

The role of a systemic approach to the future challenges of social protection: *cross-regional learning*

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Interregional seminar “*The future of social protection facing a cascade of crises: moving towards universality with solidarity and sustainability*”

UN Economic Commission for Latin America and the Caribbean (ECLAC)

19 and 20 March 2024

What is a systemic approach?

What is a social contract?

How can universality be achieved?

How can universal schemes be financed?

What is a systemic approach?

- **Coherent in goals and effects**
- **Synchronised**
 - exchange of information between different programmes
 - clear division of labour
 - integration of administrative functions
- **Inclusive and equitable**
 - well tailored: cover all groups according to their needs
 - Move towards universality
- **Based on social contract**
 - State has ultimate responsibility
 - Based on dialogue with all societal groups
 - Transparent and accountable

Loewe & Schüring (2021)

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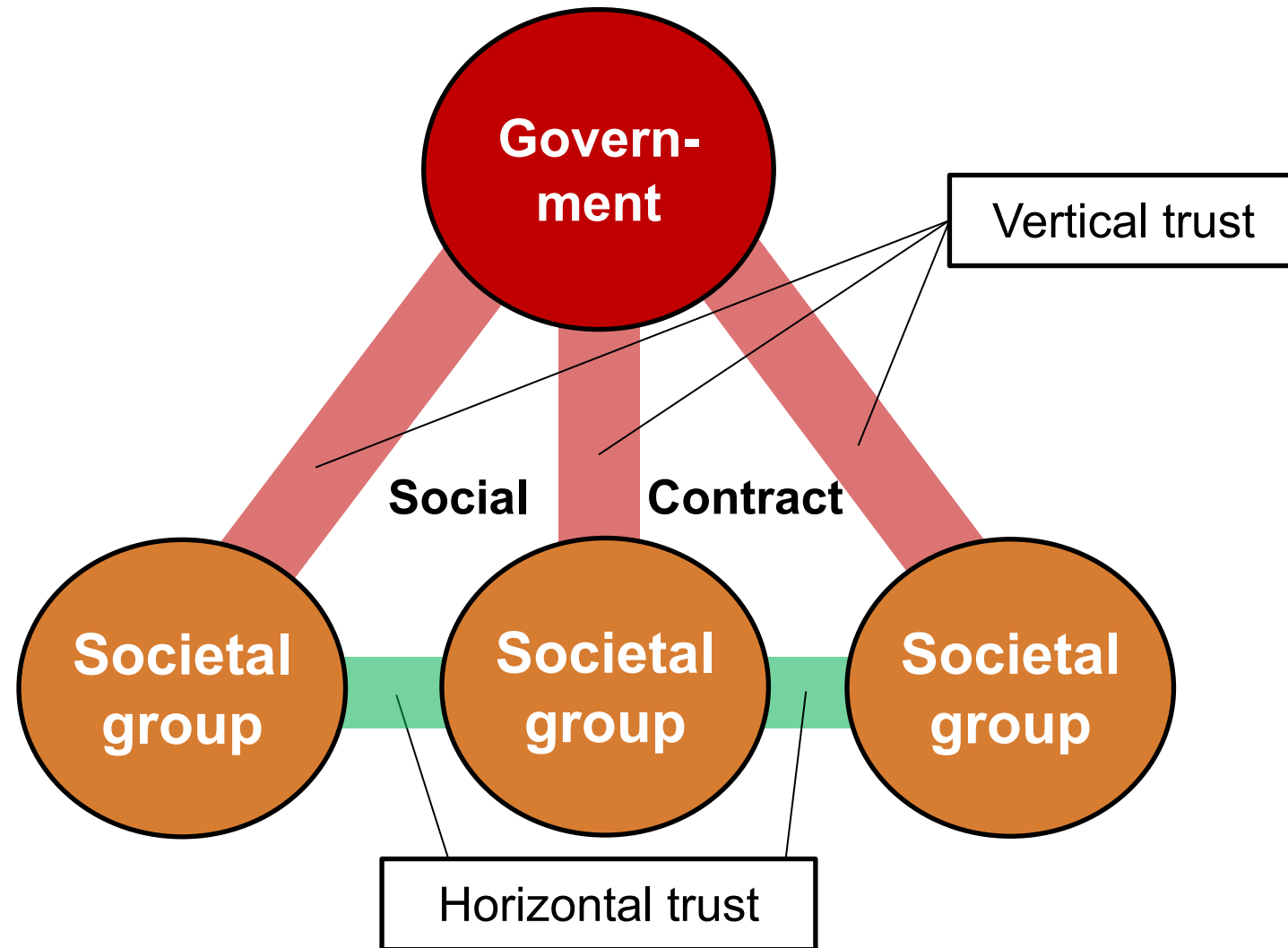
What is a social contract?

A social contract is a

“set of explicit and implicit agreements of the various groups of society

- with each other
- and with the government

defining rights and obligations towards each other.”



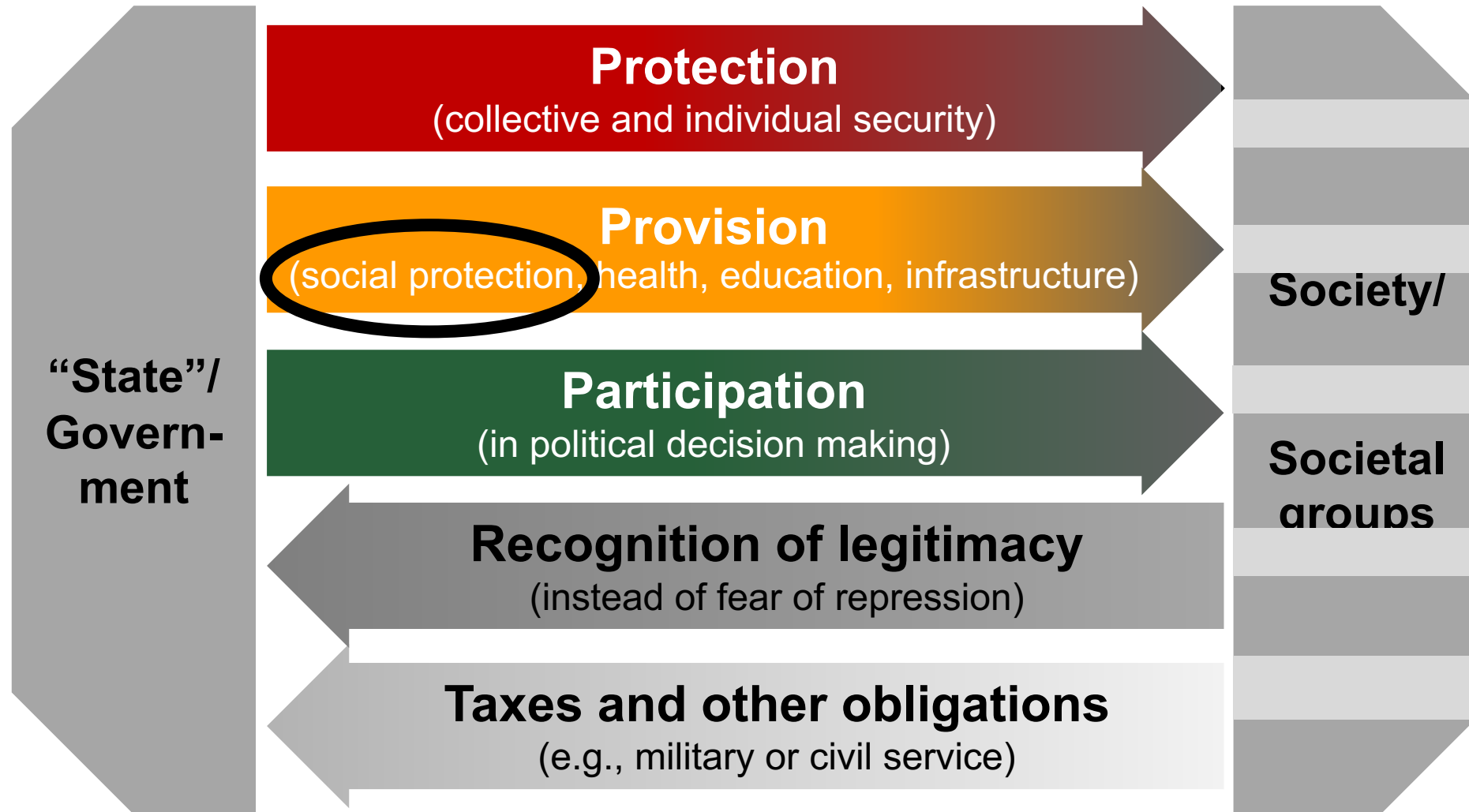
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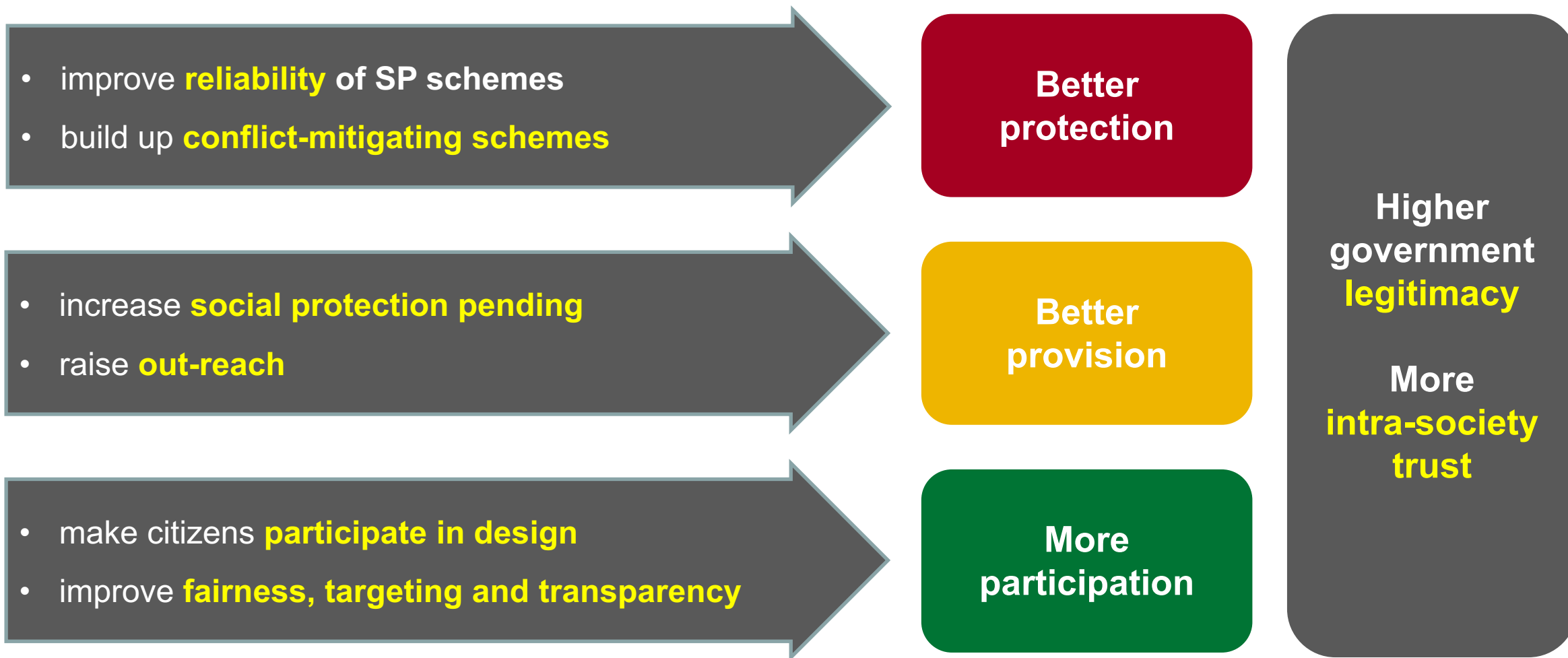
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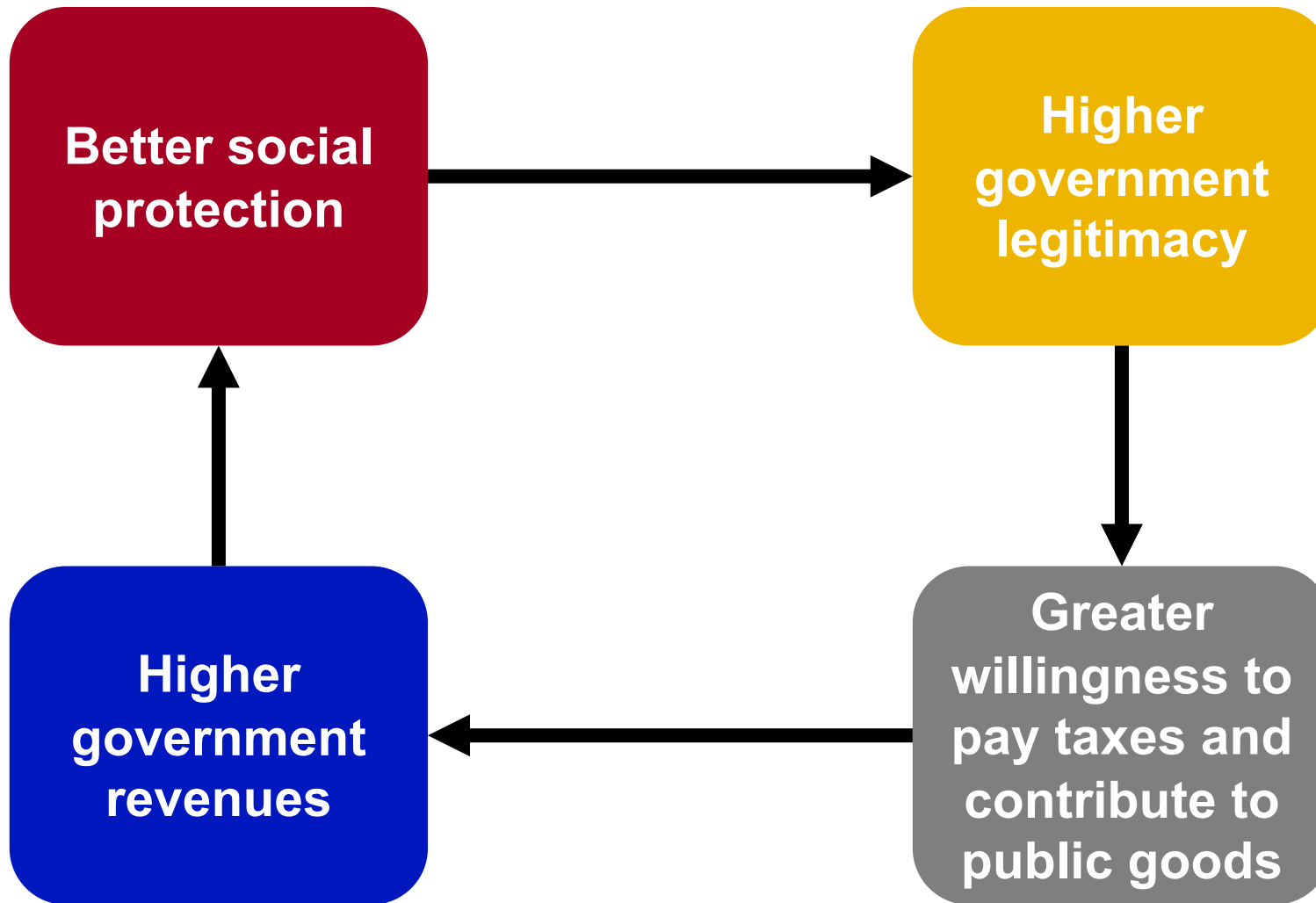
Loewe, Zintl & Houdret (2021)

What is a social contract approach?



Loewe & Zintl (2022)

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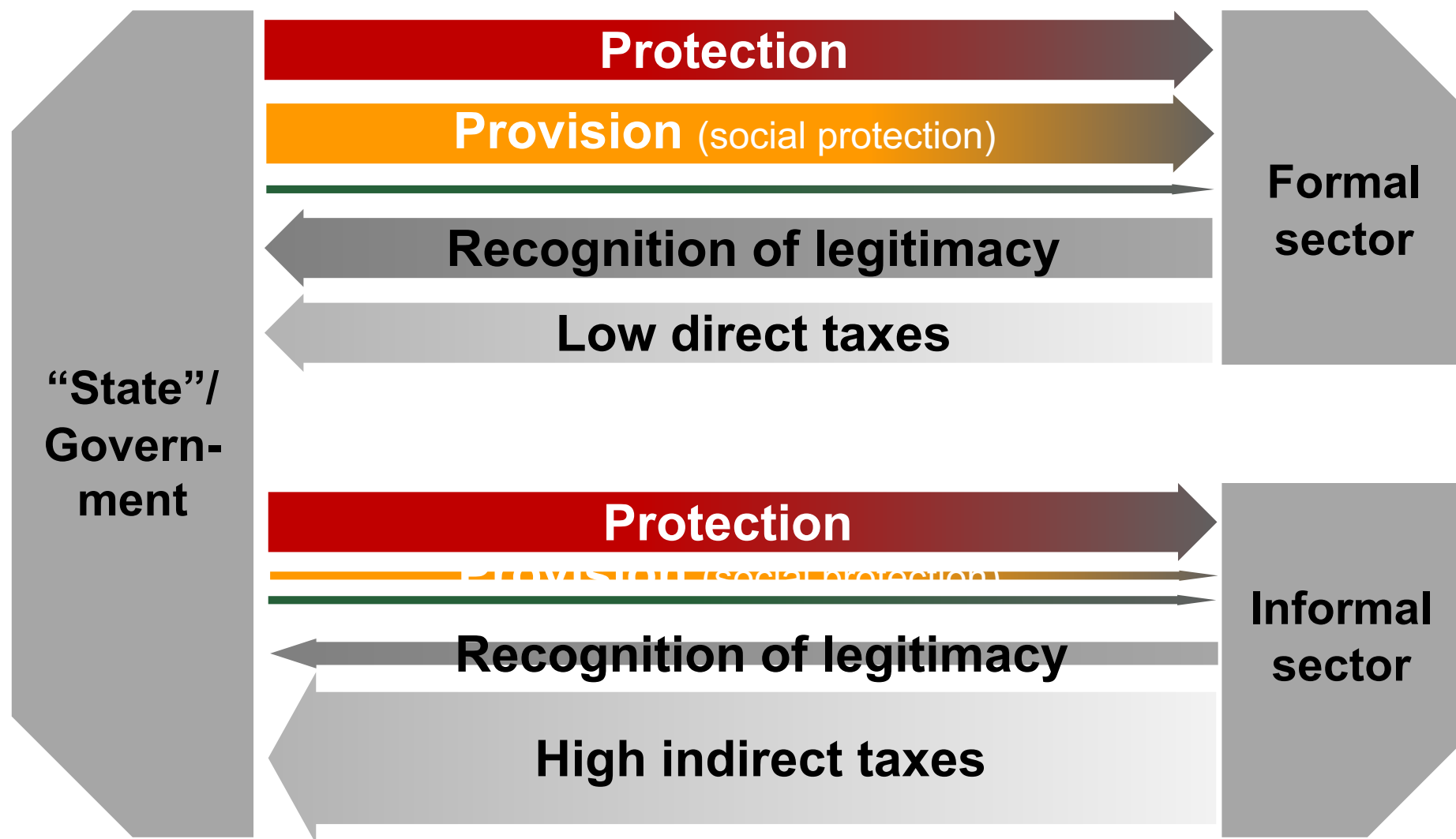
Loewe & Zintl (2022)

What is a social contract approach?

	mean	Egypt	Lebanon	Tunisia
‘Citizens have to pay taxes because the government defends their security’ (<i>protection</i>)				
agree somewhat / agree strongly	71.1 %	77.7 %	70.1 %	65.4 %
disagree somewhat / disagree strongly	26.1 %	19.1 %	25.9 %	33.2 %
don’t know / refuse to answer	2.9 %	3.2 %	4.1 %	1.4 %
‘Citizens have to pay taxes because the government is providing useful services’ (<i>provision</i>)				
agree somewhat / agree strongly	78.9 %	86.1 %	79.4 %	71.1 %
disagree somewhat / disagree strongly	18.7 %	12.1 %	16.2 %	27.8 %
don’t know / refuse to answer	2.5 %	1.8 %	4.4 %	1.2 %
‘Citizens have to pay taxes because the government acts on their behalf’ (<i>participation</i>)				
agree somewhat / agree strongly	63.2 %	77.5 %	61.1 %	51.0 %
disagree somewhat / disagree strongly	33.2 %	19.5 %	33.5 %	46.6 %
don’t know / refuse to answer	3.6 %	3.1 %	5.3 %	2.3 %

Loewe & Albrecht (2022)

What does the social contract look like in reality?



Loewe, Zintl & Houdret (2021)

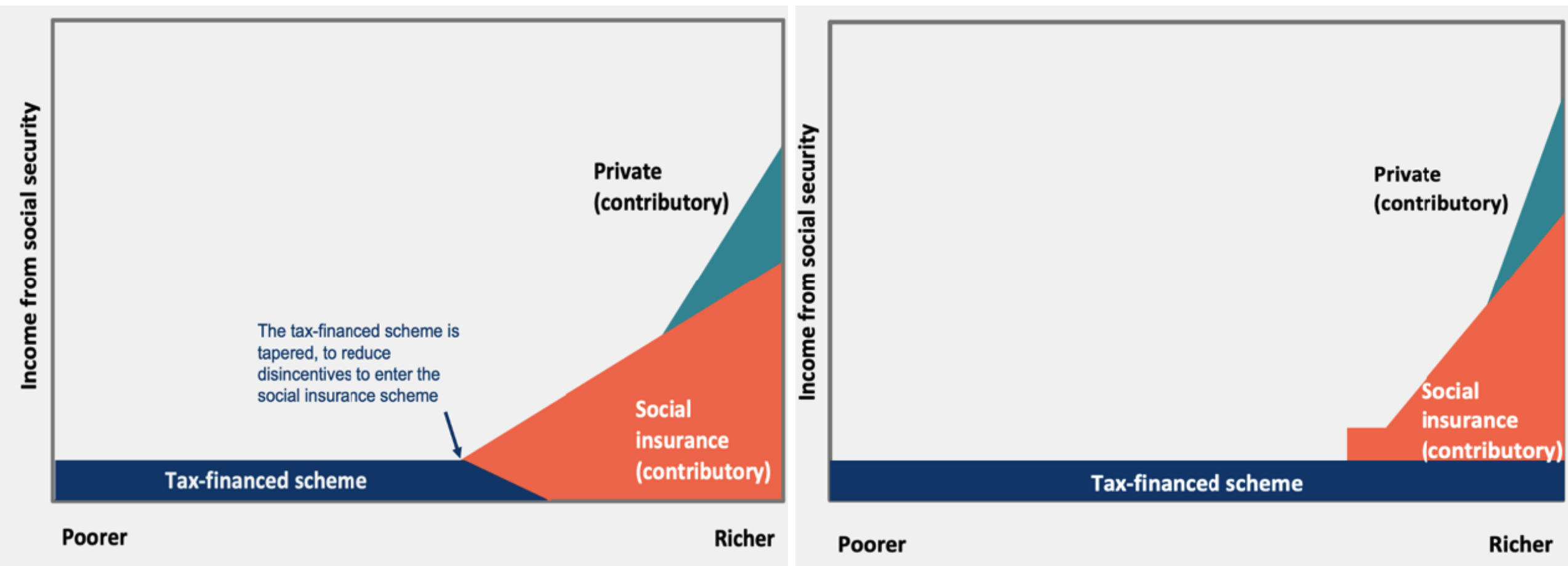
What is a systemic approach?

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How can universality be achieved?

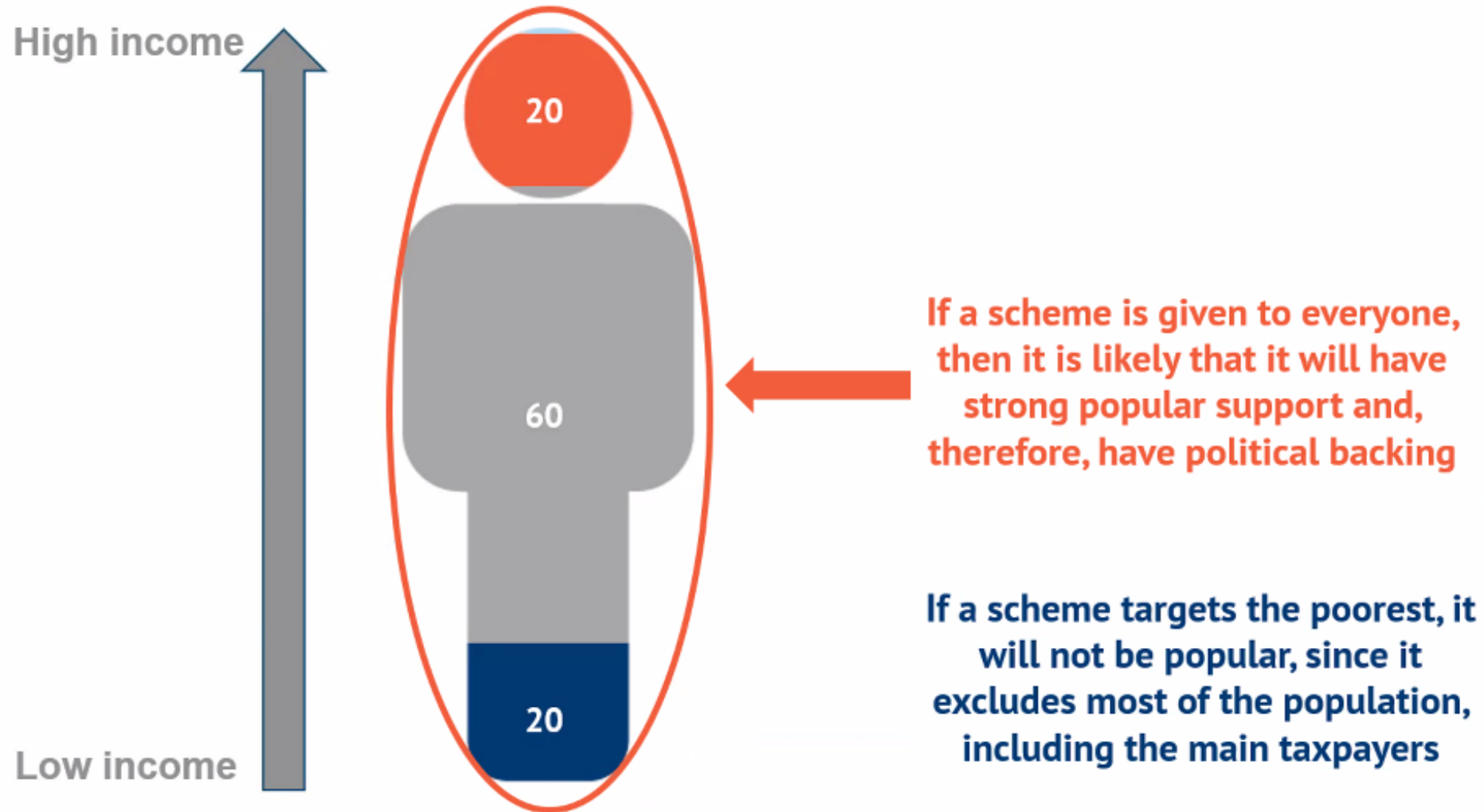
How can universal schemes be financed?

Strategies towards universality



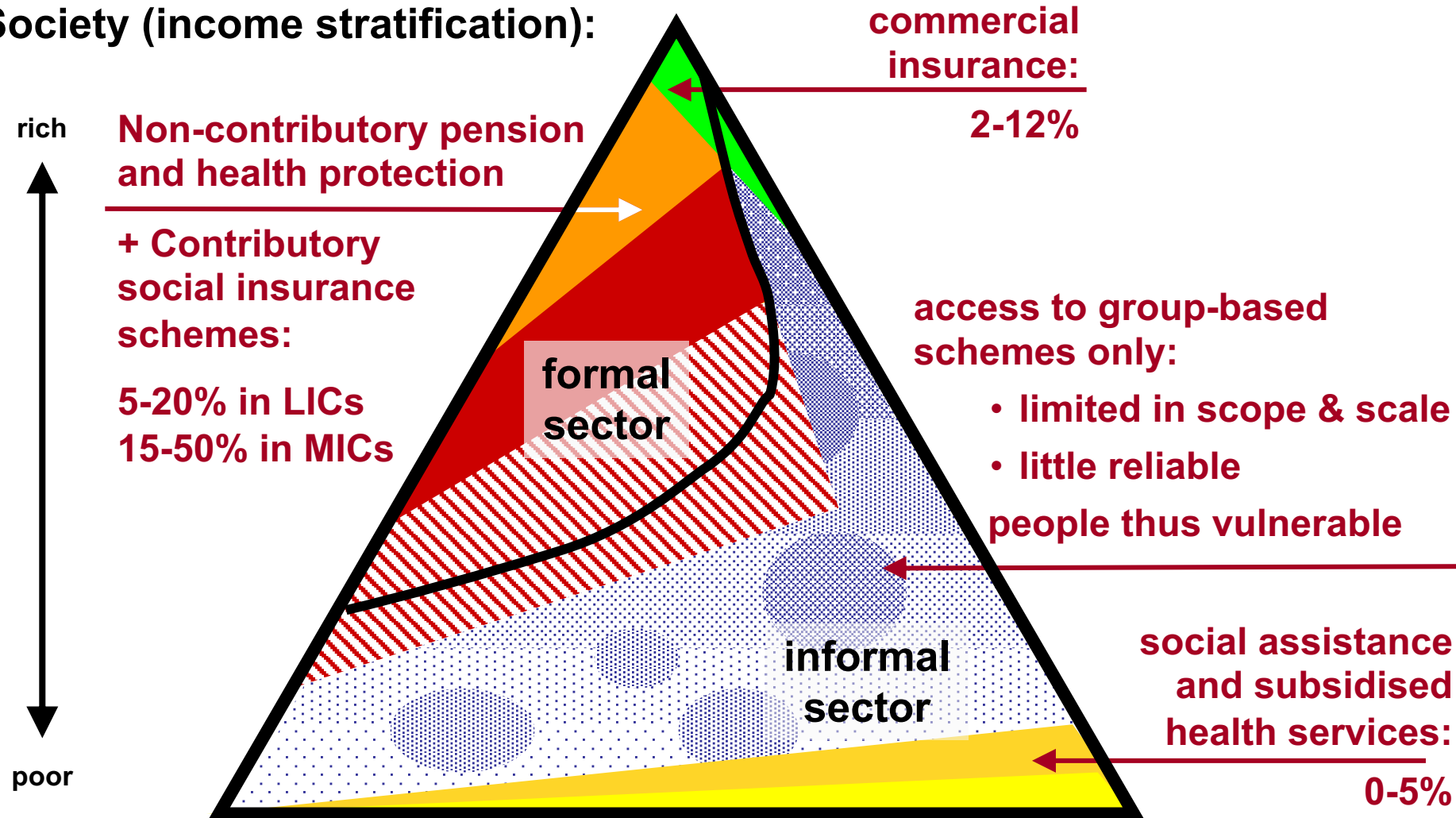
Kidd et al. (2023)

	Children	Old-age	Disability	Working-age
Universal: Some examples	Armenia Azerbaijan Libya Mongolia Namibia Nepal South Africa	Botswana Brunei Eswatini Georgia Kenya Lesotho Maldives Mauritius Namibia Nepal (South Africa) Timor-Leste	Brunei Georgia Maldives Mauritius Namibia Nepal Thailand Timor-Leste	(Iran)
Means-tested: Some examples		Armenia Azerbaijan Kyrgyzstan Turkmenistan Uzbekistan	Armenia Azerbaijan Mongolia Turkmenistan Uzbekistan	Jordan Tunisia ...



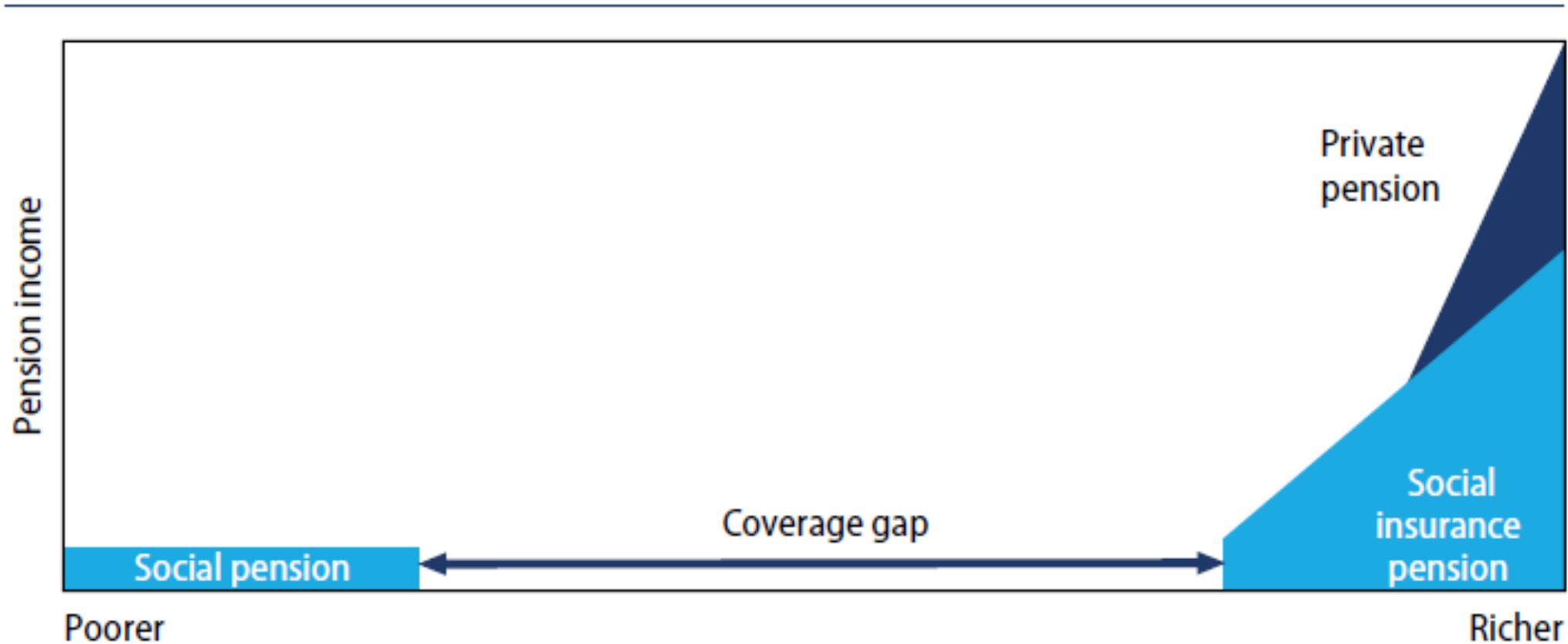
Kidd et al. (2023)

Society (income stratification):

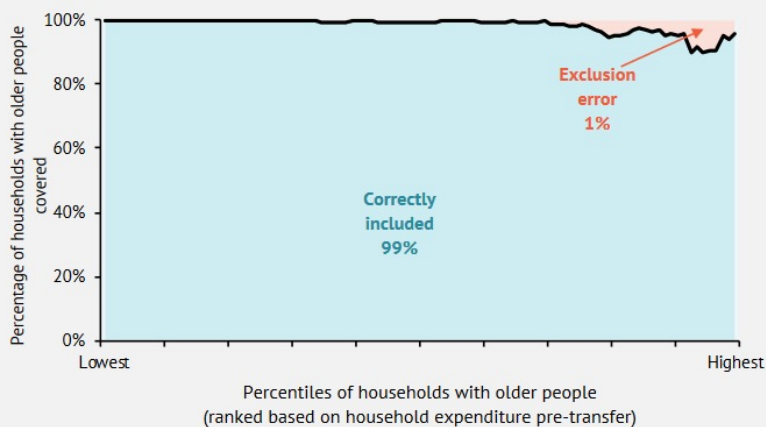


*adapted from
Loewe (2010)*

Model pension income of older adults under poverty-targeted social pension and contributory pension schemes

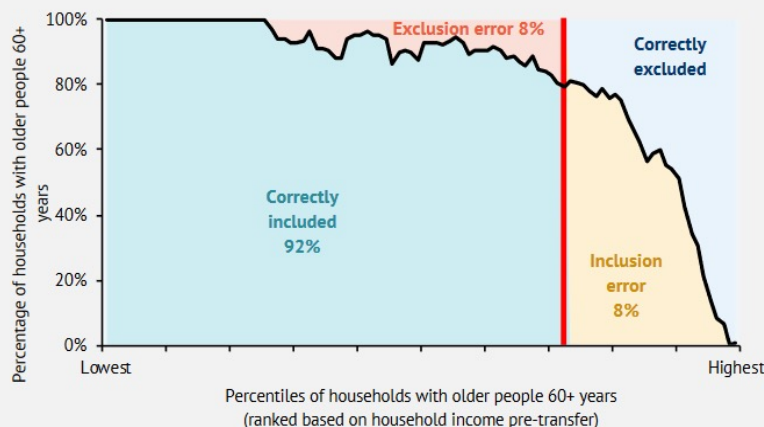


c) Georgia - Old Age Pension



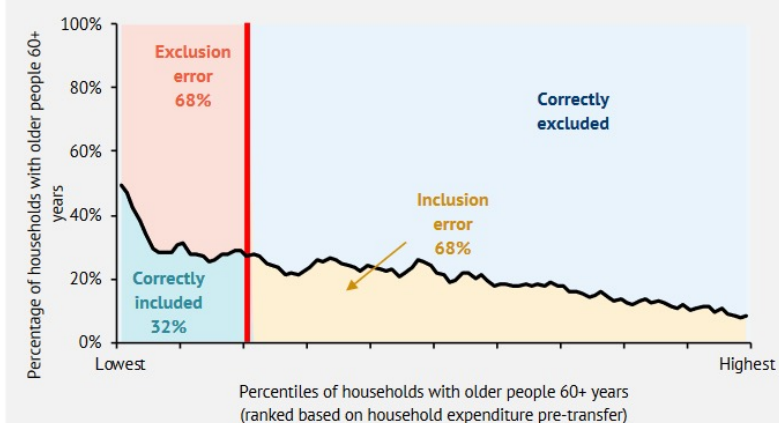
- **Type of programme:** Old age pension
- **Eligibility:** Women aged 60+ years and men aged 65+ years
- **Coverage:** 99%
- **Survey:** WMS 2015

d) South Africa - Old Age Grant



- **Type of programme:** Old Age Pension
- **Eligibility:** Adults aged 60 years and over with low incomes and/or assets valued below a specified threshold
- **Coverage:** 73%
- **Survey:** GHS 2017

h) India - Indira Gandhi National Old Age Pension Scheme



- **Type of programme:** Old Age Pension
- **Eligibility:** Adults aged 60 years and above living in poverty
- **Coverage:** 21%
- **Survey:** IHDS 2012

Kidd & Athias (2020)

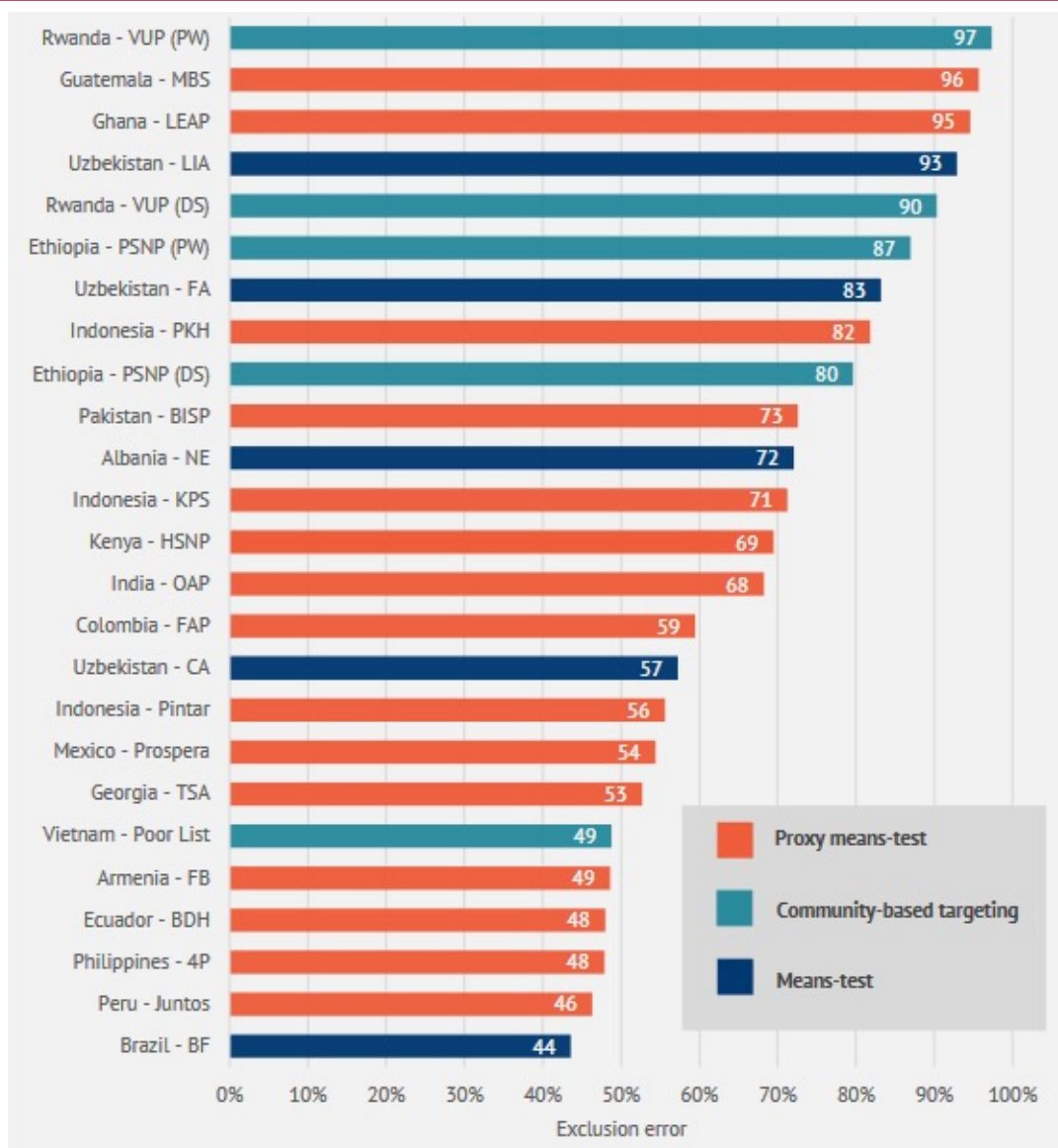


Figure 5: Exclusion errors for social protection programmes targeting the poorest 25 per cent of their intended category or less

Kidd & Athias (2020)

Figure 3-3: Levels of investment in tax-financed old age pensions in low- and middle-income countries as a percentage of GDP (latest year)

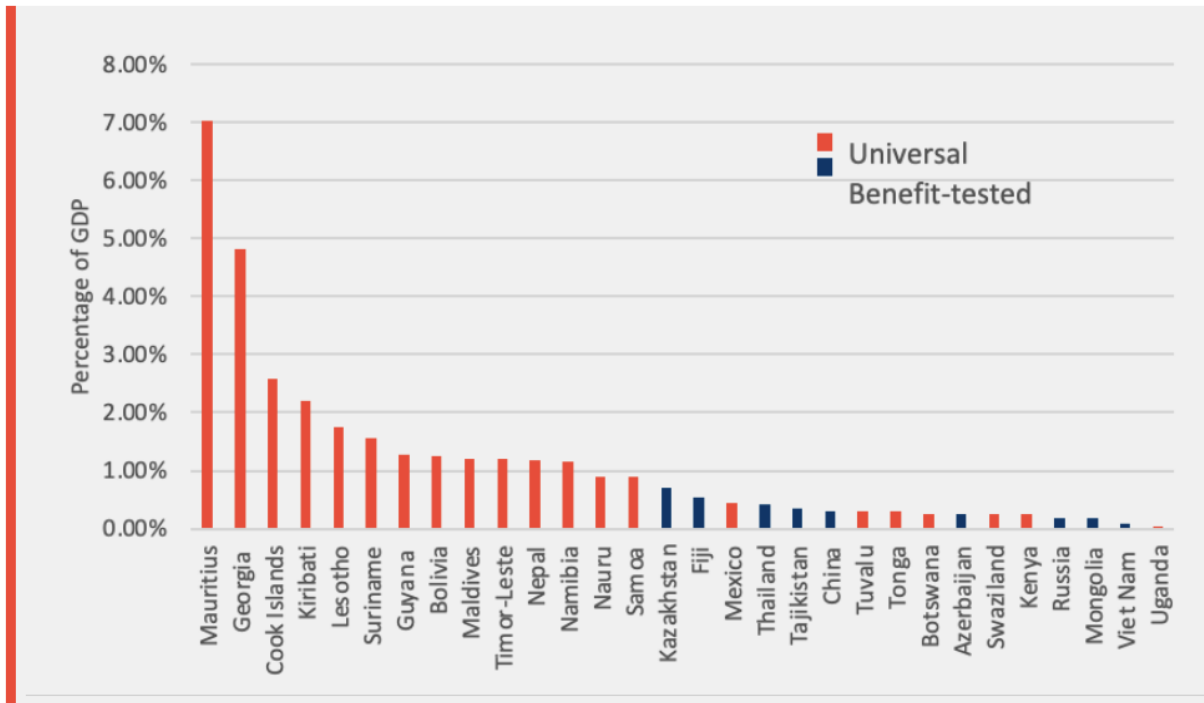
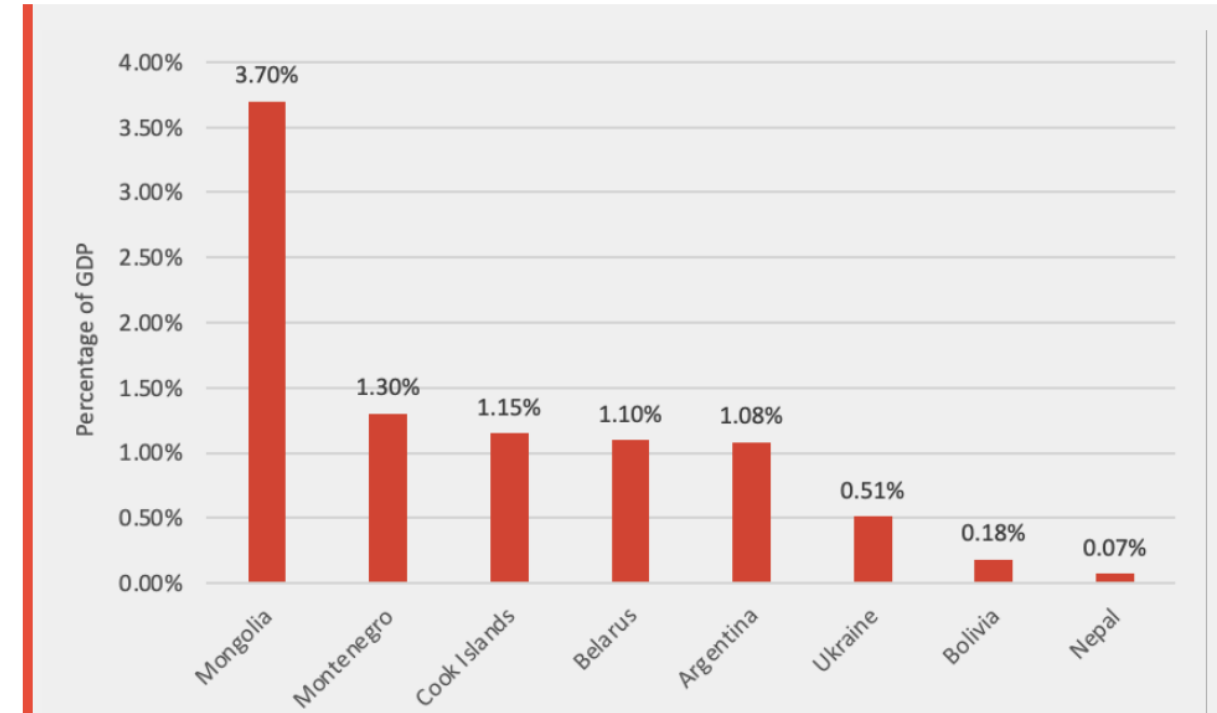


Figure 5-3: Investment levels in universal child benefits as a percentage of GDP per capita of low- and middle-income countries (latest year)



Sibun & Seglah (2024)

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Source	Advantage(s)	Disadvantage(s)
Payroll tax (social insurance contributions)	<ul style="list-style-type: none"> • High acceptance • Direct link between contribution and benefit 	<ul style="list-style-type: none"> • Tends to exclude the informal sector • Raises the costs of labour and thereby unemployment
VAT	<ul style="list-style-type: none"> • Easy to administer and to raise 	<ul style="list-style-type: none"> • Regressive (but can be made less regressive if e.g. food is exempted)
Income tax	<ul style="list-style-type: none"> • Progressive 	<ul style="list-style-type: none"> • More difficult to administer • Can be politically difficult • Incentivises capital flight
Trade tax	<ul style="list-style-type: none"> • Progressive • Easy to administer 	<ul style="list-style-type: none"> • Difficult within WTO • Can trigger rent-seeking
Excise tax	<ul style="list-style-type: none"> • Progressive 	<ul style="list-style-type: none"> • Can be insufficient
Real estate tax	<ul style="list-style-type: none"> • Easier to administer than income tax • Risk of capital flight often limited • Can reduce speculative investment • Highly progressive 	<ul style="list-style-type: none"> • Requires good understanding for the value of real estate
Reallocate within the budget		

Funding: the example of subsidy reform

Morocco	Egypt	Iran
removed only energy subsidies	removed also some food subsidies	removed only energy subsidies
extensive information campaign	limited, inconsistent information	extensive information campaign
broad public debate	no public debate	no public debate
compensation of poor households	compensation schemes are negligible	compensation by quasi-universal, decent cash transfers
hardly any intimidation	intimidation of possible protesters	limited intimidation
attempt to <u>preserve</u> “old” social contract	build “ <u>stability contract</u> ” instead	make “old” social contract <u>more inclusive</u>

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***Thank you very much
for your attention!***

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