

# Inequality and Poverty: Analysis and Policy

**Eleventh lecture: Robin Hood and piggy bank: social protection systems**

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Course web page: <http://rszarf.ips.uw.edu.pl/inequality/>

# Lecture content

- Rationale, functions and social risks in the social protection framework
- Life-course and social investment perspectives
- Social protection instruments and ways of financing them (intra- and inter- personal and temporal)
- Cash and in-kind transfers: targeting, conditionality and modality with general overview
- Standards of social protection: synchronization and beyond
- Summary
- Reading for the next lecture

Social protection systems: rationale,  
functions, social risks and needs in life course

# The rationale for social protection: exposure

## **RATIONALE FOR SOCIAL PROTECTION**

Individuals, households and communities are exposed to a diverse range of risks (e.g. illness, natural disaster, unemployment) that may lead to or exacerbate deprivation. In addition to having the highest exposure to many risks, the poor have the fewest tools to handle the consequences of these risks, which, without the provision of external safeguards, can lead to increased vulnerability and intractable poverty.

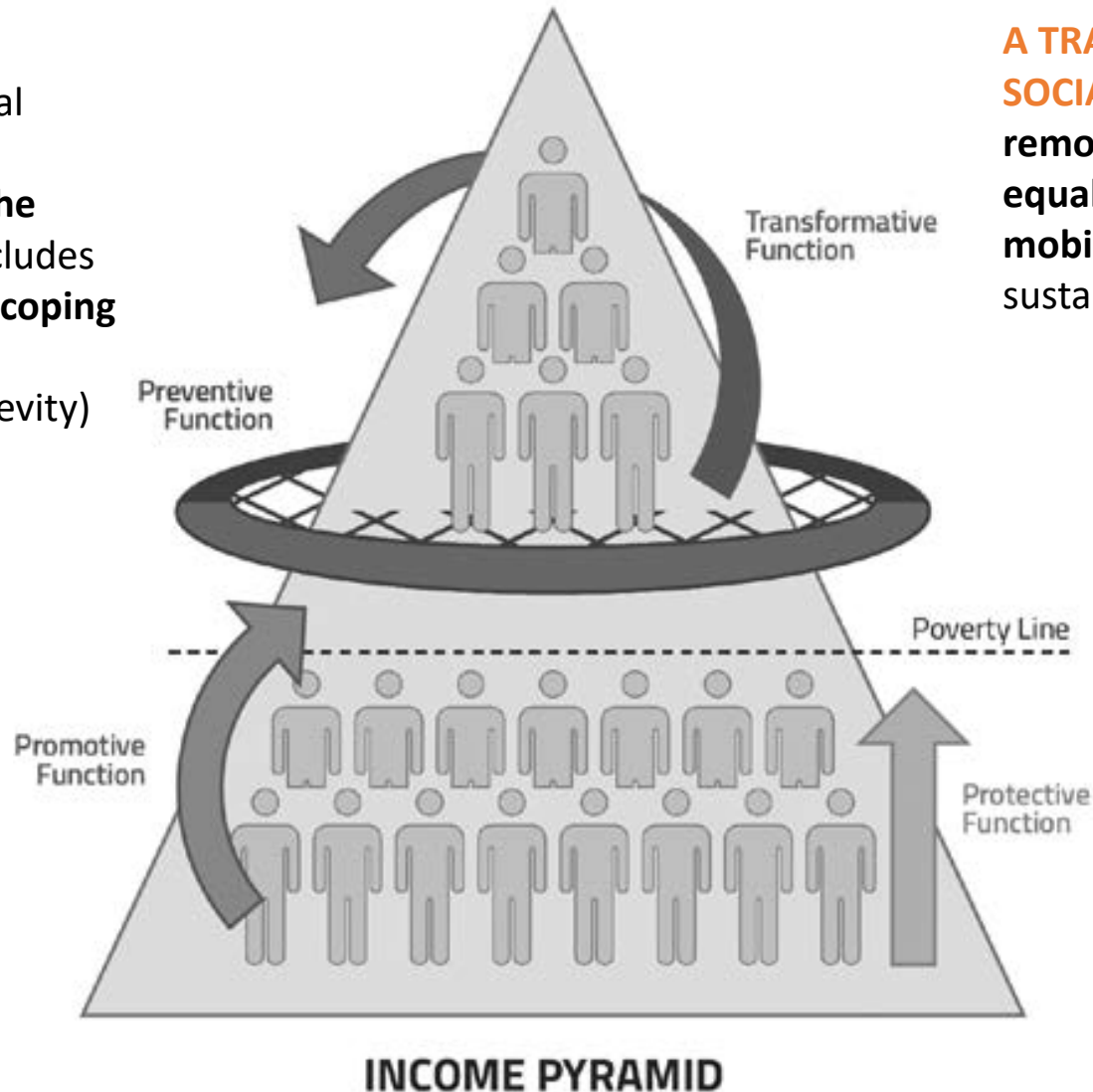
Comment. In this formulation **main rationale is the provision of external safeguards against vulnerability and intractable poverty, and not reduction of inequality per se**

[Lena Morgon Banks et al. \*Disability and social protection programmes in low and middle income countries a systematic review\*, 2017](#)

„Social protection has always been seen as a means to reduce poverty as well as vulnerability to risks”

**A PREVENTIVE FUNCTION:** Social protection can help to prevent poverty. It supports people in the management of risks, which includes the prevention, mitigation and coping with risks such as bad health, unemployment or old age (longevity)

**A PROMOTIVE FUNCTION:** Social protection can fight poverty. It reduces the overall vulnerability of people by stabilising future income streams. Such reduction of uncertainty about tomorrow encourages people to take new risks in their income-generating activities

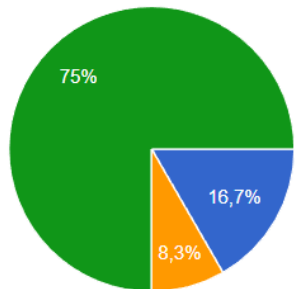


**A TRANSFORMATIVE FUNCTION OF SOCIAL PROTECTION**, which is to remove barriers to higher social equality, inclusion and social mobility and thereby achieve sustainable livelihoods

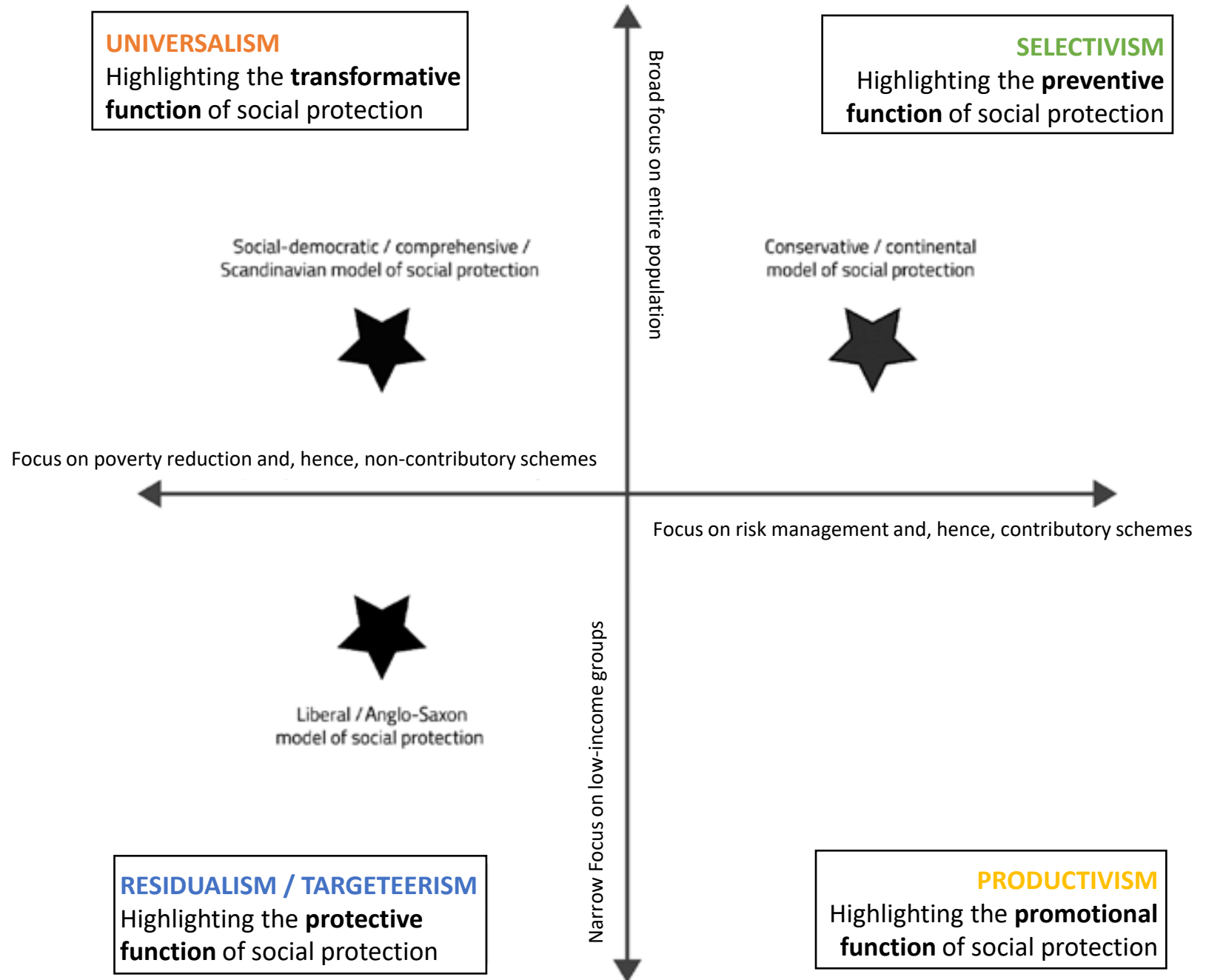
**A PROTECTIVE FUNCTION:** Social protection contributes to the alleviation of poverty. It supports people living below a nationally defined minimum, the poverty line, with cash or in-kind transfers or subsid

# The four extremes of prioritisation in social protection policies

Students preferences (N=12)



- residualism or targeteerism
- selectivism
- productivism
- universalism



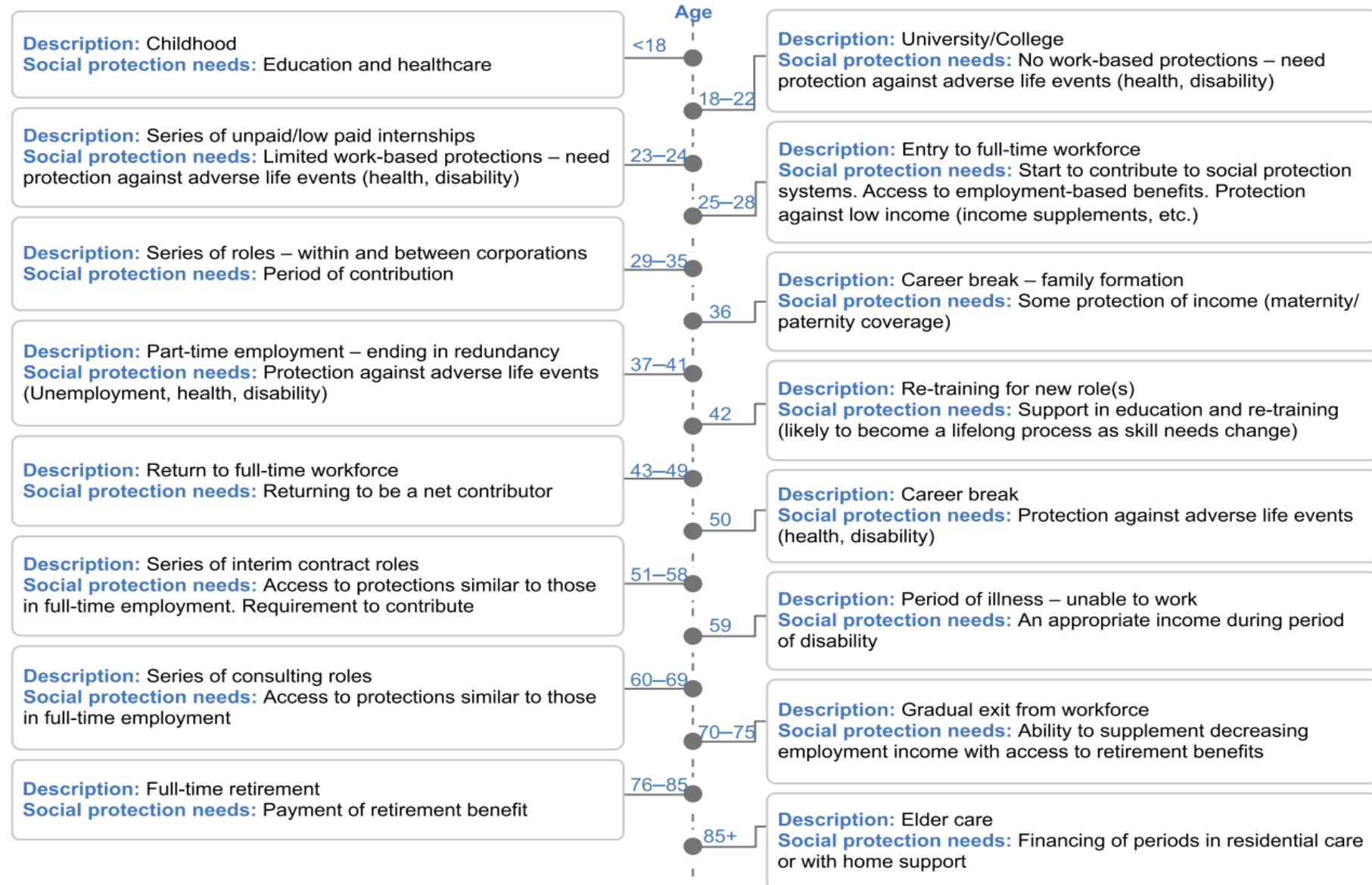
## Typical risks by their nature, level and degree of covariance

Origin of risks	Micro-level risks (idiosyncratic)	Meso-level risks (somewhat covariate)	Macro-level risks (highly covariate)
Life cycle	<b>Childhood</b> <b>Parenthood</b> <b>Death (widowhood, orphanhood)</b> <b>Old age (longevity)</b>		
Health	<b>Illness</b> <b>Injury</b> <b>Employment-related injury and infection</b> <b>Pregnancy</b> <b>Delivery</b>	<u>Epidemia</u>	<u>Endemia</u>
Employment and economy	<b>Loss of job (unemployment)</b> Business failure	Decrease in demand Output collapse	Financial crisis Currency crisis Hyper-inflation
Society and polity	<ul style="list-style-type: none"> <li>● Theft/robbery</li> <li>● Murder</li> </ul>	Terrorism Bomb attack Riot Resettlement	War Civil war Coup d'état Political default
Nature	Domestic fuel Lightning strike	Drought Flood Landslide Hail	Volcanic eruption Earthquake Air pollution Climate change
Environment		Pollution of river Deforestation	Nuclear disaster

„Consensus exists only on the risks printed in bold, i.e. it is controversial if support provided for the management of any of the others can be considered social protection as well”

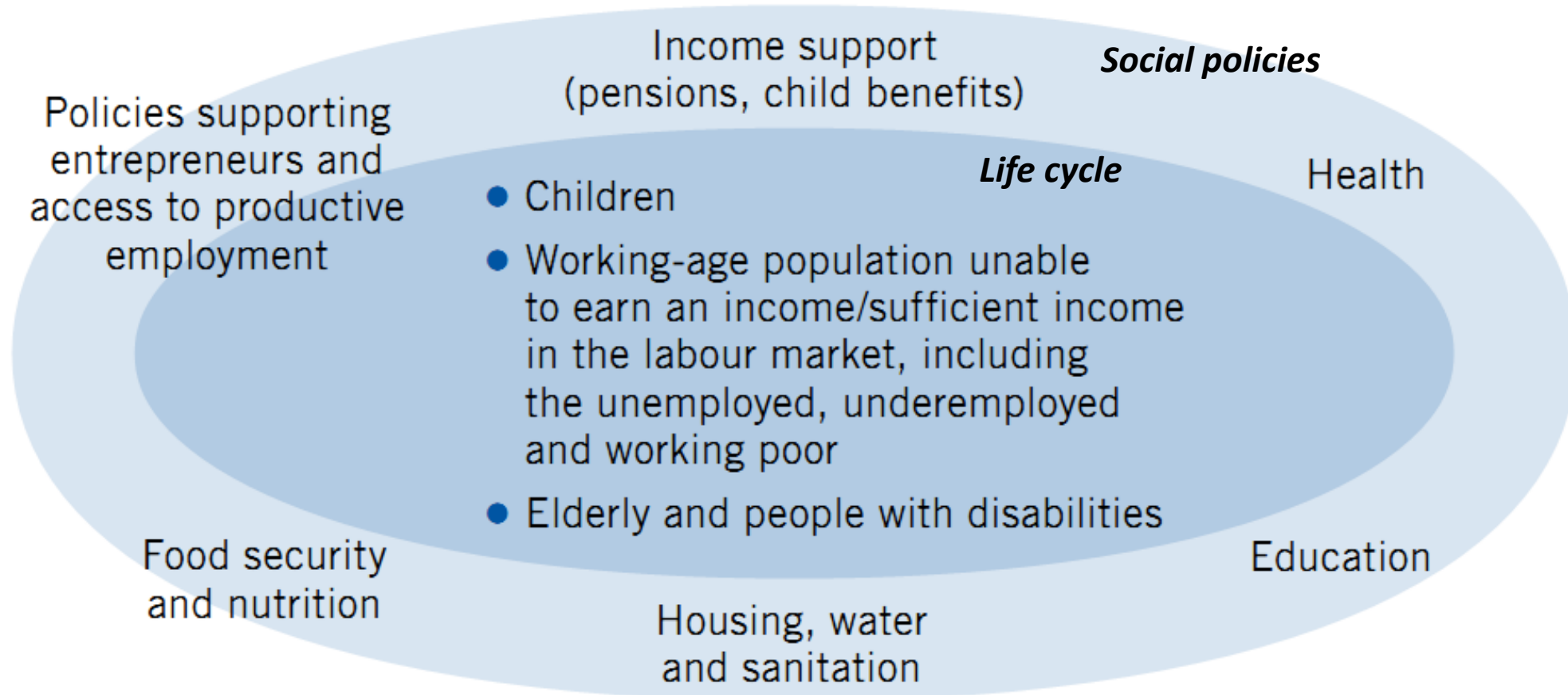
**Figure 2.3.1: A Whole-of-Life Approach to Social Protection Needs in the Fourth Industrial Revolution Era**

Social risks (social protection needs) in the Whole-of-Life (life cycle) approach



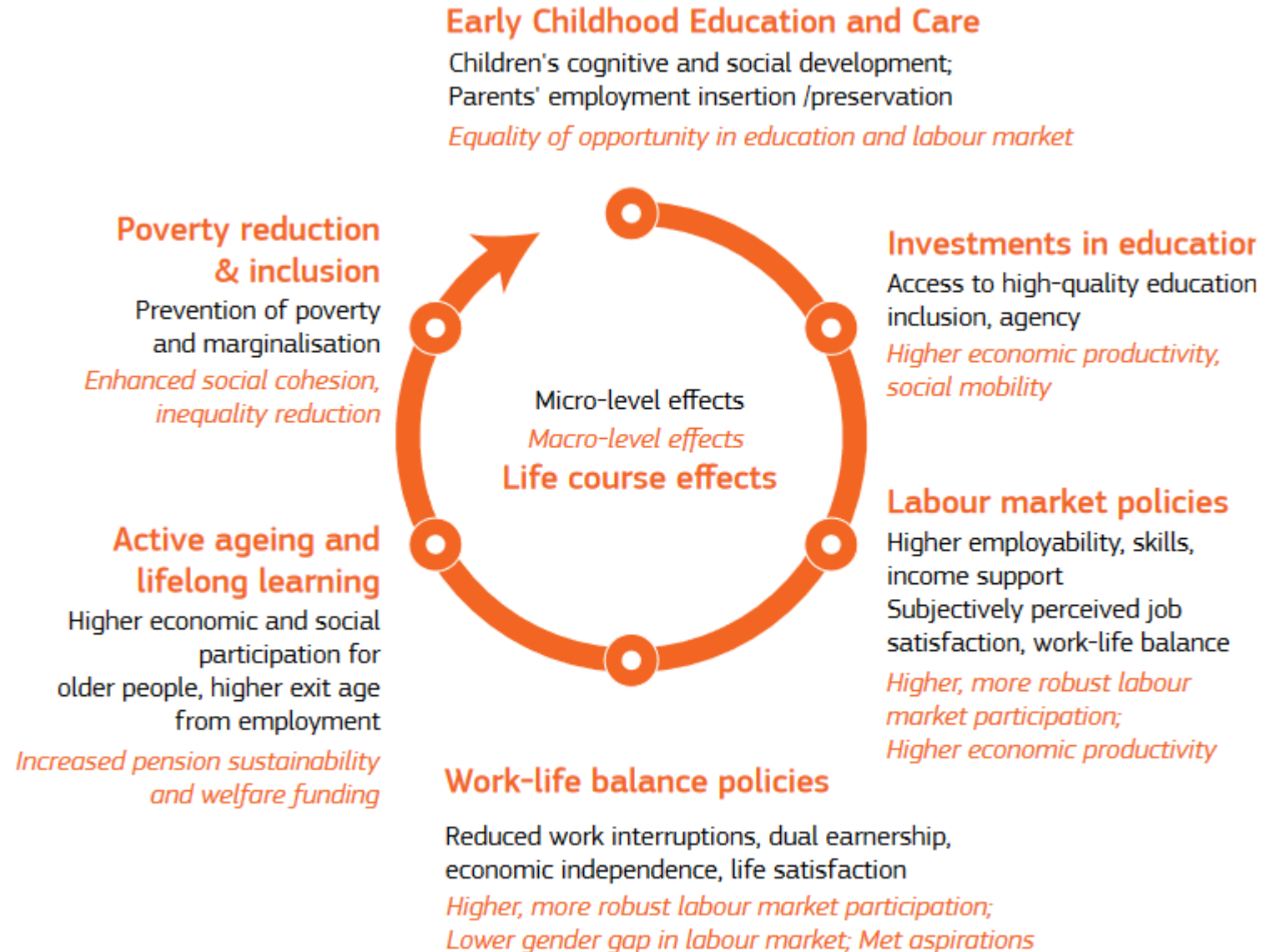


# The idea of Integrated social policies to protect and empower people across the life cycle



# Focus on social investment and life-course perspective

„From a life-course perspective, welfare benefits and services generate a **‘multiplier’ effect**, whereby cumulative returns over the life-course generate a cycle of ever greater well-being – in terms of higher employment, gender equality, and reducing the transmission of poverty from one generation to the next”



# Social protection instruments and financing

# Diverse range of social risks and social protection as coping mechanisms

Ten types of <u>need</u> : Individual facing...	Social protection system functions designed to cope with the type of need
1. Sickness	<b>Income-replacement transfers in cash</b> in connection with physical or mental illness, excluding disability in case of inability to work
2. Ill health or need to mitigate the effects of ill health	<b>Provision of health care goods and services</b> needed to maintain, restore or improve health of the people protected irrespective of the origin of the disorder (= indirect income transfer)
3. Disability	<b>Income-replacement transfers in cash and in kind</b> (except health care) in connection with the inability of physically or mentally disabled people to engage in economic and social activities
4. Old age	<b>Income-replacement transfers in cash and in kind</b> (except health care) in connection with old age
5. Survivorship/loss of breadwinner	<b>Income-replacement transfers in cash and in kind</b> (except health care) in connection with the death of a family member
6. Family care/upbringing of children	<b>Transfers in cash or in kind</b> (except health care) in connection with the costs of pregnancy, childbirth and adoption, bringing up children and caring for other family members
7. Unemployment	<b>Income-replacement transfers in cash or in kind</b> (except health care) associated with unemployment
8. Inadequate housing	<b>Financial transfers or in-kind transfers</b> to meet/alleviate the cost of housing
9. Poverty and social exclusion, inadequate nutritional status	<b>Income transfers in cash or in kind</b> aimed at ensuring a minimum level of consumption (except health care), specifically intended to alleviate poverty and social exclusion that are not covered by one of the other functions. Direct/indirect transfers in cash and in kind to maintain an appropriate level of nutrition
10. Inadequate access to (basic) education	<b>Free access to public education and cash/in-kind transfers to facilitate school attendance</b> (stipends, free textbooks, etc.); the level of education to which access is guaranteed may depend on the country's level of economic development

# SOCIAL PROTECTION INSTRUMENTS IN TERMS OF RISK

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graph TD; A[SOCIAL PROTECTION INSTRUMENTS IN TERMS OF RISK] --> B[RISK PREVENTION]; A --> C[RISK MITIGATION]; A --> D[RISK COPING]; C --> E[RISK DIVERSIFICATION]; C --> F[RISK PROVISIONING]; C --> G[RISK POOLING OR RISK SHARING];
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## **RISK PREVENTION**

aims at lowering risks, i.e. reducing the likelihood of hazards (possible adverse events)

## **RISK MITIGATION**

mitigation aims at limiting the possible impact of risks, i.e. the shock that a hazard (a possible adverse event) can have on people

## **RISK COPING**

is any ex-post reaction of households to shocks... any support to households that helps them reduce at least the long-term effect of a hazard once it has already occurred

## **RISK DIVERSIFICATION**

reduces the possible effects of single risks at the price of a higher number of risks (e.g. through crop diversification)

## **RISK PROVISIONING**

is the accumulation of assets that help to deal with possible future shocks (e.g. savings)

## **RISK POOLING OR RISK SHARING**

is insurance, i.e. the mutual sharing of individual risks within a group (which does not reduce the risks in total but their impacts on every group member)

## The five core instruments of a social protection system

### **SOCIAL TRANSFERS**

... are **regular, reliable**, state-provided, non-contributory transfers that redistribute income between citizens. Social transfers encompass **social assistance, categorical transfers such as child benefits** or social benefits as well as allowances that are paid as compensation. They therefore aim at protecting people against poverty but also supported them in coping with risks

### **SOCIAL INSURANCE**

... is **financed by its own members' contributions and generates benefits to them in predefined cases (contingency)** such as old age, death, job loss, bad health, pregnancy or parenthood Social insurance is a means to mitigate risks. Typically it is initiated, and often also administered, by the state, which can make membership for all or certain groups of people

### **LABOUR MARKET POLICIES**

... include the **rules governing the labour market, support given to unemployed people to find new jobs and assistance to those who cannot find** new employment despite any support given to them

### **SOCIAL SERVICES**

... are services such as **psychological therapy, mentoring or drugs rehabilitation provided to people with special needs**, such as people with handicaps, with low level of education or from disadvantaged societal groups (e.g. ethnic minorities)

### **MICRO-INSURANCE**

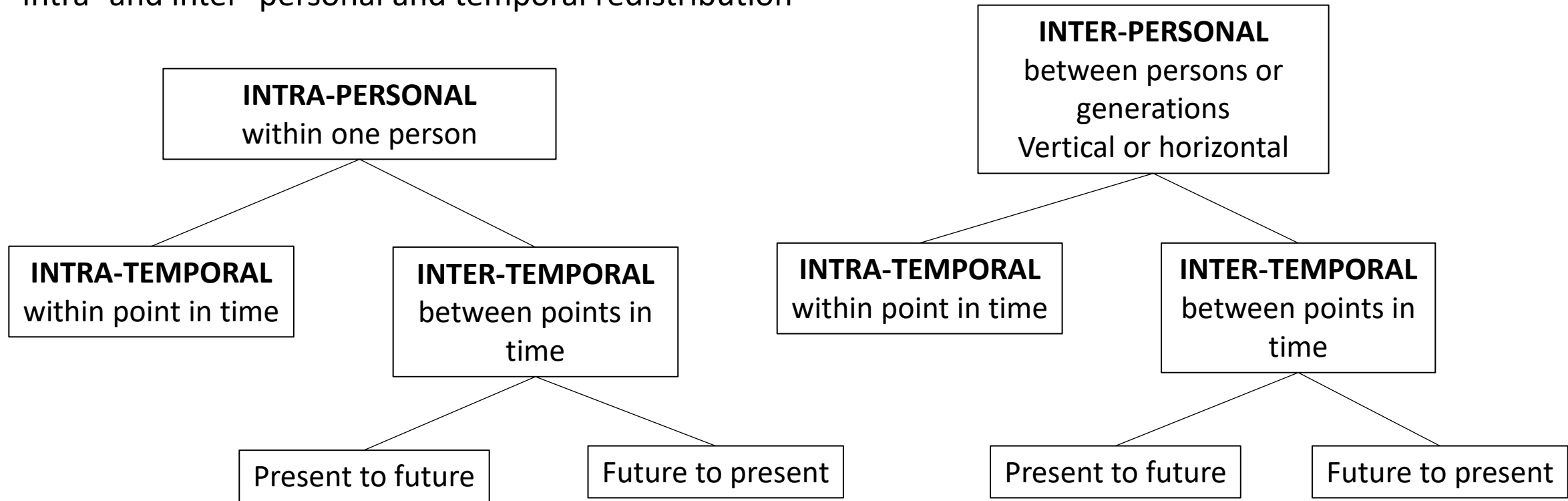
... is **insurance for low-income and informally employed people**, it can be run by public, commercial societal and third-sector actors. Membership is voluntary but funding comes predominantly from members' contributions - the reason why benefits tend to be limited

# The five ways to finance social protection benefits

Provider	Intertemporal redistribution (no transfers between people)		Interpersonal redistribution (no shifts of consumption possibilities over time)		
	Forwards from present to future, respectively past to present	Backwards from future to present, respectively present to past	Intergenerational	Only intragenerational	
				Horizontal (between people with similar risk profiles)	Vertical (from the rich to the poor)
State (or public institutions)	● National provident funds	● Public credit schemes	● <b>Social pensions</b> ● <b>Child allowances</b>	● <b>Work accidents insurance</b>	● <b>Social assistance (conditional or unconditional cash transfers)</b>
Market (commercial actors)	● Bank savings accounts and schemes	● Formal bank credits		● Private insurance (e.g. health, <u>liability</u> <u>accident</u> )	
Third sector (groups and other informal actors)	● Rotating savings and credit associations			● Mutual insurance associations	
Society (traditional social networks)	● Mutual support based on balanced reciprocity*		● Mutual support between parents and children (traditional intergenerational contract)	● Mutual support based on general- <u>ised</u> reciprocity*	● Mutual support based on altruistic donations of richer to poorer people

„Consensus exists only on the instruments printed in bold. All others are not considered social protection instruments by all experts”

# Intra- and inter- personal and temporal redistribution



Example of **intra-personal** and **intra-temporal**: decisions how to redistribute your own income between saving for a flat or spending it for daily living. It could be considered as under some social protection measures e.g. budgetary advice or personal finance education to low-income households

<i>Persons</i>	<i>Time</i>	
	<i>Intra-</i>	<i>Inter-</i>
<i>Intra-</i>	<b>1. Intrapersonal and intratemporal</b>	2. Intrapersonal and intertemporal
<i>Inter-</i>	3. Interpersonal and intratemporal	4. Interpersonal and intertemporal



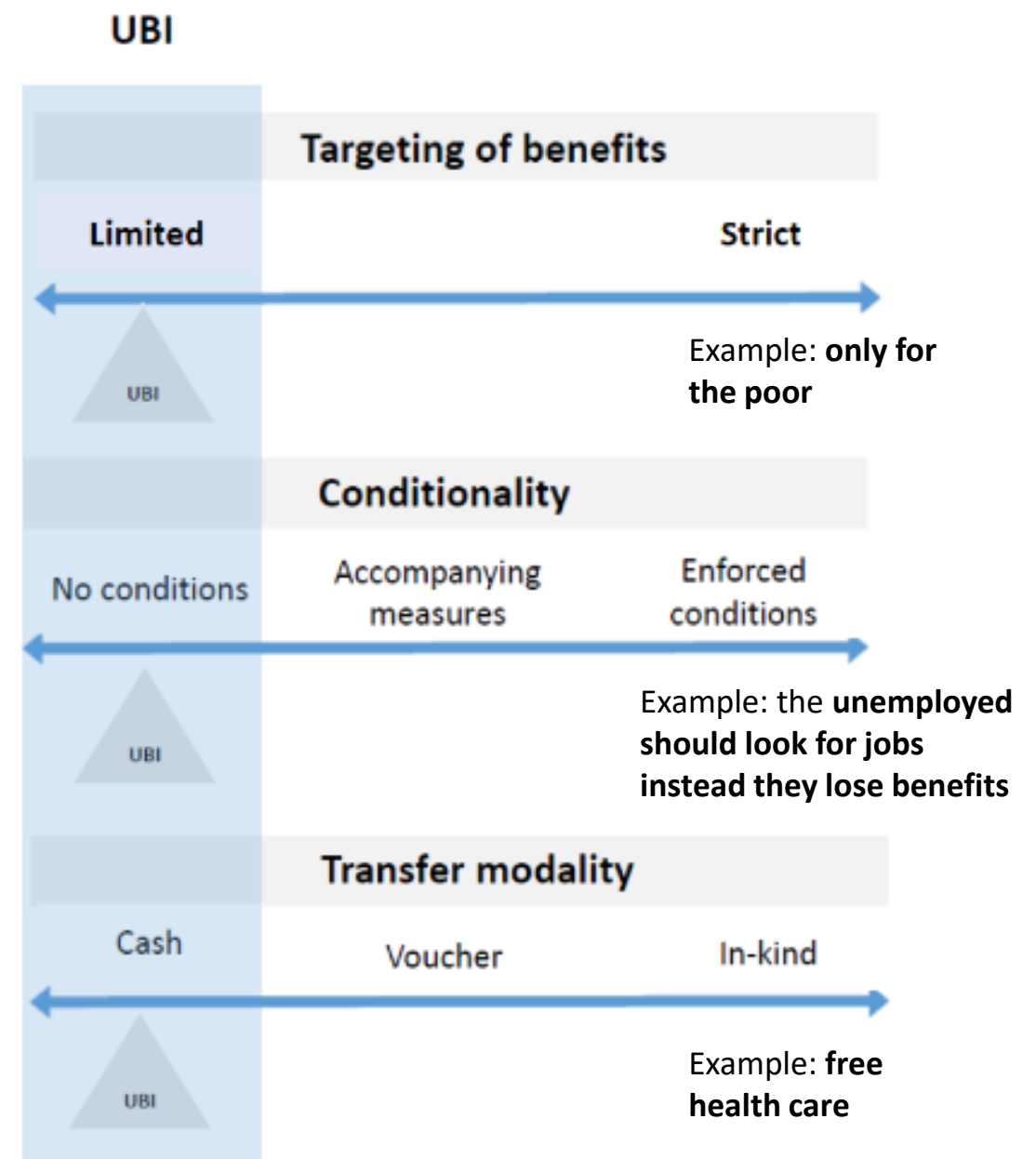
# Cash and in-kind transfers in social protection systems

# Universal Basic Income (UBI) and three dimensions for analysing social protection

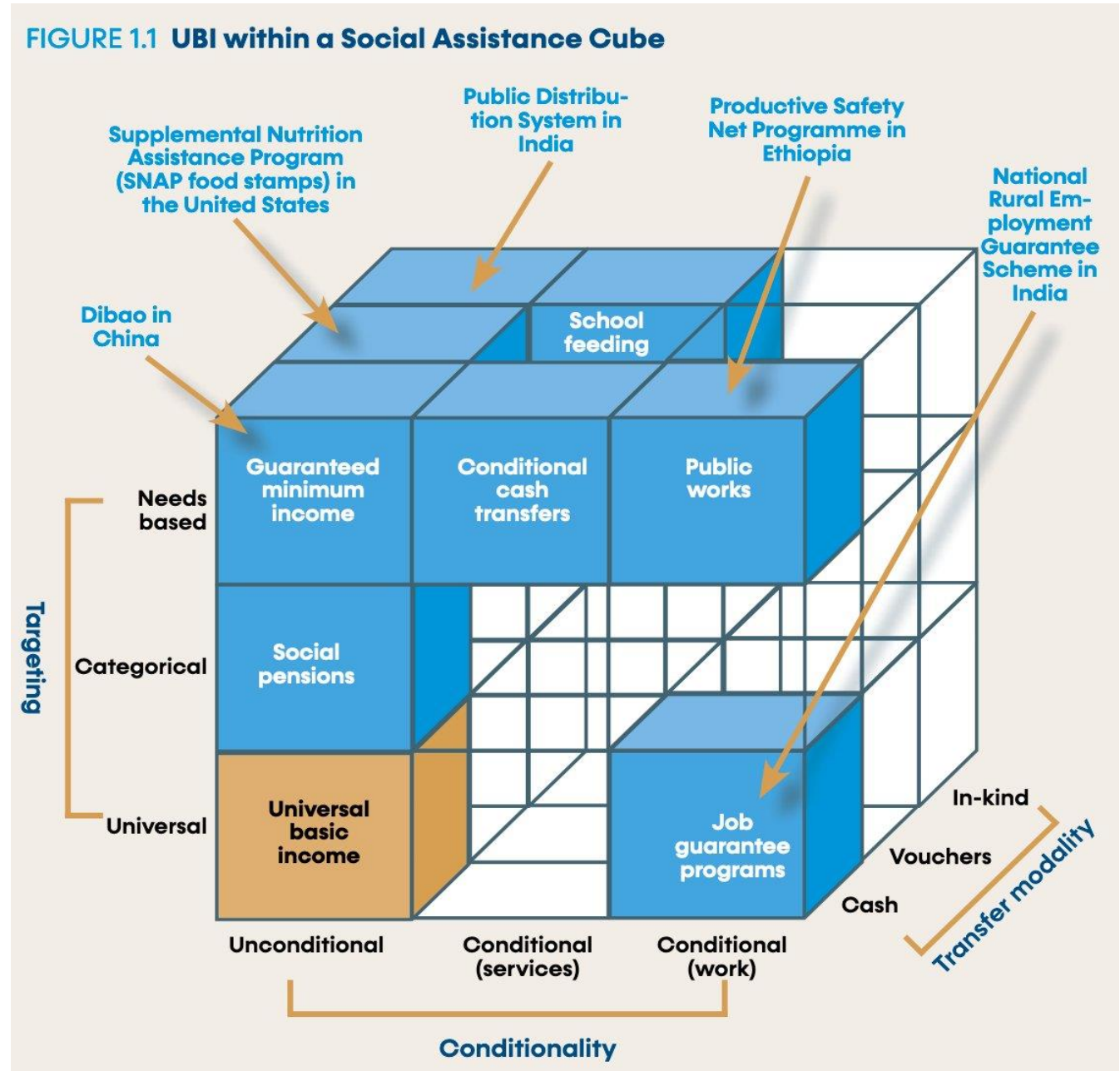
UBI is a type of unconditional cash transfers

1. UBI is not only for people living in poverty, **it is for all people** within community or society e.g. for all citizens
2. UBI is not conditional i.e. **not requiring any kind of behaviour change from recipients** e.g. they should not looking for a job and demonstrate this to authorities
3. **UBI is in cash to hand or to bank account**, this is not a voucher or free public service
4. UBI is basic in amount i.e. **only for standard basic needs on the social minimum level**

UBI is a theoretical concept and proposal to reform the redistributive system in a radical way. It is proposed often in times of crisis as a remedy, but there are doubts if it is fair, affordable and feasible. For more information about UBI see [Basic Income Earth Network](#)



Another example how to understand UBI within a broader three-dimensional social assistance framework

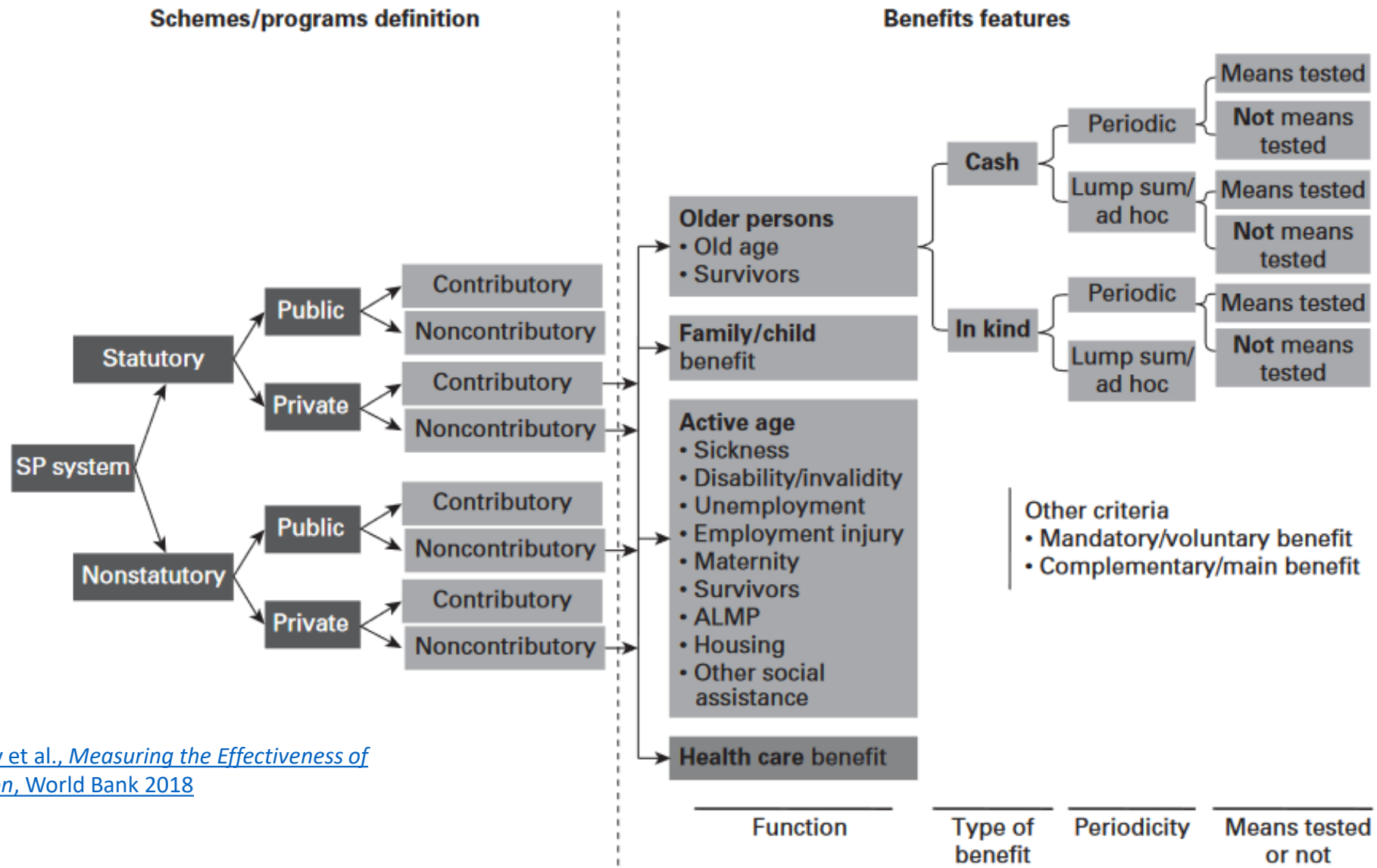


# Different types of cash (income) transfers

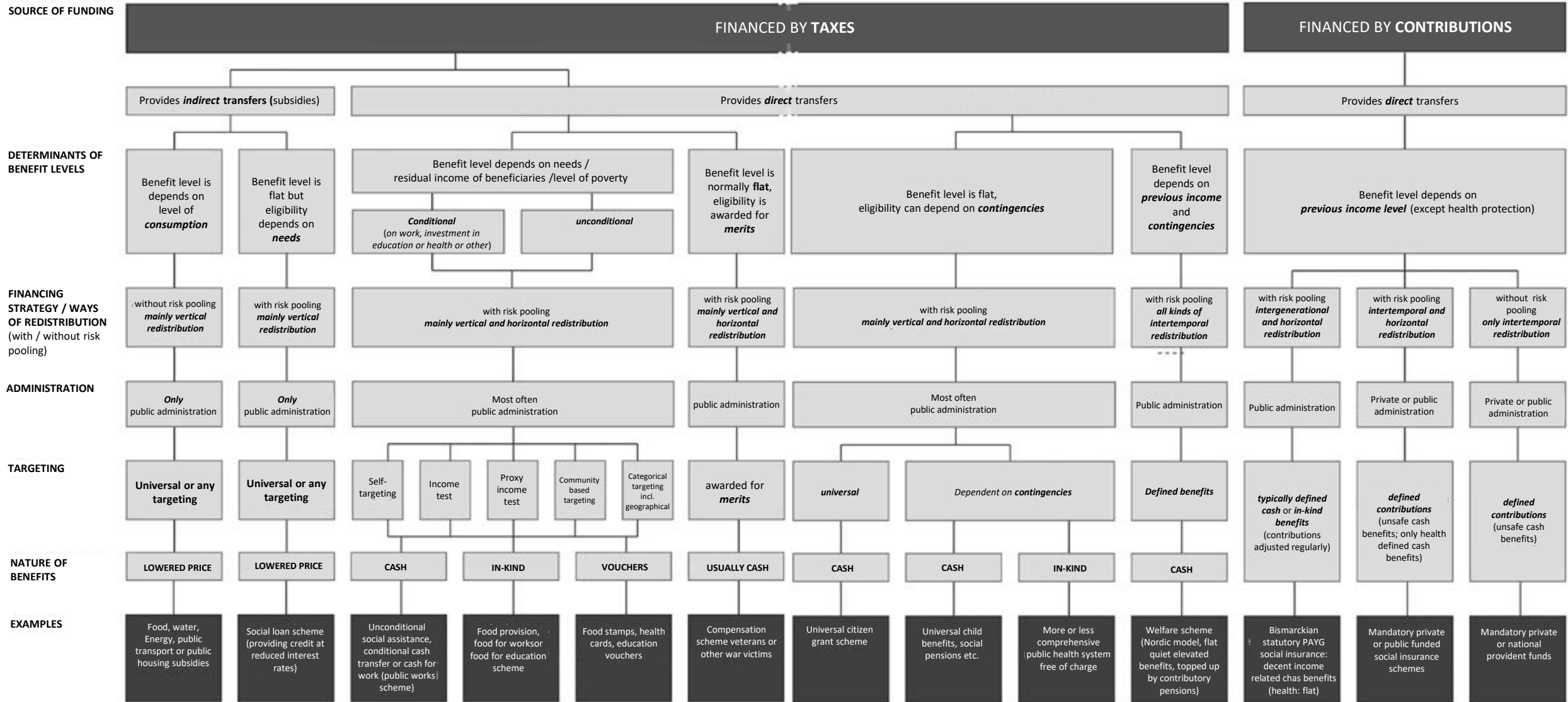
Type of cash transfers	Objectives and beneficiaries
<u>Conditional</u> cash transfers	Regular income transfers <b>to poor households conditional on particular actions and/or changes in behaviour</b> to enhance education and health outcomes
<u>Unconditional</u> cash transfers	Regular income transfers <b>without behavioural conditions</b> to help improve households' income and thus meet basic needs
Cash for <u>public work</u>	Cash payments <b>in exchange for labour in public works projects</b> , with the aim of increasing household income and often also reducing seasonal or temporary vulnerability
<u>Child</u> benefits/ grants	Cash grants <b>for households with children to meet their basic nutrition, health and education needs</b> - these may be for all children or a targeted subset (e.g., children under 5 or children in families below the poverty line)
<u>Disability</u> grants	Cash grants <b>for people with disabilities to support access to services and basic needs</b> ; particularly relevant for <b>those that cannot work and/or generate income</b>
<u>Retirement</u> pensions	Regular income assistance <b>to the elderly to help meet their subsistence needs</b> - these may be <b>contributory*</b> , <b>non-contributory</b> and funded by government revenue, or some combination

\* **Contributory** means financed from social insurance fund i.e. insured people pay their contributions to common fund and in case they face typical life risks (e.g. illness, disability, old age) they are entitled to pensions or other cash transfers financed by the fund

**Figure 2.1: Social Protection Programs and Benefits Classification by Legal Status, Contributory Nature, and Benefit Modality**



# Overview of state-initiated social protection schemes



Synchronisation and other standards for  
social protection

„Social protection systems also need to comply with certain standards or principles”

**SYNCHRONISED** social protection system **implies coherence and integration at policy, programme, and administrative levels**, aiming to support the population in managing risks and combating poverty as effectively and efficiently as possible.

**INCLUSIVE AND EQUITABLE** social protection system **should be accessible to anyone in society who requires support** against poverty or managing personal shocks.

**TRANSPARENT AND ACCOUNTABLE** social protection system **is one that is managed, evaluated, and redesigned in an open and consultative manner**. Open discussions around the effectiveness and efficiency of social protection interventions are essential, requiring serious commitment to monitoring and evaluation, not just paying lip service.

**STATE-ANCHORED** social protection system refers to the **critical role the state plays in setting standards, monitoring compliance, ensuring transparency, and guaranteeing citizens' access to social protection**, even when benefits are provided by non-state actors.

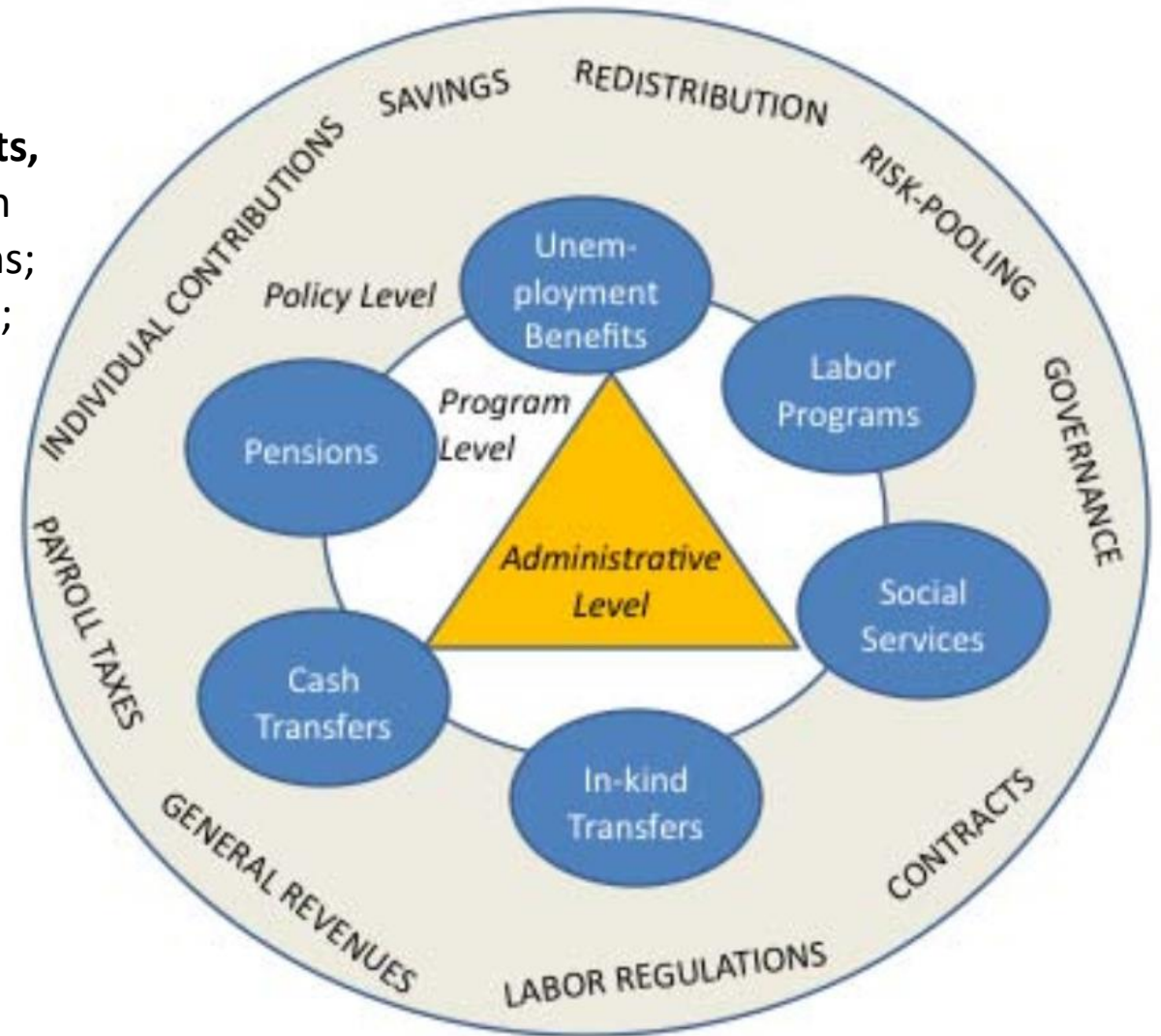


# Synchronised at three levels

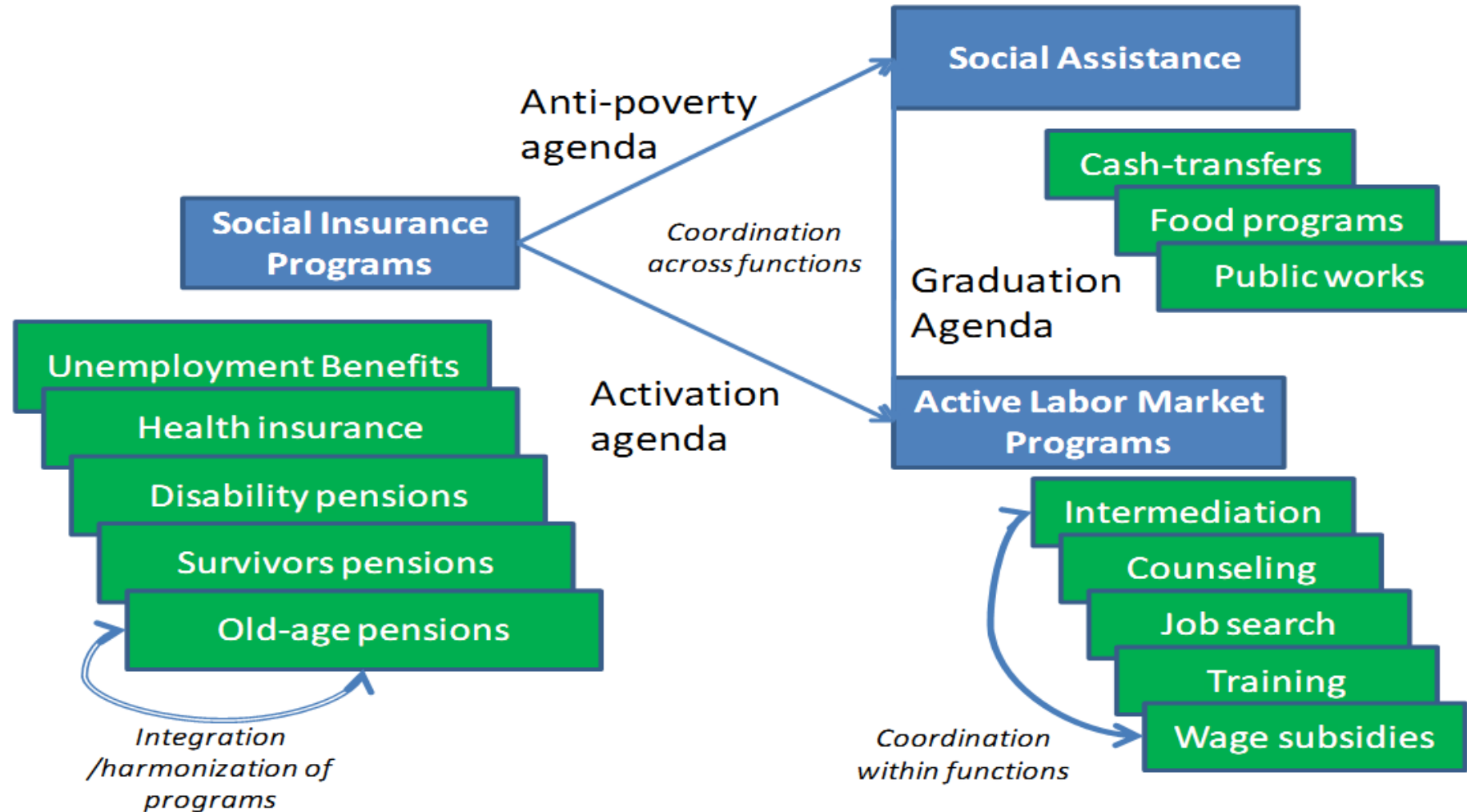
**POLICY LEVEL:** Defining a vision for social protection and labour system and ensuring coherence between instruments, financing, and institutional arrangements... paying attention to: consistency and coherence across programs and functions; redistributive impacts; effects on incentives and behaviors; and sustainability and efficiency of public spending.

**PROGRAM LEVEL:** Integrating, harmonizing, or coordinating programs... reform initiatives aiming at improving the performance of a given function, program, or set of programs.

**ADMINISTRATIVE LEVEL:** Building basic management, information, and administrative tools e.g. beneficiary identification systems and registries, targeting schemes, monitoring and evaluation arrangements, and contracting and payment arrangements for providers.



Synchronised: coordination within and between social insurance, social assistance and ALMP



# Summary

1. Rationale for social protection is as following: exposure to variety of risks of different people may result in deprivation and poverty, and people living in poverty are more vulnerable than others to the negative consequences of adverse events
2. Four functions of social protection are: preventive, promotive, protective and transformative. In discussion about the priorities in social protection there is emphasis on each functions e.g. universalism, selectivism, residualism, productivism
3. There are many sources of risk in human life (e.g. life cycle, health, employment and economy, society and polity, nature, environment) at mirco, mezo and macro levels. Some of those risks are under the scope of social protection
4. Social protection instruments are risk management strategies (prevention, mitigation, coping) and categories of policies like: social transfers, social insurance, labour market policy, social services and micro-insurance
5. Universal basic income is a case to show main dimensions of social protection transfers: targeting (limited to strict), conditionality (unconditional to enforced conditions), modality (cash to in-kind)
6. Social protection systems are complex in terms of sources and ways of financing, determining benefit levels, targeting, administration and nature of benefits
7. There are four standards for the organisation of social protection systems which should be: synchronised, inclusive and equitable, transparent and accountable, anchored in the state

## Required reading for the next class

- Reading: [section 2.1. Concepts and core elements of the delivery systems framework, in: Kathy Lindert et al. eds., \*Sourcebook on the Foundations of Social Protection Delivery Systems\*, World Bank, 2020.](#)