Executive summary

Over recent years, social protection has gained an ever-greater recognition on the global and national development policy agendas not only as a fundamental human right but also as an effective way to tackle poverty and vulnerability. This attention has been generated by overwhelming evidence that social protection schemes can deliver real results in terms of poverty reduction and progress towards decent work. Yet, the economic impact of social protection investments remains insufficiently documented. This, together with competing claims for scarce government funds, makes the investment case for social protection particularly challenging in many emerging and developing countries. In this context, the need to better document the economic benefits of social protection programmes and to build a more solid economic case for investing in such programmes becomes critical.

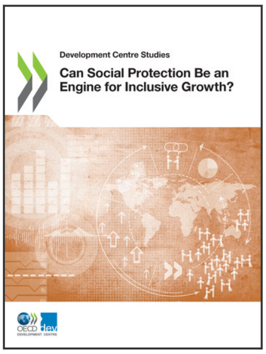
This study has two main objectives. First, to contribute to fill-in important knowledge gaps as regards the impact of different types of social protection programmes on the micro drivers of growth across different income groups – our understanding of inclusive growth in this report. Second, to create more solid economic arguments for investing in social protection that can feed budget discussions and social dialogue.

This report is based on an in depth review of the theoretical and empirical literature on the impact of social protection on growth and equity, enriched by 11 new impact evaluations of social protection programmes implemented in four countries – Brazil, Ghana, Germany and Indonesia - that represent a diverse set of conditions in terms of income level and geographical location. This report adds to the global debate on social protection in three important ways.

First, from a methodological perspective, it identifies the transmission channels from social protection investments to inclusive growth and proposes a practical way to measure empirically the impact of social protection on inclusive growth. The study shows that while social protection investments may affect growth and inequality through a multiplicity of effects at micro, meso and macro level, a focus on the micro determinants of inclusive growth for which a theoretical link exists with social protection investments has a number of measurement advantages. It thus looks at the more direct effects of social protection investments and shows that theoretically at micro level a pure (positive or negative) growth effect may be expected from enabling households to accumulate productive assets; preventing the loss of productive capital after a shock; enabling innovation and entrepreneurship; affecting labour market participation and savings; and supporting investments in human capital. Such a growth effect induced by social protection investments may further interact with an effect on inequality that is more apparent in the case of social assistance.

Second, from an empirical point of view, the study provides recent and new evidence on the impact of social assistance and social insurance programmes on the micro-level drivers of inclusive growth at different stages of the life cycle. While the study acknowledges important challenges related with the availability and quality of suitable data to measure and understand inclusive growth impacts that call for caution in the interpretation and the generalisation of its results, it shows that social protection investment can make good economic sense. Overall, social assistance seems to have a strong pro-poor growth effect that tends to operate mostly through better outcomes for children and youths in low-income households. Moreover, while the overall effect of social insurance on inclusive growth is less apparent than for social assistance due to a negative, albeit moderate, impact on labour supply and savings, social insurance tends to spur economic growth through a positive effect on consumption and a small negative effect on fertility and skilled emigration.

Third, from an advocacy perspective, the study may help strengthen the case for greater investments in social protection. Based on its findings, and notwithstanding the inherent limitations of the study, it argues that investing in social protection makes sense from a number of perspectives. Besides well-established right-based arguments that present the moral and legal basis for directing more resources to social protection, and more recent arguments based on the evidence that investing in social protection can deliver real results in terms of poverty reduction and progress towards decent work, the study shows that investing in social protection can also make good economic sense.



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