Introduction to the Welfare State

Social Protection

rszarf.ips.uw.edu.pl/welfare-state
Social Security and Social Assistance

Charter of Fundamental Rights of European Union
Article 34 Social Security and Social Assistance

1. The Union recognises and respects the entitlement to social security benefits and social services providing protection in cases such as maternity, illness, industrial accidents, dependency or old age, and in the case of loss of employment, in accordance with the rules laid down by Community law and national laws and practices.

2. Everyone residing and moving legally within the European Union is entitled to social security benefits and social advantages in accordance with Community law and national laws and practices.

3. In order to combat social exclusion and poverty, the Union recognises and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources, in accordance with the rules laid down by Community law and national laws and practices.

Two slightly different ways of saying the same

Social protection is **social security** and social assistance

OR

Social security is **social insurance** and social assistance
Social Protection Floor

Integrated social policies to protect and empower people across the life cycle

- Income support (pensions, child benefits)
  - Children
  - Working-age population unable to earn an income/sufficient income in the labour market, including the unemployed, underemployed and working poor
  - Elderly and people with disabilities

- Policies supporting entrepreneurs and access to productive employment
- Food security and nutrition
- Housing, water and sanitation
- Health
- Education

Social protection floor for a fair and inclusive globalization, ILO, 2011
Three core functions of a social protection system

• Protecting income and consumption in the face of shocks such as disease, unemployment, or disability in old-age;

• Combating poverty and deprivation by ensuring access to a basic set of goods and services;

• Improving individuals' earnings opportunities by promoting investments in human capital, giving access to credit, and making labor markets (which are the main source of income for most people) work better.

Table 1 Risk, growth and poverty: what do we know, what do we need to know?

<table>
<thead>
<tr>
<th>Uninsured risk</th>
<th>Risk management decisions</th>
<th>Implications for outcomes in terms of levels</th>
<th>Shock 'realisation of the state of the world'</th>
<th>‘risk coping’ decisions</th>
<th>Implications for outcomes in terms of levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Sources of risk’</td>
<td>Risk management decisions</td>
<td>In the short run</td>
<td>In the long run</td>
<td>In the short run</td>
<td>In the long run</td>
</tr>
</tbody>
</table>

Table 2 Strategies and arrangements of social risk management – examples

<table>
<thead>
<tr>
<th>Arrangement strategies</th>
<th>Informal</th>
<th>Market-based</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk reduction</td>
<td>Less risky production Migration Proper feeding and weaning practices Engaging in hygiene and other disease-preventing activities</td>
<td>In-service training Financial market literacy Company-based and market-driven labour standards</td>
<td>Good macro-economic policies Pre-service training Labour standards Child labour reduction AIDS and other disease prevention</td>
</tr>
<tr>
<td>Risk mitigation</td>
<td>Multiple jobs Investment in human, physical and real assets Investment in social capital (rituals, reciprocal gift-giving)</td>
<td>Investment in multiple financial assets Microfinance (saving, credit and insurance)</td>
<td>Asset transfers Protection of poverty rights (especially for women) Support for extending financial markets to the poor</td>
</tr>
<tr>
<td>Insurance</td>
<td>Marriage/family Community arrangements Share tenancy Tied labour</td>
<td>Old-age annuities Disability, accident and other insurance (e.g. crop insurance)</td>
<td>Mandated/provided insurance for unemployment, old age, disability, sickness, etc.</td>
</tr>
<tr>
<td>Risk exchange</td>
<td>Extended family Labour contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk coping</td>
<td>Selling of real assets Borrowing from neighbours Intra-community transfers/charity Sending children to work Seasonal/temporary migration</td>
<td>Selling of financial assets Borrowing from banks</td>
<td>Disaster relief Conditional or unconditional transfer Public works Subsidies</td>
</tr>
</tbody>
</table>

A Conceptual Framework for Social Protection

Promotion
- Economic opportunities
  - Crop diversification
  - Migration
  - Property rights
  - Microcredit

Transformation
- Social justice
  - Agricultural extension
  - Microfinance for women

Prevention
- Insurance and diversification mechanisms (social security)

Provision
- Social assistance and coping strategies (social assistance – formal and non-state)

Springboards

Safety nets

Different Actions Related to Risk and Vulnerability

- **A** Basic social security: Food, health, housing, education, skill development, labour markets, security for non-critically vulnerable
- **B** Promotion: Policies to support the particularly vulnerable (disabled, elderly, working children, PLWA)
- **C** Safety nets: Focus on stopping people falling, post-risk event, often risk prevention and livelihood promotion can be built in
- **D** Social insurance: Policies to help households insure against risk
- **E** Macro policies, etc: Policies not designed to manage risks but may do so, e.g. SME, productivity, industrial, environmental

Social Risk Management (WB): Public and private actions to minimise, mitigate and cope with risk

• Social Protection = B + C + D (Contingent SS?)
• Basic Social Security = A; Extended SS = A + B + C + D
• Social Assistance = B + C; Social insurance = D; Safety nets = C
• Social Risk Management (WB) = B + C + D + E; ‘Nordic SRM’ A + B + C + D + E (springboard)

A Conceptual Framework for Social Protection

### Linkages between Basic Types of Instruments and Risks/Shocks

<table>
<thead>
<tr>
<th>Risk/Shock</th>
<th>Savings</th>
<th>Risk Pooling</th>
<th>Transfers to Beneficiaries or Providers</th>
<th>Human Capital Formation - Training</th>
<th>Wage Subsidies</th>
<th>Access to Services</th>
<th>Asset and Credit Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early childhood malnutrition</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Disability</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Death</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old-age</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Illness</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Note: Transfers can be conditional or unconditional. Conditional transfers include payments for participation in public works. In a more general classification, they would also include wage subsidies, which are paid conditional on work. Access to services includes non-cash support such as counseling or intermediation or activities linked to improving access to health and education services.

Levels of Integration/Coordination within an SP&L System

Social Programs
- Unemployment Benefits
- Health insurance
- Disability pensions
- Survivors pensions
- Old-age pensions

Social Assistance
- Anti-poverty agenda
- Coordination across functions
- Cash-transfers
  - Food programs
  - Public works
- Graduation Agenda
- Activation agenda
- Active Labor Market Programs
- Intermediation
- Counseling
- Job search
- Training
- Wage subsidies

Integration /harmonization of programs
Coordination within functions

SP&L - Social protection and labor

## Types of Cash Transfers

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

In-kind vs Cash Transfers

<table>
<thead>
<tr>
<th>Area/Issue</th>
<th>In-kind transfers</th>
<th>Cash transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types/ examples</td>
<td>School feeding programmes; provision of nutritional supplements</td>
<td>Birth grants; universal child allowances; conditional cash transfers; maternal and parental benefits; housing allowances; unemployment benefits</td>
</tr>
<tr>
<td>Impacts on childhood poverty and vulnerability</td>
<td>Decrease vulnerabilities to health-related deprivations such as malnutrition and preventable diseases</td>
<td>Increase family’s monetary income; raise consumption levels and patterns; Promote accumulation of human capital; Bargaining power of household members – mainly women – may be increased</td>
</tr>
<tr>
<td>Advantages</td>
<td>Guarantee the consumption/ use of key goods and services (e.g., nutrition supplements)</td>
<td>Beneficiaries are free to use transfers to meet their priorities; Likely to have positive effects on local economies; Cash transfers are likely to have lower transport and logistics costs</td>
</tr>
<tr>
<td>Disadvantages</td>
<td>May introduce distortions in economy; Impose a specific kind of consumption on the poor</td>
<td>Impact may be undermined if money is not managed efficiently by families or due to inflation; Targeting may be a challenges in some settings and circumstances</td>
</tr>
</tbody>
</table>

Criteria for choosing between conditional and unconditional transfers

1. Are there backlogs in delivering social services?
   - No
   - Yes

2. Does government have strong administrative capacity?
   - Yes
   - No

3. Do the poor face bottlenecks in accessing social services?
   - No
   - Yes

4. Are school enrolment rates relatively high or low?
   - Low
   - High

5. Is the unemployment rate relatively high or low?
   - Low
   - High

How Minimum Income Works?

Effectiveness of transfers can be measured as the ratio of prevented poverty and the pre-transfer poverty:

\[
effectiveness = \frac{C}{A + C}
\]

Efficiency of transfers can be measured as the ratio of transfers that actually help to lift the poor out of poverty as a proportion of the total resources spent:

\[
efficiency = \frac{C}{B + C}
\]

W. Beckerman
from C. Behrendt,
At the Margins of the Welfare State,
Ashgate, Aldershot, 2002
How minimum income works?

Alleviation of income poverty by social transfers

Conditions of effectiveness of minimum income

Figure 3.3 Social assistance schemes and an effective alleviation of poverty: A simplified model

C. Behrendt, At the Margins of the Welfare State, Ashgate, Aldershot, 2002
Work, social protection and inclusion/exclusion

Non take-up: I am poor and I have right to benefit but I don’t claim it

Non coverage: I am poor and I claimed benefit but it was refused to me

Third possibility: I am poor, I claimed benefit and got it but I am still poor

Figure 1. Insufficient protection, non-coverage and non take-up

Ides Nicaise et al. Gaps, traps and springboards in the floor of social protection systems: A comparative study of 13 EU countries, 2004