

Levels of provision of Social Security in ESCWA Countries

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Outline

- **Overview of Levels of Provision of Social Security;**
 - Universal versus targeting
 - Lessons Learnt
- **Social Protection Approaches In Arab Countries and Challenges;**
 - unequal opportunities
 - Social insurance
 - Social assistance; Health Services
- **Policy Options**
- **Main Principles**

Functions Social protection

- ***Social function*** by Providing disability, unemployment benefits and pensions (contributory or non contributory) through social insurance and/ or social assistance.
- *Political function* that has stabilizing effect. Social justice and greater equality are vital factors for building trust and social cohesion, and contribute to political stability;
- *Economic function* that lies primarily in widening the productive capacity of a society through investment in improved health and education. It lies in human and physical elements providing an income-generating and production basis in present or in future,

Social Protection Approaches

from universalism to targeting and back

- Public social programs can either be universally provided or narrowly targeted at certain groups of people.
- Each approach has its benefits and costs. Economic, moral and political reasons may underlie the choice between targeting and universal models.
- **social protection systems are rarely based on purely universal or purely targeting principles**
- Under universal approach no attempt is made to reach the vulnerable directly as individuals. Instead, gains are achieved by targeting types of spending that are relatively more important to the poor and vulnerable; Spending on basic social services, such as primary education and primary health care, are examples. Rural development is another.

Universal versus Targeting

- The second approach entails targeting categories of people. Under this approach, which can be called narrow targeting, benefits are intended to be targeted directly to the specific groups. Such policies include food stamp schemes targeted to poor mothers, microcredit schemes, and development programs that focus on poor geographical areas.
- Targeted schemes are presented as more effective in bringing resources to the poor, while maintaining low levels of social spending.
- It has become widely accepted that targeted social programmes are a more cost-efficient way to reduce poverty than is universal provision.

Universal versus Targeting

Empirical Evidence

- Targeting does not necessarily target the poor; targeting fails to target the most vulnerable,
- It is often not cost effective; there is a cost of not reaching all poor or vulnerable population and thus irreversible losses of human capital,
- It needs strong institutions, which is not always the case in the countries where it is implemented; as good targeting requires good statistical information and powerful institutions. In developing countries such institutions or information are missing;
- it is not always politically sustainable; there are strong effects of targeting on political sustainability.



Universal versus Targeting

- Several additional factors strengthen universalism of social protection:
- Better health and basic education, access to safe water, and basic physical infrastructure raise people's well-being and also raise their productivity and incomes.
- Because it makes no socioeconomic distinctions between who can and who cannot participate, universal spending is perceived to be more politically popular than narrow targeting, and hence more sustainable.



Universal versus Targeting empirical evidence, example

- The well-known targeted social scheme in Mexico—the Oportunidades programme—has “generated very impressive targeting outcomes, with the poorest quintile receiving almost three times more benefits than they would have received under a universal intervention.
- This is true in terms of the benefited poor, but if all of the poor were included in the evaluation, the numbers would change dramatically.

Universal versus Targeting

empirical evidence

- Behind the “impressive targeting outcomes” is the fact that only 60 per cent of the poorest quintile is covered, which means that 40 per cent of the poor are excluded from the programme and do not receive any benefits.
- Dutrey, (2007) showed that when an alternatively weighted model for evaluation- where undercoverage is ranked higher than the overall leakage ratio; the resulting model erases the “success” of a targeting scheme over a universal scheme for provision.

Universal versus Targeting

Self Targeting

- Self-targeting approach can be considered as universal.
- Instead of relying on an administrator to choose participants as in targeted programmes, these schemes aim to have beneficiaries select themselves through creating incentives that will induce the needy and only the needy to participate.
- Self targeting works by incorporating a cost of participation into the design of the scheme.
- Brazil social assistance is an example.



Lessons learned

- **Lessons learned from the past three decades call for social policy to return towards universalism** combined with narrower targeting of cash and in-kind transfers to specific groups.
- In crisis, the provision of basic social services is unlikely to provide the necessary safety net. The poor and vulnerable are the most affected groups; but actions should be fast and no time for revising data base and targeting mechanisms. **Self targeting is the most appropriate approach.**
- When the other, non-income dimensions of poverty are taken into consideration, target specific groups of the population loses meaning.

Social Protection Approaches In Arab Countries; Developments

- In November 2010, the Human Development Report (HDR) highlighted the achievements of six Middle Eastern countries in human development by placing them in the list of the top-ten countries with fastest improvement in their Human Development Index (HDI) over forty years.
- Within weeks of these important recognitions, Tunisia, one of the best performer was in full-scale popular revolt. In light of Tunisia's undeniable success in education, health, and economic growth, the three pillars of HDI calculus, inequality of opportunities was one of the reasons behind this uprising.

Unequal opportunities

- Although all Arab countries provide subsidized public education and health services, opportunities in access to such services are unequal.
- HDR 2010 introduced an adjusted HDI that takes into account inequality in each dimension.
- All ESCWA countries suffer from declining HDI due to inequality, exceeding 10 percent losses because of substantial inequality across all three dimensions.
- The average loss in the HDI due to inequality in all Arab countries is about 27.3 percent. Among ESCWA countries, losses range from 19.2 percent for Jordan to 34.2 percent for Yemen. Yemen is followed by Egypt which lost more than 25 percent.
- ESCWA countries show the highest inequality in education dimension, followed by income dimension. Health dimension shows the least losses.
- Losses in education dimension ranged from 25.1 percent for Jordan to 49.8 percent for Yemen, and 43.6 % in Egypt.

Human Development Index

		Human Development Index (HDI)	Inequality-adjusted HDI		Inequality-adjusted life expectancy at birth index		Inequality-adjusted education index		Inequality-adjusted income index	
rank	Country	Value	Value	Overall loss (%)	Value	Loss(%)	Value	Loss (%)	Value	Loss (%)
32	UAE	0.815	..	..	0.846	7.4	..	..	..	..
38	Qatar	0.803	..	..	0.820	7.4	..	..	..	..
39	Bahrain	0.801	..	..	0.816	8.1	..	..	..	..
47	Kuwait	0.771	..	..	0.850	7.3	..	..	..	..
	Oman	0.755	0.584	22.66	0.803	9/0	0.428	34.33	0.579	25.6
53	Libya	0.755	..	..	0.759	12.1	..	..	..	..
55	Saudi Arabia	0.752	..	..	0.736	12.7	..	..	..	..
81	Tunisia	0.683	0.511	25.2	0.751	12.7	0.378	38.7	0.469	21.8
82	Jordan	0.681	0.550	19.2	0.730	13.3	0.508	25.1	0.450	18.7
84	Algeria	0.677	..	..	0.688	17.9	..	..	..	..
101	Egypt	0.620	0.449	27.5	0.641	19.8	0.304	43.6	0.465	15.9
111	Syria	0.589	0.467	20.8	0.769	11.1	0.312	31.5	0.424	18.3
114	Morocco	0.567	0.407	28.1	0.671	18.3	0.246	42.7	0.409	20.7
133	Yemen	0.439	0.289	34.2	0.477	31.2	0.149	49.8	0.341	17.6
147	Djibouti	0.402	0.252	37.3	0.338	41.0	0.144	47.0	0.329	21.3
154	Sudan	0.379	..	..	..	..	..	..	..	..
	Iraq	..	..	..	0.611	20.4	0.314	33.0	..	..
	Lebanon	..	..	..	0.710	14.5	..	..	..	..
	Palestine	..	..	..	0.752	12.0	..	..	..	..
	Somalia	..	..	..	0.238	50.6	..	..	..	..
	Arab States (RB)	0.593	0.429	27.3	0.623	21.3	0.289	..	0.432	17.7

Social Protection in ESCWA

- *Social protection systems are rarely based on purely universal or purely targeting principles.*
- Among the three levels of social protection considered; social insurance, social assistance and health care services :
- Some are provided universally (examples are fuel subsidies in Egypt and Syria, food subsidy in Syria and public health services in all ESCWA countries),
- Some are targeted to special groups (examples are cash transfers and geographical targeting)
- Some are provided by combination of both mechanisms by means of self targeting such as bread subsidy in Egypt, even public health services in some countries like Egypt.

Social Protection in ESCWA

Social Insurance

- The *dominant elements of social security policies in most Arab countries are social insurance programmes providing long-term benefits in case of old age, disability and survivorship*. Such schemes cover workers in the public sector, including the military, as well as workers in the private sector in most, but not all, Arab countries. Voluntary programmes are also offered.
- Few countries offer unemployment insurance benefits.
- Health insurance is mostly provided for all employees with social insurance. Health insurance may cover family members of the employee. In Egypt, for instance, civil servants and public employees are covered by health insurance. All Students enrolled in schools and university are also covered by health insurance scheme.

Social Insurance

- Pension *coverage in the regional economies remains modest.*
- Only 30 per cent of the region's labour force is currently enrolled in some pension scheme, for instance the Jordanian social security system, in 2007 covered only around 50 per cent of the formal private sector workforce, in Egypt only 34 per cent of employed persons are covered by social insurance (some on voluntary basis). while 66 percent of active population in Brazil are covered by social programmes.
- Pensions' value at least in middle income countries and least developing countries is very low and its pace of change does not match with inflation, pointing to the vulnerability of elderly and disabled pensioners.

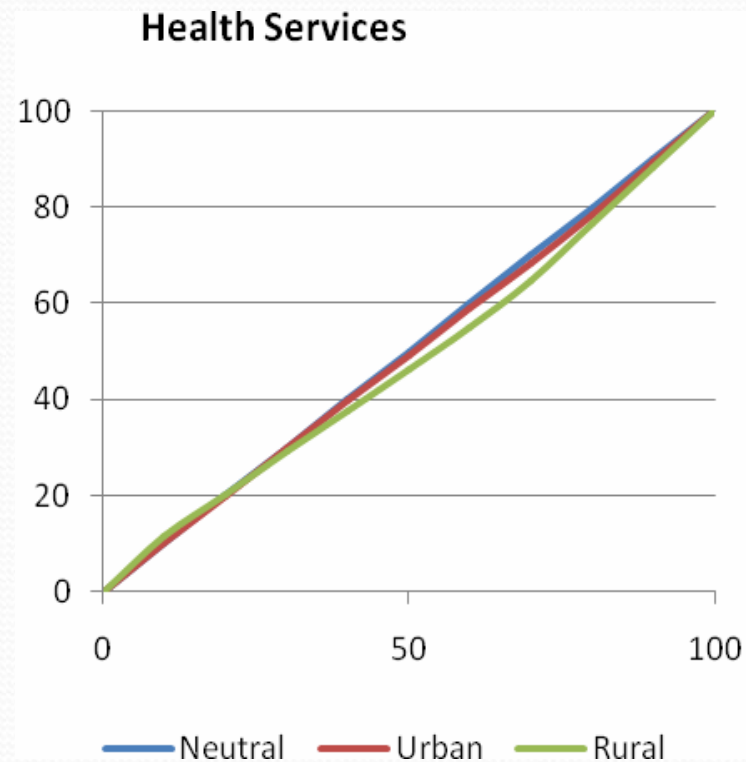
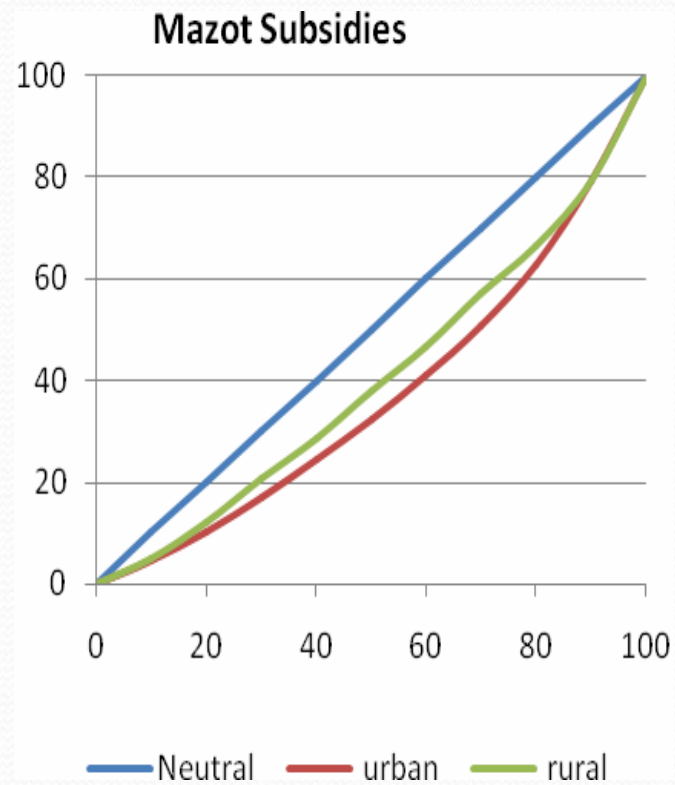
Social Insurance CONT.,

- The majority of social insurance programmes do not provide coverage in case of unemployment,
- Registration of unemployed workers with the Manpower department are a common problem that is always cited.
- Voluntary contributory social insurance programmes are also available in most countries, however individuals are reluctant to participate in such programmes because of low value of benefits and inflation; Egypt represents a good example.

Social Assistance

- Social *assistance programmes are offered by all countries in the region and provided universally or for special groups.*
- Universal social assistance programmes include; subsidised public health, education, transportation, water, sanitation and electricity which are offered to all citizens in all ESCWA countries. Syria and Egypt provide universal fuel and food subsidies. These subsidies become very costly. Unlike energy subsidy, food subsidy system has a large poverty reducing impact and has been successfully used as a vehicle to address micronutrient deficiencies. Although those social assistance programmes are universally provided, they entail a kind of self-targeting as goods and services are provided in low quality.
- According to surveys, coverage under the programme is not fully satisfactory and administration is complex, complicated procedures and papers that are required to apply, eligibility lists are rarely updated, and when they are, benefits are not always granted to those families newly identified as eligible.

Benefit Incidence, Syria



Social Assistance Cont.

- Social assistances-specially cash or in kind transfers- are provided by all countries, but in charitable and not in right approach as in Brazil.
- In most ESCWA countries categorical and self targeting are the main approaches to provide social assistance programmes; Oman, Saudi Arabia and Egypt are examples. Conditional cash transfers approach, proxy means approach is used in Palestine.
- Zakat represents a major financial source of social assistance, if it is well managed. Several NGO's, Mosques and government enteritis are concerned about collecting and distribute Zakat funds. There is lack of coordination between those bodies which leads to duplication in services provided and sometimes they are competing with each other.
- Malasia offers a good example of how Zakat can be managed. There is one institution, with one branch in each municipality, which collect and distribute funds in transparent manner. Decisions and regulations are decentralized.

Social Assistance

Challenges

- Affordability, lack of coordination, low skill levels, crisis ad-hoc policies and financial difficulties are the main challenges, resulting in the duplication of support to some groups of the population, while others are hardly covered at all. Many of these schemes do not grant benefits on clear rights and entitlements. Funding of these programmes is often decided ad hoc, which creates a high level of insecurity for the administering institutions as well as for the beneficiaries.
- The political context greatly influences the speed with which states respond to emerging difficulties and shapes the measures they take. For instance, the Government of Syria set again the open ended subsidized diesel quotas and GCC governments had increased salaries and pensions after the recent popular uprising in several Arab countries.

Social Assistance

Challenges Cont.

- In recent years, several ESCWA countries started to reform their social assistance programmes by reviewing targeting mechanisms and increasing administrative capabilities. However, the main challenge in this respect is that targeting requires accurate information which needs to be updated regularly. And the information problems are compounded in a crisis, in which it is hard to know where the short-term impacts are the greatest.
- Self targeting approaches should be applied whenever possible. ESCWA countries should realize the political cost of targeting since empirical results showed that fine targeting undermines political support for the program.
- There is a need to have clear right based social assistance policy, to merge some of the existing schemes into unified social assistance programmes with a view to enhancing effectiveness and efficiency. Greater transparency of these social assistance programmes, better administration and coordination will help to facilitate access to benefits for that in need, and to promote a rights-based approach to social security.

Health services

- **Providing basic health care in ESCWA countries is realized as citizens' right and hence it is provided universally to all segments of population free of charge or with highly subsidized rates.** For instance, health care services in Syria are financed from the state budget and provided on a universal basis to all persons.
- Arab countries have markedly increased their per capita health spending over recent years and stepped up their effort to enhance the quantity and quality of health care services.
- The quality of health care greatly varies between countries in the region, and within countries. Low income countries face the greatest challenges in providing adequate health care services for their population.

Health services cont.,

- Furthermore, in many countries, cost recovery for public health services were introduced to alleviate the fiscal crisis. It was argued that cost recovery approach would make service delivery more efficient and avoid the micro- and macroeconomic distortions that arise from the provision of free public services. Egypt and Syria introduced cost recovery system.
- User fees were expected to reduce the strain on overburdened public services.
- Access to public health services, especially of reasonable quality- is no longer considered one's right as a citizen, but is based on one's ability to pay.



Health services

Challenges

- While public health care services are universally provided, the most pressing concerns are related to the quality of health-care services, high inequality in the distribution of health-care facilities and insufficient coverage by health insurance systems, and high out of pocket health expenditure thereby leaving households in very vulnerable positions in cases of illness and injury.
- The system lack of mechanisms for accountability and corruption is wide spread, where the poor and vulnerable bear the greatest burden.
- Unlike Brazil, financing health care is highly centralized and municipalities manage only the production of the services.

Health services

Challenges *cont.*,

- The main challenges consist of closing the significant gaps in health coverage and inequality, improving quality of health care services, and establishing or extending mechanisms of social health protection. The ultimate goal is to achieve accessibility and affordability to at least an essential level of medical services for all citizens.
- Although GCC countries have managed good coverage of health services in good quality, the high rate of infant and under five mortality rate (compared to high income countries) call for comprehensive health programmes and awareness campaigns.

Policy Options

unemployment benefits

- Some countries have unemployment insurance schemes such as Bahrain, Egypt . The main challenge in applying unemployment insurance schemes is that most of unemployed are new graduates who entered the labour market for the first time. Several unemployment protection programs may be suggested and implemented :
- **Unemployment insurance of new entrants.;** According to international experience, a system of social insurance starts from the stage of joining school. This program is appropriate and student pays a small amount annually deposited in a special fund. This special fund pays unemployment insurance for those who do not get a job immediately after graduation, and within the limits of a certain period of time. All ESCWA countries in the region may apply this type of insurance, and governments specially GCC countries may pay student's contribution.

Policy Options

unemployment benefits cont.,

ESCWA countries can benefit from Malaysian experience which was launched in 1998, the unemployed graduate scheme is to recruit fresh graduates at government agencies for a few months with minimum monthly allowance. This scheme was established to provide the fresh graduates with some work experience before dispersing in the labour market in addition to providing them a minimum income. Another program was launched in 2008 to retrain the unemployed and to assist them with new jobs. During this training, the trainees would receive a monthly allowance to assist them with their expenses.

Policy Options

Public Works and Employment Programmes

- **Public Works and Employment Programmes (PEP):** In times of crisis; such as what Egypt experienced nowadays where about 250,000 workers have returned home from Libya, and for a long-term sustainable growth and development, Public works and employment programmes have been designed as short-term 'safety nets'.
- PEPS are self-targeting by design: self-targeting public employment programmes offer employment to unskilled labour at the minimum wage rates and it is preferable during crisis. Advantages of such programmes can be summarized as follows:
- First, PEPs have less effect on inflation, since employment programmes directly target the unemployed and affect both aggregate demand and supply, the later through the expansion of infrastructure, goods and services.
- Second, PEPs may be the only effective way to aid those among the long-term unemployed who are less skilled and less educated and also help local investment through the provision of needed infrastructure and services.

Policy Options

Public Works and Employment Programmes, cont.,

- Third, By employing those who would otherwise be unemployed and by offering training and education, PEPs can help to maintain and even to appreciate human capital. .
- Forth, PEPs have Political Advantages; it can have relative quick impact on unemployment, especially in economic crisis and /or rural distress; unemployment figures are always political. It is social protection, not charity, potentially enhancing the political and social acceptability of programmes.
- Finally, it has social advantages. It can contribute to solving basic needs' insufficiencies at the household level through income earned.

Policy Options

Productive Safety Net

- All categories of ESCWA countries, should provide micro credit at subsidized rates. Productive safety nets could also include access to farm inputs at subsidized prices to support crop and or livestock production. These safety nets build community assets and provide an income transfer that can improve livelihood security. Program-wide emphasis should be given to connecting productive safety nets with risk reduction activities.
- Brazil offers an innovative rural social security which can be implemented in non GCC countries. The programme focuses on the small family farmer, who utilizes his/her own work and that of his/her family. Farmer's contribution is collected based on the production that was commercialized and the contribution is collected by the buyers.

Main principles

Given the above challenges, Arab countries should adopt the following principles which guide the development of social security policies:

- Social policies are country specific and no blueprint policies can be suggested,
- A coherent national social security system should follow a universal but progressive approach of income security and health systems,
- Collective “actuarial fairness” of contributions and benefit levels should be adopted,
- Social security is a matter in the public domain and requires involvement of the employees, employers, government agencies and civil society,
- The national strategies should not be oriented mainly towards reformulation, articulation and coordination of existing programmes,
- It is necessary to formulate a new social contract between the state and the citizen in Arab society, and ensure good governance of social security ,
- Social protection policies should be integrated with National plans.