbean, for instance, at least 18 countries introduced reforms to increase pension coverage through non-contributory schemes from 2000 to 2013 (ILO, 2015a). Low levels of funding, however, mean that tax-financed schemes alone are often not sufficient to provide income security to their beneficiaries in many developing countries. Benefits are often below the poverty line. When means tested, the schemes fail to cover informal workers who do not live in poverty—part of the so-called missing middle. The structure of social pension systems and their advantages and limitations are discussed in greater detail in chapter IV.

Overall, coverage of workers in the informal economy is limited, and social insurance schemes remain beyond the reach of most workers. Where tax-based schemes reach some (usually those living in extreme poverty), their impact is limited by low transfer values.

### *c. Spatial disadvantage*

In general, income insecurity is greater in rural than in urban areas, as employment is typically casual or seasonal, salaries are low and livelihoods are exposed to environmental hazards. At the same time, rural populations have, on average, less access than their urban counterparts to good-quality education, health care and other basic services, such as safe drinking water, basic sanitation, transportation and communications infrastructure.

When it comes to social protection, the rural disadvantage is less consistent. The proportion of persons covered by social protection is higher among the poorest urban population quintile than among the rural poor in some regions (sub-Saharan Africa, Northern Africa and Western Asia), but the reverse is true in others (Asia and Latin America) (see table I.1). Many countries, including Brazil, China and India, have indeed made efforts to reach rural populations, mainly through tax-financed social assistance programmes.[21]

Despite these regional differences, the impact of social protection programmes on the poverty headcount and the poverty gap—the extent to which individuals fall below the poverty line—is consistently greater in urban than in rural areas (table I.1), partly because the average social protection transfer per capita tends to be larger in urban areas. While coverage by tax-financed social assistance schemes is higher in rural areas in most developing countries for which data are available, coverage by social insurance schemes (including contributory pensions and unemployment insurance) is often higher in urban areas.[22] In general, transfers from social insurance schemes are larger than those from tax-financed social assistance schemes.

Most evidence regarding spatial disparities is highly aggregated and generally compares only major subnational regions, or urban with rural areas. However, the economic, social and physical landscape of urban and rural areas is heterogeneous. Reaching populations in remote areas is particularly challenging. High administrative

[21] In addition to its well-established social pension and other tax-based schemes directed at rural areas, Brazil has a large rural social insurance programme. Subsidized by the State, it paid 7.9 million pensions in 2009 (UNDP, 2011). China has made significant efforts to close the country's wide urban-rural gap, including through a rural social health insurance scheme, established in 2003, and a rural old-age pension scheme, launched in 2009 (ILO, 2014a). In India, the Mahatma Gandhi National Rural Employment Guarantee Scheme—one of the largest integrated employment and social protection schemes in the world—reached close to 50 million rural households in 2012. The national budget allocation for the scheme was equivalent to 0.3 per cent of national GDP in 2012-2013 (ILO, 2014a).

[22] Social insurance coverage is higher in urban than in rural areas in 80 per cent of countries included in the World Bank ASPIRE database (http://datatopics.worldbank.org/aspire).

and transaction costs, inadequate banking facilities and a lack of awareness limit programme uptake in distant or isolated rural regions (see chapter VII).

Table I.1
**Coverage and poverty impact of social protection programmes**[a]

| | Coverage, poorest population quintile, percentage | | Povertyheadcount reduction, percentage | | Poverty gap eduction, percentage | |
|---|---|---|---|---|---|---|
| | Urban areas | Rural areas | Urban areas | Rural areas | Urban areas | Rural areas |
| Sub-Saharan Africa | 24.5 | 20.0 | 14.2 | 2.8 | 24.6 | 5.4 |
| Western Asia and North Africa | 61.4 | 58.9 | 36.0 | 20.1 | 53.1 | 33.7 |
| Asia (other) and the Pacific | 34.3 | 42.8 | 19.3 | 11.4 | 34.0 | 14.9 |
| Central Asia and Eastern Europe | 80.8 | 81.0 | 58.0 | 43.4 | 76.5 | 65.4 |
| Latin America and the Caribbean | 62.1 | 68.5 | 29.1 | 14.5 | 43.7 | 24.1 |

*Source*: Author calculations based on data from the World Bank ASPIRE database (see figure I.1).

*Notes*: In the ASPIRE database, social protection systems include social insurance, social assistance and labour market programmes. Reductions in the poverty headcount and in the poverty gap are calculated as percentages of the pre-transfer poverty headcount and gap, respectively.

Weighted regional averages are based on data for 36 countries in sub-Saharan Africa, 7 countries in Western Asia and North Africa, 23 countries in Central Asia and Eastern Europe, 16 other countries in Asia and the Pacific and 20 countries in Latin America and the Caribbean.

[a] Latest year available, if 2000 or later. Data apply to a year within the period 2001-2005 in 13 countries, 2006-2010 in 45 countries and 2011-2014 in 64 countries.

Similar obstacles also affect urban residents living in poverty, despite their closer proximity to basic services. Widespread informal employment limits access to social insurance. Gentilini (2015) contends also that, in developing countries, many social assistance programmes are conceived for rural populations and fail to take into account specific aspects of urban poverty—including high mobility, the higher cost of living, more fragmented social networks and informal support mechanisms, and the high prevalence of violence and crime. Active beneficiary selection (targeting) can be costly if target populations are highly mobile and dispersed across a city. Proxy means testing, for instance, is often based on housing characteristics that can change often among the poor in urban settings. These challenges underscore the extent to which the design and implementation of social protection policy can contribute to inclusion or, conversely, reinforce exclusion.

## 2. The role of policy in promoting inclusion

The way in which social protection programmes are designed is strongly influenced by politics or, more broadly, power relations in society. On the one hand, Governments may use such programmes to build alliances with powerful groups of society, including workers in the formal economy, public sector employees, the military, the police and the business community. On the other hand, political commitment to address poverty and social exclusion often results in measures that target those in need as a seemingly more efficient way to allocate resources.

Under perfect selection schemes and with a fixed budget, targeting would indeed bring efficiency gains. In reality, however, social spending is not fixed. Targeting schemes at people living in poverty can erode political support for redistribution and result in low funding. As Gelbach and Pritchett (2002) illustrate, targeting is often followed by a reduction in benefits. Lindert (2004) argues that, historically, where democracies were strengthened and people were given the right to vote, the middle classes came to oppose tax spending on programmes for people living in poverty. Instead, they supported comprehensive social insurance, social pensions and public social services that, in principle, addressed the needs of most members of society.[23] Korpi and Palme (1998) labelled this trend "the paradox of redistribution", noting that the more countries targeted redistribution, the less likely they were to reduce poverty and inequality. Lack of political support—resulting from a perception of targeted measures as "handouts"—can affect the quality of programmes and services directed towards people living in poverty and other disadvantaged groups with limited political representation.

An additional budgetary consideration is that well-targeted schemes often require advanced administrative capacity that many low-income countries do not have. Means testing benefits requires methodologically complex surveys and has high administrative costs, although there are exceptions (see box I.2). Without the requisite administrative capacity, inaccurate targeting results in significant under-coverage or "errors of exclusion" from targeted programmes (Brown, Ravallion and van de Walle, 2016). In general, people living in extreme poverty—among whom persons with disabilities and members of ethnic minorities and other disadvantaged groups are overrepresented—are at high risk of under-coverage from means-tested schemes (Kidd, 2014).

Box I.2

**The Child Support Grant selection process in South Africa**

Recognizing that a high proportion of families with children live on low incomes, South Africa uses a simple means test to exclude only the most affluent families from its Child Support Grant. The grant is available to all single-carer families earning less than $3,900 per year and married carers earning less than $7,800 per year (Kidd and Wapling, forthcoming). Around 88 per cent of children in two-parent households and 94 per cent in single-carer households are eligible (ibid.). Applicants need only sign an affidavit declaring their income. The State does not verify the information.

It is estimated that almost 82 per cent of single carers living below the threshold are correctly selected and just over 18 per cent are wrongly excluded—a significantly low exclusion rate. Inclusion errors among the top 10 per cent of the wealthiest primary caregivers are below 20 per cent (ibid.). Although some people may be discouraged from applying by the means test, evidence suggests that other factors play a larger role in the exclusion errors, such as parents of newborns not applying until months after their children's birth or carers with a disability having difficulty in applying.

Since measuring income and consumption accurately is challenging and costly, Governments in developing countries use indicators highly correlated with income—such as housing conditions or ownership of various assets—as proxies to identify persons in poverty and improve coverage. Evidence suggests that schemes based on such proxy means tests do slightly better at covering the target population than traditional means-tested schemes, although exclusion errors remain considerable. Brown, Ravallion and van de Walle (2016) note that, on average, simpler categorical-targeting methods (aimed at specific groups of the population) or geographical targeting are more effective at bringing poverty down than schemes based on proxy means testing.

[23] Desai and Kharas (2017) also find that the impact of social spending on poverty diminishes as the middle class expands.

Exclusion errors may affect some sectors of the population more than others. Namely, older persons tend to have assets that proxy means tests correlate with wealth, even though such assets may have depreciated in value and reflect past income rather than current wealth. In such cases, proxy means tests incorporate an inherent bias against older persons. Similarly, measures of household income or consumption ignore intra-household inequalities—the fact that resources are often not shared equally between men and women, or between younger and older household members. They often overlook household size and composition as well. The presence of persons with disabilities, for instance, raises household costs and requires higher income to maintain equivalent standards of living.

Overall, it has not been demonstrated that targeted measures are more cost-effective at reducing poverty than universal ones.[24] For instance, Dietrich and others (2017) find that, in Uganda, the universal Senior Citizen's Grant has greater net positive effects on family members of older persons who benefit from it—namely on children's health and education—than the targeted Vulnerable Families Grant. In other words, the benefits are greater relative to the cost of the scheme, partly because of the much higher administrative costs associated with the Vulnerable Families Grant.

A final consideration regarding policy design is that claiming social protection benefits can generate stigma, even while improving the material well-being of recipients. Reliance on means-tested social assistance schemes is found to be more stigmatizing than participation in contributory or universal, tax-funded schemes across countries and cultures (Hernanz, Malherbet and Pellizari, 2004; Baumberg, 2016; Li and Walker, 2017a and 2017b). In the United Kingdom, almost one third of individuals eligible for means-tested benefits did not claim them in the period between 2009 and 2010. One in four respondents to a survey on the reasons for low take-up of benefits mentioned shame or other stigma-related reasons (Finn and Goodship, 2014; Baumberg, 2016). The survey found that the reception of means-tested benefits was more stigmatizing than unemployment insurance or tax credits. In rural China, many people cite shame linked to poverty as a reason for not claiming benefits to which they are entitled under the Dibao scheme, the world's largest social assistance programme. In contrast, many people not living in poverty claim benefits because local leaders feel entitled to reward family and friends (Li and Walker, 2017a). In the United States, beneficiaries of the Supplemental Nutrition Assistance Program (food stamps) declare being ashamed to use the stamps at grocery stores (Fuller-Thomson, 2008; Rogers-Dillon, 1995).

Registration procedures and the way in which payments are delivered also affect access. In general, the risk of under-coverage is greater where potential beneficiaries must meet demanding requirements for information and supporting documentation in order to register. Complex registration systems affect members of disadvantaged groups disproportionately, as the following chapters illustrate. Even the need to provide proof of legal identity constitutes a barrier to access for international migrants, members of some ethnic minorities and homeless persons, among other groups.

Distance to registration sites and to payment locations can also constitute a barrier, particularly for persons with disabilities, as can long lines and inadequate infrastructure. In the case of schemes based on census registration, under-enumeration in remote and insecure areas and infrequent registration are major obstacles to access. Given that many people move in and out of poverty repeatedly over their lifetimes, infrequent surveying is likely to result in significant targeting errors. For those who

[24] See also Ravallion (2007), Coady, Grosh and Hoddinott (2004) and Murgai and Ravallion (2005).

register and qualify, benefits may be too low or paid irregularly. The adequacy of benefits is discussed in more detail in the course of this report.

Unawareness of the existence of social protection programmes or of eligibility criteria are major obstacles—and symptoms of social exclusion (Hossain, 2011; South African Social Security Agency and UNICEF, 2016; Kidd, 2014). Potential beneficiaries may not understand the application process, what compliance entails or how to obtain benefits. In an example of how social exclusion and exclusion from social protection reinforce each other, Hossain (2011) found lack of information to be the primary cause of the exclusion from social protection of members of the Adivasi ethnic minority living in poverty in Bangladesh. Public information was rarely disseminated in Adivasi communities. Where it was disseminated, the high rate of illiteracy among Adivasis prevented them from accessing it. Moreover, the non-Adivasi population was reluctant to share information with them. Tailoring public information campaigns to the needs of potential applicants is, therefore, particularly important.

## Conclusions

A growing number of countries, including in less developed regions, have social protection programmes in place to address development challenges. Solid evidence on the positive effects of social protection, combined with political support and financial capacity in developing countries, have led to its expansion. With the adoption of the 2030 Agenda, countries have committed themselves to working towards the realisation of the human right to social security. The challenge is to put this commitment into practice.

The evidence presented in this chapter and throughout the report indicates that the impact of social protection policies and programmes varies depending on their design and how they are implemented. Most schemes improve the material well-being of disadvantaged groups and many can help to break the intergenerational cycle of poverty. Some schemes, however, can reinforce feelings of inferiority among those who benefit from them. The limited evidence available indicates that some social groups are better covered by social protection than others. The following chapters examine the distinct barriers that each disadvantaged group faces and the drivers of their exclusion from social protection.