A stimulus package for the poor? Social protection in times of crisis and beyond

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Main messages

- Economic crisis adds a new layer of vulnerability – on top of often high levels of poverty and deprivation
- Countries have avoided a repeat of mistakes of earlier crises – but social protection responses cannot do better than existing systems allow
- Comprehensive Social Protection systems make a direct contribution to balanced economic growth
- Children are particularly vulnerable to becoming poor – impacts of poverty on children’s development undermine social cohesion as well as economic growth
Crisis response – Good… and yet Not So Good

- Countries have committed to protect vulnerable groups & social expenditure but pressure is rising
- Overwhelming proportion resources to banking, infrastructure and support of enterprises
- Some but surprisingly little use of active labour market policies and social protection
- Social protection measures concern mainly pensions and topping up of social assistance – with unclear impact
Re-visiting Overall Purpose: What is Social Protection?

A mix of

- *Contributory benefits.*
- *Tax-funded categorical benefits*
- *Tax-funded minimum income schemes*

With objective to

- Mitigate social risks
- Prevent and reduce poverty
- Contribute to broad-based economic growth
Shifting perspective: What criteria of effectiveness?

- Actual impact on families? Poverty rates and poverty gaps
- Are entitlements sufficient to make ends meet? Adequacy and availability of benefits
- Extent of coverage, accessibility and governance
## Do cash transfers make a difference?
### Poverty rates before and after transfers (2007)

<table>
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<th></th>
<th>Pensions</th>
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<th>Social assistance</th>
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<tr>
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<td>pre-transfer</td>
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<td>pre-transfer</td>
<td>post-transfer</td>
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<td><strong>general poverty</strong></td>
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<tr>
<td>Belarus</td>
<td>25 %</td>
<td>14.7%</td>
<td>16.4%</td>
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<tr>
<td>Moldova</td>
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<tr>
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<td>31.2%</td>
<td>25.0%</td>
<td>26.4%</td>
<td>25.0%</td>
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<tr>
<td><strong>child poverty</strong></td>
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<tr>
<td>Kyrgyzstan</td>
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Social Assistance as % of average earnings

[Bar chart showing social assistance as a percentage of average earnings for different scenarios such as Couple, Lp+1ch aged 2yrs11months, Lp+2ch aged 2yrs11months, 7, Cpl+1 aged 7, Cpl+2 aged 2yrs11months, 7, and Pensioner Cpl for countries like Ukraine, Azerbaijan, Moldova, Uzbekistan, Belarus, Turkmenistan, Kyrgyzstan, Kazakhstan, Tajikistan, Armenia, Russia, and Georgia.]
Model Family Analysis: income composition couple, 2 children, half average earnings
Model Family Analysis: Child benefit package, difference from childless couple

- Childcare
- Education
- Health care
- Non-inc tested child ben
- Inc tested child ben
- Soc Sec Contr
- Income Tax
Social protection in times of crisis – Security for all plus tailored support for vulnerable

- A renewed social consensus in a diverse region – social protection to reduce and prevent poverty and mitigate social risks
- A mix of contributory and tax-funded cash transfers, employment policies plus quality services – extend coverage to those not yet included
- Expansion of family support and child care services – accessible, flexible, affordable and responsive to families’ needs
- Start early – focus on early childhood & on prevention of long-term problems
- Simple – transparent – accessible – easy to administer
Towards an integrated strategy

Secure & adequate funding

Social insurance

Basic pensions

Child benefits

Employment

Services

Social assistance
**How to get there?**

- It does cost money – but the cost of poverty and exclusion is much higher

- It is a question of priorities
  - Can make better use of fiscal space
  - What weight does poverty reduction have?
  - What weight support to families?

- Progressive realisation – not all at once but step by step

- It is not so much about where to start but where to go – with a clear vision that path can be set out