Social Protection Policy Responses in the Future of Work in Africa

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1. Introduction: Questions, Methods & Findings
2. What is Social Protection?
4. Social Protection Policies in the Changing World of Work in Africa
5. Conclusions
1. Introduction
Questions:
1. In the changing world of work, what are the risks to labor markets and policy constraints that SSA economies face?
2. What social protection policies should African governments consider in preparing for the future of work, and how can they be financed?

Methods:
• Review and synthesis of academic and policy literature
• Analysis of revenue, expenditure and tax data
• Select examples of innovations in social protection policies
Summary of Findings


- Strengthen traditional social protection and labor programs for the poor & vulnerable
- Turn risks into opportunities to provide innovative SPL solutions
- Optimize potential and existing resources to address fiscal & policy constraints
2. What is Social Protection?
What is Social Protection?

“Social Protection and Labor (SPL) systems, policies, and instruments help individuals manage risk and volatility and protect them from poverty and destitution through instruments by improving equity, resilience and opportunity”

<table>
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<tr>
<th>Social protection and labor programs</th>
<th>Objectives</th>
<th>Types of programs</th>
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| Social safety nets/social assistance (noncontributory) | Reduce poverty and inequality | • Unconditional cash transfers  
• Conditional cash transfers  
• Social pensions  
• Food and in-kind transfers  
• School feeding programs  
• Public works  
• Fee waivers and targeted subsidies  
• Other interventions (social services) |
| Social insurance (contributory) | Ensure adequate living standards in the face of shocks and life changes | • Contributory old-age, survivor, and disability pensions  
• Sick leave  
• Maternity/paternity benefits  
• Health insurance coverage  
• Other types of insurance |
| Labor market programs (contributory and noncontributory) | Improve chances of employment and earnings; smooth income during unemployment | • Active labor market programs (training, employment intermediation services, wage subsidies)  
• Passive labor market programs (unemployment insurance, early retirement incentives) |

Expand social protection coverage in the changing world of work through the guiding principle of “progressive universalism”, while giving priority to the poorest people.

Most of SSA population is not covered by any Social Protection and Labor program.

In the Changing Nature of Work:
✓ Social protection policies will need to effectively manage a large compendium of risks in Africa’s labor markets.
✓ Given the low baseline of social protection coverage in most SSA countries, there are fiscal implications to expanding coverage.
✓ Given the low-income level of most SSA countries, it will be important to balance competing policy priorities such as education and health, infrastructure and security, and optimize public investments.
Global Trends Pose Systemic Risks to Africa’s Labor Markets

(i). Digital technologies are disrupting labor markets

Automation and globalization affect industrial employment

Socio-behavioral skills are becoming more important to recruiters

Job requirements of a Hilton Hotel management trainee in Shanghai, China

1986

- Excellent character, willingness to learn
- Ages 20-26
- Bachelor's degree or associate degree
- Proficient in English
- Good health
- Live close to the hotel location

2018

- Positive attitude and good communication skills
- Ability to work independently and as part of a team
- Competent level of IT proficiency
- Four-year university degree with at least two years of experience

Global Trends Pose Systemic Risks to Africa’s Labor Markets

(ii). Greater economic integration (i.e. AfCFTA) will create New Economic Opportunities and Result in Adjustment Costs

Africa has one of the lowest levels of intra-regional trade, as a percentage of total exports, 2017

Adjustment Paths Following Trade Liberalization

Note: The long-run equilibrium path is represented by $Y_T$. If trade liberalization takes place at time $t_0$, output would rise from $Y_0$ to $Y_T$ in the absence of adjustment costs. However, with adjustment costs, output will instead follow a J-curve, line $Y(t)$, first declining below initial output $Y_0$ and gradually approach $Y_T$. The discounted difference between $Y_T$ and the curve $Y(t)$ is the adjustment cost.

(iii). Climate and conflict drivers create shocks that disrupt labor markets

African countries are highly vulnerable to climate shocks

Conflict Events Worldwide, by Type of Conflict and Region, 1989–2016


(iv). SSA’s demographic transition is characterized by a youth bulge, urbanization and migration flows.

Africa is projected to experience rapid population growth over the next decades.

SSA is urbanizing at lower per capita GDP than other regions.

Global Population Projection to 2050 (billions)

Income Per Capita at 40% Urbanization (Constant 2005 US$)

Source: Calculations from World Bank’s World Development Indicators

(i). Insufficient resources are devoted to social protection in SSA due to low-levels of social spending, donor dependence, misallocation, and inefficiencies.
(ii). SSA countries have limited social protection coverage and spend less per capita in part due to low levels of domestic revenue mobilization (DRM).

Source: Authors’ calculations from World Bank, IMF and UNU-WIDER databases
(iii). Due to competing policy priorities, SPL expenditures in Africa are lower than other public investments.

Source: Authors’ calculations from World Bank public expenditure reviews
4. Social Protection Policies in the Changing World of Work in Africa

Mitigate Risks, Leverage Opportunities and Optimize Existing and Potential Resources
<table>
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<tr>
<th>Social Protection Policy Options to Mitigate Risks &amp; Leverage Opportunities</th>
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<tbody>
<tr>
<td><strong>Digitization and Trade Integration Risks</strong></td>
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<tr>
<td><strong>Social Assistance</strong></td>
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<td>• Public Works Programs (PWPs) to manage transitions and generate income for displaced workers.</td>
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<td>• To strengthen social assistance, mineral-rich economies can directly distribute resource revenues to host communities, that could be affected by automation of mining jobs, through resource-dividend schemes. The sub-national, resource-dividend schemes in Alaska and Canada are interesting examples.</td>
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<td><strong>Social Insurance</strong></td>
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<td>• Social insurance reforms should expand insurance coverage beyond formal employer-employee contracts, especially to the informal sector</td>
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<td><strong>Labor Market Policies</strong></td>
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<td>• ALMPs can facilitate the transitions of workers to new jobs displaced by trade liberalization or automation and minimize the costs of trade adjustment. These include training and job search programs, formal and vocational education, and skills-job matching programs</td>
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<td><strong>Other</strong></td>
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<td>• Investments in regional public goods, including early warning systems for natural disasters and epidemics, regional centers of excellence on research and training, enabling private markets for risk-sharing, and a regional approach to reduce remittance costs.</td>
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<td><strong>Climate Change and Fragility Risks</strong></td>
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<td>• Flexible and scalable SSNs can help households mitigate and respond to shocks. DT-supported social registries can help in identifying and targeting individuals and households at risk. “Productive-inclusion” elements can help enhance productivity.</td>
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<td>• PWPs can increase household and climate resilience e.g. soil and water conservation, development of irrigation channels, food storage facilities, and rainwater capture, and emergency cash for work programs.</td>
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<td>• Private transfers can be leveraged to complement weak formal social protection systems in fragile situations. These include Islamic Zakat, Church tithings and revolving village savings and credit associations. They could be strengthened with formal risk-pooling and reinsurance solutions</td>
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<tr>
<td><strong>Population Transition Risks</strong></td>
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<td>• SSNs that are targeted at the urban poor can help working age populations in transition.</td>
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<td>• “Safety Nets Plus” delivers complements to cash transfers to the urban poor with ALMPs such as links to financial services, access to capital or training in a range of skills including microenterprise development, technical and life skills.</td>
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<td><strong>THE WORLD BANK</strong></td>
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Sustainable Resource Mobilization to Extend Social Protection Coverage

The fiscal space of SSA economies can be broadened by:
- Reallocating public expenditure towards social investments
- Tax reforms to generate additional revenue for social investments
- Floating diaspora bonds to enable direct use of remittances
- Collaborating with the private sector: CSR, Trust Funds etc

Excise tax revenue is lower in SSA compared to the rest of the world

Property tax collections is lower in (a) SSA compared to the Rest of the World, (b.) in hydrocarbon exporters compared to non-exporters

Source: Authors’ calculations from World Bank, IMF and UNU-WIDER databases
Digital tech can help increase efficiency of social registries and SPL systems

Rebalancing SPL spending among instruments and population groups

Improving coordination of development assistance for social protection

**OECD-DAC bilateral aid to Africa is more supportive of SPL compared to Chinese Loans, 2016**

OECD-DAC Aid
- Social: 39.1%
- Debt: 21.9%
- Production: 9.1%
- Multisector: 4.8%
- Other: 9.3%
- General Programme: 13.3%

Chinese Loans
- Social: 6.6%
- Economic: 53.6%
- Production: 33.6%
- General Programme: 2.1%
Managing Policy tradeoffs

Integrate SPL into national and regional economic strategies

Labor market reforms can be linked to broader public sector reforms

A regional approach to SPL, as public goods

Renewing social contract on how to allocate public resources for the largest welfare impacts
5. Conclusions
Conclusions: Areas for further research

- Identifying and examining the effectiveness of emerging SPL interventions that aim to extend social protection to the informal sector.
- Understanding ways to collaborate with the private sector esp. on labor market policies.
- How to better leverage informal private transfers to serve a more effective risk-sharing and co-insurance function especially in fragile settings.

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