

[socialprotection.org](https://socialprotection.org) presents the  
*Fiscal Space for Social Protection: Knowledge Sharing Initiative Webinar Series*  
Continuing with:

# Fiscal Space for Social Protection: Harmonization of Contributory and Non-Contributory programmes

organized by the UNDP's International Policy Centre for Inclusive Growth (the IPC-IG) and the HelpAge International

**Speaker:** Stephen Kidd (Senior Social Policy Specialist), Development Pathways

**Discussant:** Rebecca Holmes (Acting Head of Programme), Overseas Development Institute

**Moderator:** Raquel Tebaldi (Research Assistant), IPC-IG

---

[contact@socialprotection.org](mailto:contact@socialprotection.org)

Discover Connect Learn Share

[www.socialprotection.org](https://www.socialprotection.org)



# *Fiscal Space for Social Protection: Harmonization of Contributory and Non-Contributory programmes*

**Speaker:** Stephen Kidd (Senior Social Policy Specialist), Development Pathways

**Discussant:** Rebecca Holmes (Acting Head of Programme), Overseas Development Institute

**Moderator:** Raquel Tebaldi (Research Assistant), IPC-IG



# Submit your questions to the panellists of the

*Fiscal Space for Social Protection: Harmonization of Contributory and Non-Contributory programmes*

**Simply type them in the GoToWebinar chat bar!**

Alternatively, **submit your questions via social media** using  
**#SPorgWebinar**



[SPGateway](#)



[SP Gateway](#)

# Do not forget to Join the Online Community:

*Fiscal space for social protection: knowledge sharing initiative*



# *Fiscal Space for Social Protection: Harmonization of Contributory and Non-Contributory programmes*

## **Moderator:**

*Raquel Tebaldi (Research Assistant), IPC-IG*



Raquel holds a B.A. in International Relations and a Master's degree in Political Science from the Federal University of Rio Grande do Sul (UFRGS, Brazil). She is currently a Research Assistant at the IPC-IG working with the Social Protection Gateway project.



# *Fiscal Space for Social Protection: Harmonization of Contributory and Non-Contributory programmes*

## **Speaker:**

*Stephen Kidd (Senior Social Policy Specialist), Development Pathways*



Dr. Stephen Kidd is a Senior Social Policy Specialist at Development Pathways and has more than 30 years experience working on social security and social development in over 25 countries across Sub-Saharan Africa, Asia, Latin America, the Caribbean and the Pacific. He was previously Director of Policy at HelpAge International and a Senior Social Development Adviser at DFID, where he led the Social Protection and Equity and Rights policy teams. He has published extensively on social security, including on issues such as targeting, conditions, pension systems, child vulnerability, disability and the political economy of social protection.



# *Fiscal Space for Social Protection: Harmonization of Contributory and Non-Contributory programmes*

## **Discussant:**

*Rebecca Holmes (Acting Head of Programme), Overseas Development Institute*



Rebecca Holmes is a Research Fellow in the Social Protection Programme at ODI and specialises in social protection, gender and livelihoods. With a geographical focus on south Asia and sub-Saharan Africa, she has led mixed-methods research on gender and social protection and the effects of social protection on social inclusion and cohesion. She has also recently worked on women's economic empowerment, voice and leadership research projects. She has carried out a range of mixed-methods and qualitative studies for a variety of donors including DFAT, DFID, FAO, UNICEF, UN Women and the World Bank. She has published widely for a range of audiences on social protection, gender and women's empowerment, including a co-authored book with Nicola Jones entitled *Gender and Social Protection in the Developing World: Beyond Mothers and Safety Nets* (Zed Books, 2013).



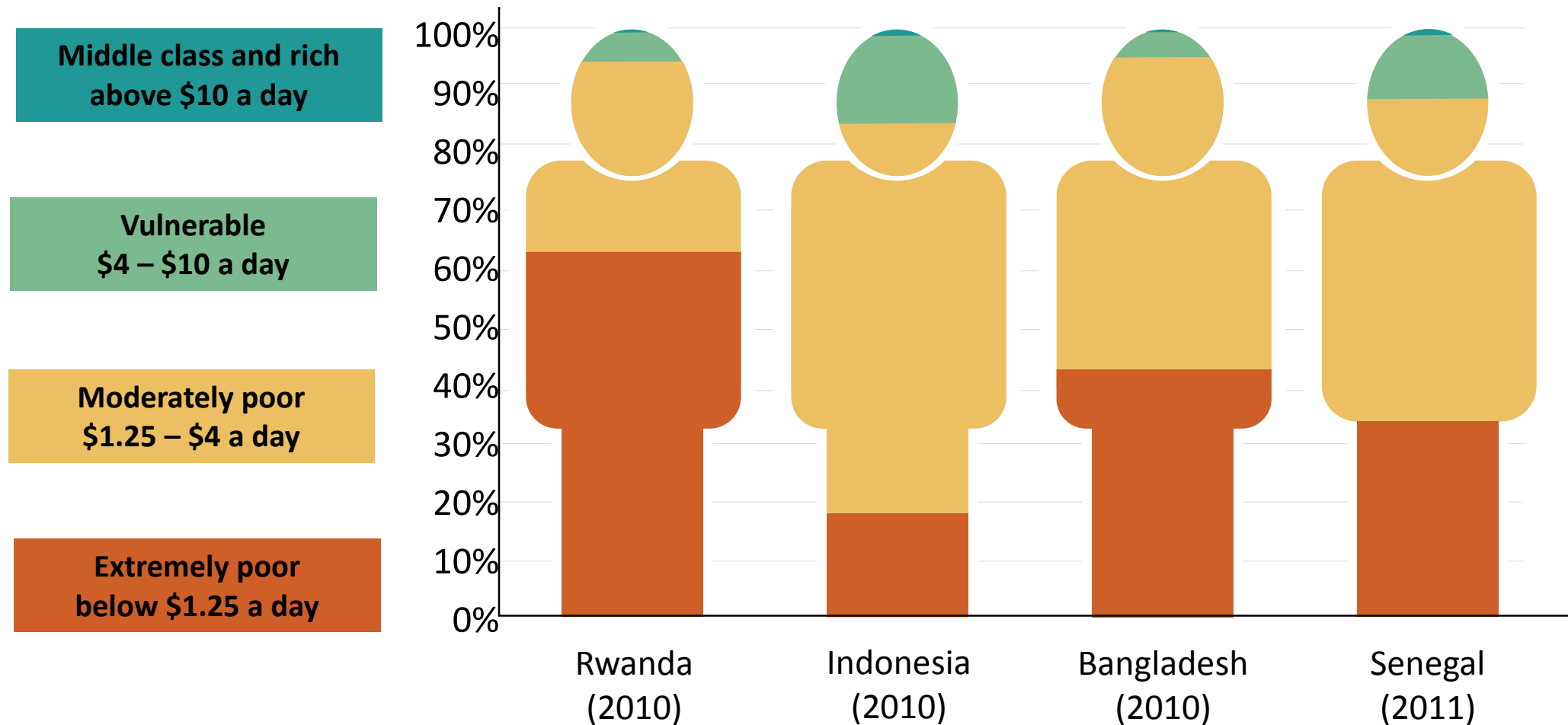
# **Contributory and non-contributory social security: a systems approach to ensure inclusion of all**

**Stephen Kidd**

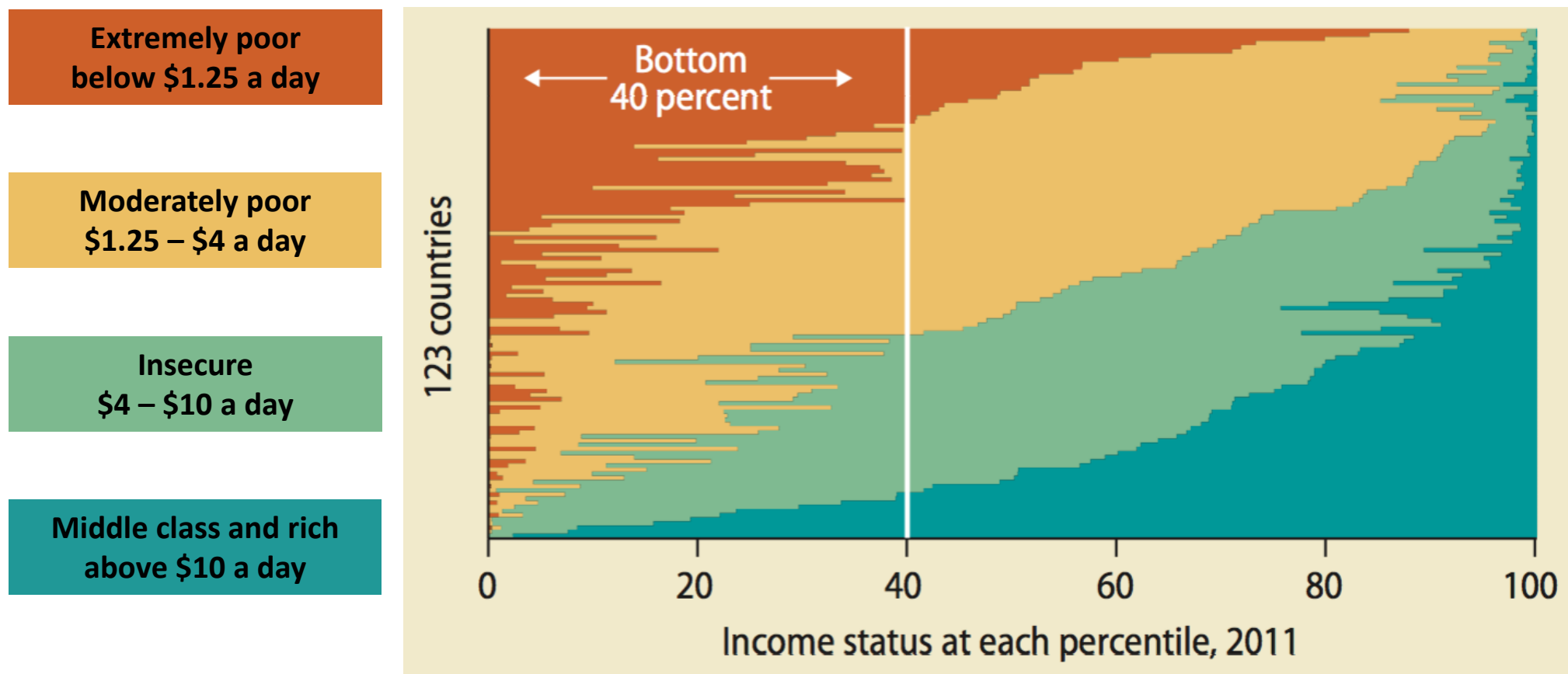
**8<sup>th</sup> September 2016**



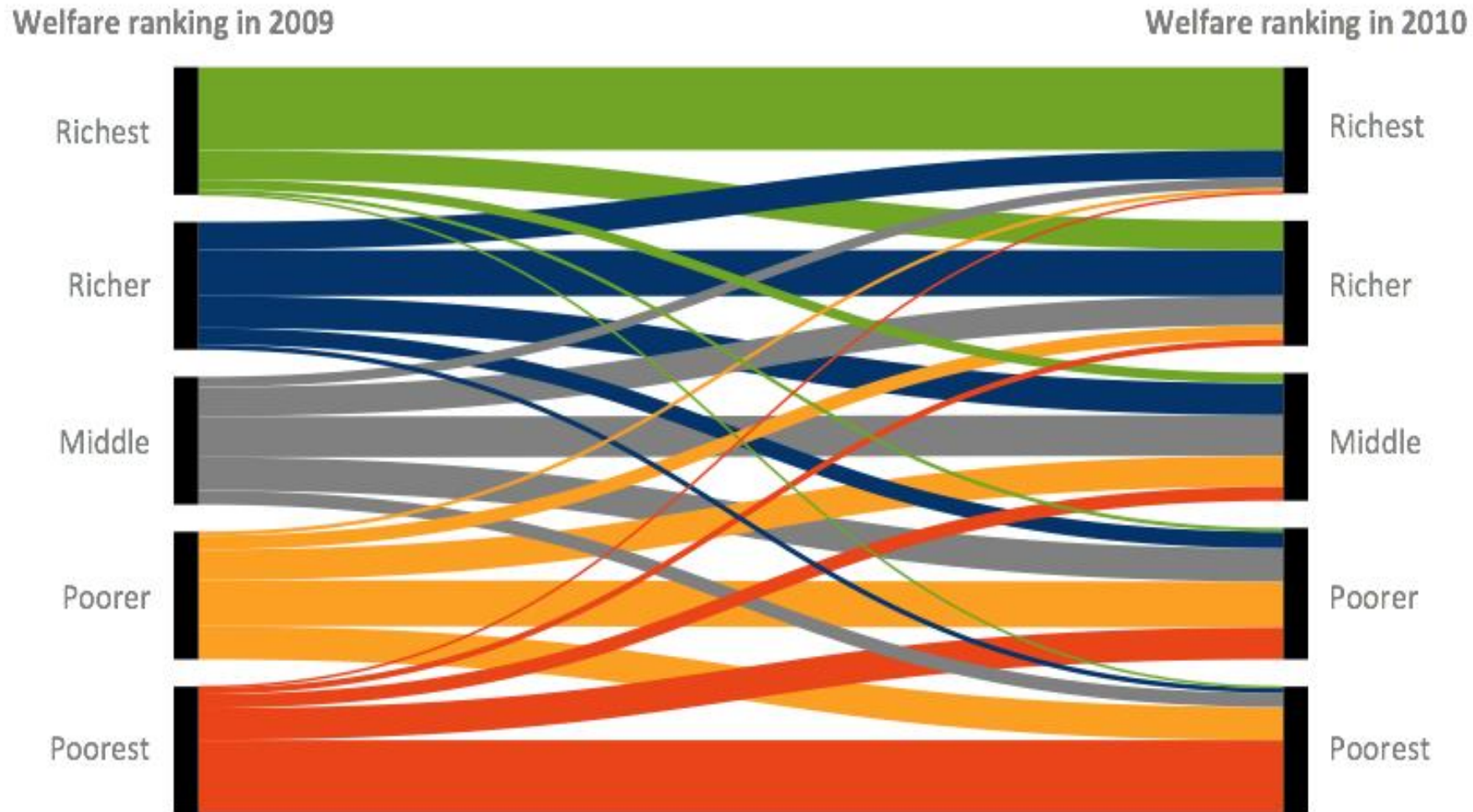
# Who are “the poor”?



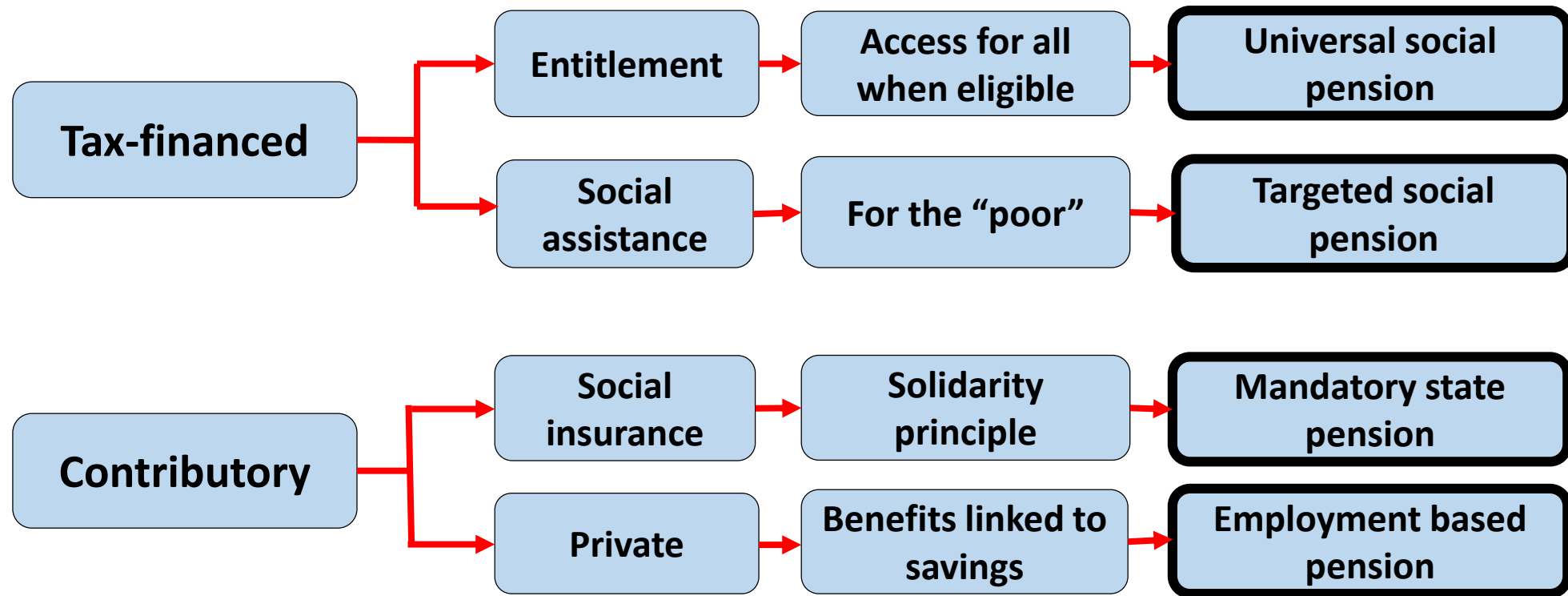
# Proportion of the population in economic classes (across 123 countries)



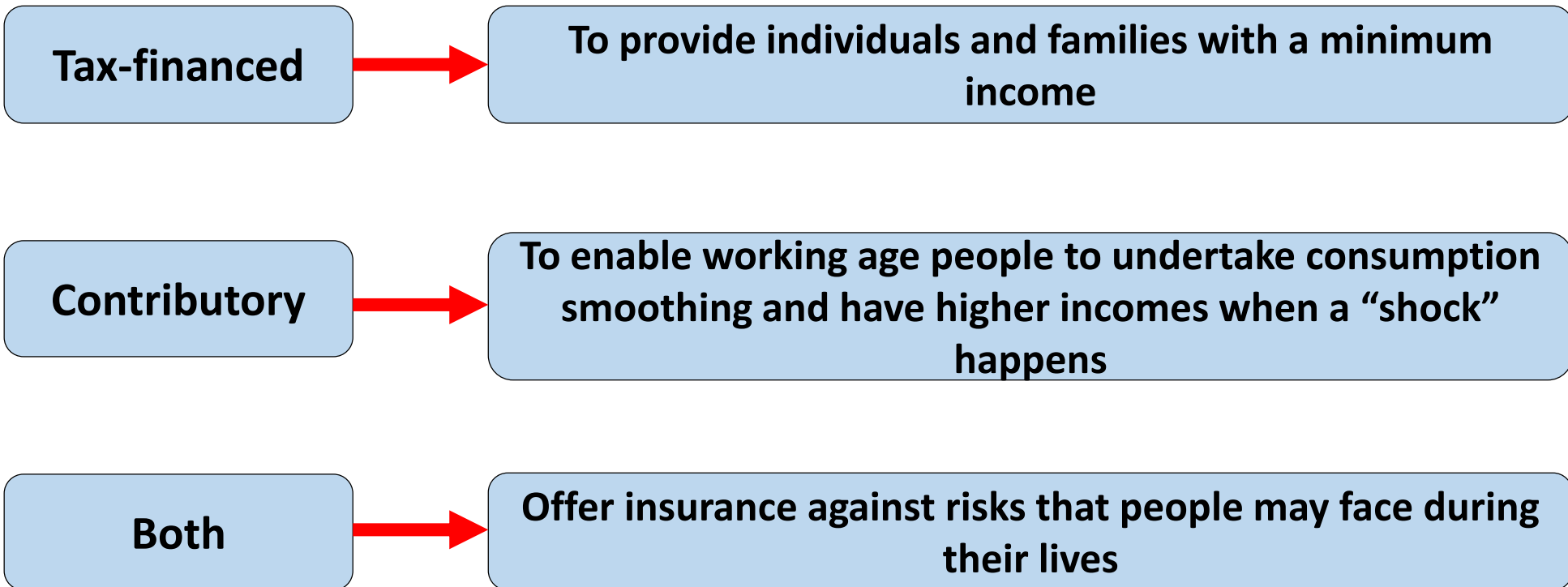
# Consumption dynamics in one year (Indonesia)



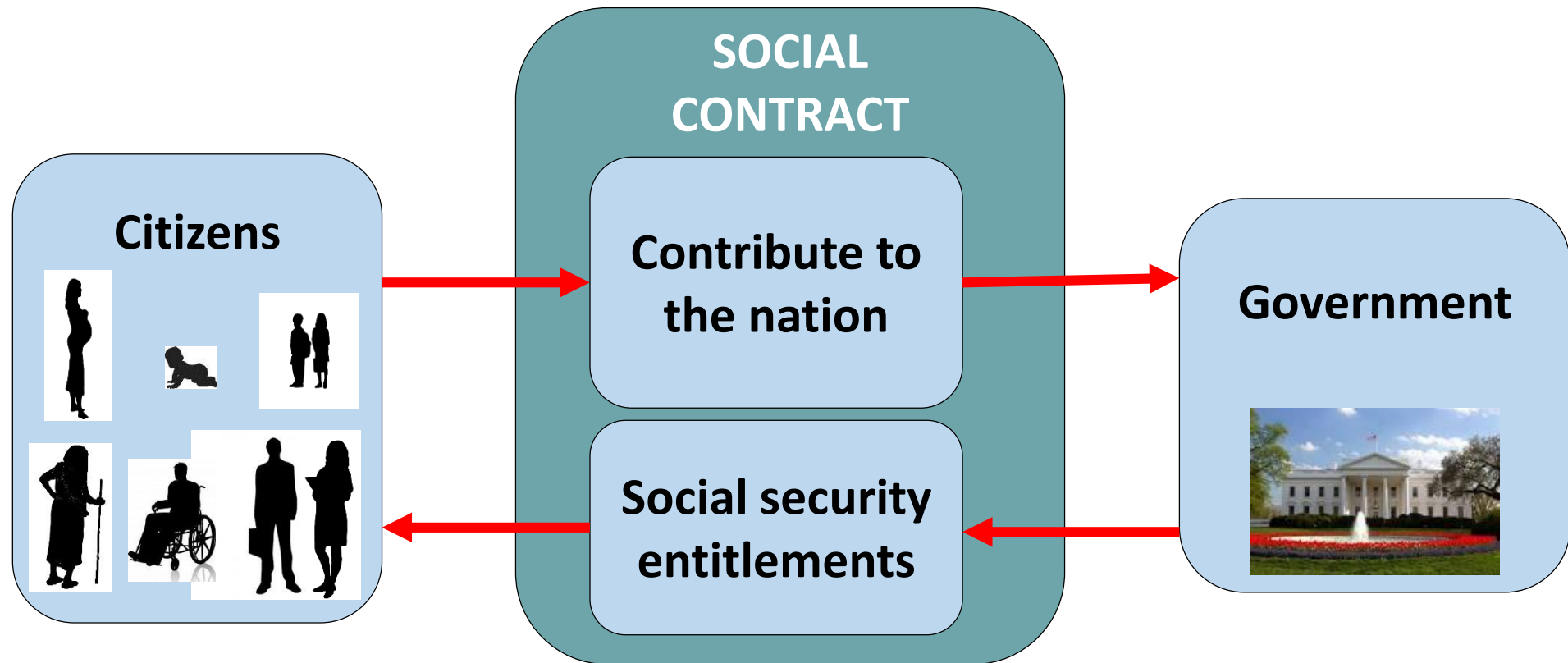
# Classification of social security schemes



# Aims of tax-financed and contributory schemes



# Tax-financed schemes: non-contributory or contributory?

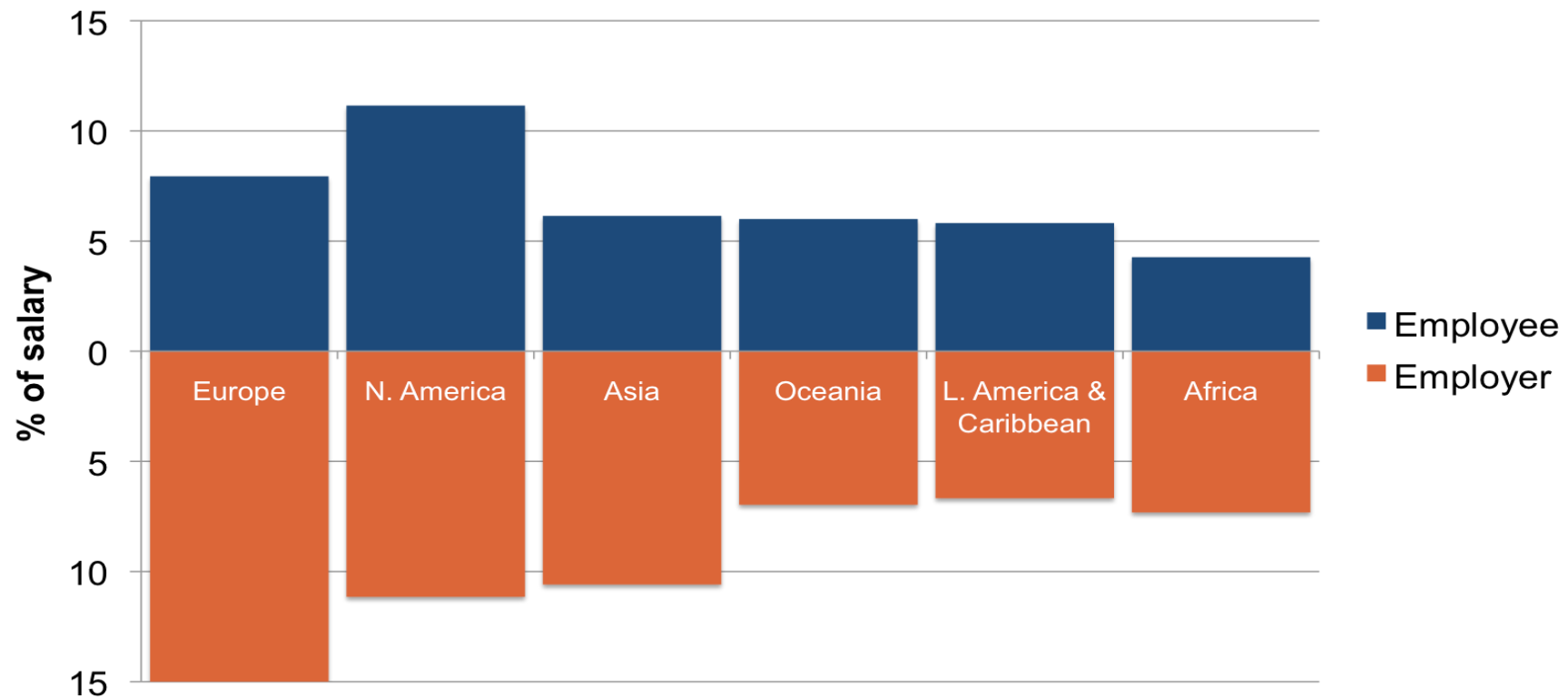


# Contributory schemes: limited access for those outside the formal economy

## Challenges for those outside formal economy to access social insurance schemes:

- Many have low incomes and, therefore, are unable to save;
- Incomes irregular, which means that cannot save on a regular basis;
- There is no counterpart – such as the employer – to match contributions of the worker
- It is often difficult to make payments, as social insurance outlets are not close-by;
- Many people are not in employment, such as women caring for children, people with disabilities, etc

# Contributions to social insurance schemes can be very high

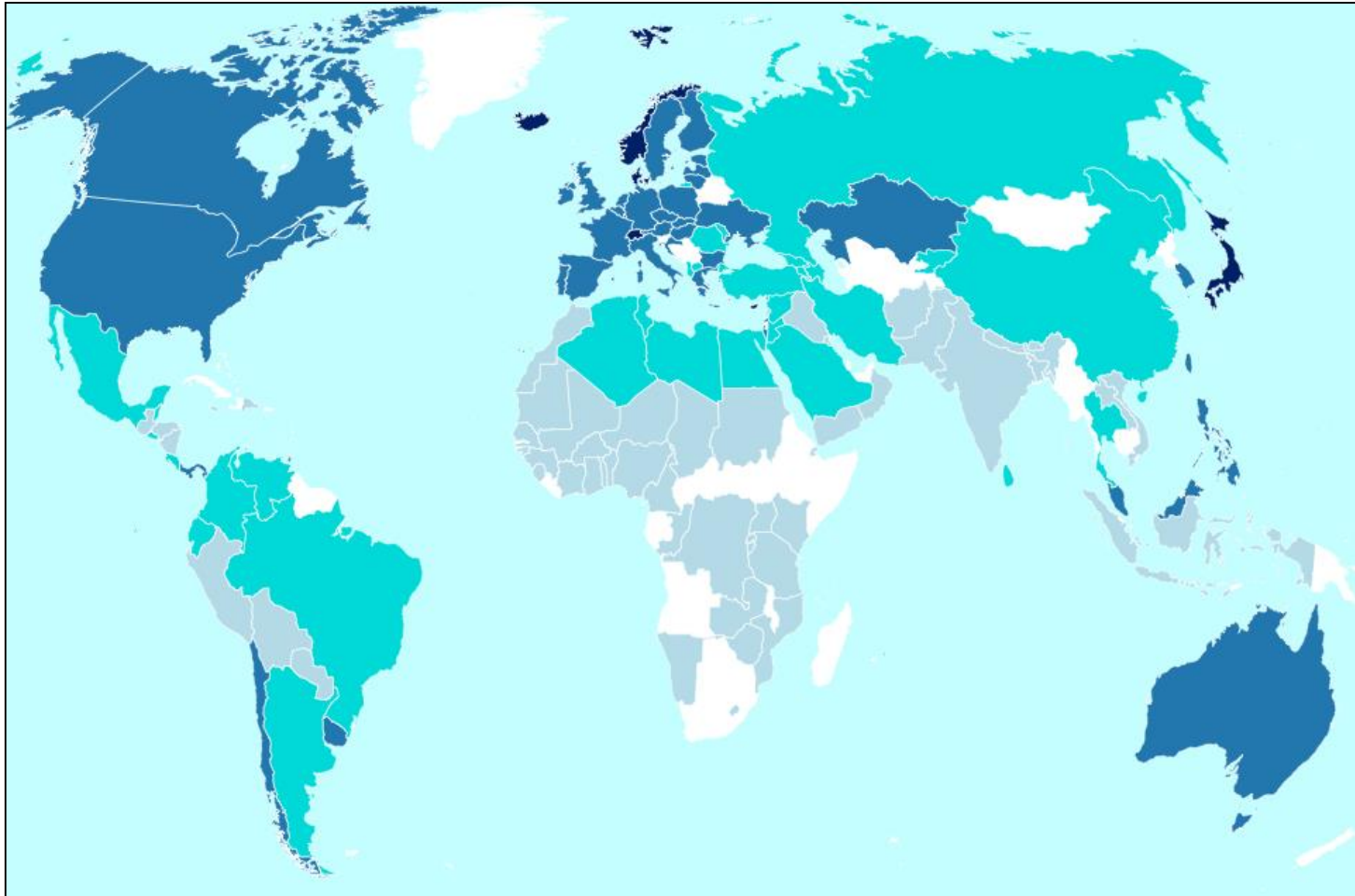


**Source:** ILO, World Social Security Report, 2010/11

Note: Average does not include cases where there are no contributions or where contribution is flat rate



# Coverage of contributory pensions



Active contributors to pensions as % of working age population

■ 75-100%

■ 50-75%

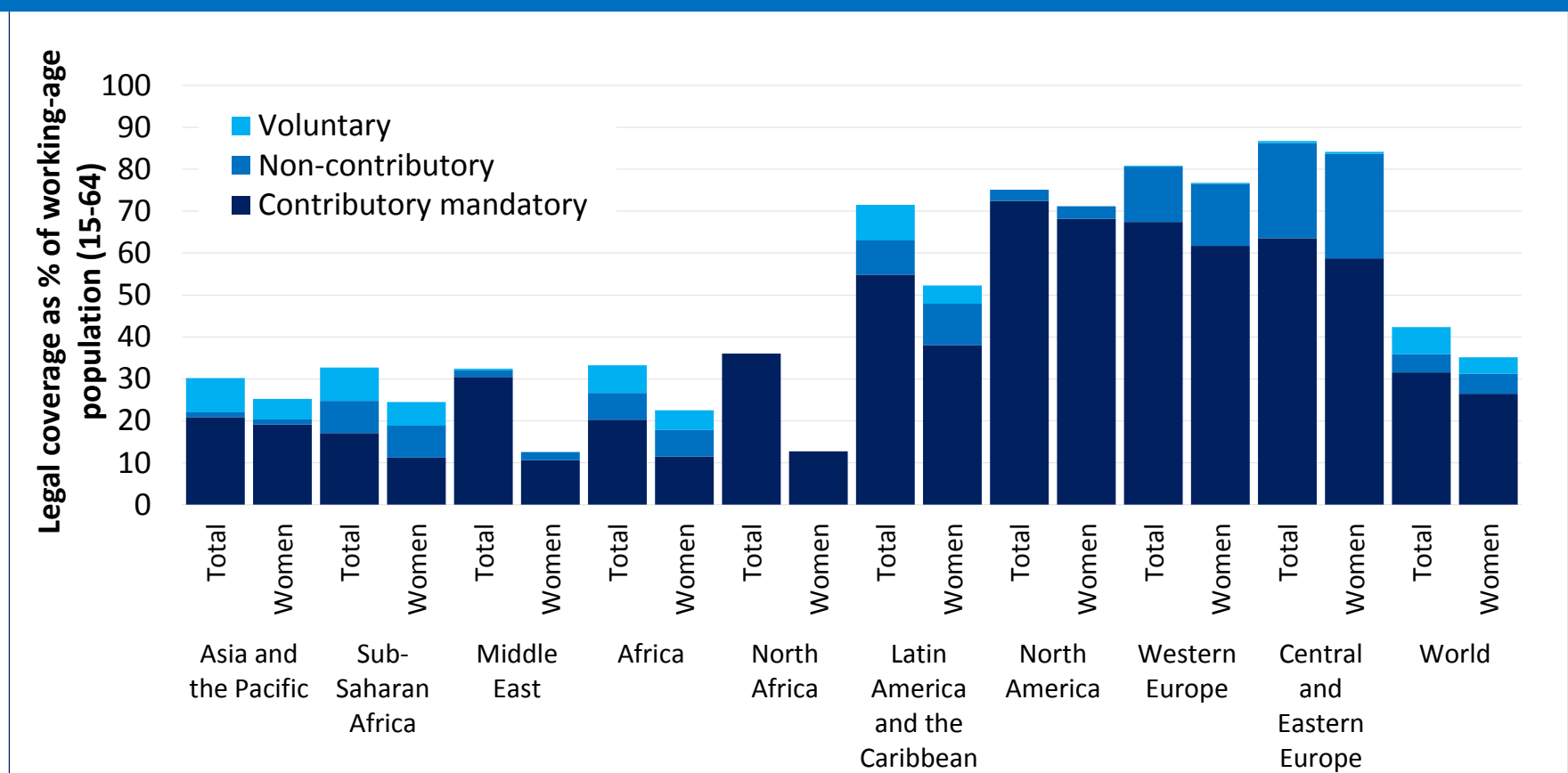
■ 25-50%

■ 0-25%

Source: ILO, World Social Security Report, 2010/11

# Contributory schemes incorporate strong gender bias

Legal coverage across regions of pension schemes among those of working age



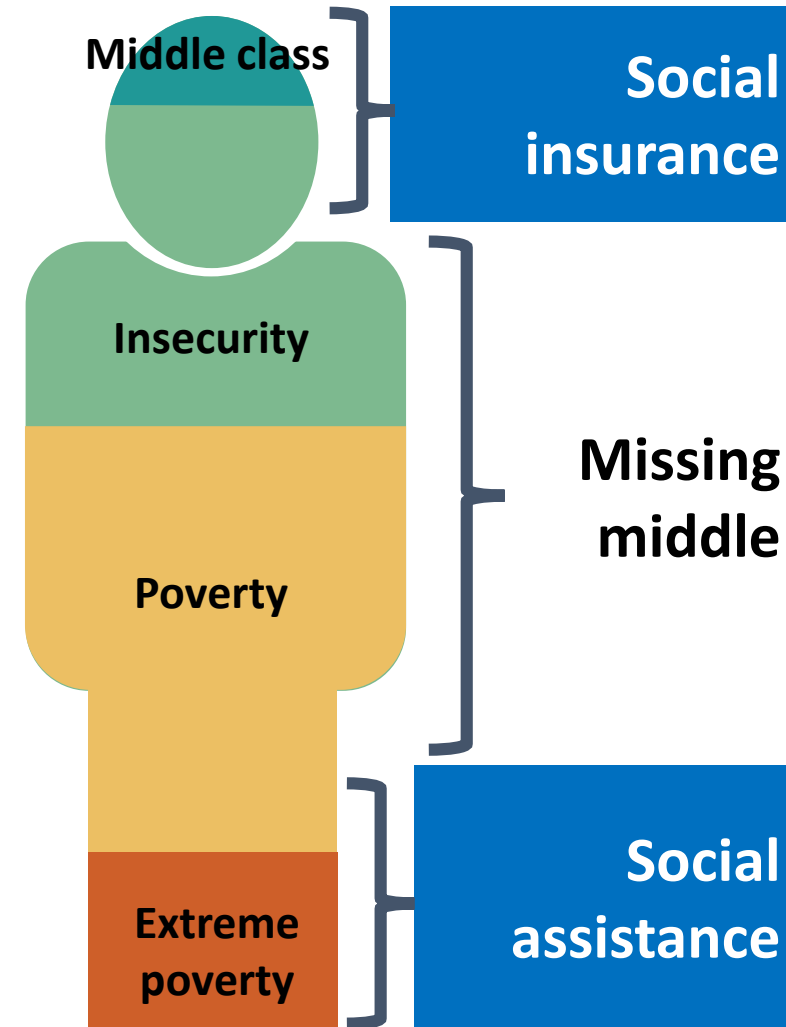
# Challenge of the “missing middle” in current social security policy in many countries

## Example of Indonesia:

- Social insurance for those in the formal sector
- Social assistance for “the poor”

## However:

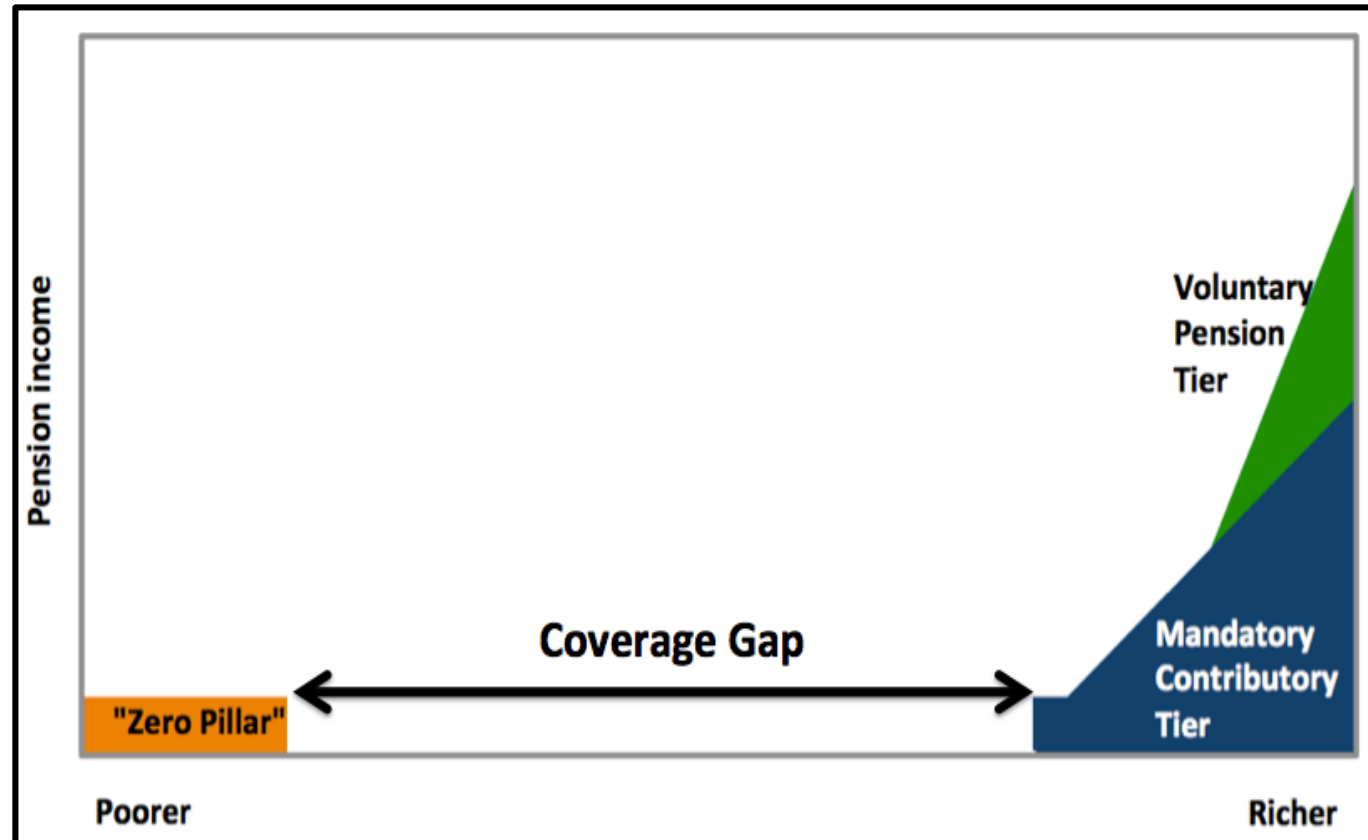
- Those in the middle are excluded from social protection
- Yet, many live in poverty and insecurity
- And, are more powerful politically than “the poor”



# Option 1: zero pillar means-tested pension

## Challenges:

1. Large coverage gap
2. Discourages people from contributing to social insurance since, those with a contributory pension will not receive the means tested scheme
3. Or, encourages people to withdraw contributory pension as a lump sum and throw themselves into poverty



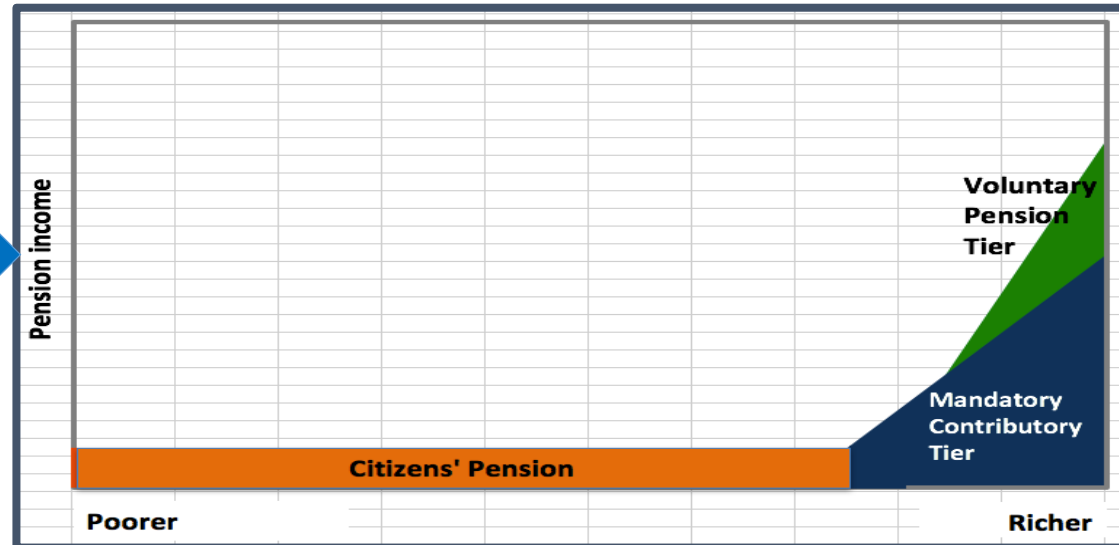
## Example:

- Chile's pension system used this model following 1980s reform
- However, formal sector shrank in size
- Moved to pension tested option

# Option 2: Universal coverage through pension testing

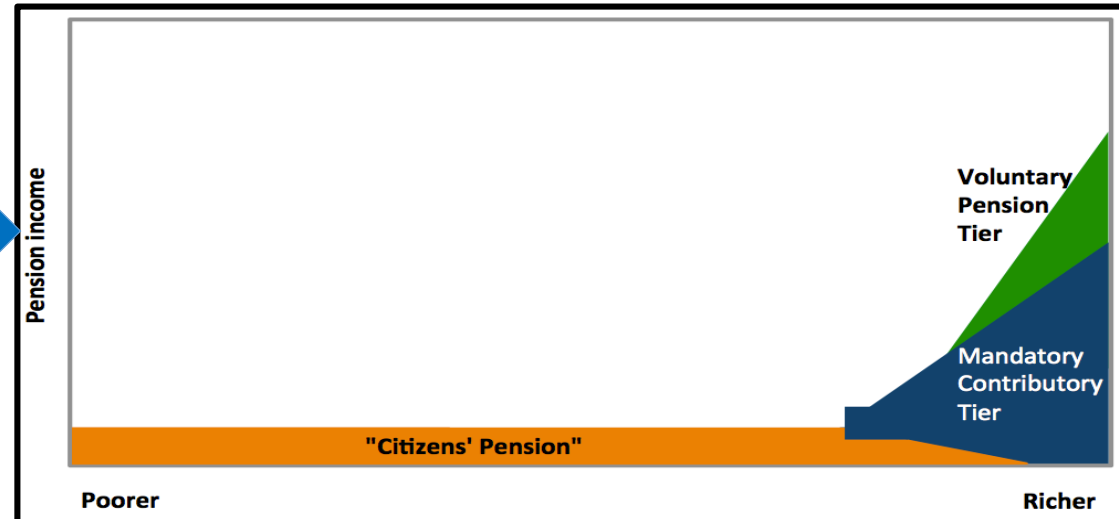
## Simple pension testing:

- Those with a mandatory pension are excluded from the tax-financed scheme
- Similar perverse incentive of discouraging people from entering the formal sector and social insurance schemes



## Tapered pension testing:

- The tax-financed pension is gradually withdrawn from those with a social insurance pension
- The perverse incentives should be reduced, if the taper is set at the correct rate
- Chile now sets taper at a ratio of 3:1

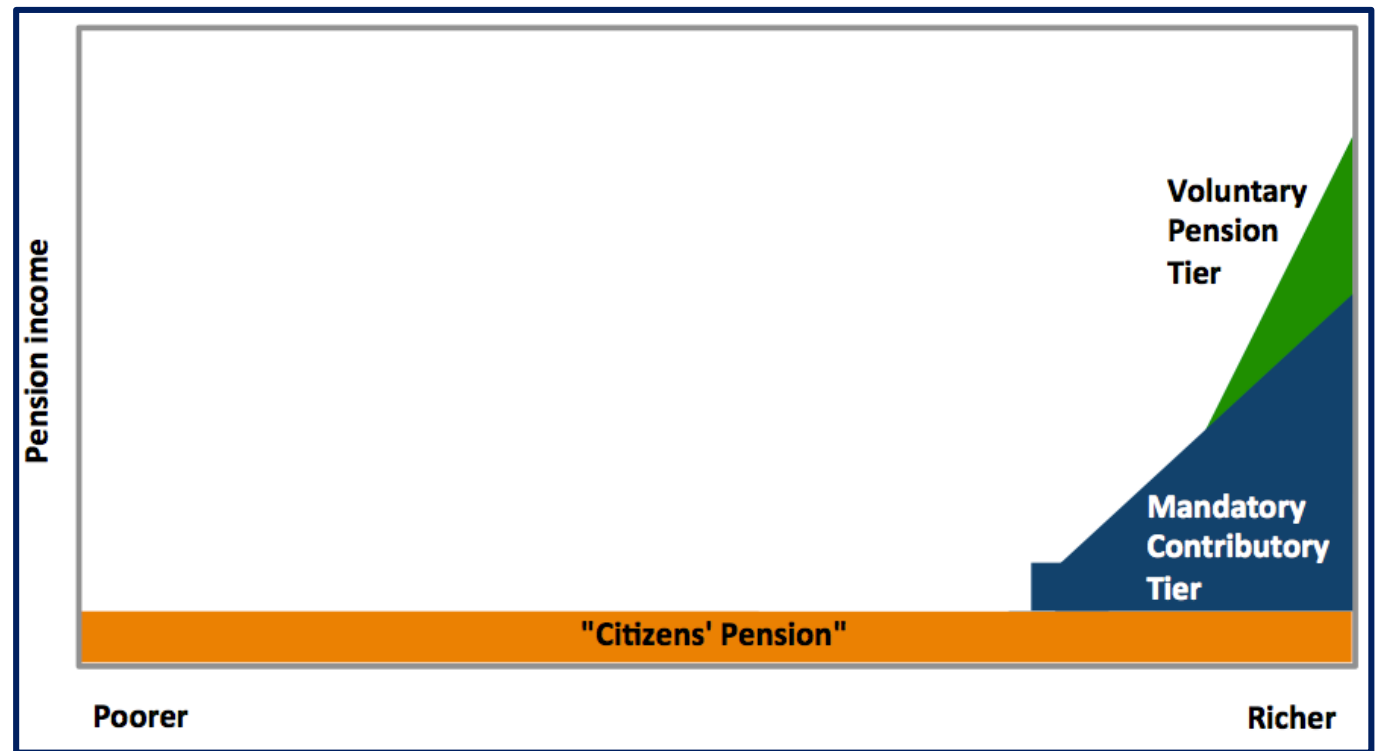


# Option 3: Universal Citizens' Pension as foundation tier

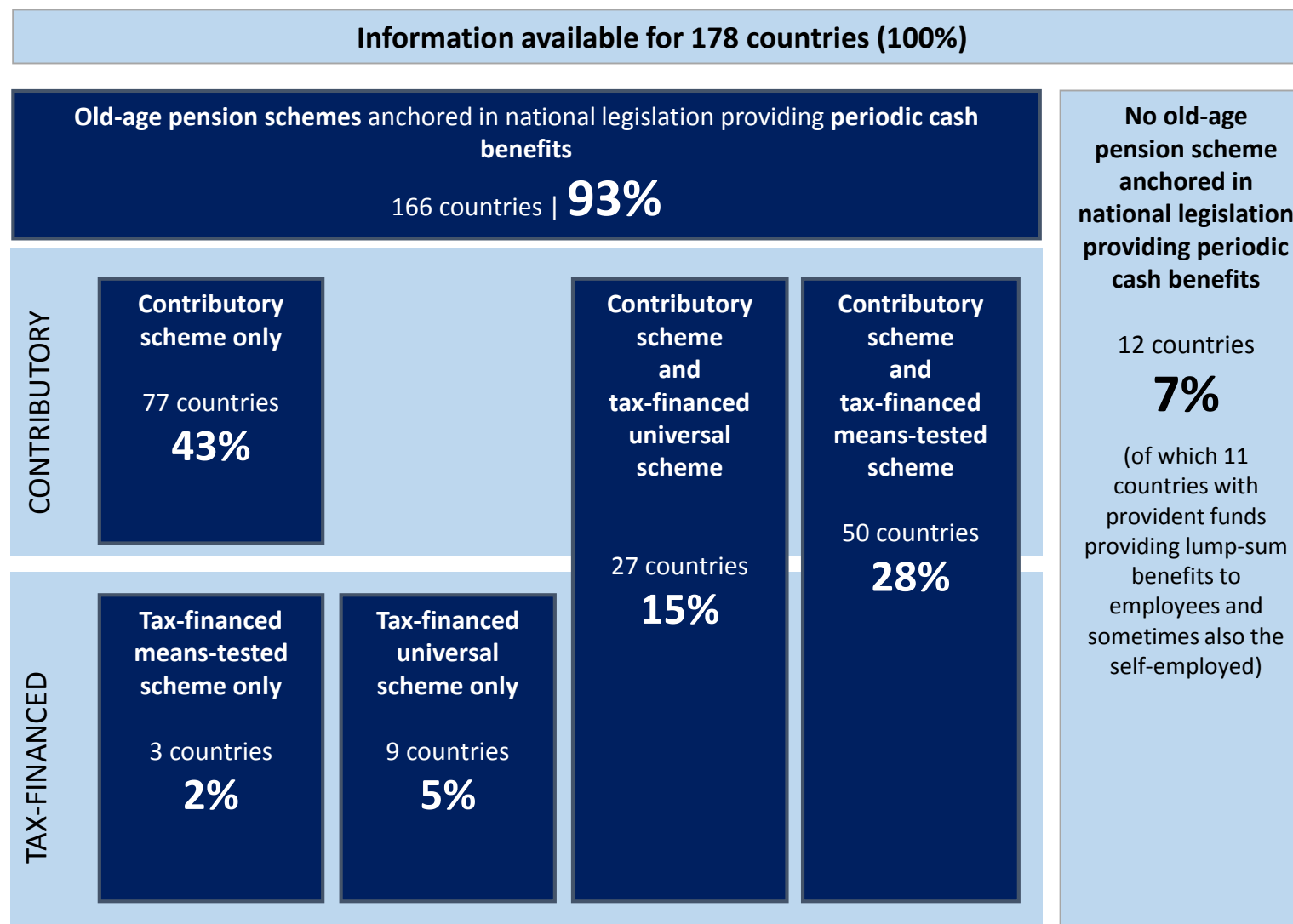
Every older person receives the tax-financed pension

Eliminates perverse incentives;  
very simple to deliver;  
politically more popular

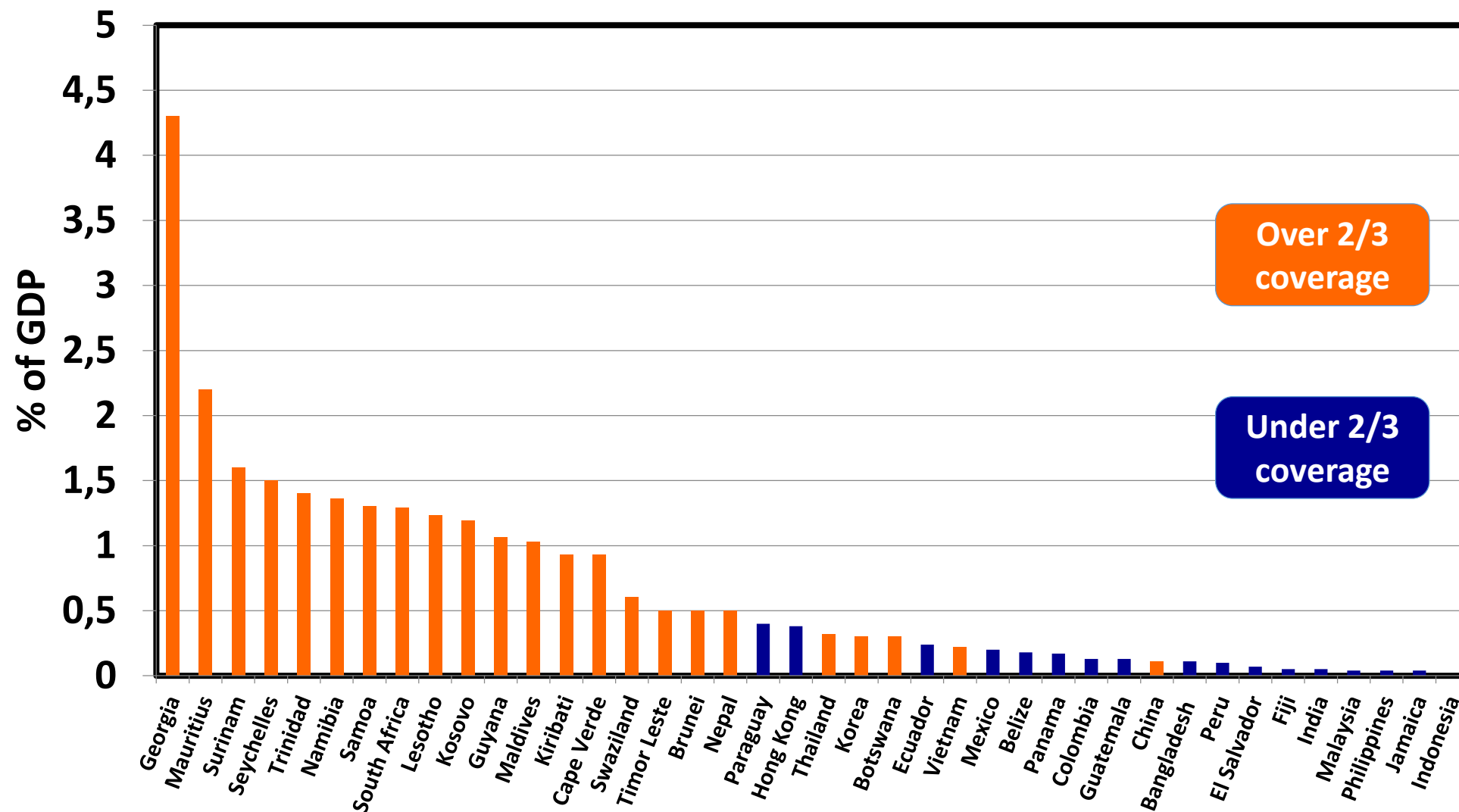
New Zealand reduces overall cost of tax-financed pension by continuing to make old age pensions subject to income tax



# Types of pension systems across the world

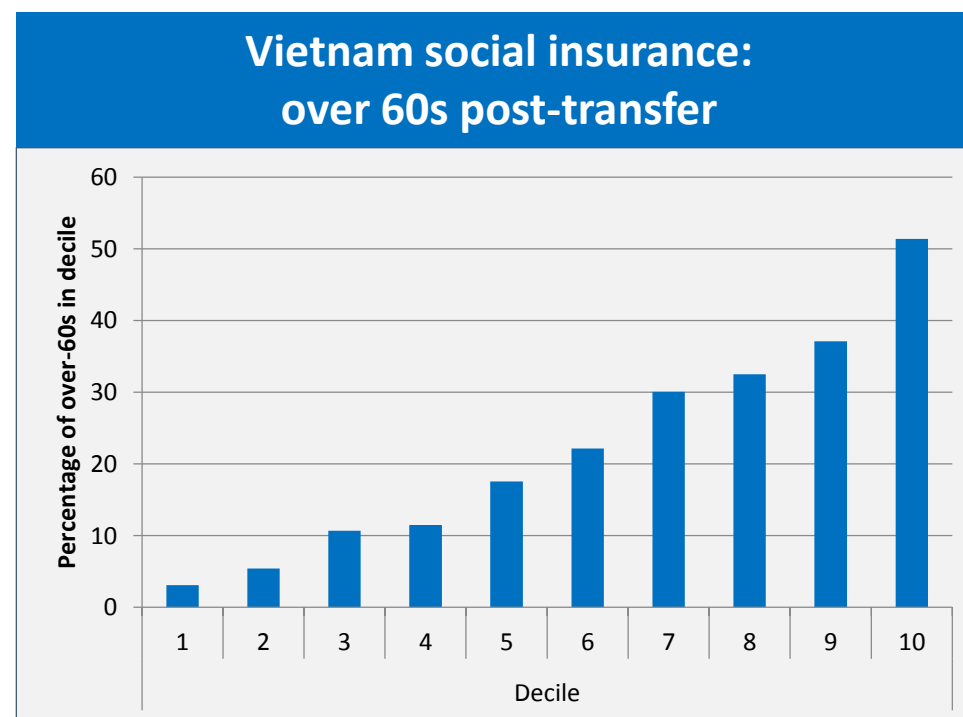
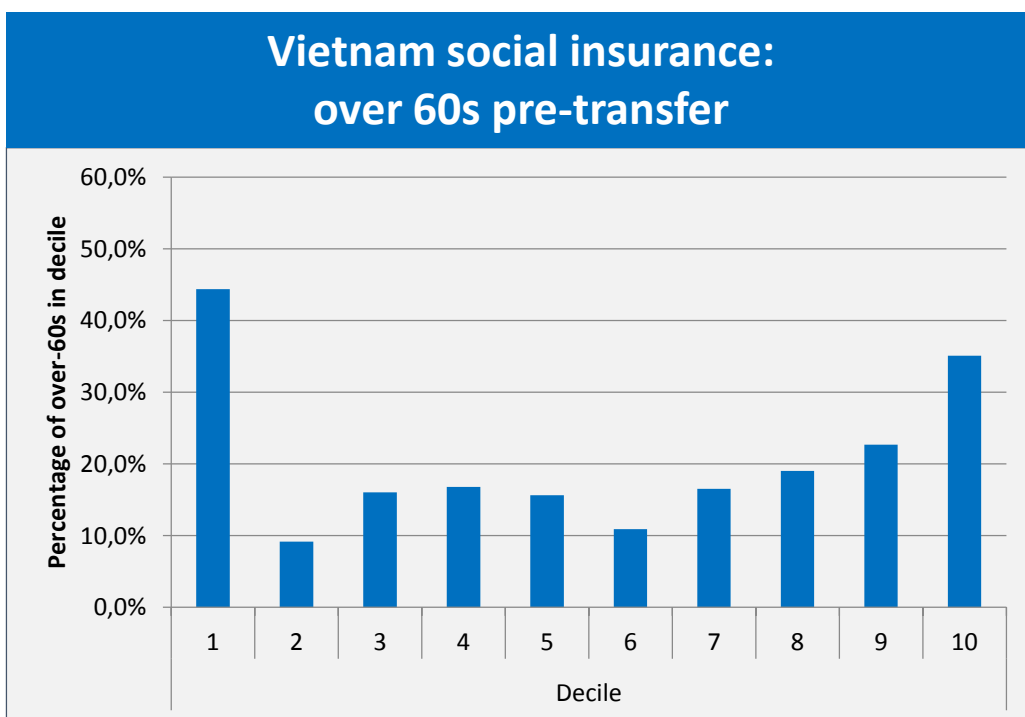


# Costs of social pensions in developing countries





# Are recipients of social insurance benefits “poor”?



# Take Aways

- Tax-financed social security schemes – as entitlements – are an absolutely essential means of ensuring that everyone is guaranteed a minimum income
- As part of the same system, countries can build contributory social security systems that enable people to save and receive higher benefits when a shock hits
- Both tax and contributory financed schemes are appropriate for developing countries, but they have different yet complementary roles
- Only through tax-financed schemes is it possible to guarantee for those in the informal economy

# *Fiscal Space for Social Protection: Harmonization of Contributory and Non-Contributory programmes*

## **Discussant:**

*Rebecca Holmes (Acting Head of Programme), Overseas Development Institute*



Rebecca Holmes is a Research Fellow in the Social Protection Programme at ODI and specialises in social protection, gender and livelihoods. With a geographical focus on south Asia and sub-Saharan Africa, she has led mixed-methods research on gender and social protection and the effects of social protection on social inclusion and cohesion. She has also recently worked on women's economic empowerment, voice and leadership research projects. She has carried out a range of mixed-methods and qualitative studies for a variety of donors including DFAT, DFID, FAO, UNICEF, UN Women and the World Bank. She has published widely for a range of audiences on social protection, gender and women's empowerment, including a co-authored book with Nicola Jones entitled *Gender and Social Protection in the Developing World: Beyond Mothers and Safety Nets* (Zed Books, 2013).



# Extending social insurance to informal workers: What are the challenges?

**Rebecca Holmes, ODI**

**8<sup>th</sup> September, 2016**

*Fiscal Space for Social Protection: Harmonization of Contributory and Non-Contributory programmes*

# Country experiences: Extending social insurance schemes

- Brazil and South Africa extension of social insurance schemes to domestic workers - unemployment insurance (South Africa) and maternity provisions (both countries)
- China's rapid expansion of various social insurance schemes, including the health insurance scheme, the Rural Medical Cooperative Scheme
- Ghana's National Health Insurance Scheme (NHIS) in 2010, 66% of the population was registered with the NHIS
- Rwanda's Mutuelle de Santé scheme (community-based health insurance) covered 90% of the population by 2012

# What are the challenges to extending social insurance?

## **From a gender perspective:**

- Gender gaps in coverage
- Low coverage of certain types of risks
- Unequal benefits from schemes

# Conclusion

- Assessment of **appropriateness** of insurance and **complementarities** with other programmes and services within a social protection system
- Consideration of **design and implementation** features for reaching informal workers and addressing the risks they face
- Supporting a **transformative agenda**

# Submit your questions to the panellists of the

*Fiscal Space for Social Protection: Harmonization of Contributory and Non-Contributory programmes*

**Simply type them in the GoToWebinar chat bar!**

Alternatively, **submit your questions via social media** using  
**#SPorgWebinar**



[SPGateway](#)



[SP Gateway](#)



# Questions and Answers



*Stephen Kidd*



*Rebecca Holmes*



[SPGateway](#)

## Submit your questions!

Type them in the GoToWebinar chat bar or via social media using #SPorgWebinar



[SP\\_Gateway](#)

# To stay up to Date on ***Fiscal Space for Social Protection: Knowledge Sharing Initiative Webinar series***

*follow [socialprotection.org](http://socialprotection.org) on social media:*



**#SPorgWebinar**

Thank you for joining the

# Fiscal Space for Social Protection: Harmonization of Contributory and Non- Contributory programmes Webinar

*Become a member of*



social**protection**.org