Social Protection Responses to the Financial Crisis: What do we Know?

Over the last decade there has been significant growth in the number of social protection programmes around the world. In times of financial crisis it is not a question of whether we can afford to support social protection initiatives; rather whether we can afford not to.

Social protection programmes have generated a substantial body of evidence about what social protection can do and how it can do it. Costs associated with the absence of social protection in developing countries are now well documented (Dercon, 2005; Morduch, 1998).

The emerging consensus and evidence base on social protection indicates that it underpins other investments in development. For example, the Oportunidades Human Development Programme in Mexico (formally PROGRESA) provides cash and in-kind transfers conditional on school attendance and regular visits to health centres. In rural areas, Oportunidades has increased education achievement by 14 per cent and children on the scheme have a higher growth average and smaller levels of anaemia than children not on the scheme (Garcia, 2004). Seventy-five per cent of the 8 million beneficiaries on the Ethiopian Productive Safety Net Programme (PSNP) reported that they had consumed more and better quality food as a result of the initiative (Devereux et al. 2008). In Bangladesh productive assets (e.g. livestock or land) provided through the BRAC Challenging the Frontiers of Poverty Reduction programme resulted in an estimated 85,000 women graduating up from their ‘ultra poor’ status (Young et al. 2003).

What are the impacts of this crisis and how can social protection respond?

When people struggle to cope, there is an increased need to support them more formally through national – state run social protection programmes. Social protection programmes can play four roles – Protection, Prevention, Promotion and Transformation. Each has a set of policy instruments associated with it and each can play a different role in the current crisis (see table 1).

What is Social Protection?

Social protection describes a group of policy initiatives that transfer income or assets to the poor. They protect vulnerable people against livelihood risks, and seek to enhance the social status and rights of the marginalised.

Table 1. Social protection categories and instruments

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<tr>
<th>Type of Social Protection</th>
<th>Social Protection instruments</th>
<th>Role in this crisis</th>
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</thead>
<tbody>
<tr>
<td>Protective (social assistance)</td>
<td>• social transfers&lt;br&gt;• disability benefit&lt;br&gt;• pension schemes&lt;br&gt;• social services</td>
<td>Immediate protection and relief from poverty and deprivation</td>
</tr>
<tr>
<td>Preventive (insurance and diversification mechanisms)</td>
<td>• social transfers&lt;br&gt;• social insurance&lt;br&gt;• livelihood diversification&lt;br&gt;• savings clubs; funeral societies</td>
<td>Prevents damage to coping strategies</td>
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<tr>
<td>Promotive (economic opportunities)</td>
<td>• social transfers&lt;br&gt;• access to credit, transfers/protection, common property resources&lt;br&gt;• school feeding&lt;br&gt;• agricultural starter packs&lt;br&gt;• public works programmes</td>
<td>Promotes resilience through livelihood diversification and improves security</td>
</tr>
<tr>
<td>Transformative (addressing underlying social vulnerabilities)</td>
<td>• promotion of minority rights&lt;br&gt;• anti-discrimination campaigns&lt;br&gt;• social funds</td>
<td>Transforms social relations to reduce exclusion</td>
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What have we learnt from previous crises?
The lessons learnt from responses to previous crises in Indonesia and Mexico are informative. In Indonesia, it was a case of rapid action and learning by doing. In 1997 the Government of Indonesia (GoI) quickly introduced a National Safety Net Programme as the financial crisis doubled the poverty rate in a year. The results of the programme have been impressive with the poverty rate reducing from 33 per cent in 1998 to 12 per cent in 2002. Without the programme, evidence suggests that recovery in this timeframe would not have been possible. It demonstrates the importance of responding quickly and boldly. The GoI, without previous experience of implementing a safety net programme, had improved the programme as they went along (Sumarto et al. 2008).

In contrast, Mexico provides a case of building a strong constituency for social protection through evidence. Although starting out on a modest scale, by 2002 the Oportunidades programme was reaching over 25 million people and is now the centrepiece of the country’s poverty reduction strategy. The key to its expansion and success was the political leadership in successive governments (de Britto 2008).

What should be done?
In the current crisis we can do two things:

1. Seize on opportunities to implement social protection programmes
Historically, moments of crisis also result in social and political unrest. In some circumstances, where political leadership is strong, this has proven to be a key driver in the development of social protection schemes (for example, the New Deal in post-depression USA); in others it can provoke political paralysis and the shrinkage of state protection which triggers a spiral of long-term decline. A key lesson from recent responses is that the crisis can represent a window of opportunity and that it is important to seize these moments for progressive social protection initiatives.

2. Develop long-term programmes through global partnerships
As we respond to the immediate impacts, the longer-term impacts of the crisis must not be overlooked or underestimated. Social protection programmes that are national in coverage and provided over the long term are therefore required. Recent discussion of financial support to develop them through a ‘global vulnerability fund’ is encouraging since they represent recognition of a sense of global responsibility and cooperation. Social protection should follow this path with cooperation in the development of national programmes that transcend national boundaries.

Further reading

Credits
This In Focus Policy Briefing was written by Mark Davies and J. Allister McGregor from the Vulnerability and Poverty Reduction Team at IDS. The series editor is Clare Gorman. For other briefs on the crisis see: www.ids.ac.uk/go/infocus7

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