WEBINAR INCLUSIVE SOCIAL SECURITY: EXPLORING ECONOMIC CONSTRAINTS AND POSSIBILITIES

SOCIAL PROTECTION: FOUR "MISCONCEPTIONS" (AND THEIR REVISAL)

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The Inclusive Social Security Policy Forum (ISSPF) for the MENA region brought together a group of researchers to deconstruct some of the most widespread misconceptions about social protection.

As the Tunisian Observatory of Economy is a strategic and active partner of the ISSPF, Chafik Ben Rouine, president of TOE participated in the webinar that took place on February, 8, 2022.

He joined Salma Hussein, regional research manager at Friedrich Ebert Stiftung (FES) MENA and Anh Tran and Shea Mcclanahan who are respectively social policy specialist and senior social policy specialist at Development Pathways, to carry out a vulgarization exercise, while exploring economic constraints and possibilities of social protection in the MENA region.

Here is their take on four misconceptions about social protection:

1/ "There is no fiscal space (money) for social protection expenditure"

Fiscal space is defined "as the resources available as a result of the active exploration and utilization of all possible revenue sources by a government." Chafik Ben Rouine used this International Labor Organization (ILO)'s definition to demonstrate that the fiscal space is not a rigid concept. Indeed, governments have a "variety" of options to mobilize financial resources for social protection.

Governments can:

1. Expand social security coverage and contributory revenues
2. Re-allocate public expenditures
3. Increase tax revenues
4. Lobby for increased aid and transfers
5. Eliminate illicit financial flows
6. Use fiscal and foreign exchange reserves
7. Manage debt: borrowing or restructure debt
8. Adopt a more accommodative macroeconomic framework (e.g. tolerance to some inflation, fiscal deficit)

Among these options defined in particular by Isabel Isabel Ortiz, Director of ILO's Social Protection department, Ben Rouine retains four relevant options for the MENA region in the current context: an accommodative macroeconomic framework, the increase of tax revenues, the fight against illicit financial flows and debt restructuration.

2/ "Social protection consists mainly of social assistance to the poor and needy "

"The dominant narrative would have us to believe that fiscal space is limited and a static commodity. If resources are fixed and if they are small, the argument goes: then they should be targeted at only the poorest, only who need it the most and only as a very last resort when market fails" explained Shea Mcclanahan

According to her, this frame of thinking results in the residualist or "left-over" view of social protection, where "small budgets lead to small programs which lead to smaller budgets and on and on".

But Mcclanahan believes that it is possible to break this vicious circle. She pointed out that many countries have succeeded in doing so by adopting broad-based programs which do not only benefit the most deprived, but include broader social groups. "The ability of a country to invest in broad-based social protection solutions is not dependent either on the level of wealth of this country or in its current budgetary envelope", she said.

Indeed, by making smart use of the options available to them, governments can build enough fiscal space to design more inclusive social protection programs. They will thus have challenged the residualist vicious circle by a new virtuous circle where, "more ambitious investments today, lead to stronger protection in the population which lead to greater support for the programs and ultimately better and more sustainably-financed programs".

Besides, contrary to what the charity approach conveys, social protection is a human right that must be granted to all. As defined by the ILO, social protection, or social security is "the set of policies and programs designed to reduce and prevent poverty, vulnerability and social exclusion throughout the life cycle. Social protection includes nine main areas: child and family benefits, maternity protection, unemployment support, employment injury benefits, sickness benefits, health protection (medical care), old-age benefits, invalidity/ disability benefits, and survivors' benefits".

3/ "Social protection is a costly burden for governments"

"Investments in social security builds human capital and increases labor market participation. Households and individuals are hence able to deal better with shocks and production losses are minimized. This consequently drives demand and economic activity and foster more socially-cohesive and equal societies. We can then generate a more inclusive and sustainable economic growth that can be reinvested in social security".

This is another virtuous circle presented at the ISSPF webinar. Anh Tran used it to demonstrate that social security expenditure is not a cost, but rather an investment that can generate economic growth.

Besides, the multiplier effect (The increase in final income resulting from any new injection of spending) of social security for national GDP has been proven in low- and middle-income countries. Studies have even shown that social security multiplier effect is larger than other public expenditure such as health and education.

Drawing on the multiplier effect of social security expenditure, the ILO, in its world social protection report 2020-2022, urged countries to invest more in social protection. This is how these countries, in this case the MENA states, "will be able to reverse the recessionary spiral that currently grips their economies, despite the short-term erosion of government finances as a result of diminished tax revenues and social insurance contributions".

According to ILO, international financial institutions (IFIs) and development agencies should contribute to creating an environment that is conducive to increasing fiscal space at the domestic level.

So, have the IFIs, including the International Monetary Fund (IMF) helped the governments of the region in this crucial task of creating a favorable fiscal space for social spending?

4/ "IMF policy reforms are effective and will eventually promote social welfare"

Salma Hussein reviewed the last decade of the IMF-MENA relationship. She came out with a set of paradoxes and inconsistencies that not only affected public finances, but narrowed the fiscal space for social spending.

The IMF says that one of its core responsibilities is "providing loans to member countries that are experiencing actual or potential balance-of-payments problems". As it argues, the IMF "cooperates with countries in designing their adjustment programs, then finances these programs on the condition that government effectively implement the required adjustments or policy reforms".

However, after the IMF intervention in Jordan in 2012, the country saw its debt rate soar from 54.5% of the GDP in 2010 to 101.2% of the GDP in 2020. Jordan, like most of the region's countries, is now stuck in the debt trap. "We found that despite of the implementation of IMF backed fiscal consolidation programs, the Jordanian debt service to GDP ratio increased from 3.8% in 2010 to 9.4% in 2020", she said.

Coupled with indebtedness, austerity measures have deepened inequalities in Arab societies which are already among the most unequal in the world.

According to the United Nations Economic and Social Commission for Western Asia (ESCWA), the Arab region's top 37 billionaires (all of whom are men) owned about $108 billion. This is as much wealth as the bottom half of the adult population. In 2020, the wealthiest 31 billionaires held $92.1 billion, "which is more than double the annual cost needed to close the poverty gap in all Arab countries, even after the impact of COVID-19 is taken into account", added the ESCWA in its report entitled "A solidarity tax to address the impact of Covid-19 on poverty in the Arab region.

The available fiscal space has thus shrunk over the years, preventing governments from implementing a structural universal social coverage. The existing social security coverage, which consists mainly of alleviating poverty through targeted social assistance, cash transfers and food and fuel subsidies, still risks shrinking, with IMF recommendations to implement what it calls "targeted subsidies".

The other incongruence raised by Hussein relates to labor market policies grapple with high unemployment rates and widespread informal work. "The IMF social protection recommendations include unemployment benefits. While it advised advanced economies of increasing them between 2015 and 2017, there is no mention of this recommendation for the countries in the MENA region over the last ten years", she said.