

# Summing Up

Dieter Bucher

# Long Term Objectives of Social Protection

- Create opportunities (risk reduction): maintain employment, provide new job opportunities, etc.
- Protect the most vulnerable against risk associated with risk from life cycle, environmental and political disasters (risk mitigation, coping with economic shocks and/or natural disasters)
- Protect individuals, communities and sometimes countries
- It is therefore more than a “shock absorber” or safety net in times of economic crisis

# Risk/Shock Approach to Social Protection

- Social Protection should protect against risks/shocks of life in particular:
  - Assist vulnerable people from falling into poverty (poverty avoidance)
  - Assist people who are living in poverty to get out of poverty (poverty reduction)
- In order to implement this new approach, possible risks and shocks need to be well understood. This requires social risk assessment and labor market assessment
- To analyze available resources, social expenditure reviews are needed

# Risk Management Strategies

- Risk coping (ex post)
- Risk mitigation (ex ante)
- Risk prevention (ex ante)

# Towards a People Centered Public Expenditure Management

- Political consensus
- Governance/transparency
- Coordination between various stakeholders  
(stakeholder forum)
- Strong admin. capabilities
- Creativity
- Programs should not to be donor driven
- Sequencing of instruments may be difficult

# Financing of social protection is difficult but worth while

- Social/political consensus
- Social protection leads to social stability, economic competitiveness and more citizens rights
- Social protection (including child protection) has high economic returns and contributes to economic development
- maximize self help efforts of participants/stakeholders (subsidiarity)

Majority of Asians and Latin Americans  
are not covered by formal social  
assistance or insurance.

New approaches/policies need to be  
developed independent of crisis

- allow those who are not covered participate  
in formal systems
- strengthen informal systems
- link formal and informal system

Social protection is ideally based on various institutional arrangements

- Public: central, regional and local governments
- Private/market based
- Mutual support programs, self help, etc
- Mixed systems

# Large Number of Policies Requires Prioritization

Given the large amount of risks and the very limited resources policies need to be prioritized to ensure that

- as many as possible are covered
- vulnerable and poor are protected
- social protection schemes are sustainable

This requires preparation of national social protection strategies and protection of social expenditures

Social protection policies should  
aim to enhance self-organizing  
initiatives of people

- Decentralization
- Participation
- Subsidiarity
- Information/coordination
- Importance of networks at various levels

# High growth is necessary to expand social protection

- The example of Korea shows that high growth may not always be sustainable:
  - There always will be some “dents” in the growth process
  - There is a constant need for adjustment
- To absorb the labor surplus annual growth rates of 6 % or more will be necessary depending on population growth and productivity
- This requires preventive measures: social protection should therefore be in place prior to a crisis
- Fiscal stabilization funds may be a useful tool in order to mitigate pro-cyclical social expenditures

# Difficult to reach the most vulnerable

- Social assistance may be necessary
- Poorer countries need to be highly selective
- More advanced countries have more flexibility in designing social assistance
- Demonstration effects

# The Five Pillars

ADB is using the term “Social Protection” that constitutes of five pillars:

- Labor market policies- Social assistance
- Social insurance
- Micro- and area based schemes
- Child protection

# Terminology

Terminology is still confusing. There is a need to for clear definitions:

Social Protection

Social Safety Nets

Social Security

# Labor Market Policies

- Labor markets do not function according to textbooks: various factors are effecting labor markets, active and passive labor market policies may not always be very effective. We need to better understand how such programs work
- In DMCs there is a structural oversupply of labor
- Well designed regulations are required

# Social Assistance

- Two main objectives: to cope with disasters and to protect the most vulnerable
- Broad range of instruments (transfer programs)
- Main problems: limited coverage and insufficient financing may endanger sustainability
- Social assistance can be made more effective (targeting)
- There is a need to evaluate alternative options to ensure effectiveness
- There is a need to monitor social assistance regularly

# Social Insurance

- Covers so far mainly the formal sector
- Difficult to reach out to those who are not covered
- Universal coverage is possible (Thailand, Korea) but may need to be combined with social assistance
- Different views to what extend social insurance should try to integrate the poor
- Micro-insurance
- Priorities

# Pension Reform

- Pension reforms in Latin America did result in mixed outcomes:
  - coverage increased in five countries, but was stagnant or decreased in four others
  - ownership of individual accounts did not succeed to resolve the problem of evasion and payment delays
  - competition remained limited in most countries and admin. cost high
  - there are different outcomes regarding the level of pensions
  - capital accumulation was considerable but savings in Chile (only country with relevant results) were negative
  - fiscal costs varied substantially depending on the level of benefits provided
    - While pension reforms made made fin. Markets more liquid, diversification is missing; ROR were influenced by the recent crisis, but seem to be higher in private or mixed systems than in private ones

# Micro- and Area based programs

- Provide opportunities to involve local communities
- Can achieve multiple objectives, highly flexibility
- Can generate employment (labor intensive) and provide training
- Generate economic benefits
- Require social/political consensus (Korea): governance is important

# Micro-insurance (the Third Way)

- Strengthen and encourage traditional forms of micro-insurance
- Bottom up approach
- Partner/agent model
- Link with formal social protection
- Appropriate regulatory framework and sufficient funding are required
- Not suitable for the ultra poor

# Social Funds

- Were established to minimize the neg. effects of economic crisis and national disasters
- Can provide positive outcomes regarding employment, capacity building or social welfare and reduce thereby poverty and risks
- Several risks as they may may not be sustainable or may bypass existing government structures
- Country specific approaches are required

# Child Protection

- All member countries have agreed to the convention of the child
- Child protection is a necessary condition for development, but not all child work is child labor
- Macroeconomic policies had frequently negative impact on children
- Address first the worst forms of child labor
- Enhance family and community development
- Important role of labor inspectors

# Possible Prioritization of Social Protection

1. Rely as much as possible on self help efforts (subsidiarity)
2. Try to use instruments that prevent possible risks as much as possible: labor market polices, social funds/public works, child protection, disaster prevention
3. Apply ex ante risk mitigation measures: social insurance
4. Social assistance for risk coping and assistance to those who cannot be covered under 1 to 3

# Emerging Scenario (I)

- Large number of instruments exist for social protection: we need a proper analysis of the instruments and tools available in each case

# Emerging Scenario (II)

- Political commitment/social consensus is a precondition to implement a sound social protection strategy (Thailand and Korea)
  - National strategies should be introduced
  - National commissions established

# Emerging Scenario (III)

- Institutions entrusted with implementing social protection measures need to be/have
  - independent with a clear mandate
  - well trained staff
  - adequate resources
  - good information systems (SSS, social protection is information intensive)
  - provide frequent feedback (evaluation)

# Emerging Scenario (IV)

- Learn from each other
- Learn from experience