

Three models of social protection

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For a decade or so, social funds were supposed to be present in every strategy against poverty. Modeled after Bolivia's *FSE* (1986) and supported by multilateral banks, country after country set up its own local version culminating in Mexico's *Solidaridad*, before they faded away. A new model has now grabbed the attention of governments and donors. In 1997, Mexico created *Progresa* (now *Oportunidades*), a program that gives cash to female heads of poor families every two months in exchange for sending their children to school, improving their diets, keeping up with their vaccination schedules and attending health clinics. The idea behind a conditioned cash transfer is that it mitigates current poverty (through the income supplement) while preventing future poverty (by creating incentives for families to invest in human capital). *Oportunidades* provides cash to five million families, a quarter of the population; children are said to be growing taller, healthier and staying more in school, with larger declines in dropout rates and increases in transition rates from primary to secondary school among girls due to the program's graduated-transfer schedule.

The success of *Oportunidades* has spawned emulation. *Familias en Acción* operates in Colombia since 2001, targeting mothers from the 20% poorest households with a food subsidy and monthly transfers. In a short time, total household consumption has improved noticeably, with most spending going to protein-rich food and children's clothes, and attendance is up at schools and health posts. After a shaky start in 2003, Brazil's *Bolsa Familia* now reaches eight million families with monthly grants largely spent on food; 75% of its outlays are on the bottom two quintiles, and another three million families will be added next year. In Nicaragua, too, total household spending among the poorest jumped by 40% in the first two years of the *Red de Protección Social*, the bulk on food consumption. School enrolment and attendance are also up, while the proportion of child workers is down. But nothing compares with the dramatic drop in stunting among children below five, from 42% to 37%, in just two years. This suggests a well designed, properly implemented and regularly evaluated cash transfer program can greatly benefit the poor. Yet these programs may not be suitable in every setting, nor are they the only model for shielding poor people and helping them exit poverty.

Just last August, India passed the landmark *National Rural Employment Guarantee Act*, hailed as the most important piece of legislation since 1947. Under the Act, every rural household is entitled to 100 days of guaranteed employment at the legal minimum wage or else an allowance if work is not provided within 15 days of registration. What is remarkable about the law is that, through its guarantee of wage employment, it seeks to safeguard the 'right to work' enshrined in the Constitution, which itself is seen as pivotal for the realization of the 'right to food'. Unlike a conditioned transfer where eligible families get the benefit only so long as they comply with certain conditions, here it is the State that has an enforceable obligation to provide employment to anyone willing to take it. On one case, families have to 'earn' the benefit; on the other, they are

entitled to it. Since the guarantee applies to unskilled manual labor, it is expected to be self-selecting; only a needy person would normally want to perform such work. A conservative estimate puts that number at 40 million families who, like most of village India, have been bypassed by the economic boom unleashed by the 1991 reforms. Essentially, the bill provides a universal entitlement to relief employment on demand. While mainly intended to protect families from hunger, its potential multiplier effects extend well beyond this. If well implemented, *NREGA* can help boost agricultural growth and wages, create durable rural assets, revitalize local markets and industries, and contain migration to the city. The granting of household not individual entitlements worries some, who fear competition for work could exclude women. Critics say the Act is wasteful, prone to corruption and, with a price tag of \$10 billion a year, unaffordable. But due to its phased roll-out over five years, *NREGA* is not expected to take up more than 1% of GDP when implemented nationwide—a price worth paying for lifting millions from destitution. The fact that redistributing even 1% of GDP can so impact the lives of India's poor suggests how little they share in their country's wealth.

In South Africa, a proposal for a universal basic income grant has raised a storm. Recommended in 2002 by a government expert panel, it consists of a monthly *solidarity grant* that would be paid to every legal resident from cradle to grave, regardless of income or age. Many dismiss the idea as impracticable, but a broad coalition of supporters has kept the debate raging. They claim it is affordable and feasible, and would give effect to the 'right to social security' written into the 1996 Constitution by providing a modicum of economic security to the more than half of South Africans trapped in long-term poverty. Many of these are so deprived of income they cannot access government services, which undermines the efficacy of public social spending, while strategies for stimulating job growth are unlikely to help but a small proportion of the unemployed, estimated at over 40%, many without social assistance of any kind. The idea of an unconditional basic income for all may sound utopian, but there is already one place where it exists. It is Alaska, where up to 2004 every person was receiving an annual dividend of \$2,000 after just one year of residence. Alaska has the smallest gap between rich and poor of any US state.

These different models may not be replicable across countries. Very poor countries may be ill-suited for targeted transfers that require sophisticated institutional capacity for screening beneficiaries and monitoring compliance with program conditions. Highly unequal countries may be ill prepared for entitlement programs ostensibly favoring the poor. Determining the extent to which implementation capacities and aversion to poverty affect a program's feasibility is a matter of empirical research. At least, there appears to be more than one model countries can choose from. And this, by itself, is good news.

* *Nota bene:* See Mehrotra's One Pager 16 on India Employment Guarantee Act. (OnePager's editors).