

THE SOCIAL PROTECTION CHALLENGE IN MIDDLE INCOME COUNTRIES

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SP challenges in Middle Income Countries (MICs)

- Most MICs are facing pressure to expand social protection
- Financial crisis has added to these pressures during times of increased fiscal constraints
 - ▣ Crisis highlighted the need to develop cost-effective safety nets in advance
- Responses have varied depending on structures in place

□ Building SP takes time  Better to act promptly

Features of SP systems in MICs

Objective	Target group	Design Element
Reduce poverty and encourage human capital investment	Chronic poor	Targeted and non-contributory
Help households manage risks	Households vulnerable to shocks	Contributory, with public subsidies for the poor
Improve productivity	Groups facing special challenges	Targeted SP/Labor interventions

What are other MICs doing?



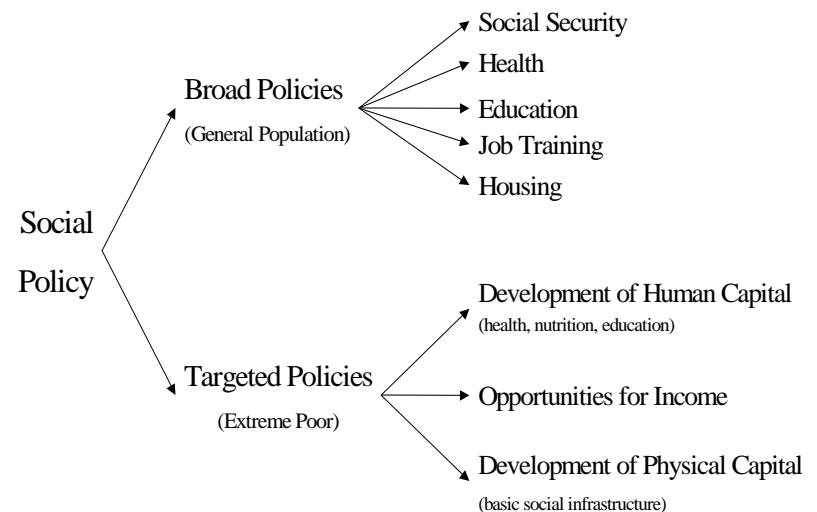
- Establishing a 'core' non-contributory safety net program
- Expanding coverage of social insurance
 - ▣ Emerging best practice in pensions
 - ▣ More diversity in financing models for health
- Developing active labor market and skill development policies

Country example– Mexico (1)

New Social Policy that started in 1994

- A switch from general subsidies to targeted interventions in late 1990s, following “Tequila” crisis
- Introduced a whole set of targeted non contributory programs aimed at developing opportunities for the poor
- Maintained a contributory “core” social insurance tied to formal employment contract

Figure 2.1: Broad-based and Targeted Policies



Country example– Mexico (2)

“New” elements introduced since late 1990s:

- CCT (Progresa) full implementation in 1997. Renamed and a scaled up as Oportunidades in 2000.
- Workfare programs (PET) implemented in 1998; reinvigorated in recent crisis
- Health insurance for the poor (*Seguro Popular*) implemented in 2003/04
- Social pensions for the elderly in 2003

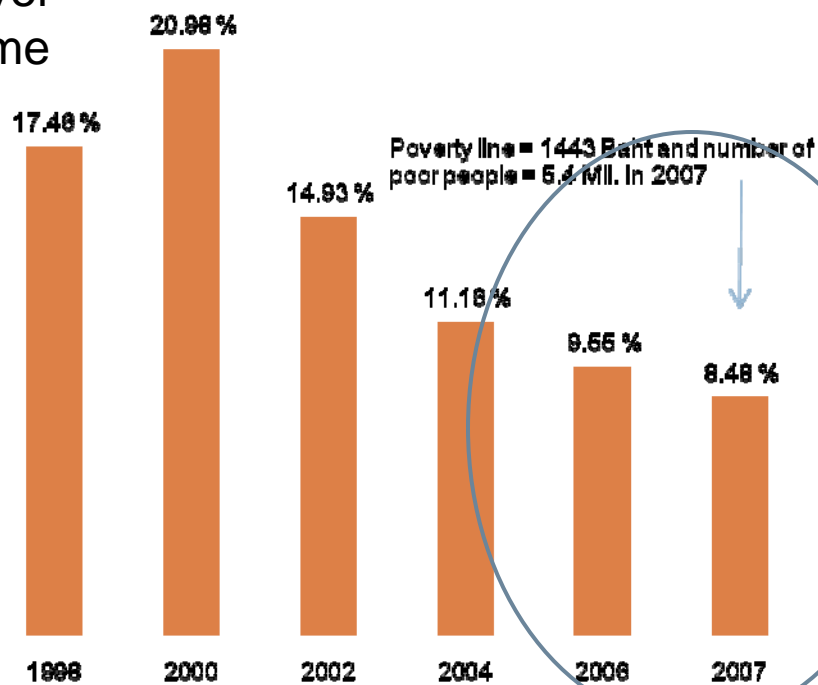
=> Great improvement in coverage for people outside the formal sector; positive impacts on education and health of the poor

These systems co-exist with a parallel payroll-tax based social security system for formal sector workers (covering pensions, health, disability) => has raised issues of disincentives to becoming formal

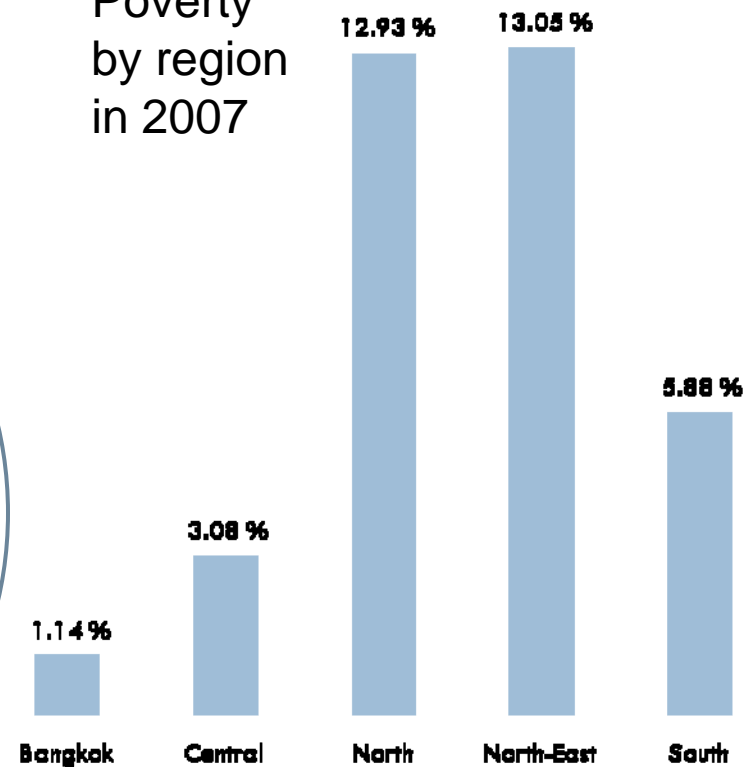
Where does Thailand fit?

Strong poverty reduction but persistent disparities

Poverty over time



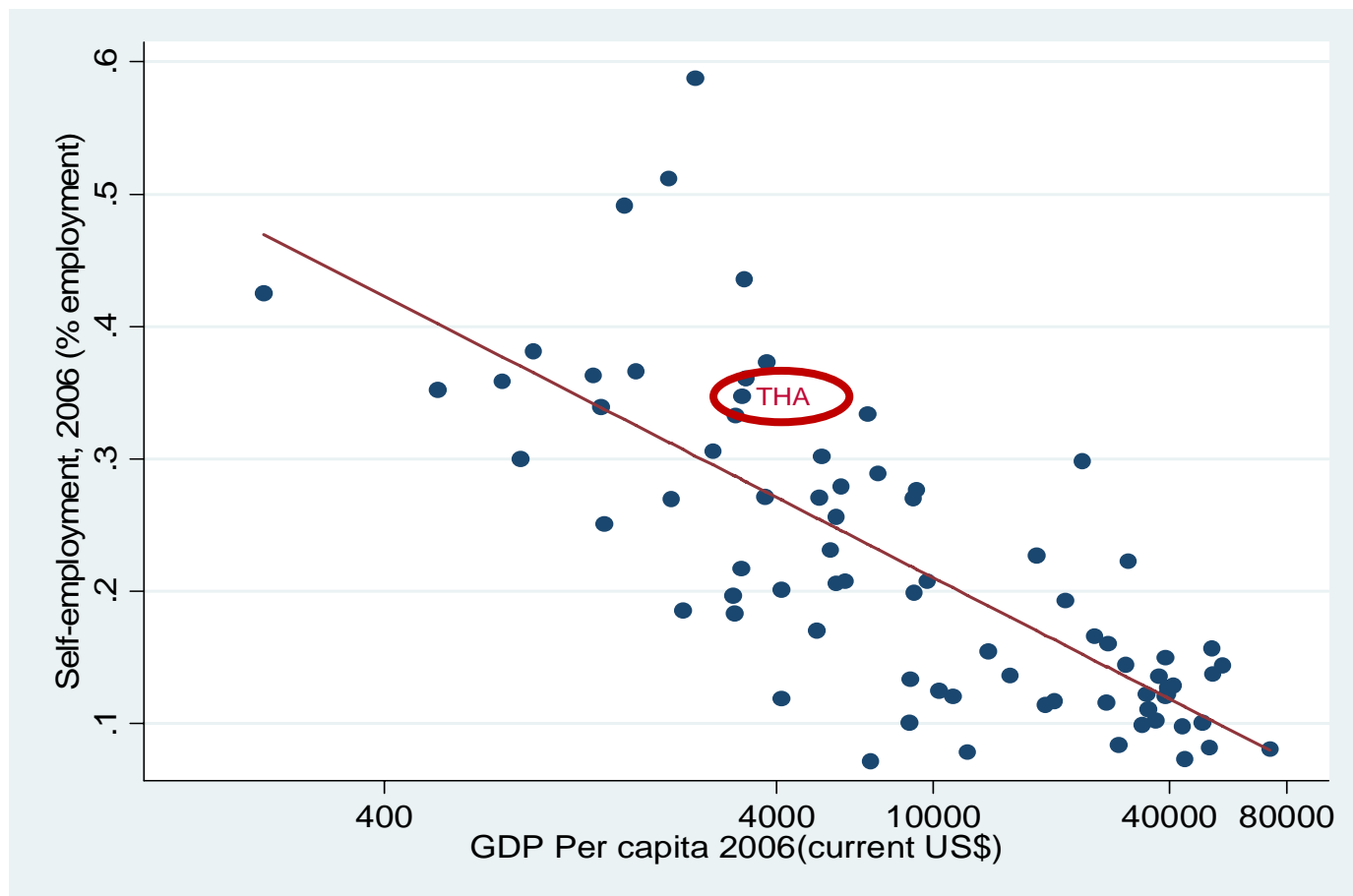
Poverty by region in 2007



Source: NESDB

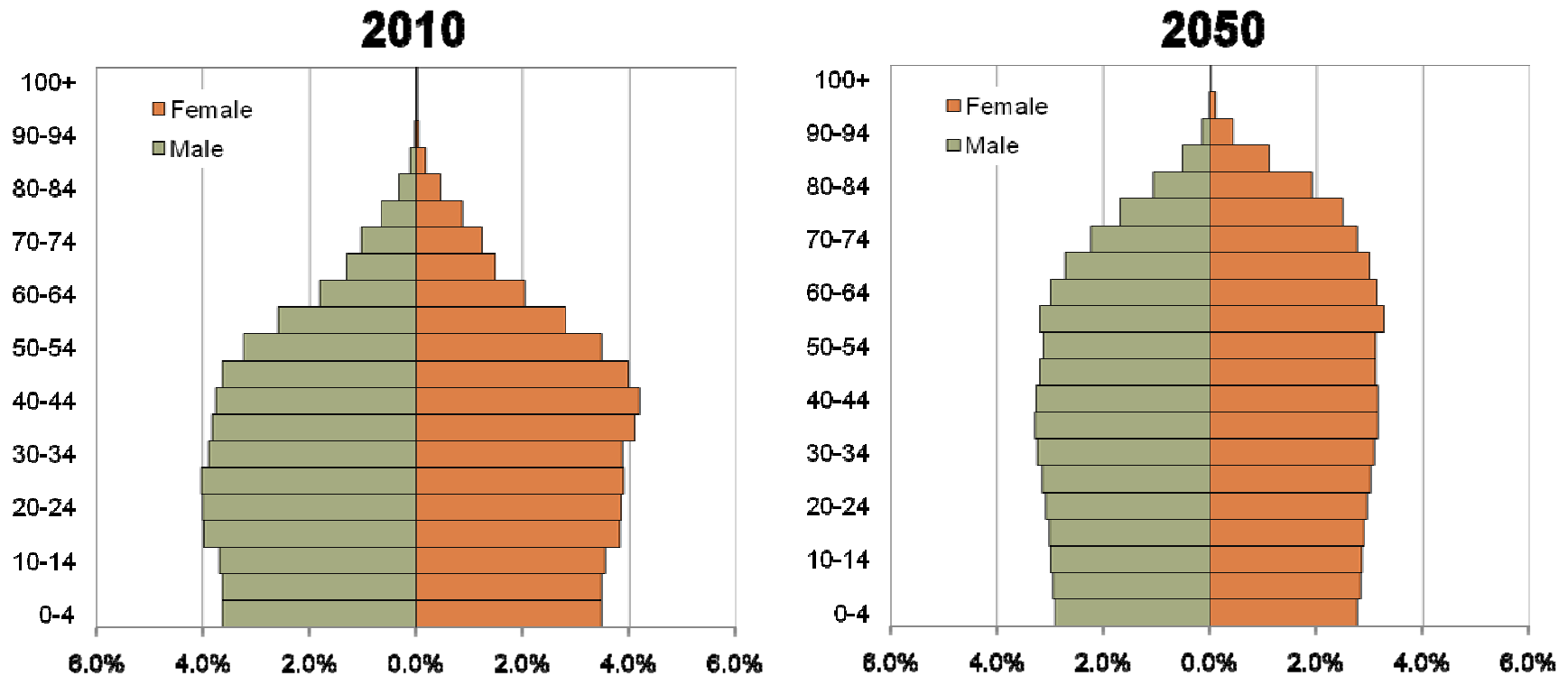
Where does Thailand fit?

Informal Sector



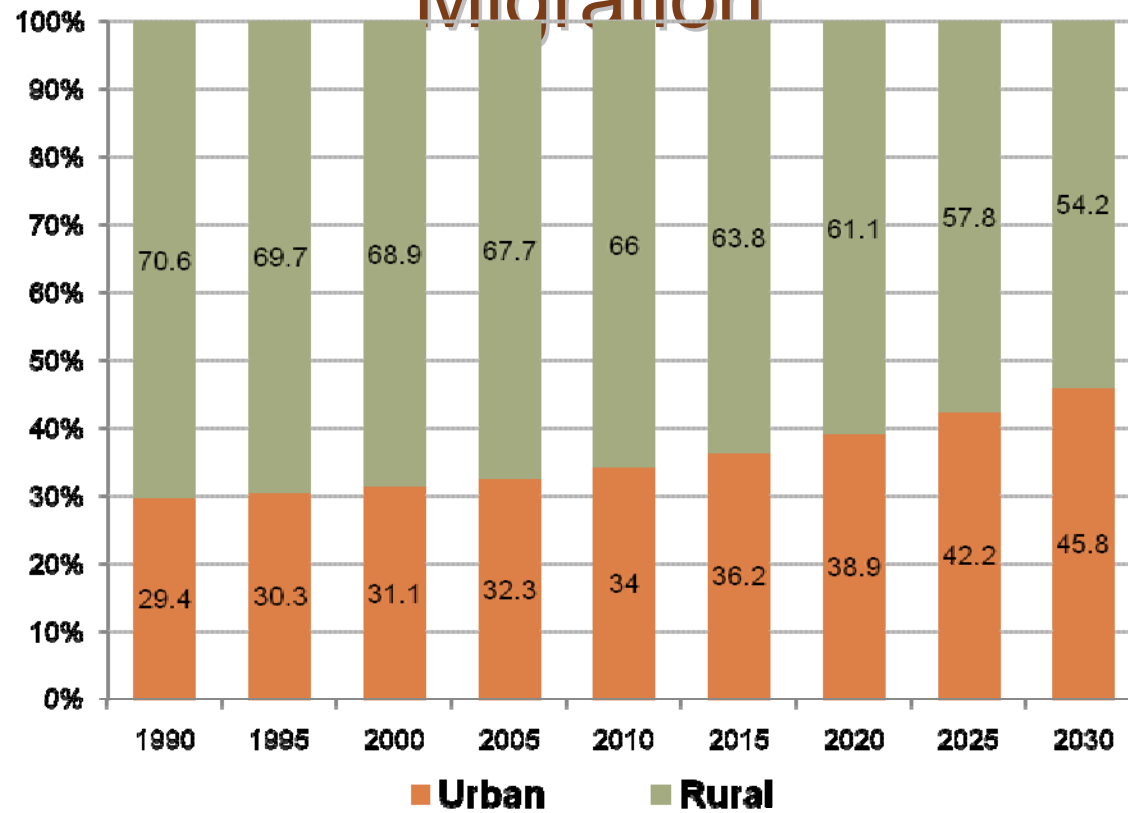
Where does Thailand fit?

Aging Society



Where does Thailand fit?

Ongoing Rural-Urban Migration



Thai SP panorama - challenges

	Harmonization	Sustainability	Informal Sector
Health			
Pensions			
Community Based SP			
Safety Nets			
Labor Market Interventions			

Common Challenges

Breakout Sessions

Experience from MICs

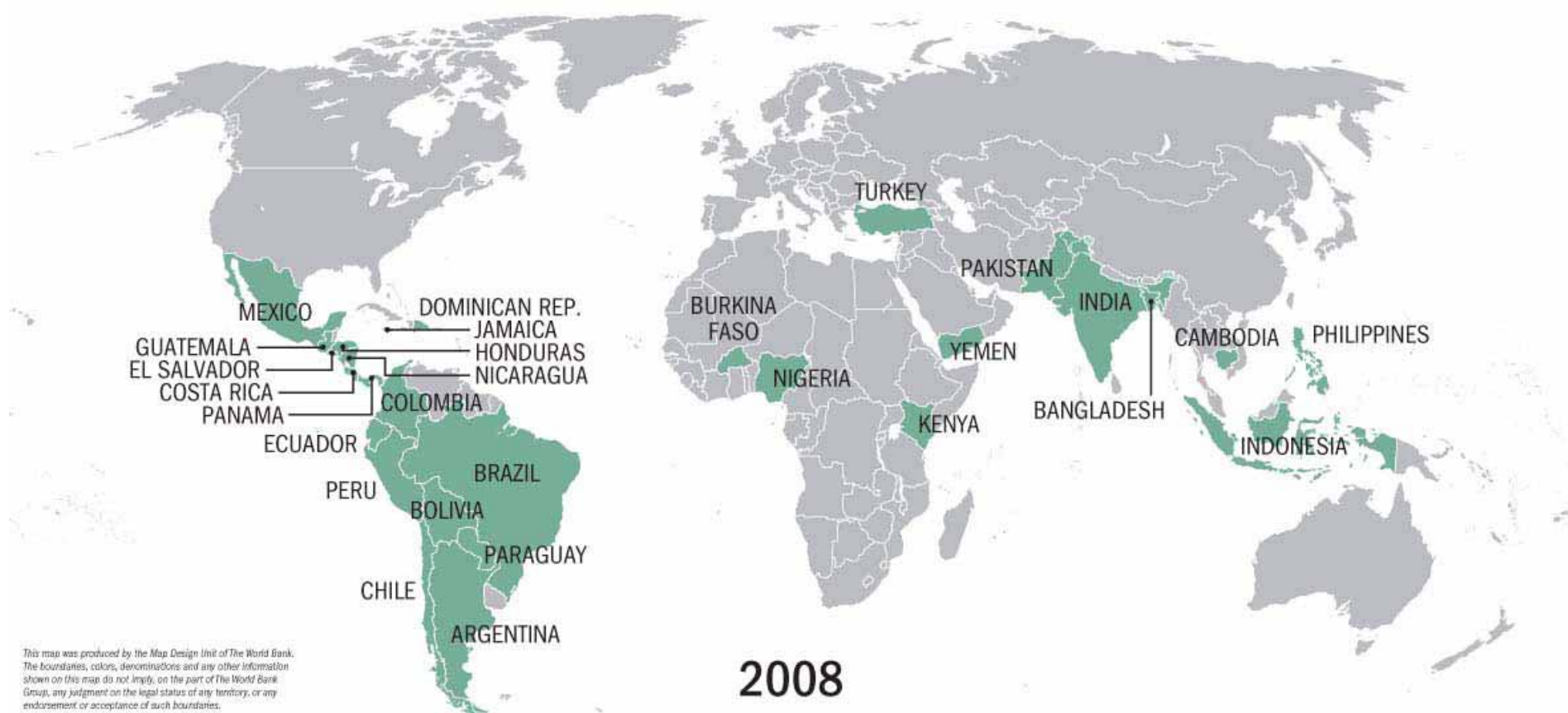


(Conditional) Cash Transfers as Safety Nets

- (Conditional) cash transfers are increasingly adopted as core safety net program
- CCT are more a “contract” than a cash transfer
- They alleviate poverty but also **encourage investment in human capital** (education and health) and **improve consumption**
- Little evidence of welfare dependency and negative impact on labor markets

Experience from MICs

Adoption of CCTs



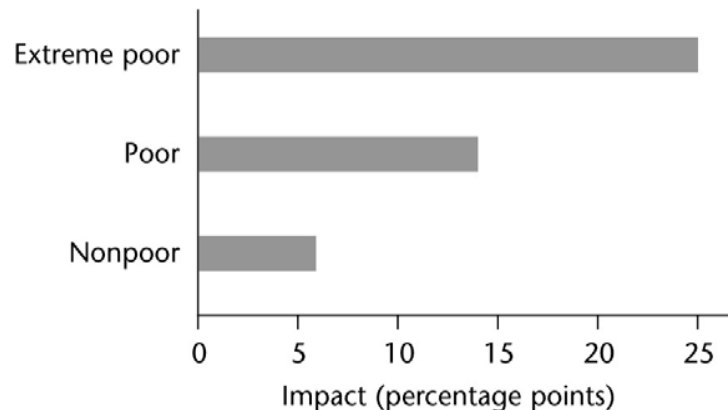
CCT impacts on poverty, education and health outcomes

- CCTs have generally led to substantial reductions in consumption poverty:
 - In **Mexico**, PROGRESA (now Oportunidades), a program with national coverage, reduced the poverty gap in rural areas by 19 percent
- And had significant impacts on **education** outcomes:
 - In **Mexico**, Oportunidades decreased dropout between 6th and 7th grade by 9% points
 - In **Pakistan**, the Punjab Education RSP increased the school enrollment of 10-14 year-old girls by 11% points
- And **health** outcomes:
 - In **Colombia**, Familias en Acción increased the proportion of children who had growth monitoring by 20-30% points

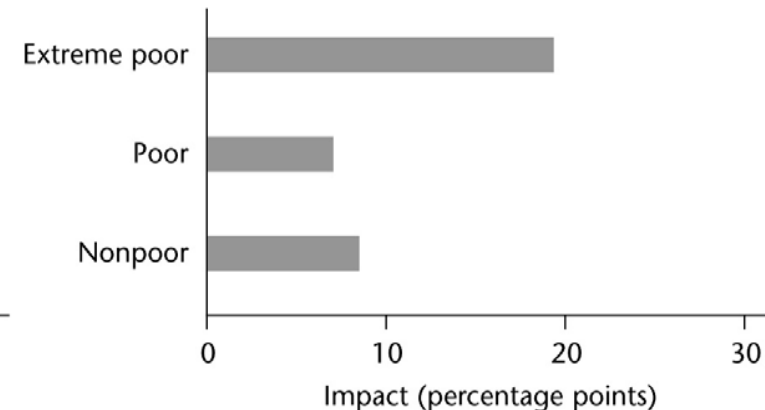
CCT impacts on health and education outcomes

- Because impacts are concentrated among the poorest households, CCTs have helped increase “equality of opportunities”
- Example: **Nicaragua**

School enrollment (children ages 7–13)



Children weighed in past 6 months (ages 0–3)



Source: Maluccio and Flores 2005.

Experience from MICS – labor market interventions



- Active Labor Market Policies (skill development and employment services)
 - ▣ Programs targeted to youth (the “Jovenes” programs in Latin America)
- Unemployment insurance/assistance
 - ▣ Unemployment Insurance Savings Accounts (Chile, Colombia)
- Graduation and work activation linked to social safety net programs

Reflections



- Thailand faces the challenge of establishing an effective social protection system
 - ▣ Such a system is not just important from a social perspective, but necessary to underpin a competitive, risk-taking economy with a growing middle class
- After the 1997 crisis, similar reflection on SP needs took place; but no sustained investment in SP institutions took place.
 - ⇒ facing similar issues and similar reflections in the wake of the 2008-2009 crisis
 - ⇒ Thailand cannot afford to lose this opportunity to modernize its SP institutions and adapt them to the needs of a modern economy

THANK YOU