World Bank: Universal social protection?

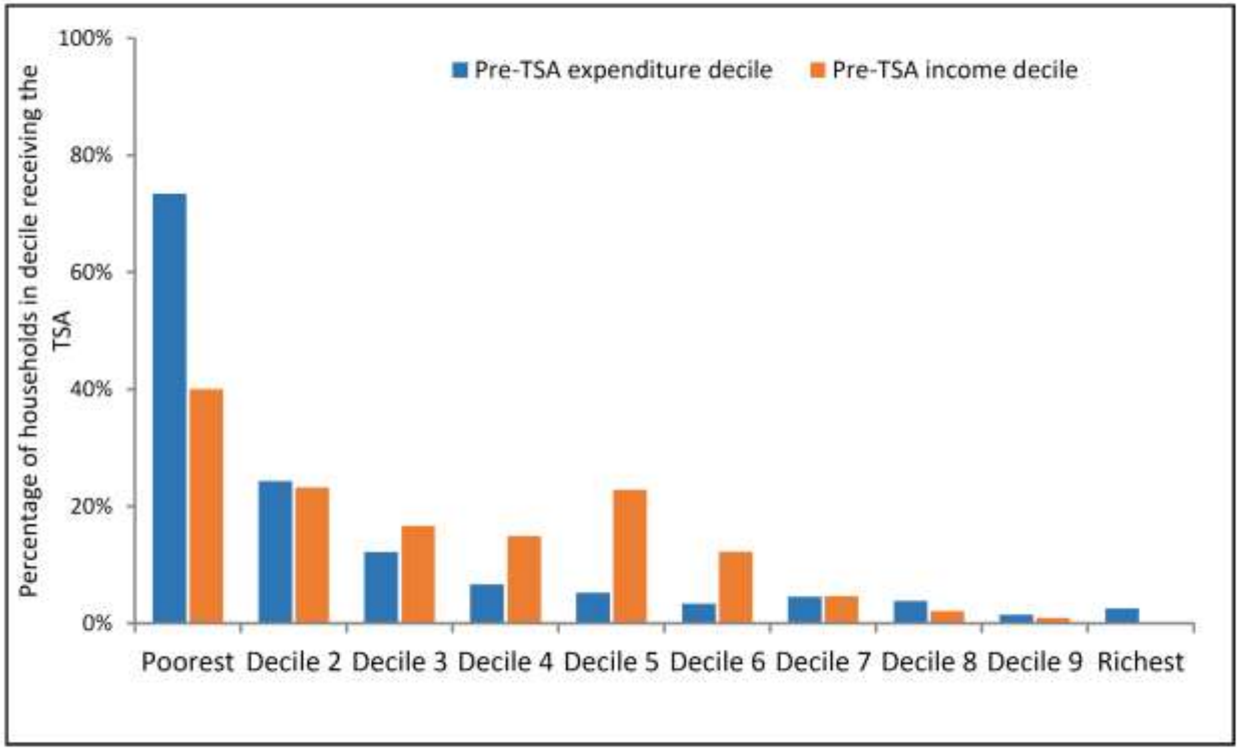
- The Bank has long promoted narrow targeting of social benefits, particularly through proxy means tests.
  - The Bank would often provide specific advice to countries on how to target benefits to reduce the number of recipients, in the context of pressure from the IMF to reduce budgets.

- In 2015, amid finalization of the Sustainable Development Goals, the ILO and World Bank issue a joint statement on universal social protection – a breakthrough for the Bank. The Bank has also endorsed universal health coverage.

- Subsequently, the World Bank worked with the ILO to form the Global Partnership for Universal Social Protection. Also co-coordinate the technical-level Social Protection Inter-Agency Coordinating Board
  - At the launch of the Global Partnership, Bank President Kim stated that an effective strategy for achieving social protection expansion "has been the increase of targeted safety nets, such as conditional cash transfers."
- With regards to universal social protection and health, the Bank is now focused on 'progressive universalism' – the gradual realization of the goal, beginning with coverage for the most poor
  - Country-level and broader advice continues to advocate for narrowly targeted benefits as the first step

Promotion of narrow targeting, proxy means tests, and benefit reductions

Figure 1: Coverage of the Targeted Social Assistance (TSA) programme in Georgia in 2013, when measured against consumption and income deciles



Source: Kidd and Gelders (2016a).

- Georgia TSA is relatively successfully targeting – exclusion rate is only 44 per cent of households in the lowest 15 per cent of consumption. If income is used instead of consumption, exclusion rate for the poorest rises to 66 per cent
- In Montenegro in 2017, Bank loan required elimination of lifetime benefits for mothers of more than three children

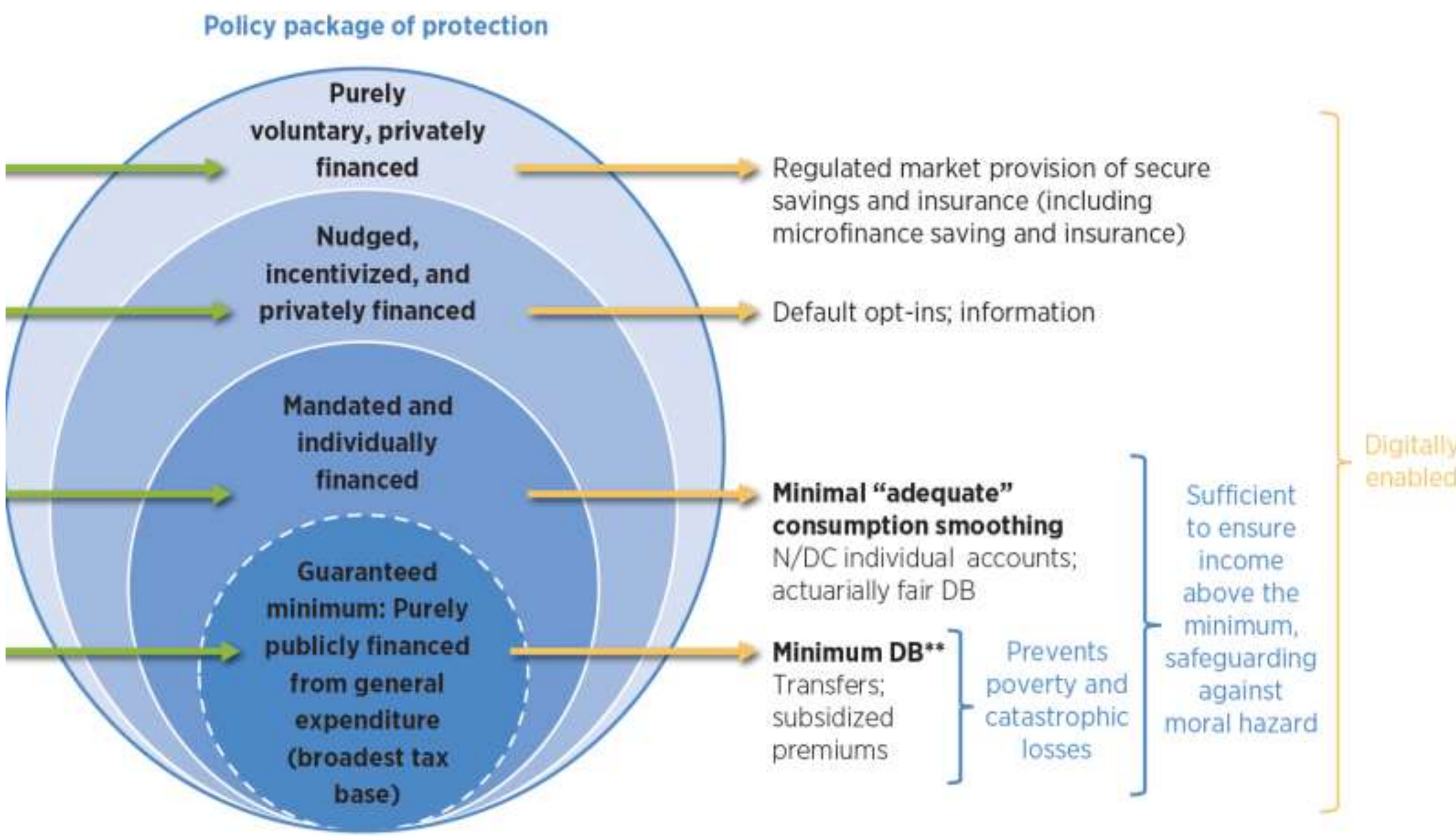
Social protection strategy

- Background: disastrous pension privatization led by the World Bank
  - Basic, complementary and voluntary pension pillars: Bank pushed extension of private administration to first two
  - Hungary, Kazakhstan, Poland, Bulgaria, Latvia, Macedonia, Romania, Slovakia
  - Estimated that 76 per cent of World Bank interventions aiming at privatization succeeded in that goal
  - Fiscally unsustainable, fed rather than reduced market concentration of private administration, coverage rates stagnated or declined
  - Governments on the right and left turned back to public systems and the Bank ended overt promotion of privatization
- Bank strategy on social protection and labour for 2012-2022:
  - More systemic approach tying together social safety net (assistance) with pensions, labour markets
    - Reducing fragmentation and piecemeal construction of national systems
    - Public pensions systems, especially in Eastern Europe, still branded as regressive
    - “Context-specific” pension advice, “five pillar” approach: social, traditional, mandatory defined contribution, voluntary, non-pension social support
  - Expanding number and quality of jobs through productivity

Figure 1. Countries that privatized social security mandatory pensions and that reversed privatization, 1981-2018

Precarity at work, precarity in social protection

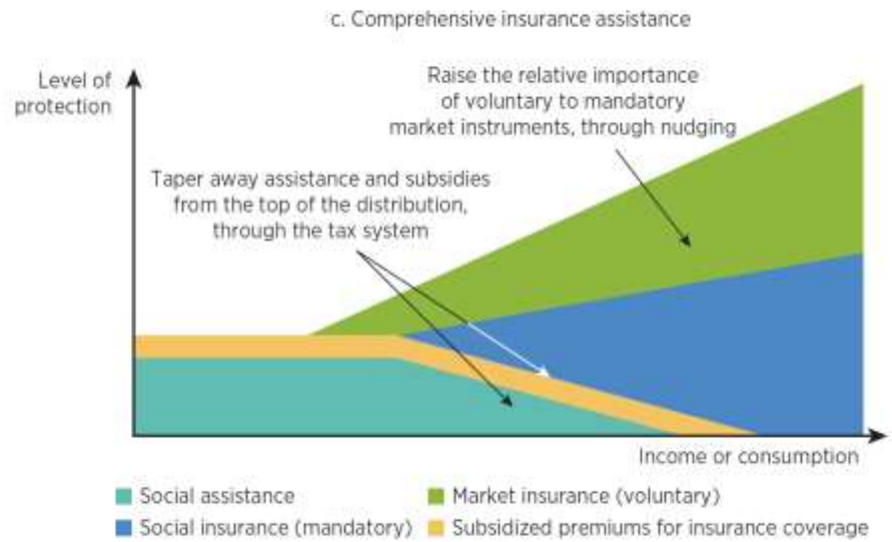
- White Paper: *Protecting All: Risk-Sharing for a Diverse and Diversifying World of Work*
  - Not formal policy, but represents "direction" of World Bank
- Insecure work is inevitable: labour market policies and social security, assistance and insurance should conform, enable this future of work
  - Reduce or eliminate employer contributions
  - Heavy reliance on individual (mandatory and voluntary) savings accounts for unemployment, retirement and insurance purposes. Too small of a pool and too focused on individual contributions for genuine social insurance with real risk sharing and solidarity

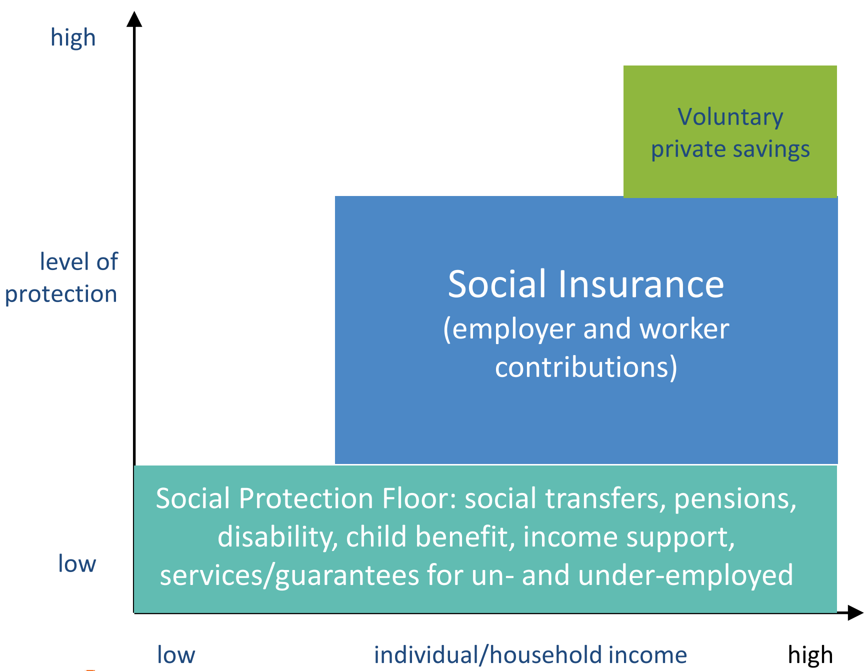


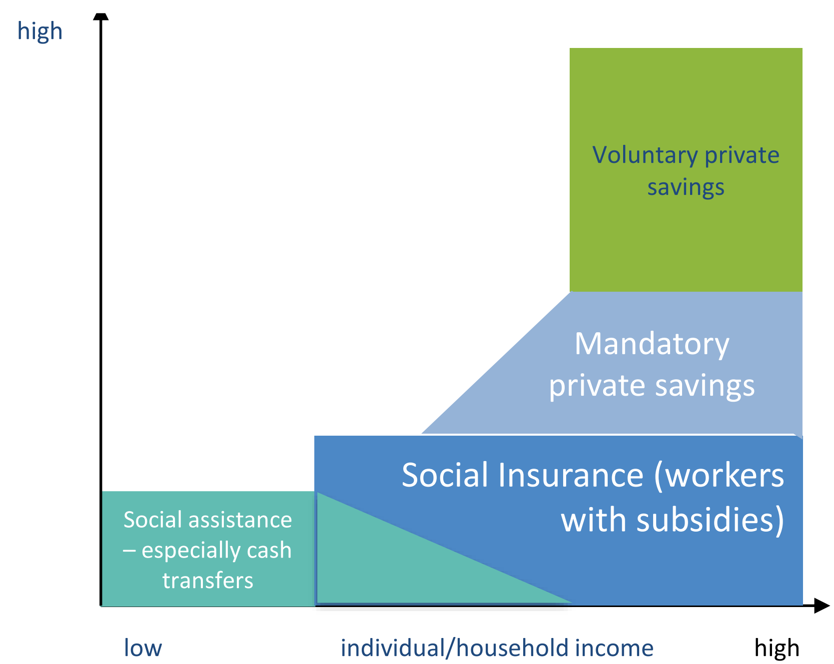
Social protection floors vs. World Bank proposal

Key differences:

- Employer contributions
- Role of voluntary, privately administered savings
- Affect on those with interrupted labour force participation and low earnings (women, precarious workers)
- Level of redistribution
- Targeting of social assistance







Definitions matter: Shared prosperity and extreme poverty

- The World Bank in 2013 created the ‘twin goals’ to define its mission:
  - Shared prosperity: income growth for the bottom 40 per cent of the population
  - Eliminate extreme poverty: By 2030, reduce the number of people living on less than $1.25 a day to below 3 per cent

- International poverty line since raised to $1.90, but continues to properly account for cost of living and basic human needs

- SDG 10.1: “By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population *at a rate higher than the national average*”
  - The World Bank’s definition of shared prosperity can co-exist with rising income inequality

Is the World Bank contributing to shared prosperity?

- In 2015, the Independent Evaluation Group of the World Bank released a report on shared prosperity:
  - 32 per cent of Bank projects have “an explicit theory of change linking project interventions to benefits among the bottom 40 percent”
    - Of that, just 18 per cent had a theory of change that was “minimally well articulated”
  - 63 per cent of Bank staff are fully familiar with the definition of shared prosperity
    - At the private-sector arm, IFC, only 42 per cent of staff understood the definition

- Policy advice and lending: productivity, financial access, and integration into global supply chains

The IMF's Social Spending Strategy

- In 2017 the IMF’s Independent Evaluation Office (IEO) issued a report on “The IMF and Social Protection”
- The report recommended the IMF create a clear strategic framework on how to engage on social protection
- In 2019 the IMF released its “Strategy for IMF Engagement on Social Spending”, which extends to all social spending (including healthcare and education), not just social protection
- The IMF consulted with trade unions and civil society throughout the process of developing the strategy
- The main demand was for IMF to align its approach with the ILO and SDGs

Too little, too late: failure to align with international standards

Forging a Stronger Social Contract—the IMF's Approach to Social Spending

By Christine Lagarde, Managing Director, IMF

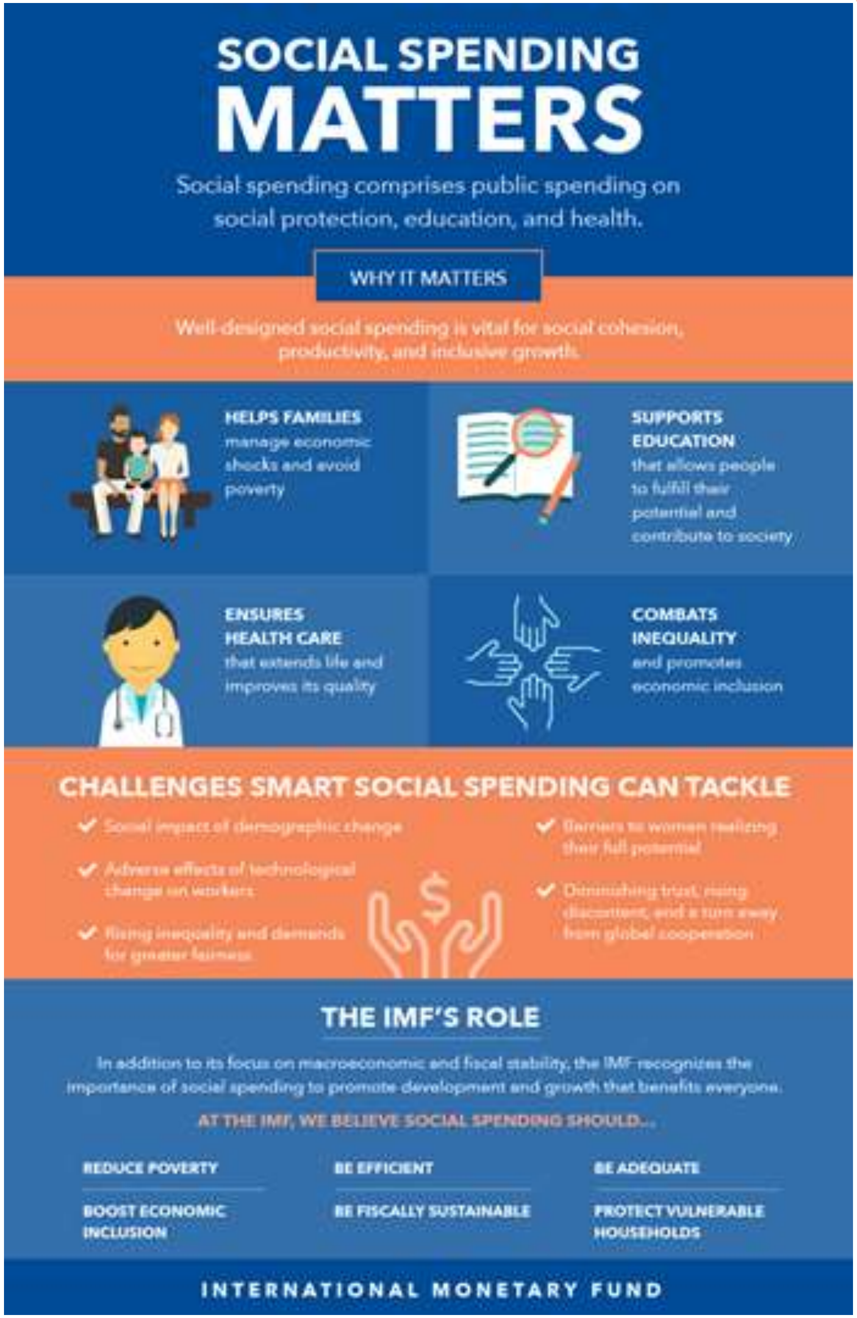
Geneva

June 14, 2019

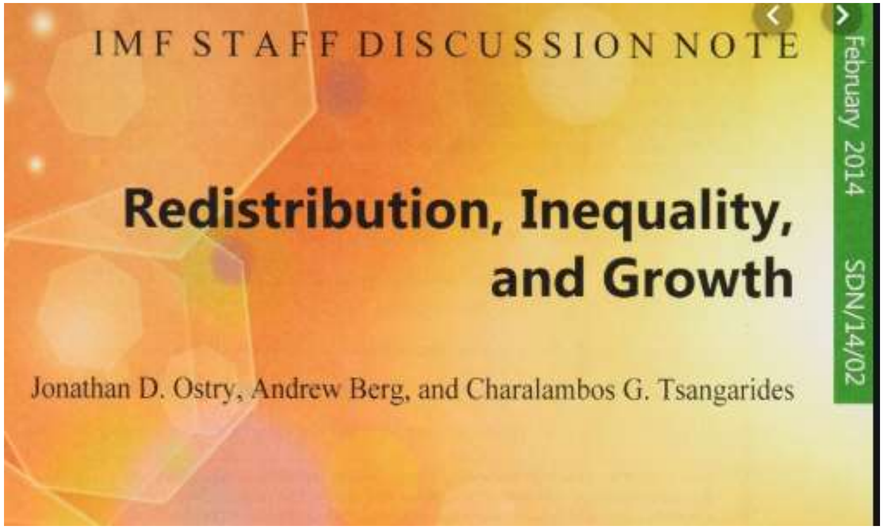
- The strategy was released at the International Labour Conference
- However, the actual strategy fails to align the IMF with the rights-based approach of the ILO and other UN agencies
- The paper does not acknowledge the damage done by IMF austerity programmes to social spending
- Despite the IMF endorsing the SDGs, its social spending strategy calls for "efficient spending"
  - That likely means replacing existing social protections programmes with narrowly targeted ones
  - Further cuts to wage bills which affect health and education spending

The devil is in the details

- It is a positive development that the IMF is recognizing social spending “matters”
- However words such as “smart” spending and “efficient” make it clear the IMF does not actually support universal social protection



IMF and Inequality



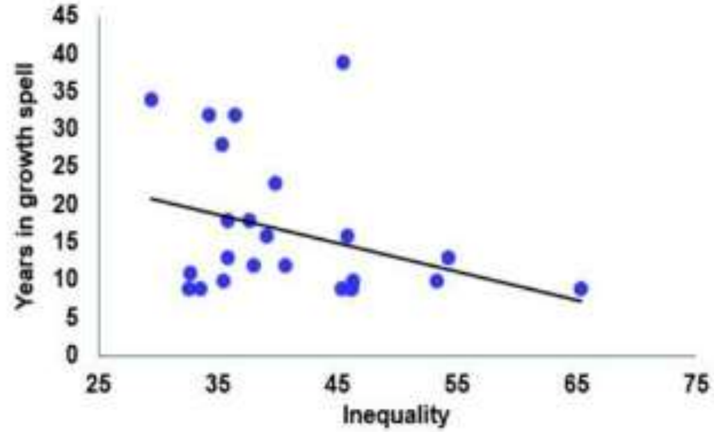
- Inequality has taken a central place at IMF events and the IMF now often talks about “inclusive growth”
- IMF research has increasingly focused on both income and wealth inequality, and gender inequality
- IMF’s own research has now shown that many of the policies it promotes increase inequality

Some findings from IMF research on inequality:

- Higher inequality translates into slower and less sustained growth
- Redistribution of income does not hurt growth
- Deregulation of labour markets increases inequality
- Stronger trade unions are associated with greater equality
- Liberalization of capital flows increases inequality

Inequality and sustained growth

More inequality is associated with less sustained growth.



Source: Updated chart based on Berg and Ostry (2011), using data from Penn World Tables 9.0 and Wider World Income Inequality Database.

Notes: Based on completed spells that last at least 8 years.

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- As IMF director Lagarde embraced the IMF's research on inequality
- The new IMF boss is signaling that she will continue that trend

From words to action

- The research has yet to be implemented in IMF programmes, which continue to promote policies that increase inequality (deregulation, regressive taxation, cuts to social services)
- In 2015 the IMF started a series of pilot programmes to incorporate inequality into country work
- The pilots were part of Article IV consultations (IMF surveillance), which provide policy advice to all member countries
- Many pilots still promoted structural reforms known to increase inequality, and narrowly interpreted the mandate