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Introduction to social protection systems: Instruments

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While social transfers and social insurance are generally regarded as the main building blocks of social protection systems, labour market policies and social services are not always viewed as integral parts of it. Microinsurance tends to be equally overlooked, even though it comprises a viable alternative next to informal social protection, where formal mechanisms falter. The Handbook on Social Protection Systems (Schüring and Loewe 2021) does not view these instruments in isolation, but rather discusses their respective role in the wider social protection system. It gives newcomers to social protection a first introduction to the concept, the different design parameters, the evidence base and the challenges ahead, and points advanced readers to some of the contestations that merit a closer look.

Social transfers are regular, reliable, state-provided, non-contributory transfers that encompass a wide range of transfers such as social assistance to poor people, social pensions to elderly people or compensation to war victims. While seemingly simple to design, challenges include identifying the target group, defining the optimal transfer amount and formulating a well-defined exit strategy. This is illustrated well by the case study on contributory social cash transfers in Zambia. Despite the positive impact of social transfers, substantive efforts are still required to make social transfers institutionally, politically and financially sustainable.

Social insurance is financed by its own members' contributions and generates benefits for them in predefined cases (i.e., unemployment; health insurance; old-age pensions). A major challenge for social insurance in low- and middle-income countries is how to incorporate people in informal working relationships, coupled with limited political will, low confidence on the side of contributors and high transaction costs. These factors decrease financial sustainability, as can be seen in the case studies on transforming healthcare financing in Central and Eastern European countries, and the challenges of pension funds in Iran.

Labour market policies include the rules governing employment relations, with employment being the main anti-poverty strategy. Through such policies, States aim to protect workers by rebalancing the disproportionate power of employers. Such instruments include minimum wages, the right to paid holidays, reasonable working hours, and protection against some livelihood risks: maternity, illness or accidents at work. Other labour marker policies safeguard employers against systemic risks of business cycles and structural recessions: i.e., workers and labour market participants from income losses.

Large-scale informality and poor law enforcement still pose threats to the implementation of labour market policies as illustrated in the case study on the Middle Easter and North Africa regions. One of the effective ways of overcoming such challenges is to closely align labour market policies with the national and local development plan to ensure that the skills developed by beneficiaries are relevant to future job profiles, as envisaged in the development vision. This approach also fosters the transition from the informal to the formal economy.

Social services are services such as psychological therapy and mentoring, as well as rehabilitation provided to people with special needs. Social services respond to the need for comprehensive and integrated approaches to address the often multiple vulnerabilities facing the population. While material support has a positive impact on the reduction of certain social risks, such as discrimination and some aspects of exclusion, some situations require concrete personal support and guidance on an individual basis.

Micro-insurance is as a risk-pooling tool designed to meet the needs and capacities of people earning low incomes in informal employment, who are otherwise difficult to reach by traditional social insurance. Micro-insurance is not a substitute for social transfers but can be an alternative or complement to social insurance. One should bear in mind that micro-insurance can be a feasible tool but cannot cover all risks. Governments and donors can consider subsidizing the start-up costs of newly created micro-insurance schemes and provide emergency, no-interest loans to the providers to manage temporal financial crises.

Table 1. Expert voices in Part 1

Chapter	Page	Expert	Video/Podcast
2	6	F. Burchi (IDOS)	School Feeding Programmes
2	17	Animated video	Cash Transfers Revisited (Common misconceptions)
5	87	J. Schneider (activist)	Germany's Social Protection System

Note: The videos can be found in the multimedia version of the Handbook, in the respective chapters.

Reference:

Schüring, E., and M. Loewe (editors). 2021. Handbook on Social Protection Systems, Cheltenham: Edward Elgar Publishing Limited.