Towards a new equilibrium: Why social policies alone will not eliminate poverty

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1. Introduction

Social policies are instrumental in poverty eradication, but on their own may be inadequate (Mehrotra, 2000; Vetterlin, 2007; ECLAC, 2019; ILO, 2020). This is partly because people often escape poverty through combinations of social and economic inclusion—of assets and livelihood strategies within an enabling environment that adequately protects against various sources of risk. Included in this enabling environment are components of social policy such as health insurance, access to free and quality education, and social protection, alongside progressive social change. The enabling environment also includes economic policies related to pro-poor growth, agricultural market improvements, infrastructure, and insurance against major risks for example through disaster risk management and conflict prevention (Diwakar and Shepherd, 2022).

This paper draws on mixed methods data to examine the ways in which people escape poverty and maintain resilience in the face of shocks that might otherwise impoverish, and the role of social policy in these pathways into and out of poverty. It argues that social development priorities need to be reset or rebalanced in three critical ways (Figure 1) to improve their effectiveness in eradicating extreme poverty in contexts of rapid change: 1) by better joining up social with economic and environmental policymaking, 2) by responding to negative consequences of macro- and micro-economic policies on social (and economic) development, and 3) by ensuring that all policies place an emphasis on both resilience and recovery amidst contexts of increasing intersecting crises.

Figure 1: Resetting social development for poverty eradication

<table>
<thead>
<tr>
<th>Conventional approach</th>
<th>Rebalanced through...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social development frameworks prioritising social policies</td>
<td>Joined-up social, economic and environmental decision-making (Colenbrander et al., 2022)</td>
</tr>
<tr>
<td>Inadequate consideration of economic policy consequences on social policy</td>
<td>Collective risk management to reduce impoverishment (Diwakar and Shepherd, 2022)</td>
</tr>
<tr>
<td>Resilience programming to strengthen social development outcomes</td>
<td>Longer-term recovery programming during increasingly frequent crises (Diwakar, 2023)</td>
</tr>
</tbody>
</table>

The analysis in this paper relies primarily on evidence from 15 countries in which the Chronic Poverty Advisory Network (CPAN) works: Afghanistan, Bangladesh, Cambodia, Ethiopia, India, Kenya, Malawi, Nepal, Niger, Nigeria, Philippines, Rwanda, Tanzania, Zambia and Zimbabwe. It complements this with related insights from secondary literature on social policies and poverty eradication.

2. Social, economic and environmental policies for sustained poverty escapes

Social policy aims to address social issues and thereby improve people’s wellbeing. Promoting inclusive education forms part of these efforts, though education often combines with other resilience capacities, such as “labor market links, livelihood diversification, social networks, spousal collaboration, shifts in cultural and gender norms in favor of girls’ education, and an enabling policy context” that enable sustained poverty escapes, according to a synthesis of education and poverty dynamics in sub-Saharan Africa (Diwakar et al., 2018). For example, formal secondary education paved the way for Christina’s (Figure 2) access to salaried employment in Malawi. This in turn allowed her to accrue funds to invest in diversification (farming and an agro-trading business) that enabled her to sustain her escape from poverty. Research from Nigeria also highlights the importance of drivers grounded in social and economy policy, where for example salaried employment coupled with completion of at least lower secondary education is strongly
associated with sustained escapes from poverty (Diwakar and Adedeji, 2021). However, real (e.g. fees or user costs) and opportunity costs of education can be high, as Figure 3 (left) in Afghanistan exemplifies with regards to opportunity costs.

Figure 2: Education and diversified livelihoods in sustaining poverty escapes in Malawi

In terms of health policy, too, combinations with economic policy can play an important role. For example, Rwanda’s model of compulsion, alongside its social policies of improved quality of healthcare and subsidies for people in poverty has been particularly effective in preventing ill-health related impoverishment. At the same time, many households have found it challenging to meet the small costs required for various public programs, and in some cases these combined costs have instead acted to impoverish (Shepherd et al., 2020). In other cases, as observed in Afghanistan (Figure 3, right) but also various other low- and lower-middle income contexts, a key barrier to healthcare has been the cost of transport, services and medication. Subsidised health insurance or healthcare free at the point of delivery presents a solution for both countries, but in contexts of constrained domestic resource mobilisation, economic policies that seek to improve livelihoods through wage and skill upgrading, and to improve working conditions to limit work-related ill health could also enable households to better meet healthcare costs alongside social policy.

Figure 3: Main barriers to child enrolment (left) and access to health services (right) in Afghanistan

Across social policies, women’s economic empowerment is important in driving pathways out of poverty (Bird, 2018), and can be supported through a combination of social and economic policies. This empowerment might take the form of ownership of and decision-making around assets such as land, which has the potential to help offset negative effects of shocks on poverty trajectories, based on emerging research from Tanzania and rural Bangladesh (Diwakar, 2023, forthcoming). As Fide’s (Box 1) example suggests, moreover, spousal collaboration plays an important role in these contexts.
For Fide, it was her participation in a social assistance program that endowed her with confidence, though the program’s livelihood training (which may be seen as a social assistance ‘plus’ component) provided her with the technical skills required to diversify into an off-farm enterprise. Integrated social and economic interventions were critical in improving Fide’s psychological and economic empowerment to sustain her escape from poverty.

**Box 1: Collaborative spousal relationships and diversification in Tanzania**

Fide (Tanzania) married a truck driver who used to travel to other regions of the country for long periods. “I had no courage to tell him to stay”, she says. Her husband was gone so much that she was considered locally to be separated and a single mother. Hence she was identified by village leaders to participate in the “single mother support program” in 2001. She later joined a women’s group which was running a business decorating venues. She developed decorating skills and earned income which she used to rent a farm where she cultivated maize.

“Harvesting lots of maize in my first year of farming gave me courage... I told [my husband] that his business of moving here and there with trucks was not benefiting me. I told him that we should separate so that I can keep in my mind that I have only my children.” Based on this threat her husband eventually returned and settled home. In the meantime, she opened and expanded over time her own decoration business, and convinced her husband to farm. They rented eight acres of farmland together and used the harvest money to buy a truck, and diversify from maize to producing tomatoes.

As the example above suggests, **social protection is instrumental in helping maintain or improve wellbeing of people in poverty, but again its integration with economic policies and programs can help drive its transformative potential.** In practice, social protection tends to be better integrated with human development (e.g. through conditional cash transfers, school feeding, or health insurance) compared to economic growth-focused interventions. For example, responding to risks in agriculture, for example through micro-insurance (Hansen et al., 2018) and supporting asset development (Andrews et al., 2021) could improve the effectiveness of social protection. Table 1 points to a range of social, economic and environmental interventions that collectively can help contribute to poverty eradication in Nigeria. In this effort, “social protection could be at the core of a sequence over a period of years, with social assistance gradually combined with individual and collective savings and credit, education catch-up, and then with technical and business skill upgrading, and business development advice and/or agricultural extension support” (Diwakar and Adedeji, 2021).
Table 1: Suggested interventions to strengthen or scale up to promote poverty eradication in Nigeria

<table>
<thead>
<tr>
<th>Protect (Tackle chronic poverty)</th>
<th>Prevent (Prevent impoverishment)</th>
<th>Promote (Promote sustained poverty escapes)</th>
</tr>
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<tbody>
<tr>
<td>Address multiple and overlapping deprivations (e.g. conflict, climate shocks, limited human development)</td>
<td>Address ill health and expand health insurance (with provisions for people in poverty)</td>
<td>Improve financial inclusion (e.g. ladders from informal groups to formal banking) especially access to capital for non-farm enterprises</td>
</tr>
<tr>
<td>Enhance food security (e.g. comprehensive approach to sustainable food systems)</td>
<td>Conflict prevention and peacebuilding</td>
<td>Peace building and livelihood recovery plan in conflict regions</td>
</tr>
<tr>
<td>Develop savings and asset base, including through non-contributory assistance</td>
<td>Limit agricultural risk (e.g. scale up irrigation, diversify crops, provide micro-insurance)</td>
<td>Ensure access for all to a minimum of 3 years of secondary school, and strengthen links to employment, including through public works</td>
</tr>
</tbody>
</table>

Source: Diwakar and Adedeji, 2021

The interventions noted in Table 1 and the discussion in this paper up to this point reference a missing arm of the social-economic policy refocus: the need to integrate environmental considerations within and across policies to contributed to ‘sustained’ and ‘sustainable’ poverty reduction. People in poverty continue to be mainly located in rural areas and engaging in agriculture where the consequences of floods or drought may be particularly severe on livelihoods (Leichenko and Silva, 2014; Halle et al., 2020) and the effects of soil degradation, pasture or fish stock declines can include chronic poverty (Shepherd et al., 2021). Moreover, climate-induced shocks and stressors can contribute to impoverishment and the persistence of poverty (Diwakar and Lacroix, 2021). Environmental policy has a central role to play in eliminating poverty given this bidirectional relationship between poverty and climate change or environmental sustainability.

At the same time, various trade-offs challenge these relationships, for example with historically high emitters having experienced strong poverty reduction or economic growth through environmentally unsustainable practices. Perhaps a result, there is limited evidence of ‘triple wins’ across social, economic and environmental dimensions (Diwakar, 2023a). Instead, where joined-up decision-making across these three dimensions has occurred, this typically emerged after trigger events including crises, due to international expectations (e.g. in markets and/or of policymakers, for example through the SDGs or environmental standards), and sometimes through devolution where supported by political momentum and strengthened capacity (Pickard and Lemma, 2022; Colenbrander et al., 2022). Climate-based initiatives can also be effective in joining up social and economic policy concerns, as seen through green credit conditions or well-conceived and structured climate finance (Bird, 2022). The overall point to take away from this analysis is that joining up policymaking across social, economic and environmental dimensions is an important aspect of poverty reduction but does not happen widely enough or naturally — it needs special initiatives and effort to overcome political, institutional and individual obstacles (Colenbrander et al, 2022).

3. Equity and risk-informed economic management to reduce impoverishment

Besides social protection, most governments look to macroeconomic management to strengthen economic growth and poverty reduction, as well as manage the crises for which it is primarily designed. This was critical during the pandemic (World Bank, 2022), and sometimes helped contribute to a balanced policy response. For example, Cambodia “was able to make furlough payments, provide additional social protection coverage and depth, and other public expenditures because of its prudent fiscal management” (Shepherd et al., 2023). However, the poorest countries were often unable to finance comparable packages of support. Instead, they were driven to “cut spending in areas critical to the SDGs, including education and infrastructure” and—for those who had borrowed from international financial institutions—have seen public debt reach extreme levels (UN DESA, 2023). Moreover, many governments provided financial and tax reduction support only to
formal businesses during Covid-19, and some limited measures to support smallholder farming in most LICs and MICs (Shepherd et al., 2023).

As such, the consequences of various forms of economic management on social policy should be considered so that it can more effectively contribute to poverty eradication. For example, during the pandemic, household debt-management measures, special measures for returning migrants, measures directly targeting the informal economy, and more equitable financial services could have helped prevent downward mobility by better servicing people experiencing vulnerability or poverty (Shepherd et al., 2023). A focus on these forms of microeconomic management is intuitive if one considers that many people tend to escape poverty through “growth from below”—that is, through small investments by households in micro-enterprises, smallholder agriculture, the rural non-farm economy, and through the urban informal sector” (Shepherd et al., 2019). Interventions across these sectors can thus help promote recovery from the pandemic and intersecting crises (Box 2).

**Box 2: Sector-wide efforts needed to promote recovery from the Covid-19 pandemic**

“Efforts could be targeted to promote recovery in the non-farm economy (urban and rural), which has been more disrupted and slower to recover than the rural farm-based economy. This requires a better basket of support for non-farm MSMEs especially in LICs and LMICs. A gendered lens is critical, as Covid-19 especially affected women’s businesses, due to the often more informal nature or smaller size of these enterprises.

Efforts to improve labour market transitions, the creation of decent jobs, and improvements in the quality of jobs for example through wage and skill upgrading are needed. During the pandemic we saw some reallocation of low-skilled jobs for example through digital platforms, but which did not necessarily contribute to improved job quality.

Policies need to address climate change and weather shocks, for example through climate smart and/or environmentally sustainable agriculture and more broadly through efforts to transform agrifood systems. Within this, there is an urgent need to rebuild extension services. Given the preponderance of women farmers it would be essential to recruit and train women, to go beyond the current spread of extension services largely ‘by and for men’. Moreover, given the role of agriculture as a buffer for households who lost their main sources of income during the pandemic, we need to ensure that this transition is not to subsistence-level agriculture. For individuals remaining in the sector over the longer-term, there is a concurrent need for interventions that can help women and men invest, expand, accumulate assets and move into value-addition in climate smart agriculture.”

Source: CPAN et al., 2023

In addition to ensuring that people can escape poverty through ‘growth from below’ and its combinations with social and environmental policy, there is also a pressing need for collective risk management to prevent downward mobility. Table 2 summarizes this with regards to economic sources of risk. There are of course also mitigation measures needed for social risks alongside this, such as through progressive gender equality legislation, pro-poor justice systems not least for people experiencing theft of assets or other routes to loss of business, universal health coverage to guard against ill-health driven impoverishment, and universal provision of quality education to act as a portable asset to help build resilience (Diwakar and Shepherd, 2022). These measures can collectively help improve the effectiveness of social and economic policies that may otherwise be focused on promoting escapes from poverty instead of concurrently preventing impoverishment.

**Table 2: Examples of measures to counter livelihood risks**

<table>
<thead>
<tr>
<th>Risk</th>
<th>Top three ‘levelling up’ conversion structures and processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>• Predictable, regulated markets, and inventory credit systems enabling on-farm diversification and asset accumulation.</td>
</tr>
<tr>
<td></td>
<td>• Supportive agricultural advisory services with advice on managing all risks.</td>
</tr>
</tbody>
</table>
Climate-smart solutions including irrigation, with links to high quality, predictable disaster risk management (DRM).

Livestock
- Build insurance into dairy enterprises and extend access to veterinary services.
- Public support for livestock insurance.
- Develop financial institutions to complement reliance on livestock as a risky savings strategy.

Nonfarm economy and migration
- Urbanisation and the development of a middle class to expand demand.
- Nonfarm economy promotion and infrastructure to support micro/small businesses, alongside removing regulations which are obstacles to firm progress.
- Financial ladders to assist graduation from local savings groups up to formal banks.

Source: Diwakar and Shepherd, 2022

4. Resilience with recovery programming amidst crises
The forms of collective risk management noted above can variably help address various shocks, stressors and crises, which can otherwise act to impoverish households or maintain poverty. Indeed, people in poverty are increasingly concentrated in areas affected by violent conflict and/or climate-related disasters. These and other crises are “leading to a host of long-term negative impacts—restructuring of labour force, wages and working conditions, loss of skill acquisition potential, increased early marriages (school closures/disruptions), cognitive and income implications of nutritional deficits, added care burdens and involuntary semi-permanent exits from the labour force” (CPAN et al., 2023). Amidst crises, people thus often have a portfolio of needs, spanning from economic policy support through increased job opportunities, to social protection including cash and food assistance, to other forms of social development in terms of improved access to health and education services, as the example from Afghanistan highlights (Figure 4).

Figure 4: Top priority needs identified in Afghanistan

Social and economic policies require refocusing amidst crises, not only to promote upward mobility, but also critically to prevent impoverishment and the intergenerational persistence of poverty. For example, strengthening anti-discrimination policies have the potential to help reduce horizontal inequalities that maintain chronic poverty and drive conflict (Stewart, 2010; Marcus et al., 2017). Social protection systems and more equitable DRM responses (Box 3) that are made shock-responsive can help deal with various impoverishing shocks including drought and flooding. Better integrating conflict management into disaster risk management (Peters, 2019), and improving the operationalisation of the humanitarian-development-peace nexus are also needed in responding to intersecting crises (Diwakar, 2023b). At the same time, risk-informed social but also economic policies that focus on supporting pro-poor job creation and the types of ‘growth from below’ interventions described above are also needed to help strengthen the resilience of people in and near poverty.
Box 3: Nobo Jatra’s multi-sectoral graduation program

Impoverishment in rural Bangladesh over the last decade has been driven by climate-related shocks, ill-health, and more recently COVID-19. Nobo Jatra—a USAID funded activity implemented by World Vision in southwest Bangladesh—combined ultra-poor graduation (UPG) programming with inclusive market systems development, climate-related disaster risk reduction (DRR), and water, sanitation and hygiene interventions. The layering of these interventions was found to improve participants’ absorptive and adaptive resilience capacities in ways that helped tackle chronic poverty. DRR training and mobilising and WASH infrastructure also helped improve participants’ absorptive and anticipatory resilience capacities and make them less susceptible to income loss and poverty.

Even so, other sources of ill health continued to impoverish. Moreover, “while many respondents were able to escape ultra-poverty through livestock development, there were continued challenges of DRR in the context of flood-related livestock deaths and widely prevalent livestock disease, despite improved veterinary support services.” This suggests that there is scope to expand DRM responses to further “focus on livestock amid floods and cyclones... [through] livestock insurance and access to shelters for livestock during disasters”, and to better respond to a wider array of ill health in multi-sectoral graduation programmes.

Source: Diwakar et al., 2022b

A second key area of refocus amidst crises is to promote social, economic and environmental (e.g. where soils are depleted, or fish stocks have run out) recovery efforts alongside building resilience pre-emptively. Instead, most programming during the Covid-19 pandemic and intersecting crises was short-lived. For example, social protection was the main social policy response to mitigate negative effects of the pandemic, yet most programs lasted just 3-4 months despite repeated lockdowns and long-lasting restrictions (Gentilini et al., 2022). This meant that people in and near poverty, especially those in the informal sector outside the reach of most formal social protection programs, were often driven to distress forms of coping that prolonged their state of poverty, as Aisha’s experience highlights (Figure 5). Even so, there are examples where management of multiple shocks and crises was enabled through social protection initiatives and graduation programming, as Boxes 3 and 4 indicate.

Figure 5: Social protection inadequate in improving wellbeing amidst Covid-19 in Bangladesh

Source: Interview with Aisha (Bangladesh, 2022) first presented in Diwakar et al. (2022b)
Box 4: Polycrisis management through a cash transfer programme in Cambodia

“The Government of Cambodia in December 2022 expanded coverage of its cash transfer programme in recognition of inflation and flooding. The programme targeted ‘at-risk’ groups, namely households near the poverty line that are either: “home to a disabled person, [have] one child under 2 years old, elders older than 60 years old, if a woman is the only breadwinner and is living without a husband, and if there are no members between 19 and 59 years old (Seavmey 2022).” Poor and vulnerable households already receiving assistance under the special scheme to tackle Covid-19 effects did not receive support under this initiative.

As part of the initiative, the Ministry of Planning identified around 350,000 families (1.3 million people) who were near-poor but did not pass IDPoor identification. The first phase included monthly cash transfers for populations experiencing flooding, while two subsequent phases were scheduled for April and July 2023, during which identification of at-risk households would also continue through inflationary relief aid. Specific support provided by the programme is outlined below.”

<table>
<thead>
<tr>
<th>Flooding</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The government is targeting at-risk groups in 16 provinces, with each poor household receiving around US$20, and an additional US$4 for at-risk members identified above. People will be eligible to receive subsidies three times from 2022 to 2023.</td>
<td>At-risk groups will be given cash subsidies covering three main areas: Phnom Penh, urban and rural areas, with subsidies of US$20–25 per household, depending on location, and an additional US$5–7 per household member.</td>
</tr>
</tbody>
</table>

Source: Shepherd et al. (2023) based on KIs; Seavmey (2022)

Measures to foster recovery are commonly taken by governments through macro-economic policy, but notable by their absence at micro-level or adequately supported by social policy. During the pandemic many governments developed recovery programmes which barely included a focus on supporting growth from below, educational recovery, or strengthening of health services to deal with the backlogs of untreated illnesses, which are the interventions which would make a difference to individuals and households which had experienced impoverishment and downward mobility.

5. Resetting policy priorities for sustained poverty reduction

The above sections highlighted what the beginnings of a new equilibrium in social development policymaking to address poverty eradication might encompass. The question then is not about whether social policies are sufficient to reduce poverty, but rather what are the combinations of policies and programs that can coherently be joined up with social policy to promote ‘sustained’ and environmentally ‘sustainable’ poverty eradication. Rebalancing mainstream approaches to poverty eradication involves better integrating social with economic and environmental policymaking, better responding to the consequences of economic policies and social policies and outcomes, and embedding longer-term recovery programming into humanitarian and development responses within social development. Table 3 summarises examples of interventions that can collectively work towards this rebalancing within social development policies and programs.

Table 3: Examples of interventions for a new social policy reset for poverty eradication

<table>
<thead>
<tr>
<th>Rebalance social policy</th>
<th>Examples of efforts working towards a rebalance</th>
</tr>
</thead>
</table>
| WITH economic and environmental policy | • Strengthen education to labour market links, livelihood diversification  
• Improve working conditions to limit work-related ill health  
• Interventions to strengthen women’s economic and psychological empowerment , including through progressive social change  
• Social protection integrated with growth-focused interventions |
<table>
<thead>
<tr>
<th>WITHOUT ignoring consequences of economic policy</th>
<th>WITHOUT ignoring consequences of economic policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Integrate environmental considerations (e.g. through climate-based initiatives, disaster risk management) across economic and social policies</td>
<td></td>
</tr>
<tr>
<td>• Sector-specific support for non-farm MSMEs, climate smart agriculture, urban informal sector (including wage and skill upgrading)</td>
<td></td>
</tr>
<tr>
<td>• Household debt-management and equitable financial services</td>
<td></td>
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<tr>
<td>• Collective risk management including weather-based and livestock insurance</td>
<td></td>
</tr>
<tr>
<td>• Progressive gender equality legislation, pro-poor justice systems not least for people experiencing theft, universal health coverage</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>WITHIN, through resilience and recovery programming</th>
<th>WITHIN, through resilience and recovery programming</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Anti-discrimination and affirmative action interventions across race/ethnicity as well as economic status</td>
<td></td>
</tr>
<tr>
<td>• Conflict management better integrated into disaster risk management</td>
<td></td>
</tr>
<tr>
<td>• Operationalisation of the humanitarian-development-peace nexus</td>
<td></td>
</tr>
<tr>
<td>• Promote recovery programs to go on for longer than they do during crises</td>
<td></td>
</tr>
</tbody>
</table>

In this joining up, it is worth acknowledging that the line between these conventional and rebalanced approaches may sometimes be blurred. For example, social cash transfers—part of social policy—can be a component of diversified livelihoods portfolios of people in and near poverty (Shepherd et al., 2023). Similarly, equitable macro and microeconomic management are both critical in creating an environment conducive for poverty eradication. Supporting people’s recovery from crises is also an important part of strengthening resilience to future shocks. However, these dimensions proposed within the new equilibrium are currently relatively underrepresented in poverty eradication policies in relation to their evidenced effectiveness within pathways to zero poverty.
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