

# **Social Protection and Poverty Reduction in Southern Africa**

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# Overview/Approach

- Investigate particular pertinent issues
  - Social protection
  - Poverty
  - Need for benchmarking and standard-setting
  - Appropriate role for governments
- Review the evidence
- Reflect on modalities to strengthen social protection
- Conclusions

# Social protection

- Essentially encompassing:
  - Social security & non-income transfers
  - Developmental strategies
  - Basic support to ensure adequate standard of living for everyone

# Social security

- What is social security?
  - Measures aimed at preventing *social risks* from arising, reintegrating and rehabilitating persons when these risks do occur, and compensating people when relevant
  - *Traditionally*: nine classical risks: health care; retirement; survivors; disability; maternity; occupational injuries & diseases; unemployment; sickness; family benefits

# Social security

- Two main components:
  - Social insurance: Contribution-based provision aimed at income replacement
  - Social assistance: Budget-provided provision aimed at basic support (eradicating poverty)
    - Could be means-tested or universal (social allowances)
- The modern and wider concept: Social protection, covering also:
  - Developmental aspects
  - Basic but adequate support for everyone

# Social security

- ILO definition (ILO Convention 102 of 1952):  
*"The protection which society provides for its members, through a series of public measures, against the economic and social distress that otherwise will be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death; the provision of medical care; and the provision of subsidies for families and children."*

# Social security coverage

- **Relevant question (1):** Personal scope of coverage
  - Who are covered?
  - How can coverage be extended?
- **Relevant question (2):** Material scope of coverage
  - What is being covered (see risk-based approach)?
  - Sufficiency of coverage (e.g. level of benefits)

# Social security coverage (cont)

- **Personal scope of coverage: challenges**
  - Focus essentially on employment-related social insurance and in some cases also a targeted and means-tested social assistance system
  - Challenges facing social insurance
    - Limited definitions of “contributor“ and “employee“/“worker“ in national laws and international (e.g. ILO) instruments
    - Specific statutory (definitional) exclusions (e.g. Uganda: “excepted employment“; SA: Unemployment Insurance Fund and Workmens’ Compensation Fund exclusions)
    - Lack of compulsion



# Social security coverage (cont)

- **Personal scope of coverage (cont)**
  - Exclusion of large portions of the population from coverage, because of largely formal-employment orientation of these schemes
  - Reality of the African context – thus excluded:
    - Majority of those who work do so informally
    - Incidence of irregular and casualised labour: highly fragmented and segmented labour market
    - Large numbers of unemployed people

# Social security coverage (cont)

## – Personal scope of coverage (cont)

- Emphasis on public measures?
  - Does not take account of provisioning by means of private and occupational-based measures
  - Community, informal, traditional and non-governmental schemes/ arrangements not properly recognised and supported

# Social security coverage (cont)

## – Personal scope of coverage: Social assistance

- Generally embryonic
- Usually discretionary: often no statutory basis and not rights-based
- Effectiveness of means-testing questioned
  - Disincentive to save
  - Administratively cumbersome
  - Rationale?: Sometimes majority already covered

# **Social security coverage (cont)**

## **– Personal scope of coverage: Social assistance**

- Important role of social assistance: A very effective first pillar of protection
  - Baseline support
  - Buffer/residual protection
  - Crucial to survival

# Social security coverage (cont)

- **Social assistance: the evidence**
  - Direct impact and effect: Reducing poverty
    - South Africa: Old age grant lifting 94% of the aged out of absolute poverty
  - Indirect impact and effect: Trickle down effect – e.g. South Africa and Namibia

# Social security coverage (cont)

- “The substantial South African programme of social assistance for elderly people presents a unique opportunity to understand the impact of state intervention. The contributory old age pension raises household income and ‘crowds in’ care of the elderly and of children, household security, and stimulates the formation of very small businesses, as well as local markets“ (Lund (2002))

# Social security coverage (cont)

- "New findings from this study demonstrate that children in households that receive social grants are more likely to attend school, even when controlling for the effect of income. The positive effects of social security on education are greater for girls than for boys, helping to remedy gender disparities.... To the extent that social grants promote school attendance, they contribute to a virtuous cycle with long term dynamic benefits that are not easily measured by statistical analysis." (EPRI study (2004))

# Social security coverage (cont)

- **Personal scope of coverage: Challenges**
  - Gender impact of existing arrangements
    - Women in the care economy generally not regarded as doing "work" for social security purposes;
    - Often women are working in work that is excluded from social security coverage (casual employment; agricultural work);
    - Breaks in employment and social security
    - Interrelationship with customary law and inheritance laws



# Social security coverage (cont)

- **Personal scope of coverage: Challenges**
  - Demographic and rural/impact of existing arrangements
    - Accessibility of services
    - Preponderance of women and children in rural areas
    - Confirming and enhancing rural, as well as female and child poverty
    - Changing nature of households and household concept

# Social security coverage (cont)

- **The extension of coverage to the excluded**
  - Reform policies often aimed at targeting the social insurance, and not the rest of the system
  - Policy development needed that focus on extending coverage to the excluded
  - Due to its limited coverage, social security in Africa is often seen as serving the interests of the working elite, and not reaching out to those most in need of coverage

# Social security coverage (cont)

- **The extension of coverage to the excluded**
  - Concentrating attention on reforming that part of the social security system which covers only a small part of the labour force at the expense of the informal sector and those who are unemployed is inherently unequal, as it directs the attention of government and other stakeholders away from a huge segment of the population with no or little social security coverage

# Social security coverage (cont)

- **The extension of coverage to the excluded (cont)**

- In particular as far as those in the informal sector are concerned, several options are in principle available

- Extending range of *social insurance*: Ranging from limited success (Ghana) to general extension of mainstream social insurance system to the working population (Tunisia)
- Extending *social assistance*: Despite financial inability or limited ability of many countries, there are encouraging signs of the progressive introduction of and the overwhelmingly positive direct (individual) and indirect (household) effect of publicly-funded safety net regimes (e.g. South Africa; Lesotho; Namibia; Botswana)

# Social security coverage (cont)

- **The extension of coverage to the excluded (cont)**

- Acknowledging the importance and potential use of existing informal social security arrangements, in particular mutuality- or self-organised group-based arrangements
  - » Important to develop appropriate links between informal arrangements and formal system
- Two further approaches:
  - » bottom-up (e.g. SEWA in India; micro-insurance models in, e.g., Senegal, Tanzania, and Ethiopia)
  - » top-down (e.g. welfare funds introduced in India, at national and provincial/state level, based on levies on employers and manufacturers)

# Social protection

- The need to introduce appropriate *developmental* strategies
  - Social security and social protection more than income and in-kind transfers
  - It is also about equipping those affected to become self-sustaining and to discover their value and ability as dignified human beings
  - Policies which focus on the integration of those who are socially excluded:
    - Labour market integration
    - Social integration

# Social protection

- The need to ensure that a *basic but adequate* standard of living is ensured
  - A basic human right (see below)
    - Contained in international and regional, also SADC instruments
    - Embedded in the Millennium Development Goals
    - Goes beyond poverty relief

# Poverty

- Distinguishing poverty and the wider concept of social exclusion
  - Poverty as a lack of disposable income/resources
  - Social exclusion a multi-dimensional and dynamic concept,
    - Encompassing not only the lack of access to goods and services which underlies poverty and basic needs satisfaction, but also
    - The exclusion from security, from justice, from representation and from citizenship



# Poverty

- Regarding social security as aimed merely at income-protection, is too restrictive
- Both income security and social participation are goals which any social security system should strive for
- Thus necessary to identify and analyse:
  - The root causes of the exclusion,
  - The processes which bring about the exclusion,
  - The affected categories of people, and
  - The role of the actors involved in the exclusion process

# Poverty

- Thus, policy-making - in order to address social exclusion - has to be multi-dimensional, through, amongst others:
  - linking together social rights and welfare arrangements;
  - intervening in the labour market (eg by encouraging and regulating reintegration);
  - introducing measures which would strengthen the links between social security and labour market incentives (such as job-seeking assistance, financial incentives to employ, and skills-training);

# Poverty

- focusing on targeted involvement with particularly vulnerable groups (eg through specifically-targeted programmes reaching certain excluded groups such as rural women or the young unemployed);
- ensuring multi-actor involvement (ie the state, trade unions, non-governmental and community-based organisations, enterprises, and other social security stakeholders);
- managing market mechanisms in order to widen access; and
- balancing passive and active policies, and introducing both reactive and pro-active measures (inclusive of affirmative action measures) against exclusion.

# Poverty

- **Poverty: the SADC evidence (UNDP Development Reports) – the indicators**
  - Human Development Index (HDI)
    - 5 SADC countries falling within “Medium Human Development“ sphere (ranging from places 65 to 145)
    - 9 SADC countries falling within “Low Human Development“ sphere (ranging from places 146 to 168)

# Poverty

- **Poverty: the SADC evidence** (UNDP Development Reports) – the indicators
  - Human Poverty Index (HPI)
    - Except Mauritius (at 11.4) SADC countries are ranging from 30.9 (South Africa) to 52.9 (Swaziland)
  - Percentage of population living below the *national* poverty line
    - Ranging from 10.6% (Mauritius) to 72.9% (Zambia)

# Poverty

- **Poverty: the SADC evidence** (UNDP Development Reports) – the indicators
  - Percentage of population undernourished
    - Ranging from 6% (Mauritius) to more than 30% in the case of 9 SADC countries
    - As high as 47% (Mozambique), 49% (Zambia) and 71% (DRC)
  - Income equality: the Gini index
    - 8 SADC countries have a Gini rating higher than 50

# Poverty

- **Poverty: the SADC evidence** (UNDP Development Reports) – the indicators
  - However, there have been huge improvements in certain areas, such as in Infant Mortality

# Poverty

- **Poverty: the SADC evidence** (UNDP Development Reports) – the indicators
  - First Millennium Development Goal: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 per day
  - SADC?
    - In a number of SADC countries, more than 50% and even 60% are living below this yardstick



# Poverty

- This also appears to be the picture in the rest of sub-Saharan Africa, where the overall percentage of those living below \$1 per day (an amount which has not been adjusted to reflect the rising living costs) has remained at 44% in 2006 (as opposed to 44.6% in 1990) (United Nations (2006)).

# Poverty

- "Despite significant progress by some of its subregions and countries, Africa fared worst among the world's regions. It saw the slowest progress overall and suffered reverses in some crucial areas. In sub-Saharan Africa (SSA), the number of people living in extreme poverty (on \$US1 a day or less) rose from 217 million in 1990 to 290 million in 2000, the majority of whom are women. Adult life expectancy is reckoned to have declined from a little over 50 years to 46 years. Based on the trends of the past 15 years, SSA will not achieve the MDGs on time." (Economic Commission for Africa (2005))

# Poverty

- It is important not only
  - to measure the success of anti-poverty interventions, but also
  - to ensure that an appropriate poverty yardstick is in place
- Setting the baseline at US \$1 per day?

# Poverty

- There is a need to introduce a poverty line/measure, serving as the benchmark for child poverty services
- Values of all social (assistance) transfers, which have poverty as a key focus, should be indexed to the poverty measure
- Annual increase in value of transfers in accordance with improvements in economic growth until such time as absolute poverty has been eliminated

# Benchmarking and standard-setting

- **A. Good governance: social security schemes**

- 1. Restricting excessive state intervention and interference

- Composition and appointment of Board, including discretionary selection of stakeholder representatives
    - Composition and appointment of management
    - Investment decisions
    - Ministerial direction

# Benchmarking and standard-setting

- Elements of "reform" (e.g. Zambia, Namibia)
  - Restricted role of government
  - Relative Board autonomy, subject to overall supervision by Ministry
  - Contractual arrangements regulating relationship between Board and Ministry
  - Representation more representative/based on skills, and less controlled by Ministry

# Benchmarking and standard-setting

- **Good governance: social security schemes**
  - 2. Investment decisions
    - Investment direction by government and absence of or restriction on off-shore investment
    - Underperforming investment instruments/ opportunities
    - E.g. Cameroon in the 1980s
    - CNPS: government bonds; government borrowed large sums and more loans were mandated to state enterprises, which were often unable to or did not repay

# Benchmarking and standard-setting

- Elements of reform: Some positive developments
  - Investment guidelines contained in legislation (Zambia)
  - Separate investment committees (Zambia; French-speaking countries)



# Benchmarking and standard-setting

- **Good governance: social security schemes**
  - 3. Mismanagement – redirecting sources and high administrative costs
    - Often: poor management, attributable to lack of adequate training and of a proper understanding of prudent social security management principles
    - E.g. redirection of sources from certain benefits to pay for other benefits (such as pensions) – in some countries pension expenditures already equal pension revenues
    - High administrative costs and the absence of budget constraints on administrative expenditures have contributed to the deterioration of fund reserves in many sub-Saharan countries

# Benchmarking and standard-setting

- 1999 ratio of administrative expenditures to revenues, ranging from 13% to 40% for a range of countries (Uganda's NSSF; Tanzania's NPF and PPF; Cameroon's CNPS), and in the case of Kenya, administrative expenses exceeded contributions.
- The South African evidence: 20% - 40% and more (occupational-based and private arrangements)

# Benchmarking and standard-setting

- **Good governance: social security schemes**
  - 4. The need for proper regulation at national level
    - Rationale for proper regulation
      - To force social security institutions to perform in accordance with acceptable standards
      - To build trust in these institutions
      - To put a fence around these institutions, protecting them from external or internal perils
    - Need to regulate both the public and private environment

# Benchmarking and standard-setting

- General picture, at least until recently: public social security schemes subject to governing laws and oversight of Ministries only
- Increasingly good examples of regulatory bodies
  - Namibia: Namfisa
  - Kenya: RBA
  - South Africa: FSB
- French-speaking Africa: CIPRES

# Benchmarking and standard-setting

- There is, therefore, a need to regulate and supervise in relation to:
  - Governance principles
  - Contributions (where relevant), qualifying criteria, and benefits
  - Investments
  - Administration costs
  - Auditing and reporting

# Benchmarking and standard-setting

- **B. Human rights framework**

- Social security is a human right

- See the range of international human rights document, e.g. the United Nations Declaration of Human Rights (UNDHR)
- The absence of human rights standards appears to be a primary consideration for the under-performance of social security in SADC
  - Limited ratification of in particular ILO instruments
  - Only a few SADC countries have constitutional protection (see in particular the huge impact of the South African Constitution)

# Benchmarking and standard-setting

- "A society had to attempt to ensure that the basic necessities of life were accessible to all if it was to be a society in which human dignity, freedom and equality were foundational. The right of access to social security, including social assistance, for those unable to support themselves and their dependants was entrenched because society in the RSA valued human beings and wanted to ensure that people were afforded their basic needs." (per the South African Constitutional Court: the *Khosa* case)

# Benchmarking and standard-setting

- Dual function of recognition of social security as a human right
  - Appropriate social security provisioning is an expression of social security as a human right
  - Human rights framework demands particular social security interventions



# Benchmarking and standard-setting

- What are the standards and principles which flow from a human rights approach?
  - Minimum/basic but adequate support, enhancing a decent living
  - Prioritisation of the most vulnerable
  - Progressive realisation – gradually extending coverage
  - A holistic approach, aimed at eradicating not only poverty, but also social exclusion

# Benchmarking and standard-setting

- **C. The need to adopt regional approaches**
  - Regional instruments
    - SADC Treaty (focus on regional integration and regional collaborative solutions)
    - Social Charter (Charter of Fundamental Social Rights)
    - Code on Social Security
    - Draft Protocol on the Facilitation of the Movement of Persons
  - Regional structures/institutional framework

# Benchmarking and standard-setting

- **D. The need to protect the social security position of SADC citizens who migrate**
  - Typical problems:
    - Nationality and residence legal provisions
    - Restrictive impact of qualifying criteria: Differences in contribution formula, qualifying conditions and benefit packages
    - Links with and effects of migration laws provisions
    - Dual coverage
    - No coverage

# **Benchmarking and standard-setting**

## **– Cross-border migration arrangements: some solutions**

- Bilateral agreements
- Multilateral agreements
- Reform of national laws
- Binding nature of international agreements/  
conventions

# Benchmarking and standard-setting

– Cross-border arrangements: principles and instruments

- Social assistance usually excluded
- Incremental coverage: workers; their families; the self-employed
- Importance of freedom of movement principle
- Institutional framework
- Monitoring institution
- Adjudicating institution(s)

# Benchmarking and standard-setting

- Cross-border arrangements: principles and instruments (cont)
  - Sound internationally accepted and implemented principles guiding mobility between schemes within a country and across borders are available, and need to be studied, incorporated and implemented with reference to the particular needs and circumstances, either on a bilateral and/or multilateral basis

# Benchmarking and standard-setting

- Cross-border migration arrangements: Principles and instruments (cont)
  - E.g. ***cross-border mobility principles*** contained in several international instruments, also in developing country contexts (e.g. the Caribbean):
    - *Choice of law*, identifying the legal system which is applicable
    - *Equal treatment* (all discrimination based on nationality is prohibited)
    - *Aggregation of insurance periods*
    - *Maintenance of acquired benefits*
    - *Payment of benefits* to members/beneficiaries, irrespective of in which country they reside (exportability principle).
  - See now article 17 of the Code on Social Security in SADC

# Benchmarking and standard-setting

- Cross-border migration arrangements: The evidence
  - Almost total absence in SADC, except for few such agreements (e.g. Malawi-Zambia)
  - Well-known phenomenon in both the developed (e.g. the EU) and the developing (e.g. the Caribbean) world
  - Well-known elsewhere in Africa
  - Substantial work needs to be done
    - Cf current World Bank-initiated project
    - New project on developing appropriate model(s)



# Appropriate government role

- Ensure that a basic social protection framework is in place, in particular in social security terms
  - Essential (basic) first tier safety net
  - Mandatory second tier contributory scheme(s)
  - Voluntary third tier private arrangements
- Maintain multi-dimensional focus
  - Ensure integration with other social services and broader social protection framework

# Appropriate government role

- Understand the essentially dual role governments should be playing
  - State as *regulator, facilitator, creator* of regulatory and protective framework
  - State as *provider* where people are unable to provide for themselves

# Conclusions

- Challenges facing social protection as a poverty reduction mechanism are formidable
  - Definitional issues
  - System design and institutional problems
  - Inadequate governance arrangements
  - Lack of appropriate standards and benchmarks
  - Government's role not properly understood

# Conclusions

- And yet substantial social security reform is taking place in most of the SADC countries – in some respects these are unprecedented
  - Time-wise
  - The African continent

# Conclusions

- These changes are simultaneously informed by, and in need of:
  - Political will and persuasion
  - Informed reflection
  - Best practices
  - Regional perspectives
  - International and regional standards and instruments
  - A human rights-based approach

# Conclusions

- An active judiciary
- Buoyant economic growth in several SADC countries
- Broad-based stakeholder consultations
- Substantial and growing research base informing and influencing policy direction