

Building Social Protection and Labor Systems

For Protection and Promotion:
The Design and Implementation of Effective Social Safety Nets

Ruslan Yemtsov

December 2014 Washington, D.C.

Based on the World Bank SP&L 2012-22 Strategy Background Paper by David Robalino, Laura Rawlings and Ian Walker.



System: simplifying

- Something complex where there *are different parts* working together to generate outcome / or functions
- Where the *whole* is bigger than sum of individual parts
- Something that exists long enough / is sustained over time / can *adapt* to changing environment
- ... anything that we like....

What do we mean by Social Protection and Labor?

Noncontributory transfer programs targeted to the poor; cash transfers, food stamps, in-kind transfers, school feeding programs, etc.

Social Insurance

Schemes that deliver benefits based on contributions of their own members; pensions, unemployment insurance.

Social Protection

Social Safety Nets

Labor Policy

Regulatory aspects of labor; active labor market policies, income support for the unemployed



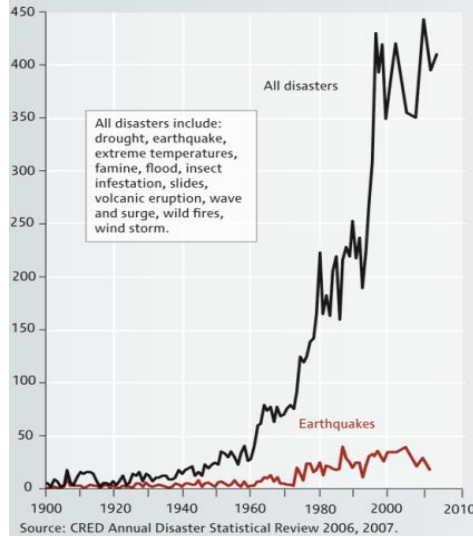
Why systems?

- Global Challenges
- Global Gaps
- Operational efficiency

INCREASING

RISK

Number of disasters per year



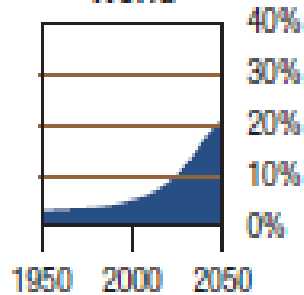
Global challenges

ACCELERATED AGING

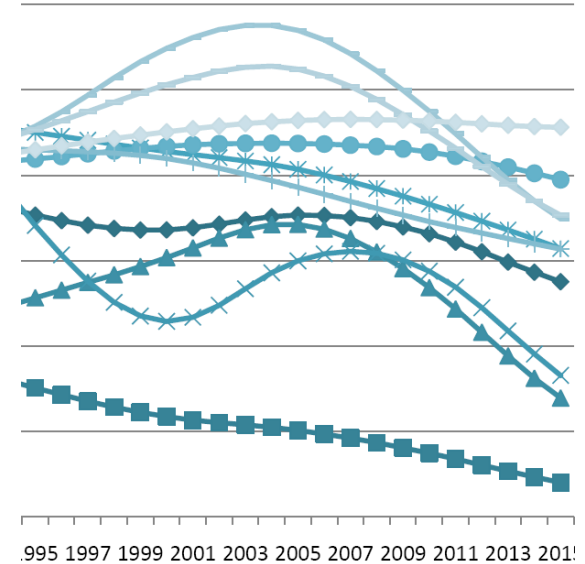
% 65+, 1950-2050

The worldwide share of population age 65 and older is projected to more than double to over 16% by 2050.

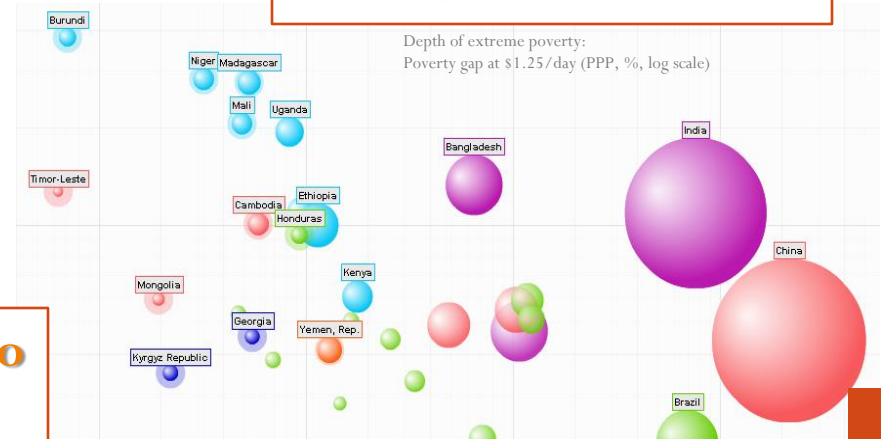
World



BULGING YOUTH POPULATIONS



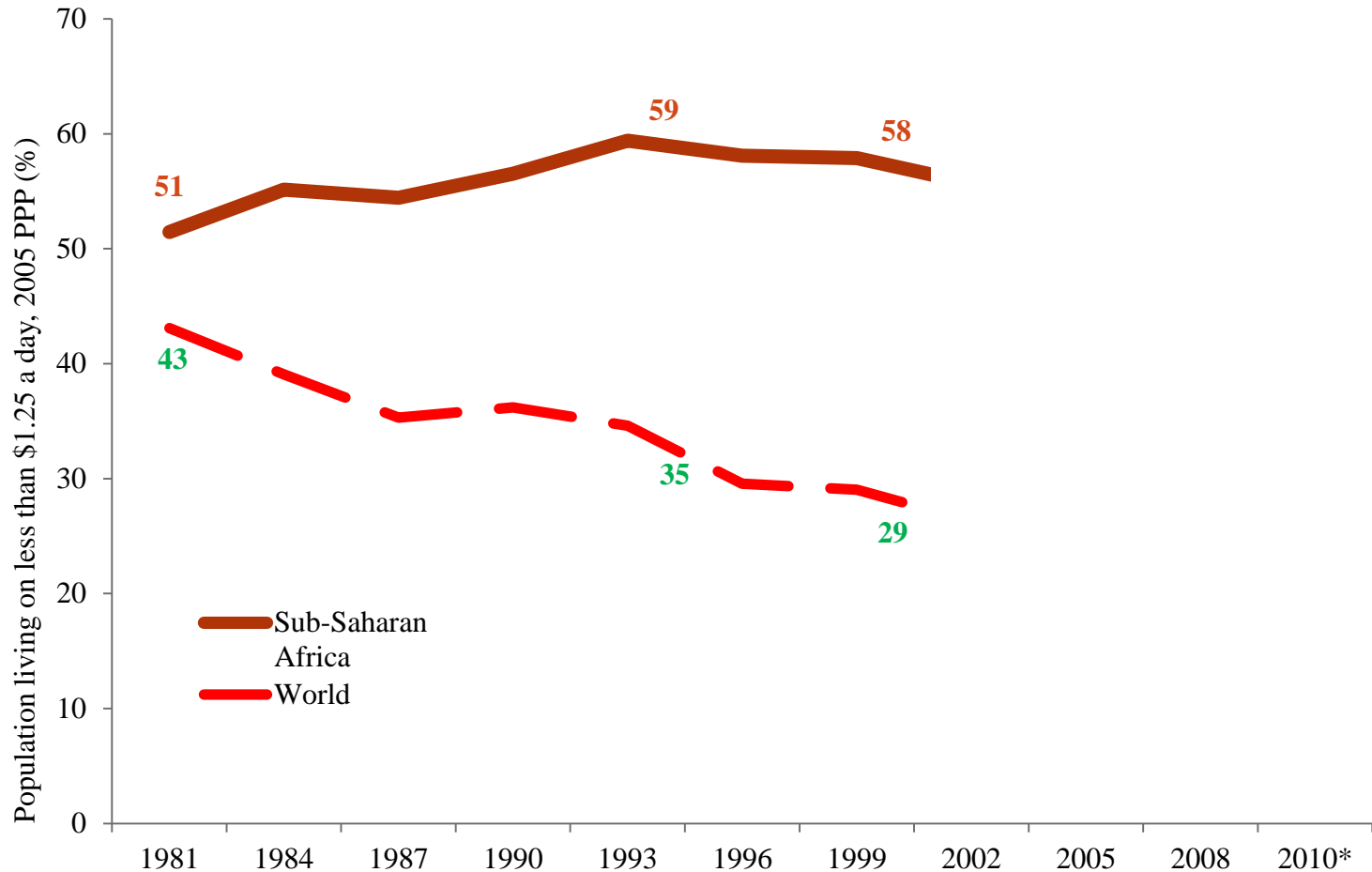
PERSISTENT POVERTY



→ Lack of Knowledge on how to Address these Challenges

The target of 3% by 2030

Sub-Saharan Africa can and should take a leading role



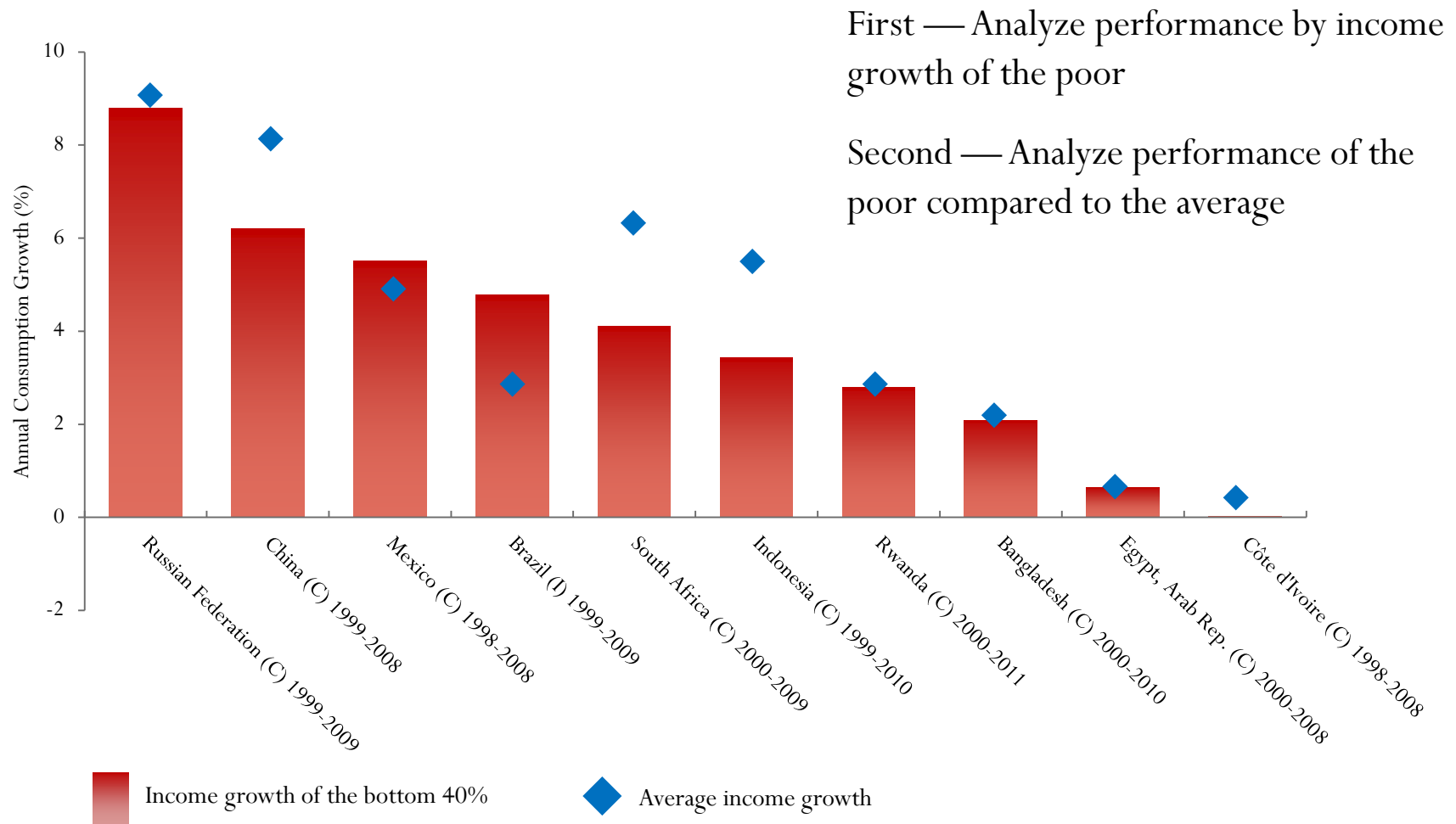
* Preliminary

The target of 3% by 2030

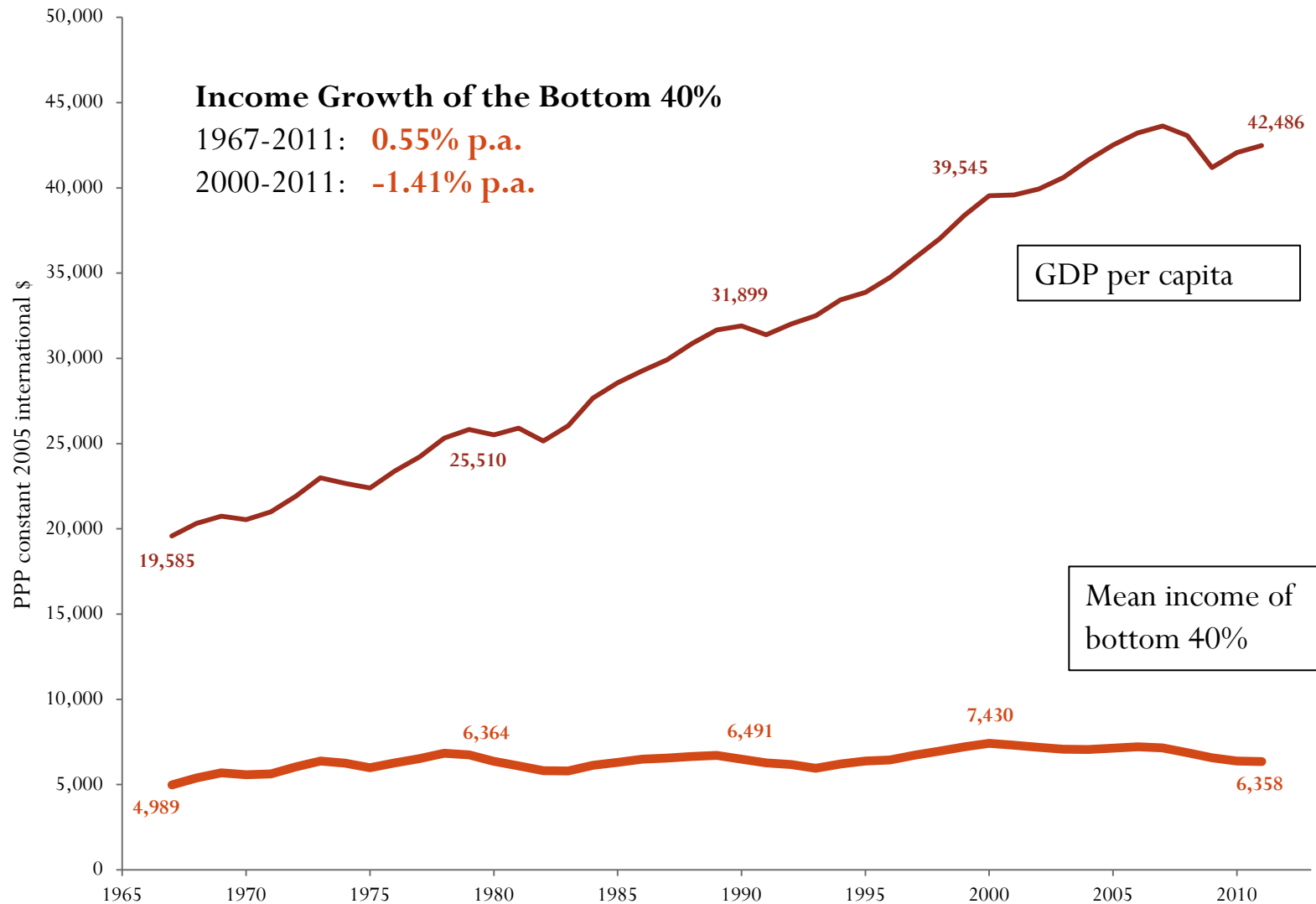
- Is this target feasible given recent history? **Yes**
 - Last 20 years: poverty has fallen about **one percentage point per year**
 - Requires at least keeping the pace of average consumption growth since 1999 (4.3% per year) with no increase in inequality
 - Technological changes increasing effectiveness of poverty reduction efforts
 - Evidence of job creating growth in LICs and MICs and effective social policies
- Is reaching this target certain? **No**
 - Global shocks and natural disasters could lower consumption growth
 - Within country inequality may increase

Income growth of the bottom 40%

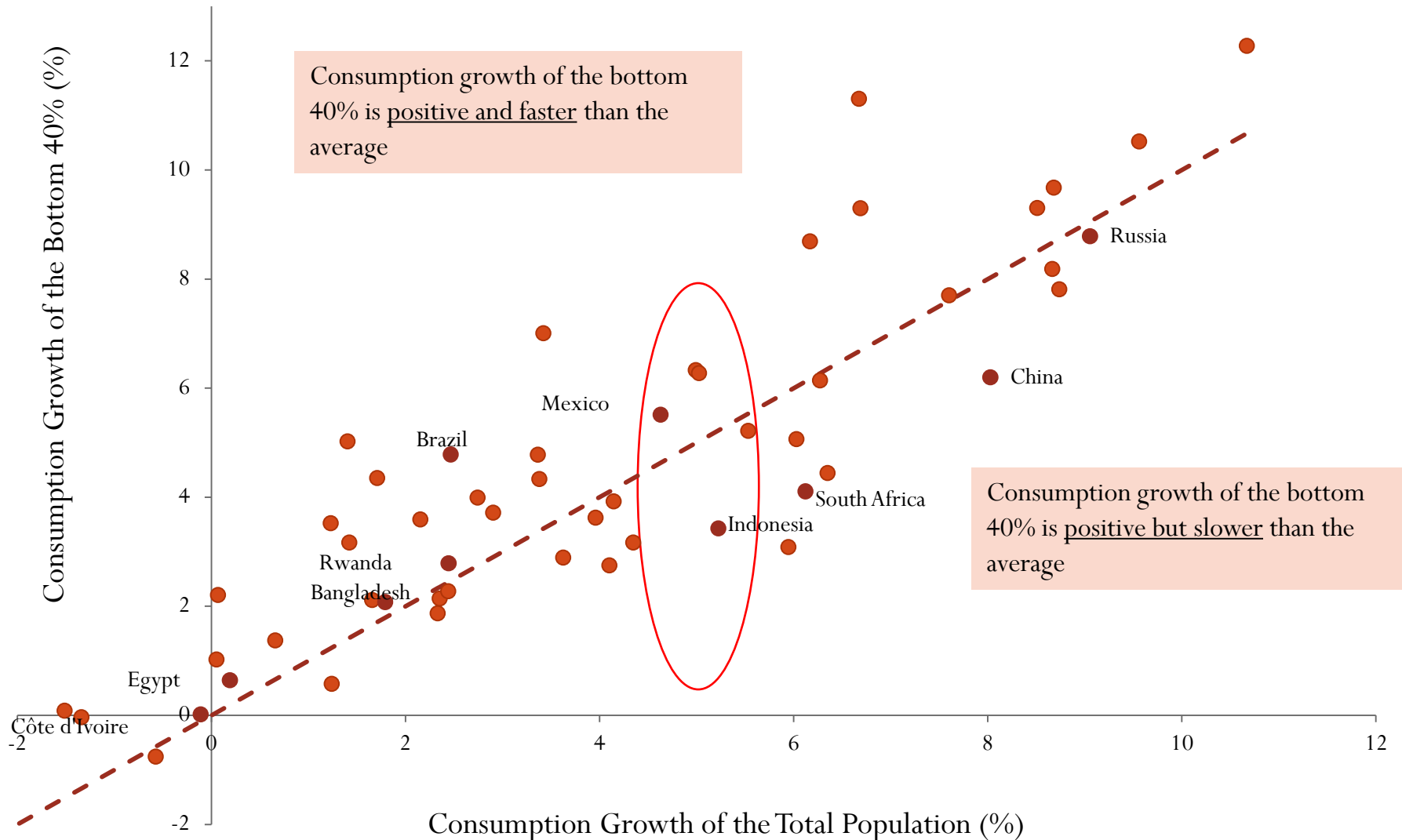
(Annual household consumption rate, early 2000s - late 2000s)



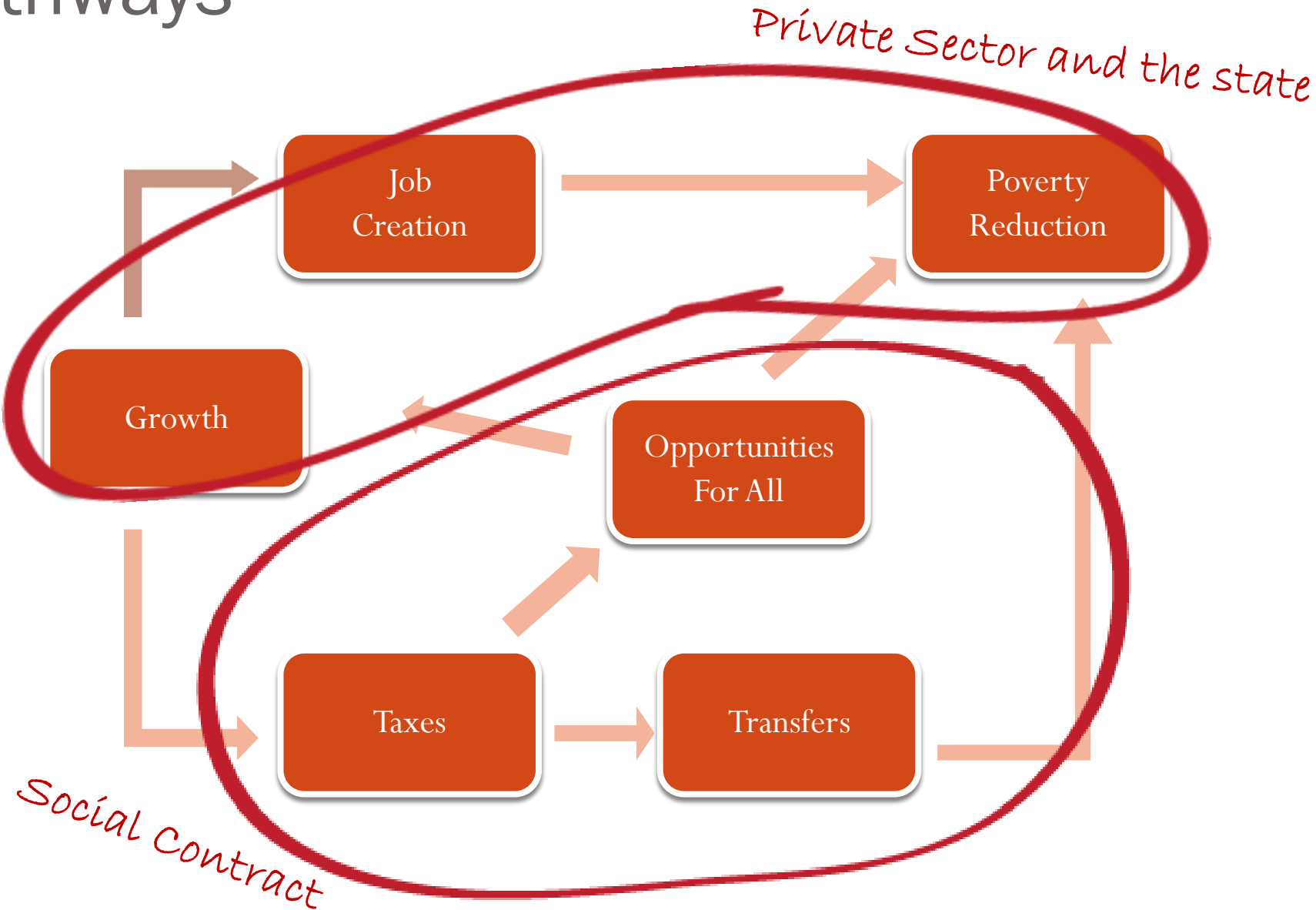
United States



Growth in incomes of the poor requires overall growth.
But the same level of growth might result in different outcomes.

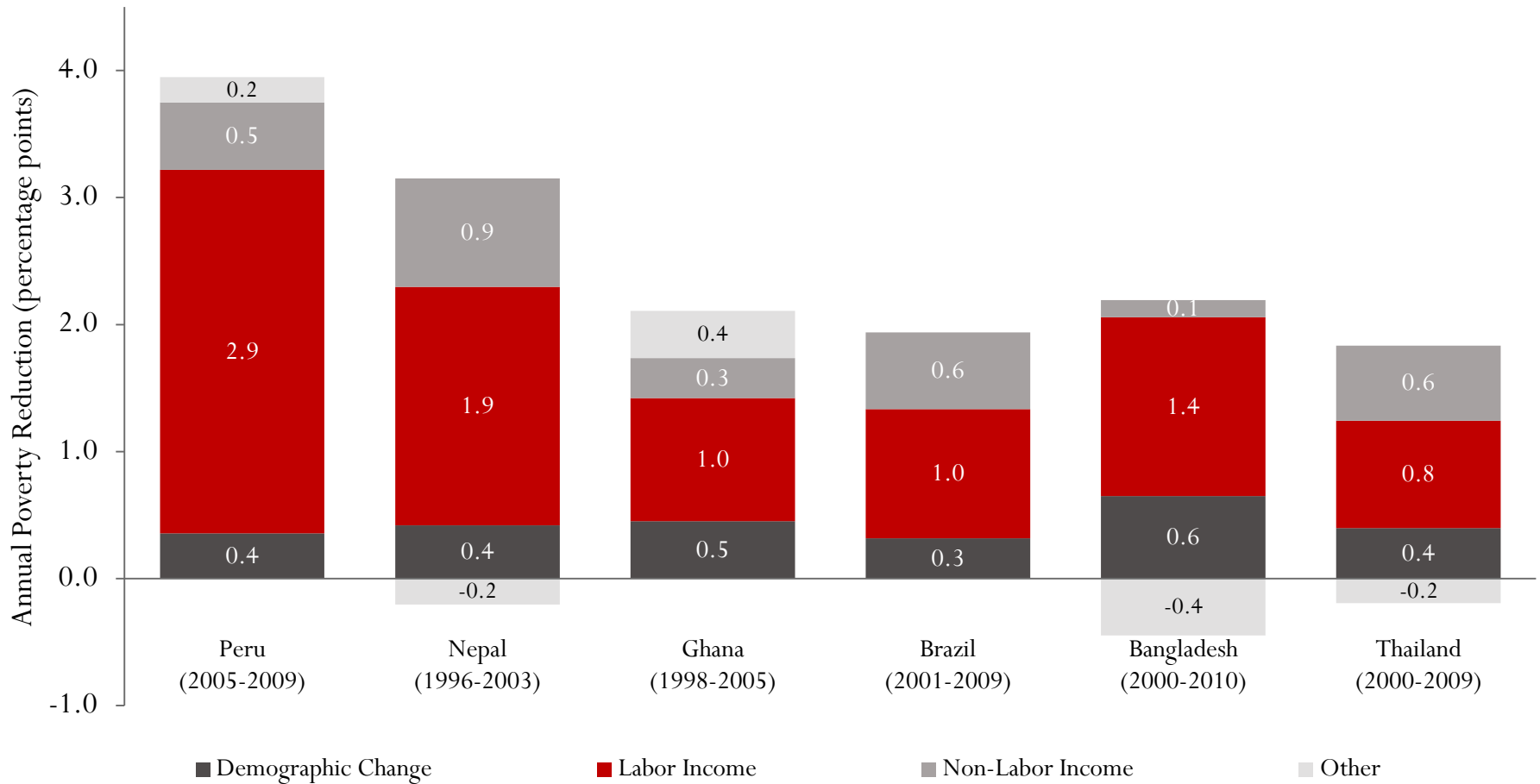


Pathways



Growth, Jobs, Social Protection and Poverty

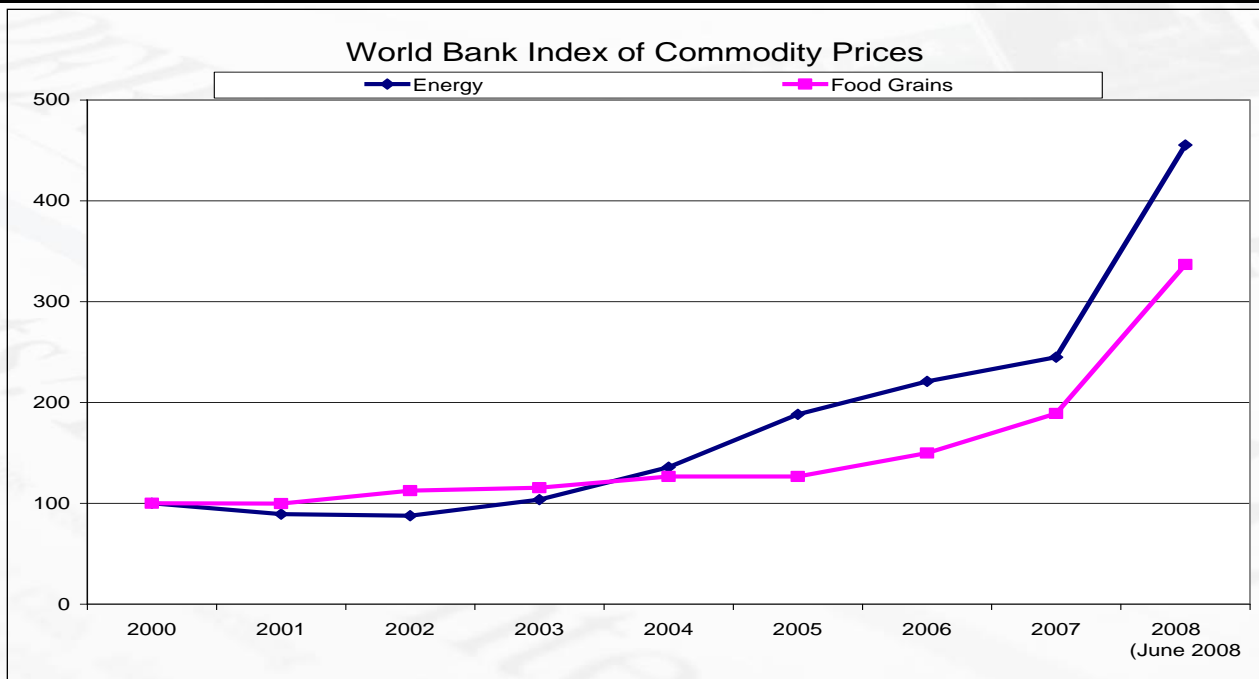
Last decade: reductions in poverty mainly due to labor market and transfers



Source: Inchauste, Gabriela & Olivieri, Sergio & Saavedra, Jaime & Winkler, Hernan, 2012. "[What is behind the decline in poverty since 2000 ? evidence from Bangladesh, Peru and Thailand](#)," Policy Research Working Paper Series6199, The World Bank.

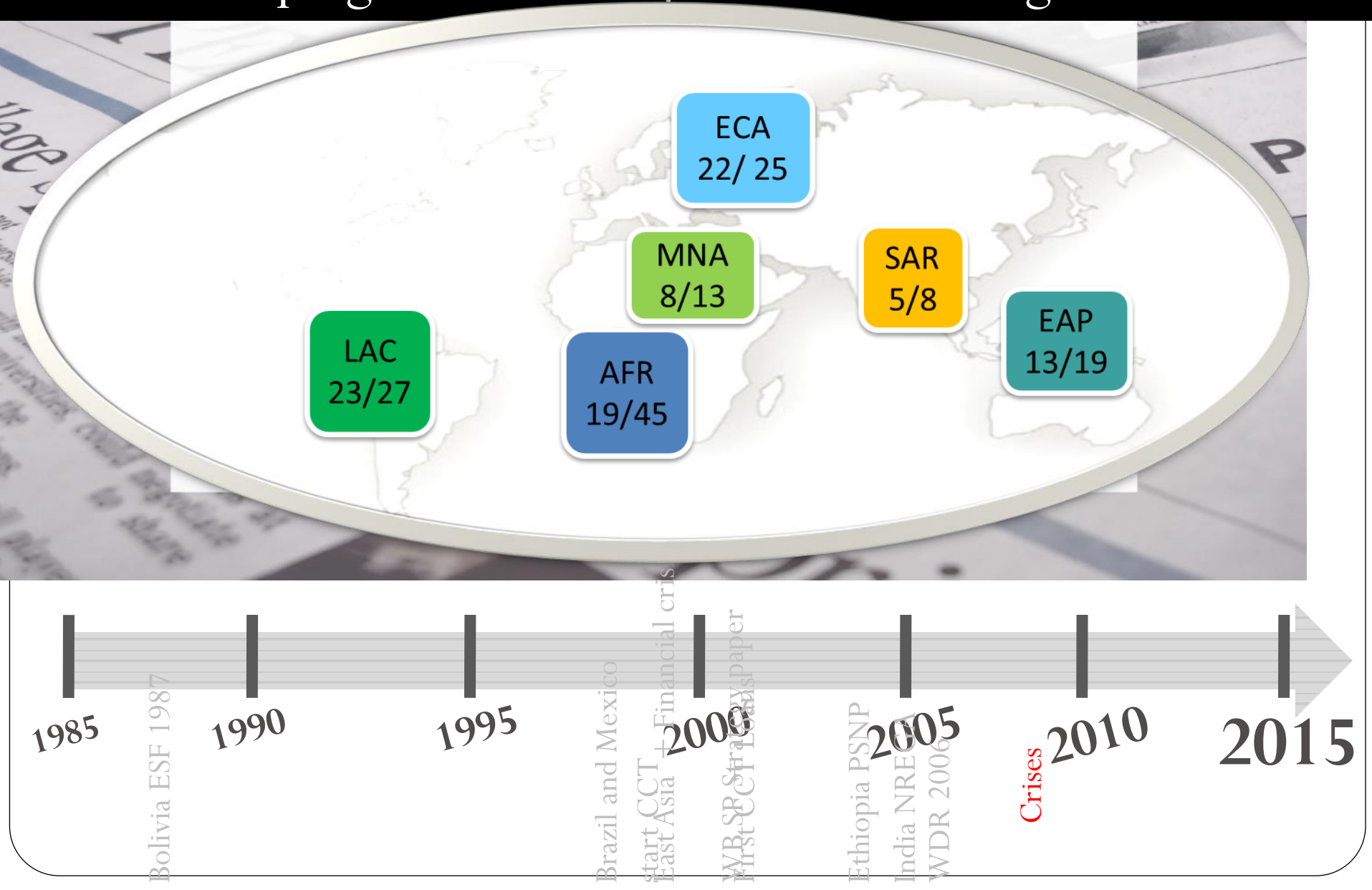
J.P. Azevedo, G. Inchauste, S. Olivieri, J. Saavedra and H. Winkler, "Is labor income responsible for poverty reduction? A decomposition approach". Background paper for the WDR 2013. Forthcoming.

Food & Fuel Price Increases, Financial Crisis Hits

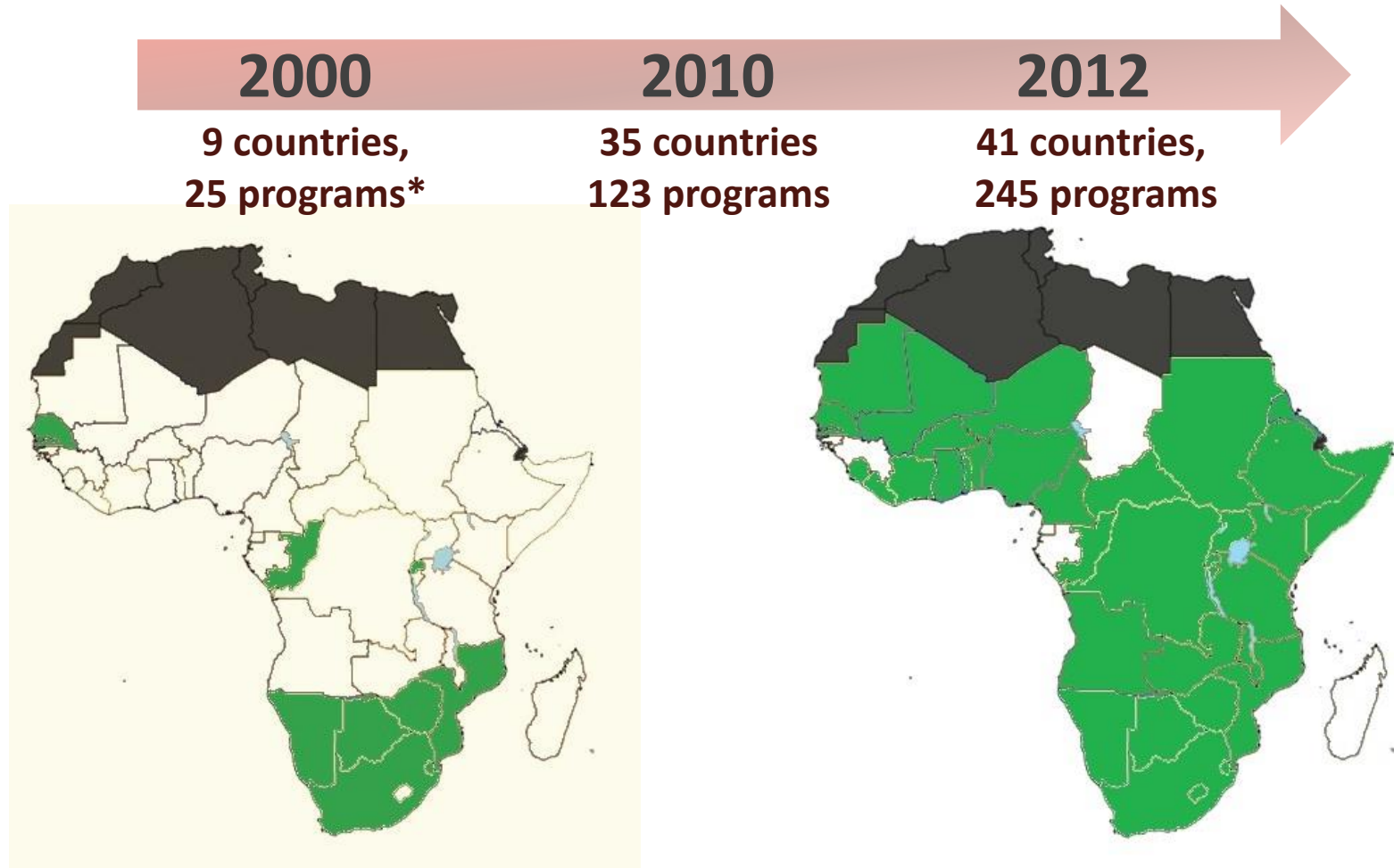


Headline 2008/9

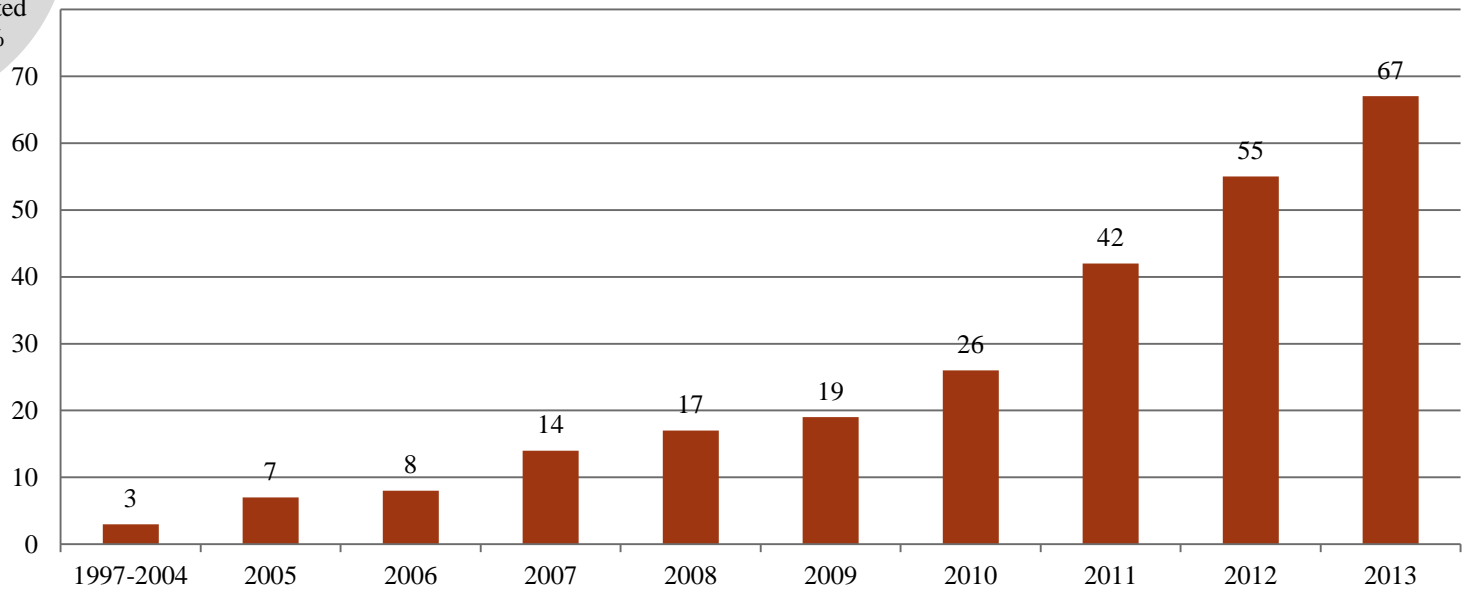
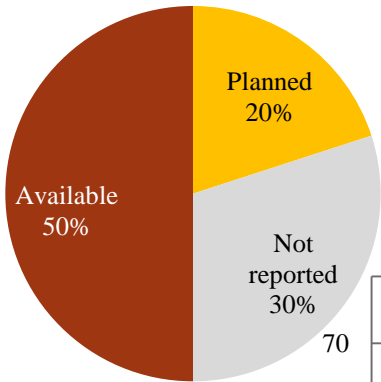
2/3s developing countries improve SSN during crisis



The revolution is happening where needs are greatest



An increasing attention to systems: SPL strategies are instituted around the world

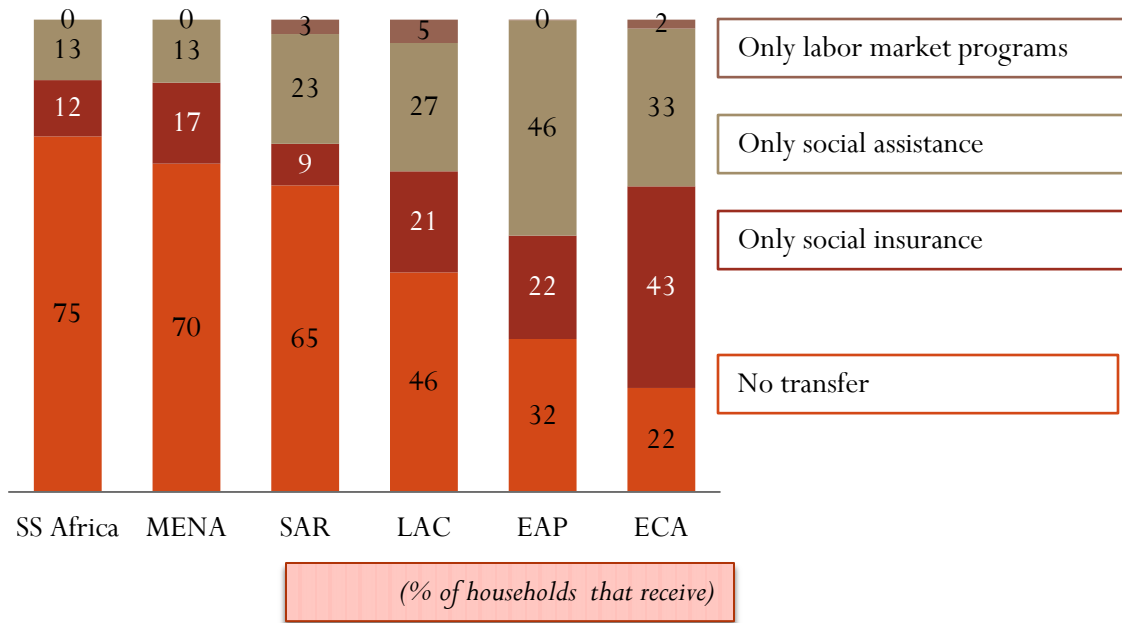


Recap

- Social protection is central to poverty reduction
- And to shared prosperity
- To respond to other challenges (shocks, technology...) new ways to protect people are needed
- There is an increasing commitment to social protection, but...

SPL challenges

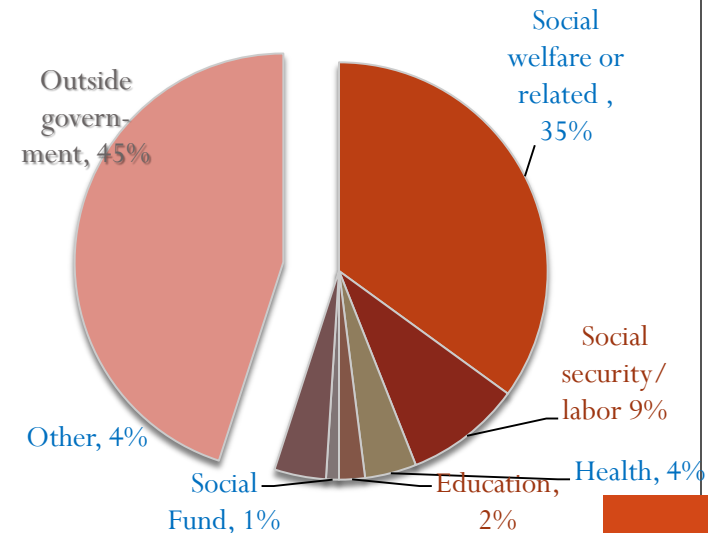
Low Coverage, particularly in low-income countries



Source: Household survey data from 64 countries

Fragmented Programs

Example: where cash transfer programs in Sub-Saharan Africa are based



Fragmentation of SPL...

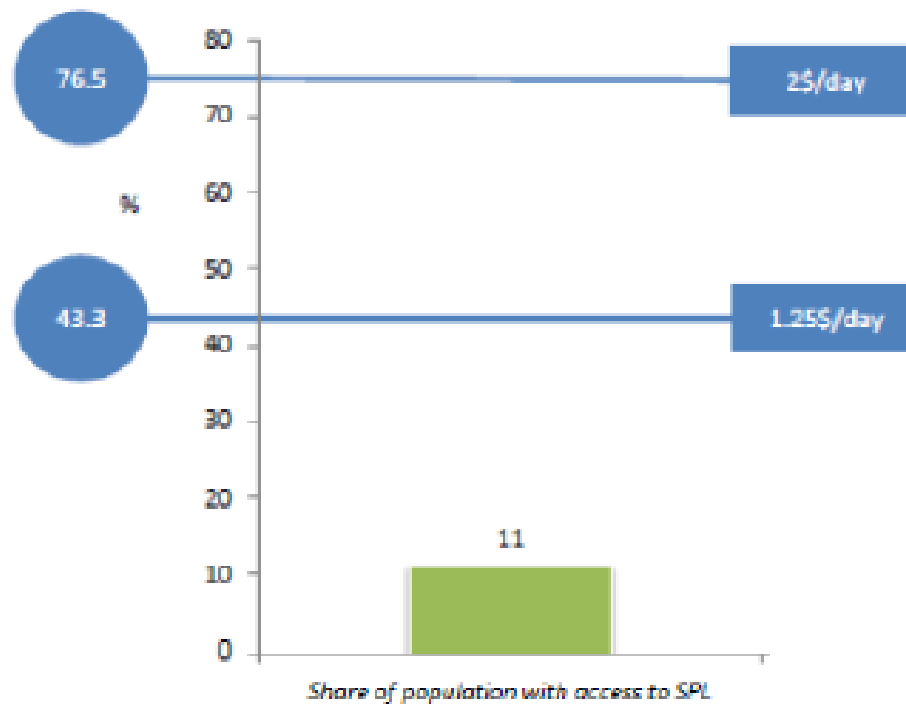
... e.g., Bangladesh: 100+ SPL programs in 2012



Source: WB/CPIA (2013); Khandker et al. (2011); UNDP (2009); Ahmed (2007)

...leads to coverage gap

- ... programs in Bangladesh reach *as a whole* an average of one-tenth of the population

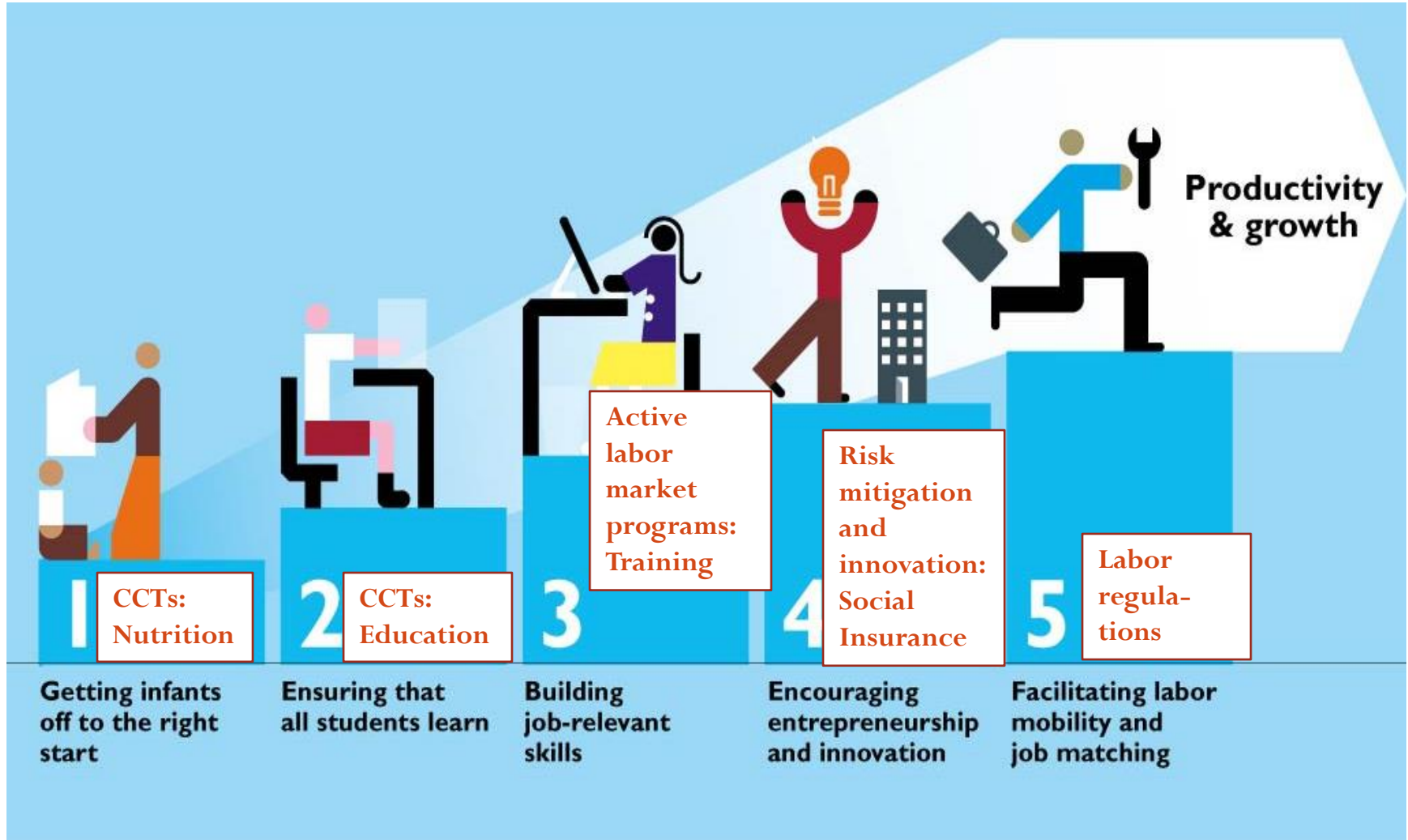


Source: WB/ASPIRE, WDI

SPL System for Skills

This is how the system should work. Does it?

STEP framework (Source: World Bank 2010)

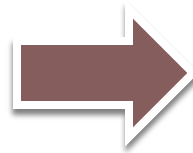


Recap:

Global Gap

What to do?

Fragmentation



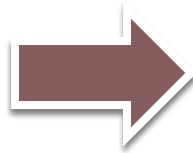
Build appropriate, country-specific, **social protection systems**

Coverage



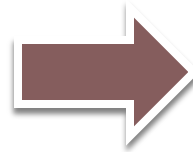
Expand coverage, especially in **low-income countries and fragile states**

Weak link to productivity



Promote links to **human capital, skills and labor market insertion**

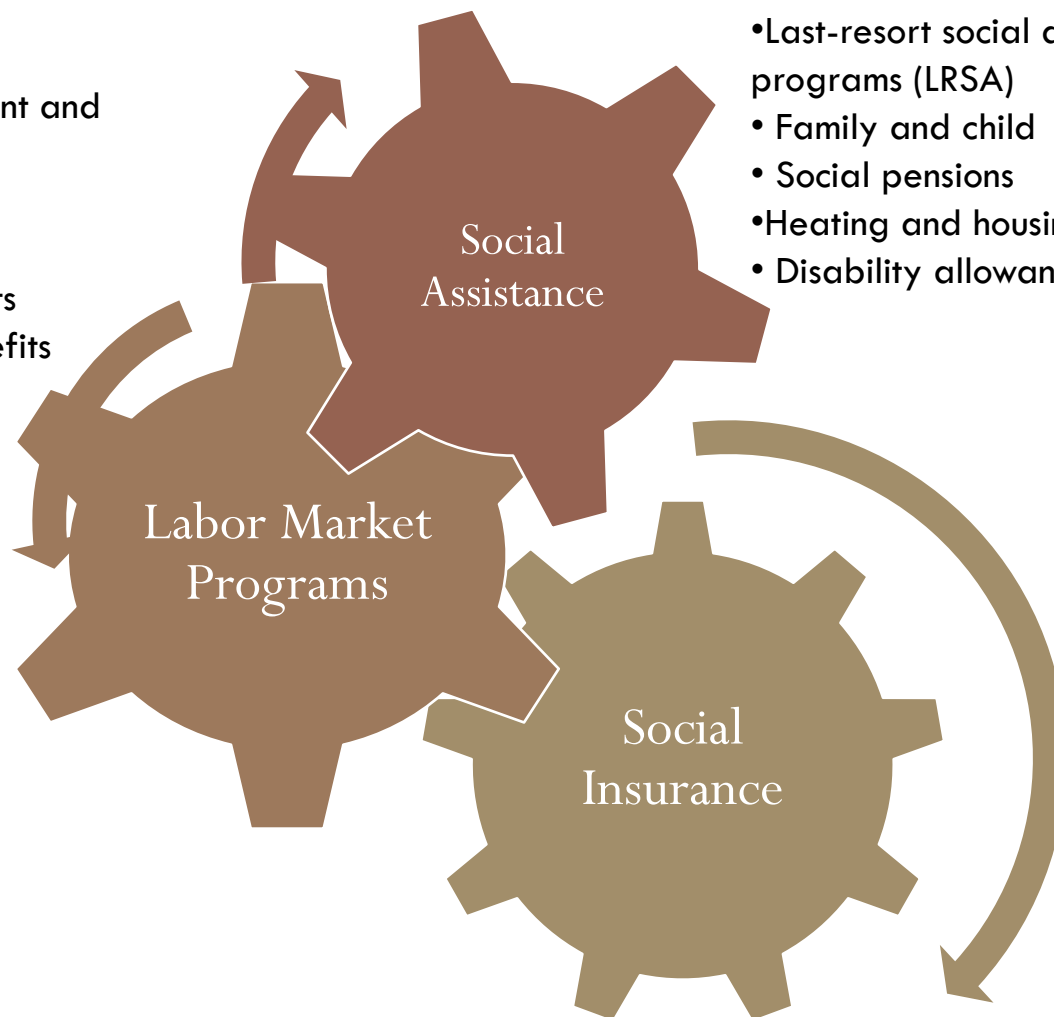
Knowledge



Expand **investment in results and knowledge**

Social Protection and Labor System

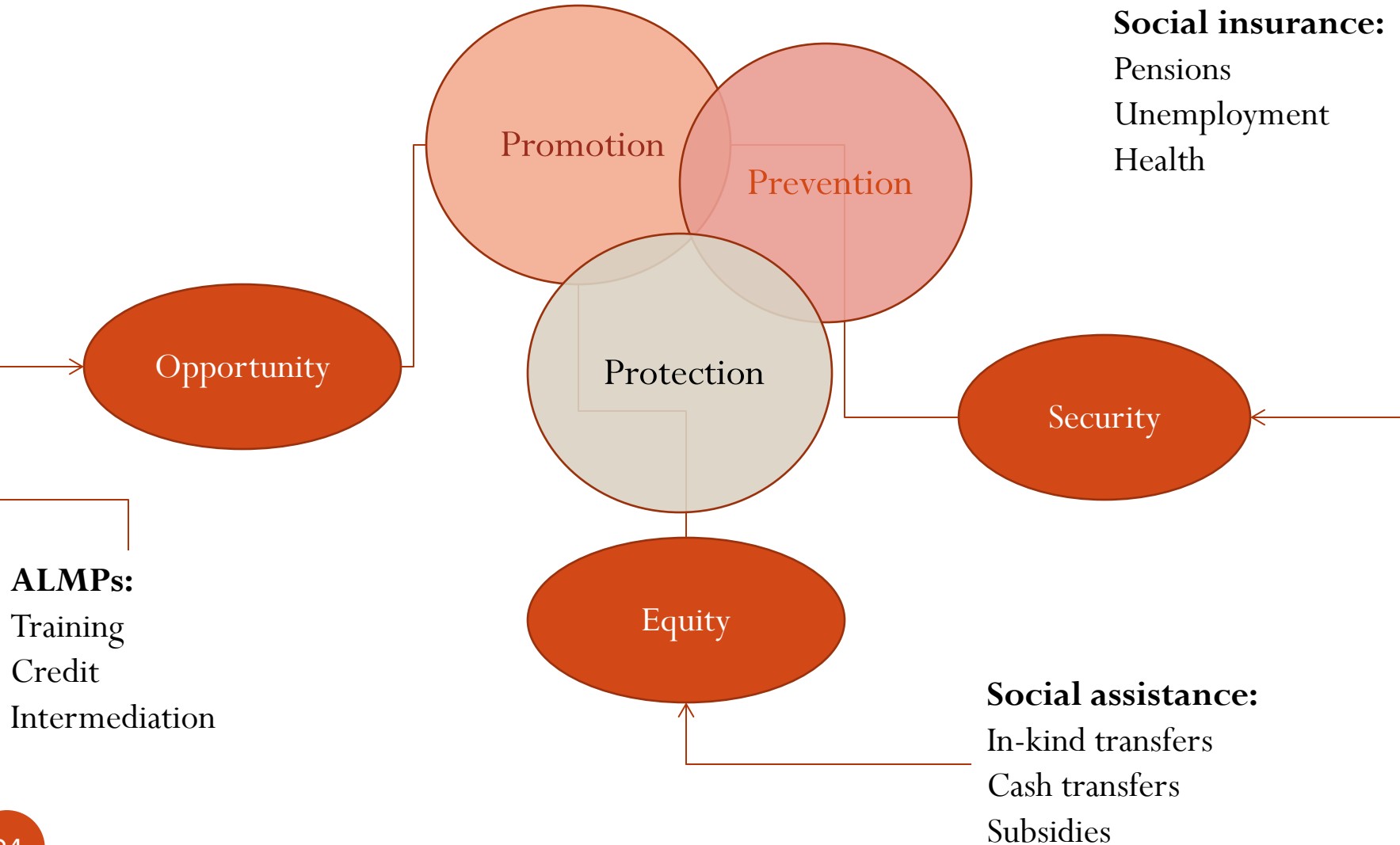
- Labor market services
 - Training
 - Employment incentives
 - Supported employment and rehabilitation
 - Direct job creation
 - Start-up incentives
 - Unemployment benefits
 - Early-retirement benefits



- Last-resort social assistance programs (LRSA)
- Family and child benefits
- Social pensions
- Heating and housing allowances
- Disability allowances

- Old age
- Disability
- Survivor
- Sickness
- Family/children

Different way to classify functions of SP system





Promoting Shared Prosperity through Better Earnings, Employment and Job Quality



Reducing Risk of Slipping into Poverty through Better Insurance against Effects of Shocks



Reducing Extreme Poverty
Now and for future generations

Labor Markets



Pensions



Safety Nets

Social Protection and Labor Systems

SP System with 3 Functions goes beyond SP programs

Insuring against the Impact of Risk

- Health insurance
- Crop and weather insurance
- Remittances
- Old age and disability pensions
- Unemployment and disability insurance

Prevention

Promotion

Promotion of opportunities

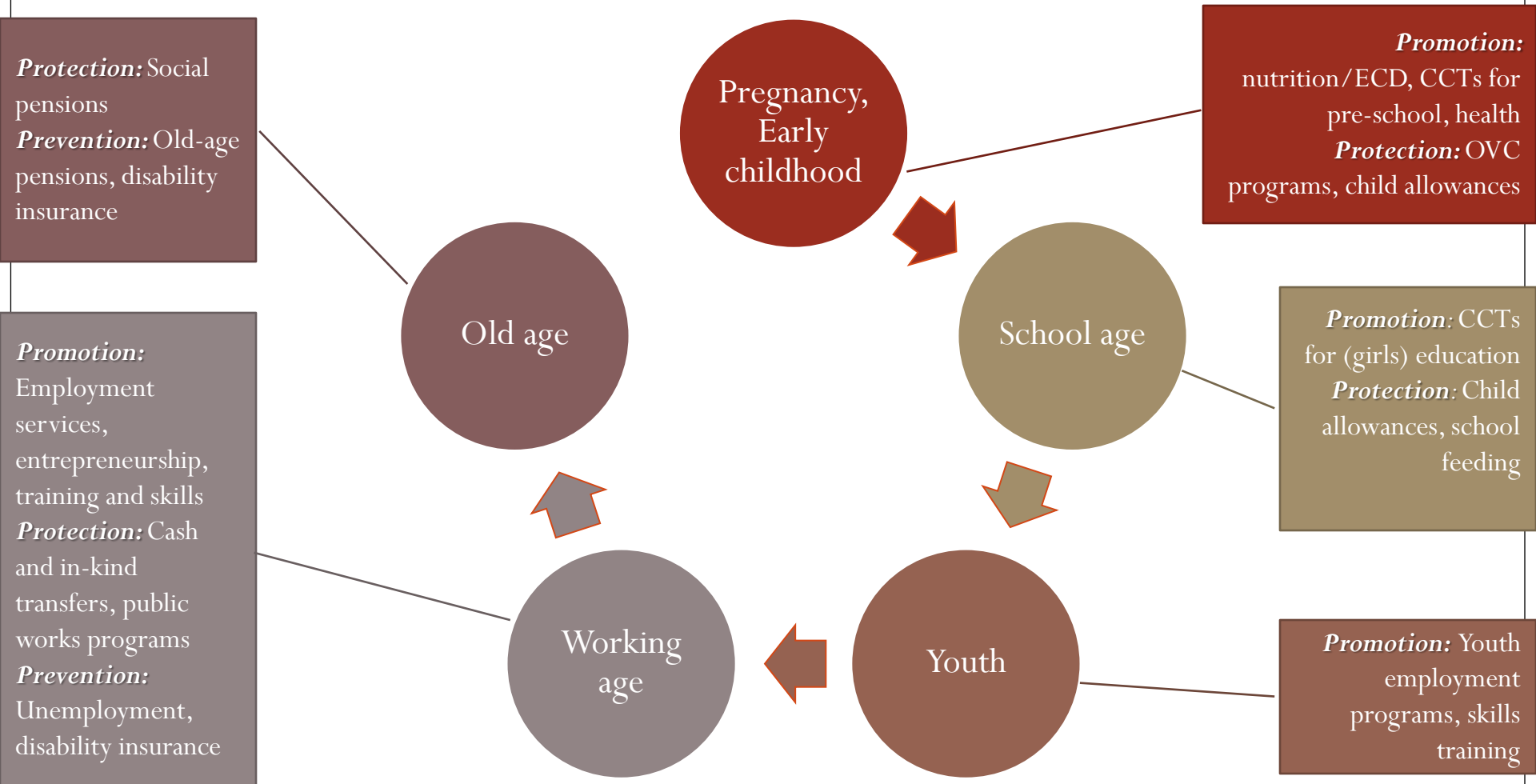
- Education, health & nutrition services
- Agricultural extension
- Microfinance
- CCT
- Skills training
- Labor facilitation and regulation reforms

Poverty alleviation

- Charitable, family and community transfers
- Conditional and unconditional cash transfers
- Public works
- In-kind transfers

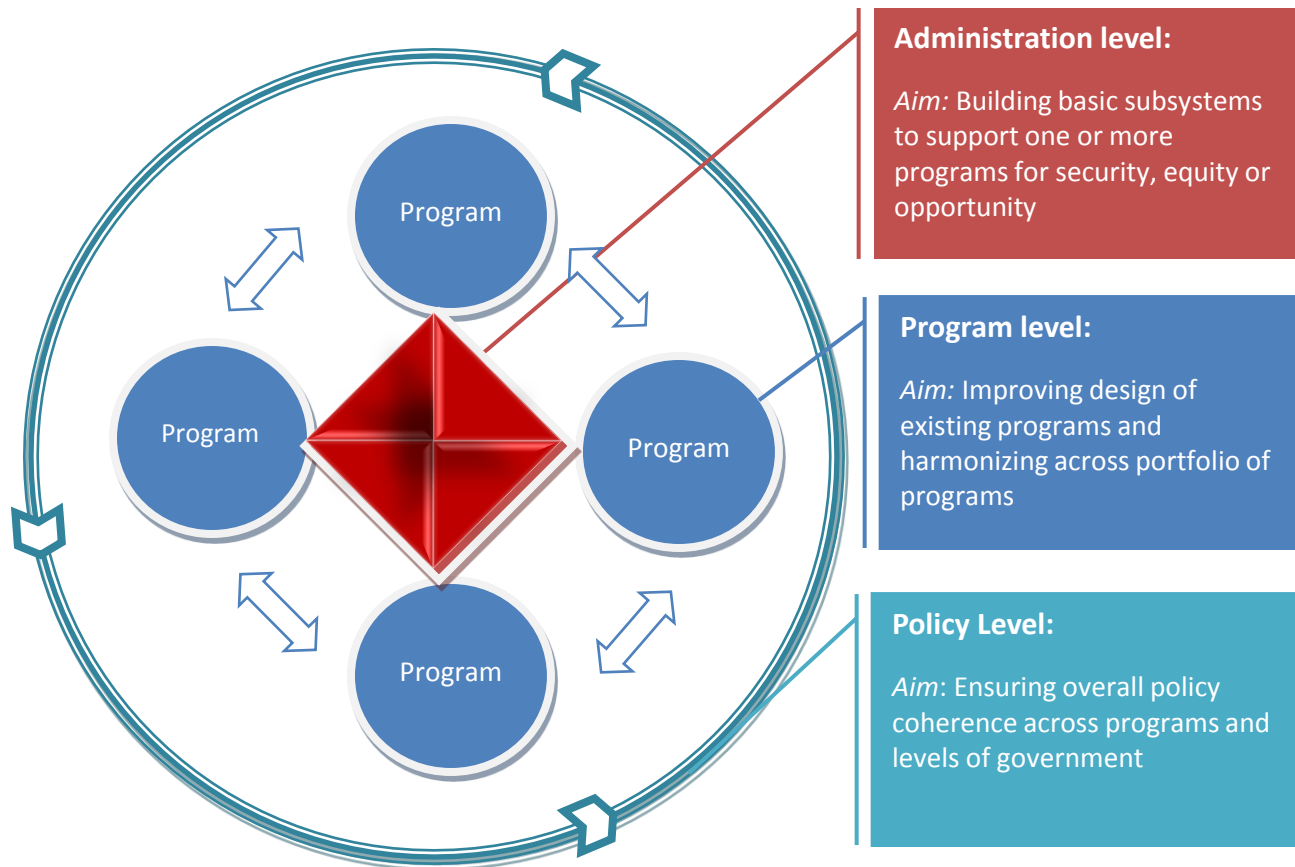
Protection

Virtues of systems: (i) multiple instruments can be mobilized to manage a given risk; (ii) coordination of instruments across risks (iii) ensure incentives compatibility (less confusion) across program



Levels of a SPL System

Portfolios of coherent programs that can communicate with each other, often share administrative sub-systems, and work together to deliver resilience, equity and opportunity



Systems: Better social protection for the future

Low capacity contexts

Few or no functional formal 3P programs

Goal: Building the “nuts and bolts” sub-systems to provide one or more 3P functions

Emerging capacity contexts

Existing systems often fragmented, with limited capacity to coordinate

Goal: Improving efficiency and efficacy of each program, improving coordination across programs

Better capacity contexts

Well-functioning programs with aligned incentives and clear institutional roles

Goal: Policy coordination to ensure efficiency, equity and incentive compatibility

Policy choices

(i) How various programs will be designed both in terms of their mandate and the choice of instruments?

- Balance between 3Ps;
- Rights vs discretion.
- **Harmonization, coordination or integration?**

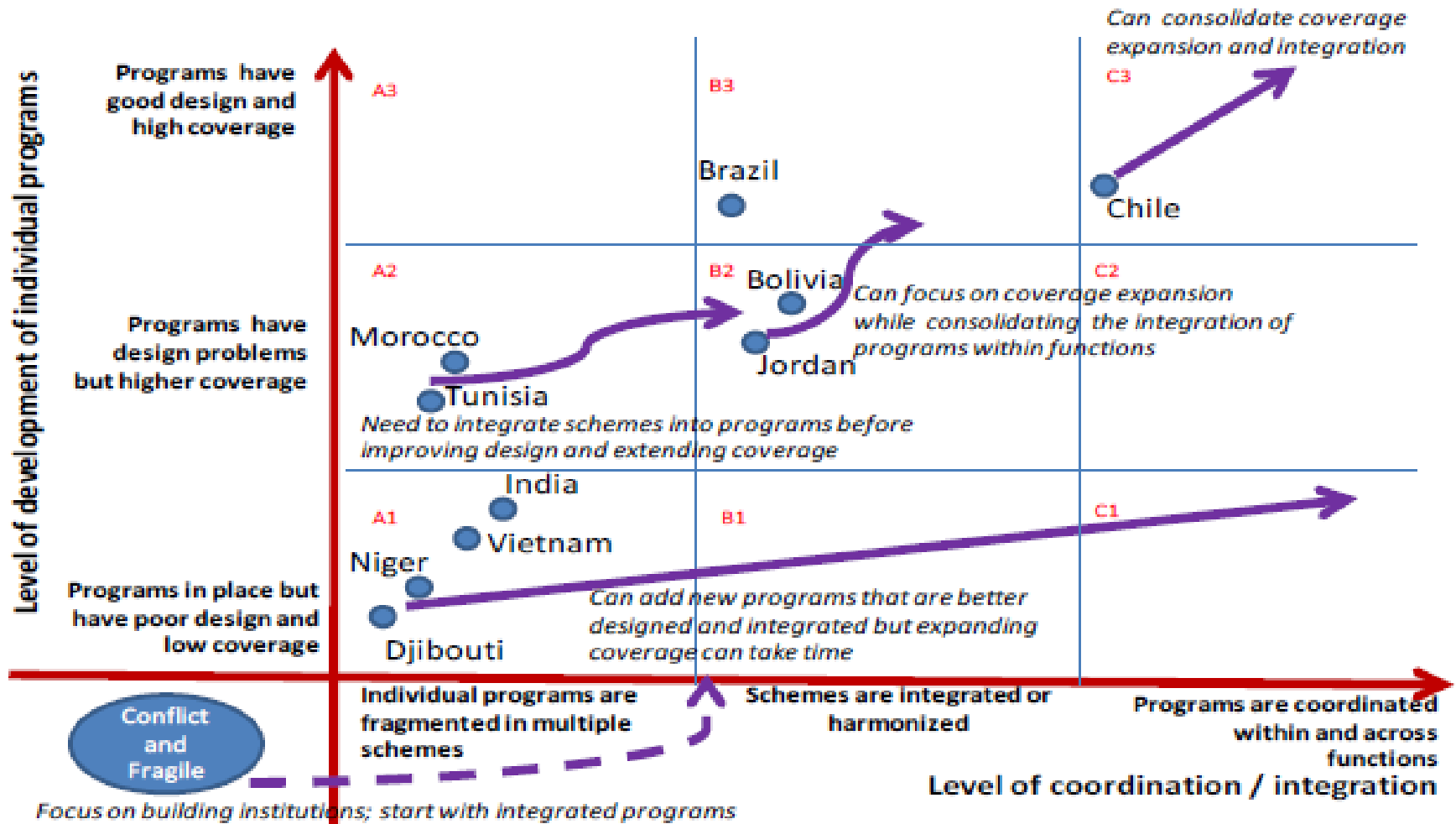
(ii) How they will be financed?

- Affordability and sustainability.
- From “given budget” to mandates.
- Donor

(iii) What type of institutional arrangements will be used for implementation?

- Roles, rules, controls. Agencies and ministries. Decentralization.
- Role of beneficiaries: from “recipient” to “principal”
- Common platforms (implementation mechanisms): registries, targeting, payments, outreach/intake staff, audits and control, evaluation.

Transition paths to more integrated SP systems



Challenges in the move beyond programs towards systems

- **Ownership/identity.** How to rally/mobilize support / attract leaders to impersonal “system”.
- **Agility/flexibility.** How to ensure rapid reaction when coordination has to involve many parties? How to avoid building large overly bureaucratized mega institutions?
- **Incentives for innovation.** Sometimes it is easier to make/test changes in isolated programs.
- **Externalities** can be negative: poorly performing scheme can draw resources from other parts;
- **Costs for beneficiaries:** in terms of knowing complex landscape/choices and being able to make decisions;
- **Interaction with private/informal arrangements.**
Expanding coverage of increasingly complex public arrangements poses a challenge of crowding out private /informal networks.

What should we expect from more integrated social protection systems?

- Expanded coverage of SP programs.
 - A good SP system identifies coverage gaps and works to ensure the inclusion of the most vulnerable in the SP system and to eliminate overlaps and redundancies
- Greater equity
 - A good SP system will ensure that fiscal resources are equitably distributed, will achieve horizontal equity,
- Sustainability
 - By lowering administrative costs, garnering political support and directing resources to most efficient uses.
- Better labor market and human development outcomes.
 - By minimizing distortions, providing incentives to beneficiaries to graduate, workers to move to more productive employment and service providers to target services to most needy and to focus on results (rather than outputs)
- Ability to respond to crisis/resilience.
- Less poverty.

Thank you



© Andrea Borgarello / World Bank