

# PROMOTING INCLUSION THROUGH SOCIAL PROTECTION

Report on the  
World Social Situation 2018

EXECUTIVE SUMMARY



## Executive summary

Universal social protection is a potent development policy tool that can alleviate poverty, inequality and social exclusion. In fact, few countries have been able to reduce poverty and improve living conditions on a broad scale without comprehensive social protection systems in place.<sup>1</sup>

The 2030 Agenda for Sustainable Development underscores the importance of social protection for the attainment of the Sustainable Development Goals (SDGs). Target 1.3 addresses the role of social protection in ending poverty in all its forms. Specifically, it seeks the implementation of “nationally appropriate social protection measures and systems for all, including floors”.<sup>2</sup> By 2030, the goal is no less than “substantial coverage of the poor and the vulnerable”.

Countries around the world have made noteworthy progress in building and strengthening social protection systems. Still, only 29 per cent of the global population enjoy comprehensive coverage. Even in countries where universal coverage is guaranteed by law, not all segments of the population are reached. Gaps in access and insufficient benefits challenge the effectiveness of social protection to reduce inequality and leave no one behind. Understanding the barriers that diverse groups face in accessing social protection is necessary if substantial coverage is to be ensured for all nations, peoples and segments of society.

The *Report on the World Social Situation 2018* examines the contribution of social protection to social inclusion, focusing on seven, often disadvantaged, groups: children, youth, older persons, persons with disabilities, international migrants, ethnic and racial minorities, and indigenous peoples.

The report aims to answer three main questions: Who enjoys social protection coverage—and who does not? What are the barriers to effective coverage? And how can social protection programmes be designed and implemented to be sensitive to the needs of disadvantaged groups?

### Social protection: a lever to reduce poverty and inequality

The number of people living in extreme poverty—767 million in 2013—would be between 136 million and 165 million higher without social protection transfers (Fiszbein, Kanbur and Yemtsov, 2014). Insofar as social protection helps men and women manage trade-offs between immediate needs and future livelihoods, it supports capital accumulation and investment. When promoting children’s access to health care and school enrolment and attendance, social protection programmes can also help break the vicious cycle of intergenerational poverty.

<sup>1</sup> In this report, social protection systems are defined as all public measures providing benefits to guarantee income security and access to essential health care, such as unemployment insurance, disability benefits, old-age pensions, cash and in-kind transfers, and other contributory and tax-financed schemes.

<sup>2</sup> Social protection floors are nationally defined sets of basic social protection guarantees that should ensure, at a minimum, that all in need have access to essential health care and to basic income security over the life cycle.

Social protection not only alleviates poverty. It also promotes the well-being of societies at large. Evidence from across the globe shows that social protection transfers can stimulate demand and boost consumption, thereby promoting economic growth. During economic downturns, for instance, spending on social protection can revive economies and stimulate employment.

Social protection also reduces income inequality. Tax-financed social assistance programmes alone have brought the Gini coefficient (used to measure income inequality) down by more than 10 per cent in countries including Mauritius and Mongolia.<sup>3</sup> Contributory social insurance programmes have an even greater equalizing effect in middle- and high-income countries, where coverage is more widespread. In countries of Central Asia and Eastern Europe, for instance, the Gini coefficient is almost 16 per cent lower than it would be in the absence of social insurance schemes.

In developing countries, cash and in-kind transfers have helped increase school enrolment and attendance. They have also improved the health and nutritional status of people in beneficiary households. Health care and other programmes that reduce income insecurity among adults, including unemployment protection, disability benefits and social pensions, have a strong intergenerational impact. Chapter IV discusses the effects of old-age pensions on children's well-being.

The report calls for more research on the long-term impacts of social protection schemes, including on the dynamics of poverty. Research suggests that temporary cash transfers alone are insufficient to help people permanently escape poverty. It also shows that the positive effects of social protection on poverty can easily be undone by regressive tax systems.

Nearly everyone is at risk of falling into poverty at some point in their lives. The report argues for social protection systems that protect all members of society throughout the life cycle—and that address the risk of poverty, rather than poverty itself. It also makes the case for broad policy efforts, beyond social protection, to promote income redistribution and tackle the root causes of poverty.

## Easing the social exclusion of disadvantaged groups

The impacts of social protection on poverty and inequality are well documented. However, less research has been carried out on its effects on disadvantaged or otherwise vulnerable social groups, some of whom clearly enjoy better coverage than others. Arguably, the most notable advance in recent decades has been the extension of old-age pensions. Close to 68 per cent of older persons received a pension in 2016 (United Nations, 2017a). At the same time, only 28 per cent of persons with severe disabilities received disability benefits, only 35 per cent of children enjoyed social protection, and just 22 per cent of unemployed workers received unemployment benefits (United Nations, 2017a).

Whether social protection addresses the needs of these groups depends on coverage but also on the adequacy of transfers. In some cases, the benefits received may be insufficient to guarantee income security and to close the income gaps among groups. Chapters II to VII highlight some of the disadvantages faced by each group, including gaps in coverage and lessons learned in addressing them.

<sup>3</sup> Based on data from the World Bank Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE). Available from <http://datatopics.worldbank.org/aspire> (accessed in October 2017).

## Childhood: when social protection is most crucial

Early childhood is a pivotal period of accelerated physical, cognitive and psychological development. Experiences during this time can have life-long effects. Yet nearly 1 in 5 children in developing countries were living in extreme poverty in 2016—compared to about 1 in 10 adults (World Bank and UNICEF, 2016).

Available data show that most countries provide periodic cash benefits to children and families. Coverage of such benefits is universal in most developed countries but low in many developing countries, where the needs are greatest. In the last two decades, tax-financed social assistance has helped extend the reach of programmes to children and families in less developed countries. Some of these programmes, including Argentina's Universal Child Allowance, Mongolia's Child Money Programme and South Africa's Child Support Grant, have achieved high coverage. More typically, such programmes reach only a small proportion of the intended population and expand at a slow pace.

On average, Governments currently invest only 1.1 per cent of their gross domestic product (GDP) in child and family benefits (excluding spending on health). The proportion of GDP benefiting children and families varies widely, ranging from 0.2 per cent in Southern Asia to 2.3 per cent in Western Europe (ILO, 2017a). If child benefits are to have a meaningful impact on the well-being of children—and help close the poverty gap between children and adults—Governments will need to invest additional resources in them.

## From youth to adulthood: turning risks into opportunities

The transition to adulthood can be a time of enormous opportunities—but also risks. Globally, the youth unemployment rate is twice as high as the total unemployment rate (ILO, 2017b). Even if they do find a job, young people are overrepresented in so-called vulnerable employment, often in the informal sector. In addition, a growing number of young people are neither in the education system nor employed or in training.

Creating a social and economic environment that enables young people to thrive in adulthood—including pathways to decent work—is central to promoting their inclusion. But when opportunities for work are lacking, social protection can play a vital role in addressing exclusionary risks.

Although few social protection schemes formally exclude youth, most of the programmes available to young people require contributory payments. Because of their age and their high participation in informal employment, young people have shorter formal work histories than adults. They have paid less into contributory schemes and therefore tend to benefit less from them than adults. When it comes to unemployment protection, only 20 out of 201 countries provide unemployment benefits for first-time job seekers (ILO, 2014a).

Young people in need can access tax-financed schemes, where available, including unemployment assistance and minimum income benefits or health care. However, cash benefits for children and families often elude them, either because of their age (benefits are typically cut off after age 18) or because they no longer live with their parents.

Failing to invest in youth—by, for instance, limiting access to unemployment insurance for first-time job seekers or providing health care to workers in formal employment only—can have long-term costs, including squandered human capital and social unrest. Excluded young people miss out on opportunities for training and skills development. Furthermore, young parents who live in poverty cannot afford to invest in the health and education of their children, perpetuating the cycle of inter-generational poverty.

## Old age: responding to a rapidly ageing population

The number of persons aged 60 and over is projected to double from 2015 to 2050.<sup>4</sup> As the share of older persons continues to grow in countries around the world, the need to guarantee their income security will become increasingly urgent. In countries with comprehensive social protection systems, older persons can rely on pensions to partly meet their needs. In many developing countries, however, a high proportion of older persons receive no public support whatsoever and face high economic and social insecurity.

Old-age pensions account for more than half of all public spending on social protection (excluding health expenditure). While 68 per cent of the world's older population received a pension in 2016, significant regional and gender disparities were found. Only 26 per cent of people above retirement age received a pension in Central and Southern Asia, and 23 per cent in sub-Saharan Africa (United Nations, 2017a). Moreover, the rate of pension coverage is still lower for women than men in all regions, despite the fact that women tend to live longer.

Countries that rely exclusively on contributory pension schemes to provide old-age income security largely fail to achieve universal coverage. But while coverage is still insufficient overall, rapid progress has been made in the last two decades. Over 90 per cent of populations above the statutory retirement age received pensions in 53 countries in 2016, versus 34 countries in 2000 (ILO, 2017a). Effective coverage has increased in almost all developing countries. Many of them are now reaching more people through tax-funded (social) pensions. However, when targeted to older persons living in poverty, pension systems typically leave a significant coverage gap: a “missing middle” of older persons who are not living in poverty but who may nevertheless be vulnerable to it.

Meeting the needs of a rapidly expanding older population will be critical to achieving the SDGs. As the share of older persons grows, Governments will need to find the right balance between expanding coverage while providing adequate benefits and ensuring the long-term sustainability of pension schemes. While very generous pensions may not be sustainable, inadequate pensions jeopardize the well-being of older persons and their participation in social life. They may also erode trust in the State and result in less willingness to pay the taxes and contributions that are necessary to ensure income security in old age. The commitment to leave no one behind and promote inclusive societies calls for safeguarding or even strengthening the poverty-reducing role of pensions, even where reforms to cut overall pension costs are deemed necessary.

## Persons with disabilities: breaking down barriers

An estimated 15 per cent of the world's population experience moderate or severe disability—that is, severe or extreme impairments, limitations in functioning and restrictions in participation (WHO and World Bank, 2011). Persons with disabilities routinely face accessibility and attitudinal barriers that hinder their participation in social, economic and political life. They have less access to education, poorer health and lower participation in the formal labour market than people without disabilities and, as a result, are at considerable risk of poverty.

Almost all countries offer some form of social protection to persons with disabilities. However, more than half of these are contributory social insurance schemes, which leave behind children as well as persons with disabilities who are not working in

<sup>4</sup> 2017 *Revision of World Population Prospects*. Data available from <https://esa.un.org/unpd/wpp> (accessed on 28 June 2017).

the formal labour market. Significant gaps in coverage are found even in high-income countries: in member countries of the Organization for Economic Cooperation and Development (OECD), for example, over 20 per cent of persons with disabilities were not receiving any public benefits in the late 2000s, nor were they employed (OECD, 2010a). In recent years, many OECD countries have taken steps to reform social protection for persons with disabilities, tightening conditions for eligibility and receipt of benefits and leveraging sanctions when these are not met. As a result, the number of persons with disabilities receiving public benefits in these countries has declined.

Although several developing countries have made great strides in improving coverage of persons with disabilities, benefits are often inadequate. Data for 29 developing countries indicate that the amounts received through tax-financed disability schemes are often less than 15 per cent of per capita GDP.<sup>5</sup> Disability benefits range from 51 per cent of per capita GDP in Uzbekistan and 35 per cent in Brazil to less than 5 per cent in China and India. Significant variations are also found in richer countries: means-tested disability benefits in Singapore range from 3 per cent to 5 per cent of per capita GDP, while those in the Republic of Korea range from 2 per cent to 7 per cent, depending on the severity of the disability and the beneficiary's level of income.<sup>6</sup> While disability benefits can help households meet their basic needs, they fall short of covering the costs of disability-related expenses. Nor are they sufficient to replace wages, even though the inability to work is often set as a condition for payment.

Social protection schemes are just one of the policy tools needed to support persons with disabilities and their families, and they must be carefully designed, lest they undermine economic participation. For example, when eligibility for benefits is conditional on a person's inability to work, it perpetuates dependency and reinforces negative stereotypes. An inclusive approach to social protection empowers its recipients and ensures a basic income for all individuals, regardless of circumstances.

## International migrants: carrying their own weight

Although international migration is not a new phenomenon, a growing number of people choose or are forced to migrate. In 2015, there were an estimated 244 million international migrants around the globe (United Nations, 2015a). Migrants can face daunting challenges while in transit and in their country of destination. But on balance, international migration has been a positive phenomenon, transforming millions of lives and even whole societies for the better. And despite popular perceptions, migrants generally pay more in taxes and contributions than they take from social protection programmes in their countries of destination. Over the long term, they are unlikely to constitute a disproportionate fiscal burden for receiving countries.

That said, international migrants face substantial risk of exclusion from social protection programmes due to ineligibility or inadequate coverage. Migrants admitted under long-term residence and work permits (one year or longer) generally have legal access to social protection on the same terms as nationals, but only after having resided or worked in the country for a certain period of time.<sup>7</sup>

<sup>5</sup> Development Pathways. Disability Benefits Scheme Database. Available from [developmentpathways.co.uk/resources/disability-benefits-scheme-database](http://developmentpathways.co.uk/resources/disability-benefits-scheme-database) (accessed on 2 June 2017).

<sup>6</sup> *Ibid.*

<sup>7</sup> In countries that grant permanent residence—such as Australia, Canada, New Zealand and the United States—immigrants have nearly full legal access to social protection two to five years after obtaining permanent residence status.

Governments struggle to reduce what they perceive as incentives for irregular migration, while respecting the human rights of all migrants. In practice, equal treatment in access to social protection is rare. Migrants in an irregular situation are often able to access emergency health care, either by law or de facto, and accident compensation benefits. Access to tax-financed social assistance programmes, however, is seldom granted.

Migrants often have social protection entitlements from their home countries, which they can lose if the benefits are not portable across borders. Adequate “portability” means that benefits accrued in one country must be payable in another. It also means that benefits must be determined on the basis of an individual’s full contribution in all countries where he or she has paid into the system.

Most negotiated bilateral and multilateral agreements that ensure the portability of entitlements cover long-term contributory benefits, mainly old-age pensions. Health care benefits are less often within the purview of these agreements, even when contributory. Tax-financed payments are rarely portable.

In 2000, only about 23 per cent of all international migrants worldwide were legally covered by adequate and portable social protection programmes in their countries of destination (Avato, Koettl and Sabates-Wheeler, 2009). The disconnect between law and practice, particularly when it comes to migrants, should also be noted. Due to the multiple administrative and social barriers migrants face, effective coverage of migrants is likely to lag far behind that required by law, as described in chapter VI.

## **Ethnic minorities and indigenous peoples: marginalization is the norm**

Indigenous peoples and members of ethnic or racial minorities are generally at higher risk of poverty than the rest of the population. They also face substantial disadvantages in access to health care, education and employment. Members of these groups often live in rural and remote areas that lack adequate infrastructure and services. In cities, living in areas of concentrated poverty contributes to their marginalization.

Due to labour market disadvantages, members of ethnic minorities tend to be inadequately covered by contributory schemes. In response, many countries have increased tax-financed social protection in recent years, to the benefit of minorities. For example, a significant proportion of indigenous peoples receive conditional cash transfers, primarily in Latin America. These have had some positive effects on school enrolment and even on the educational attainment of indigenous and minority children. But the long-term impact is questionable, since the services rendered are often of poor quality. Data on health impacts are also mixed. Evidence presented in chapter VII suggests that these schemes have had a negligible effect on income inequality, at least so far. In many cases, the size of transfers is too small to make a significant difference.

Whether social protection programmes benefit indigenous peoples and ethnic minorities depends on how well they address the needs of these groups and the challenges they face. These include geographic isolation, inadequate infrastructure, lack of information in local languages and discrimination. Intercultural dialogue and the participation of indigenous peoples and ethnic minorities in the design and implementation of social protection measures can help overcome these barriers.

## **Explaining gaps in social protection**

Gaps in social protection are but one symptom of disadvantage and exclusion. The prejudicial treatment of people based on their background or identity prevents some groups from accessing a broad range of public goods and services.

For example, members of disadvantaged groups typically have limited influence on decision-making in their communities. That is, they may not be allowed to participate in committees responsible for selecting beneficiaries of social protection. They may not have the political connections needed to push back against exclusionary policy design and underinvestment in social protection programmes. And they may lack information about such programmes, including on their criteria or application processes, due to illiteracy or poor communication channels. These disadvantages affect all the social groups examined in this report, as well as those for whom there are less data—such as homeless persons and those internally displaced. Women are disproportionately affected in all categories.

Social and economic disadvantages alone can also limit social protection, even in countries where laws no longer discriminate against certain groups. In labour markets of developed and developing countries alike, indigenous peoples, members of ethnic or racial minorities, migrants, persons with disabilities and youth receive lower wages than the rest of the population on average, as do women. They are overrepresented in the informal sector, where social protection is largely absent. In addition, spatial disadvantages, such as geographic isolation, hinder access to social protection among some groups, including indigenous peoples and members of ethnic minorities.

None of these barriers are insurmountable. The design and implementation of policies can either keep social protection out of reach for some or, alternatively, give those left behind the opportunity to benefit from them. Whether or not they result in greater social inclusion depends on the specific measures in place and the way in which they are implemented.

## Inclusive social protection: policy implications

Availability, accessibility and adequacy are the prerequisites to leaving no one behind, as elaborated below.

### Availability

Inclusion requires that social protection systems meet the needs of a diverse population at all stages of the life cycle. Contributory schemes rely on the payment of contributions, which may not be affordable to all. Inclusive social protection systems must therefore guarantee access to a minimum set of tax-financed alternatives. The right to social protection for all cannot be realized if it fails to reach those who need it most.

In recent years, many low-income countries have rapidly expanded access to social protection, mainly through tax-financed programmes. Some of these are grounded in solid legal frameworks. Others are implemented in the form of small-scale, often temporary, assistance that can help address short-term needs but leaves participants vulnerable to future shocks. Embedding social protection programmes in strong legal and institutional frameworks helps secure political and fiscal support.

### Access

All persons should be covered by social protection systems without discrimination.<sup>8</sup> Universal programmes—available to all without conditions—are most likely to ensure inclusion and non-discrimination.

Even in a policy framework grounded in universalism, however, certain segments of the population face greater challenges than others in overcoming poverty and social exclusion. Special measures may be necessary, even temporarily, to help these

<sup>8</sup> See E/C.12/GC/19, para. 23.



groups. Promoting the inclusion of some groups, such as persons with disabilities, may require sustained special efforts. In other cases, the goal of special or targeted measures should be to bring everyone to the same starting line—leaving no one behind.

Targeting is widely used to reach those individuals and groups most in need. Over the last several decades, universal programmes have at times been replaced by targeted schemes, which are perceived to allocate resources more efficiently. However, sound targeting typically requires advanced administrative capacities. Means testing, in particular, can involve methodologically complex surveys and high administrative costs. Targeting should therefore not be approached as a cost-saving measure. Moreover, inaccurate targeting can result in significant undercoverage—or “errors of exclusion”. In general, special or targeted measures must be approached as a complement to—rather than a substitute for—universal schemes.

Conditional cash transfers are aimed at encouraging human capital formation while promoting income security. However, their effectiveness depends on implementation. Some programmes use non-compliance with conditions simply to impose penalties on beneficiaries or exclude them from the programme. Punitive measures do little to promote the inclusion of those furthest behind.

Across all social protection schemes, lack of beneficiary involvement in design or delivery tends to limit effectiveness. Participation and consultation are important to ensure that barriers to access are identified and addressed. Several chapters in the report highlight examples of social protection schemes refined through consultation between Governments and potential beneficiaries. Beneficiary feedback, including robust grievance mechanisms, is also crucial to ensure that the rights of potential beneficiaries are respected. Making social protection programmes more inclusive requires transparent official avenues for people to challenge their exclusion or denounce discrimination and corruption. Supportive institutional environments are crucial in this regard.

Finally, accessible information and public communication campaigns tailored to the needs of potential beneficiaries are key to reaching those most in need.

### *Adequacy*

Social protection transfers are often inadequate or insufficient in amount or duration to guarantee income security and health for all. Tax-financed schemes, in particular, tend to be lacking. If social protection systems are to make a meaningful impact on inclusion, many countries will need to increase investments in social protection and sustain such investments through economic cycles.

While fiscal space for social spending has increased in the last 10 years in most developing countries, more can be done to mobilize domestic resources and optimize public spending. About 100 countries out of 125 with data have gaps in their social protection floors that could be closed by spending less than 6 per cent of their GDP (Bierbaum and others, 2016, annex). However, 12 countries would need to spend over 10 per cent of GDP to close these gaps. These countries will need substantial help from the international community to set up social protection floors or expand social protection systems (Bierbaum and others, 2016, annex).