

# **Social Protection – an Effective Tool to Fight Inter-generational Poverty**

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Some 80% of the world's people live in a state of social insecurity, and intergenerational poverty persists in many developing countries. Older persons and children are disproportionately affected and remain among the most vulnerable, invisible populations today. They lack adequate health care, education, nutrition and decent work. They face a life without dignity, respect or opportunity to break the cycle of severe poverty.

As the numbers of the older poor in developing countries increase, older persons are overrepresented among the chronically poor. Two-thirds of older persons receive no regular income and 100 million live on less than US \$1 a day.<sup>1</sup> Households with older persons and children are on average poorer than other households. As the majority of older people live and share resources with younger family members, social cash transfers can play a crucial role in impacting family wellbeing and improve access to basic services. The implementation of social cash transfers into developing regions are changing intergenerational poverty cycles and ensuring the right to social security for all.

From February 7-16, 2007 the UN Commission for Social Development took up the International Labour Organization's Decent Work agenda, spotlighting social protection for families. At a UN Roundtable co-hosted by HelpAge International, UNICEF and Save the Children, expert researchers discussed the significance of social protection in combating intergenerational poverty and spotting remaining policy challenges.

Dr. Michael Samson from the Economic Policy Research Institute showed the crucial impact social transfers make in reducing poverty in South Africa. These social grants reduced the poverty gap by 48% while supporting human capital and development.<sup>2</sup> South Africa's oldest social transfer program provides extensive evidence by showing remarkable success in helping to achieve the Millennium Development Goals in areas of poverty reduction, nutrition, education and health. South Africa's cash transfers also supported labor market participation and promoted local economic activity. His studies demonstrated that labor force participation grew at a modest rate and citizens that received cash transfers were more likely to look for and find employment. More importantly, Samson's research refutes the argument that these funds create dependency. In fact, his research revealed that they often break dependency traps, namely by severing the cycles of chronic poverty and serving as a vehicle toward national economic growth.

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<sup>1</sup> HelpAge International. Why Social Pensions are Needed Now (October 2006) p.1

<sup>2</sup> Samson, Michael. The Social and Economic Impact of Benefits to Children and Older People in Southern Africa. Economic Policy Research Institute (February 2007)

Despite studies like Samson's, that demonstrate the effectiveness of social protection schemes, cash transfers remain an underused instrument for achieving just and more equitable societies for all ages. Governments need to play a more active role in implementing anti-poverty strategies. "We can't wait 20 years to implement social protection policies, we must be pragmatic," stated Richard Blewitt, CEO of HelpAge International (HAI).

Research by HAI focuses on social pension delivery as part of the social protection package and how these funds further assist intergenerational households. Sylvia Beales from HAI referred to studies conducted in Lesotho, Bolivia and Brazil where older family members contributed 20-50% of their social pensions to household expenses.<sup>3</sup> Studies found that these funds were used to attain essential necessities such as food, water and electricity. In Lesotho, monies assisted older persons in caring for orphaned children that lost parents to the HIV/AIDS pandemic. Studies also found that 42% of the pensions in Brazil were used to purchase more nutritional food and as a result improved diet and health.<sup>3</sup> Affording transportation also became more feasible and assisted family members with access to finding decent work.

Anna Taylor from Save the Children illustrated how social protection can help achieve the Millennium Development Goal 1, specifically reducing by half the proportion of people who suffer from hunger. In her presentation, Taylor points out the need for food security amongst the poorest households in developing regions. A nutritionist by training, she poignantly discussed the long term impacts of malnourishment on human development and the dramatic impact for a country's economy. Chronic hunger has irreversible developmental effects such as stunting and ill health. Taylor demonstrated how this translates to life long disadvantages in several ways, including the ability to find decent work. Regular cash transfers can contribute to consistent nourishment that leads to better life sustaining opportunities for persons of all ages in developing countries. Social cash transfer programs make social protection possible through breaking intergenerational poverty and protecting the most vulnerable populations.

### **Challenges to Overcome**

The World Bank and the International Monetary Fund, major development financiers, have both reversed their former policies and embraced social cash transfers. Previously, these institutions restricted--and opposed--social protection programs in developing countries as part of their conditional loan agreements with the lending country. Now that has changed.

Timo Voipio from the Finnish Ministry of Foreign Affairs explained that these previous skeptics now support a strong public-based social security system in order to assure well

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<sup>3</sup> Beales, Sylvia. The Use and Impact of the Social Pension to Reduce Poverty and Deliver Rights. HelpAge International (February 2007)

functioning market economies. He added that advocates should consider efficiency-based arguments for social protection, instead of rights-based arguments, as a more effective strategy toward winning support from the World Bank and the IMF. However, economic efficiency can fluctuate. While major lending institutions consider social protection as useful now, they may change their opinion again in the future. Therefore, a rights-based approach aims to secure social protection as a basic human right that can never be refuted or rejected.

While it is important that rich countries recognize the effectiveness of social protection schemes to overcome poverty, it is equally important that poor countries see the feasibility of implementing such programs. Many governments consider their national budgets as too low--even with the support of donor countries--seeing the expenses of such transfers and their administrative costs as too expensive to put into action. However, according to HelpAge International and other experts in the field, many low and middle income countries can deliver a part of the social protection package for less than 1% of their GDP.

Countries that plan to implement or expand social protection programs can expect assistance from the international community. If poor countries make social protection a priority in national poverty eradication strategies, donor countries will be more likely to help finance these programs. Social protection schemes may also free poor countries from inconsistent development aid that provides only short term relief but does not address the root causes of poverty that have lasting effects. Krzysztof Hagemeyer from the International Labour Organization added that his organization directly assists countries in building social protection programs by developing tools for facilitation, capacity building and training programs.

Dr. Samson believes that “political will” can help mobilize a national action plan for social protection programs. He illustrated this notion with a positive example of instituting social protection measures in South Africa. A poor delivery rate of social transfers to their intended recipient existed until President Mbeki made effective delivery cornerstone of his election campaign. Now, South Africa has achieved an 80% successful delivery rate of its cash transfers.

Stakeholders, national governments and local authorities, donor countries, development agencies, NGOs and the recipients themselves, must ensure effective delivery mechanisms of social cash transfers. To do so, requires that implementation plans must include capacity-building financing. Poor countries will benefit overall from a strengthened administrative structure and employment-generating training of professional staff, such as social workers. Data collection, disaggregated by age and sex in particular, should lie at the heart of these efforts as it allows countries to better understand priorities and to plan, implement and monitor policies. Hagemeyer urged donor countries to do more to put statistical standards in place to monitor programs. He hopes for a positive result from a February 21, 2007 meeting in Geneva where donor countries will discuss problems in data collection.

Although countries still have to overcome several obstacles in order to implement social protection measures, Gaspar Fajth, from UNICEF acknowledges that policymakers are changing their thinking. While experts previously saw access to health and education as the most important tools to combat intergenerational poverty, they now consider social protection as equally important. Richard Blewitt concluded that while current poverty statistics remain shocking and challenging, social cash transfers have proven effective in reducing poverty and its underlying causes. Social cash transfers must not occur alone. They can be implemented alongside other programs on HIV/AIDS, disability, hunger or poverty, laying a strong foundation for the future. Social protection schemes will differ from country to country. In Blewitt's words, "We must acknowledge there is room for implementation in every country. The existing road blocks are reason for more action, not reason for inaction."