



issa

INTERNATIONAL SOCIAL SECURITY ASSOCIATION
ASSOCIATION INTERNATIONALE DE LA SÉCURITÉ SOCIALE
ASOCIACIÓN INTERNACIONAL DE LA SEGURIDAD SOCIAL
INTERNATIONALE VEREINIGUNG FÜR SOZIALE SICHERHEIT

The role of social security in poverty reduction – Reinforcing life cycle-based models for more effective systems

By Shea McClanahan, Senior Officer in Social Security, and Raúl Ruggia-Frick, Director,
Social Security Development Branch, International Social Security Association

This article was originally published in French in [Regards – Protection sociale](#), June 2024, No. 63

I. Introduction and relevance

Social security, as an essential social policy tool, has multiple objectives. It aims to provide a minimum standard of living, to smooth consumption by replacing lost or foregone income due to common life cycle or labour market risks, to support reproduction and -- it is increasingly (and once again) recognized -- to promote employment and productivity.¹

Historically, poverty reduction was not the primary objective of social security systems in early welfare states. Social security's "founding fathers" were motivated by its economic, stabilizing and reconstructive promise and saw income security as instrumental to achieving broader objectives. Bismarck purportedly aimed to promote workers' well-being as means of ensuring the efficiency of the economy and to keep more radical proposals at bay.² We inherited the term social security from Roosevelt, who reportedly combined "economic security" with "social insurance" in the wake of the Great Depression.³ And, in his eponymous report, Beveridge famously called his proposals an "attack on Want" as one of the "five giants of [post-War] reconstruction,"⁴ and took pains to clarify that a key principle was to promote "incentive, opportunity and responsibility" so that people "could freely build upon" the security it provided.⁵

Poverty reduction was not social security's primary objective, but it has been one of its defining achievements. Old-age pensions, designed to ensure the everyone can live out their later years in dignity and, ideally, with comparable levels of income security to their previous earnings and peers, offer the clearest example. Indeed, wherever there is adequate, universal or near-universal coverage of older people, poverty among older people is low or at the very least "contained",⁶ and in many contexts, benefits accrue to other generations and the broader economy and society as well. Understanding the role of social security in poverty reduction, therefore, requires an exploration of the broader (and "original") objectives of social security.

¹ On the multiple roles of social policy, see also Mkandawire (ed) (2004), *Social Policy in a Development Context*, UNRISD, and UNRISD (2006), *Transformative Social Policy: Lessons from UNRISD Research*, UNRISD.

² SSA, n.d. "Otto von Bismarck", Social Security History, SSA Archives. <https://www.ssa.gov/history/ottob.html>

³ ILO, 2009. "From Bismarck to Beveridge: Social security for all," *World of Work* No. 67, December 2009. https://www.ilo.org/global/publications/world-of-work-magazine/articles/WCMS_120043/lang--en/index.htm

⁴ The other four were "Disease, Ignorance, Squalor and Idleness". *The Beveridge Report*, 1942.

<https://www.nationalarchives.gov.uk/wp-content/uploads/2014/03/prem-4-891.jpg>

⁵ *The Beveridge Report*, 1942.

⁶ Interview with Julien Damon, available at: <https://www.vie-publique.fr/video/272482-la-lutte-contre-la-pauvrete-entretien-avec-julien-damon>

In this article, we explore how the core components of social security systems – whether tax-financed or contributory – continue to play a fundamentally *preventive* role in addressing poverty. We briefly examine the role that the global preoccupation with ending poverty has had in shaping social protection programming. We also explore the counter-intuitive observation that programmes designed with the explicit goal of reducing poverty often struggle to achieve that very objective at scale, especially in certain contexts. The corollary – that social security programmes are very effective at reducing poverty despite being designed with broader objectives in mind – is also generally true. We conclude by proposing a high-level conceptual model for achieving more universal, more flexible, more comprehensive, and therefore more impactful, social security systems. The model considers multi-tiered designs that, when effectively administered, promote these broader objectives in countries of all levels of development.

II. An overview of poverty around the world and the preoccupation with its eradication

II.1. Tracking progress toward poverty eradication – General trends and observations

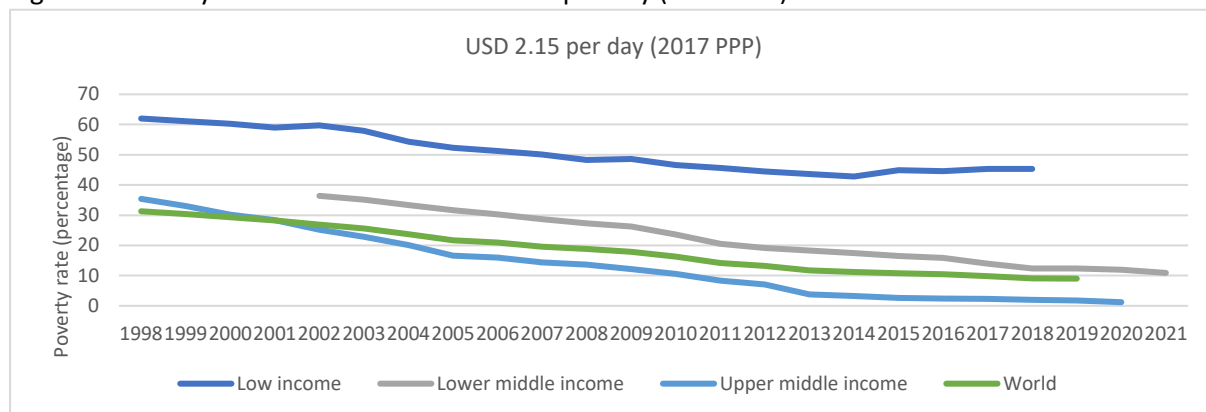
Eradication of poverty has been high on global and national agendas since at least the 1990s. As the ramifications of structural adjustment and market liberalization reforms became apparent, the world turned its attention to human development and protecting the most vulnerable. 1996 was declared to be the “International Year for the Eradication of Poverty”.⁷ In 2011, the Millennium Development Goals (MDGs) aimed to halve extreme poverty by 2015, and the Sustainable Development Goals (SDGs) in 2016 boldly commits to “end poverty in all its forms everywhere” by 2030 (Goal 1).

Poverty, measured in absolute terms, has been largely declining globally for decades. As shown in figure 1, until the arrival of the COVID-19 pandemic, global extreme poverty, measured as the percentage of the population living below the internationally defined threshold of 2.15 United States dollars (USD) per day in 2017 purchasing power parity (PPP), had dropped from just over 30 per cent in 1998 to less than 10 per cent in 2020. Notably, high-income countries show almost no poverty when measured in this way (see box 1). More recently, due to multiple concurrent global crises and their impacts on prices, especially for essential goods, poverty has increased again in many contexts. In low-income countries, extreme poverty is worse than it was before the COVID-19 crises.⁸

⁷ United Nations, n.d. *UN Documentation: Development*. <https://research.un.org/en/docs/dev>.

⁸ Yonzan, N., Gerszon Mahler, D. and Lakner, C. 2023. “Poverty is Back to Pre-COVID Levels Globally but Not for Low-Income Countries.” World Bank data blog. blogs.worldbank.org/opendata/poverty-back-pre-covid-levels-globally-not-low-income-countries

Figure 1: Poverty headcount ratio at USD 2.15 per day (2017 PPP)



Source: World Bank World Development Indicators (latest year).

Tracking progress toward ending poverty globally, however, requires agreement on appropriate indicators, but defining what constitutes poverty is an inherently political, highly technical and context-specific process, as explained in box 1.

Box 1: Overview of the prevailing approaches to measuring poverty

Different poverty measures capture different types and levels of deprivation, and the assumptions behind chosen indicators (for example, those used in different equivalized scales) can have big implications for how poverty is perceived, both as regards its severity and its distribution across different strata of the population.⁹ Different conceptualizations of poverty also shape how anti-poverty policies are conceived, designed and implemented.¹⁰

The absolute measure of extreme poverty (currently at USD 2.15 per day) is widely used by the World Bank and United Nations (UN) agencies to monitor progress. Absolute measures have long been critiqued for their lack of relevance in relatively richer countries, prompting the World Bank to develop complementary thresholds considered more appropriate for middle-income countries.

A second critique of these measures is their use of household per capita equivalence scales, which assume an equal distribution of resources across household members. Using these measures, children appear far more likely to be classified as poor than other age groups, and the levels of poverty among older people are typically under-estimated.¹¹ Alternative scales also have trade-offs, however.

Many countries – especially high-income and upper-middle-income countries – and some international and regional entities (notably, the Organisation for Economic Co-operation and Development (OECD) and the European Union) use some measure of relative poverty, where the poverty line is a percentage of median income. These relative measures offer a tool that reflects the fact that participating in society is costlier as countries develop economically. In fact, the currently accepted way of tracking progress toward SDG 10 (on *inequality*) is via relative poverty, specifically, the proportion of the population living below 50 per cent of the median, in line with OECD relative poverty indicators.¹²

⁹ Gelders, B., 2021. *Challenges in Measuring Individual Poverty Among Older People*. HelpAge International and Development Pathways Working Paper, February 2021. https://www.developmentpathways.co.uk/wp-content/uploads/2021/02/Helpage_Challenges-in-measuring-poverty-Feb24.pdf.

¹⁰ Marx, I., Nolan, B., and Olivera, J., 2014. *The Welfare State and Anti-Poverty Policy in Rich Countries*. IZA Discussion Paper No. 8154, April 2014, <https://docs.iza.org/dp8154.pdf>

¹¹ Gelders, B., 2021.

¹² UNSTAT, n.d. <https://unstats.un.org/sdgs/metadata/?Text=&Goal=10>

Among OECD countries, for example, relative poverty – measured as 50 per cent of the median income – after taxes and transfers declined in 70 per cent of countries between 2012 and 2019.¹³ As of 2021, across OECD countries, poverty remains at around 11 per cent on average, and is higher for children, young adults and older people.¹⁴ Large variations exist across countries – for example, the risk of relative poverty among children ranges from 2.9 per cent in Finland to 28.5 per cent in Costa Rica, and poverty among older people ranges from 3.1 per cent in Iceland to 39.3 per cent in the Republic of Korea.¹⁵

Moreover, since the 1980s, the risk of relative poverty in OECD countries has shifted from older persons to younger persons. Most strikingly, poverty among those aged 18 to 25 rose from 10 per cent to 16 per cent from the mid-1980s to 2018, reflecting later entry into the labour market.¹⁶ Among the elderly, the three percentage point average drop has been said to reflect “a great achievement of social policy: the maturation of old-age pension systems in many OECD countries, pulling the elderly out of poverty” (Ibid.).¹⁷

Using this relative measure for low- and middle-income countries, important differences can be observed in progress, even where the median income has risen: for example, whereas the proportion of the population living below this threshold has declined in countries such as Brazil and Argentina, it has risen in Ghana and China.¹⁸ These differences demonstrate that progress has been more broadly shared in the former countries, suggesting an important role for redistributive policies, such as social security, in achieving better outcomes.

II.2. Global acceptance of social protection as a key tool for poverty reduction

It almost goes without saying that social security/social protection reduce poverty. In general, according to the International Labour Organization (ILO), there is a strong and positive relationship between levels of investment in social protection expenditure (excluding health) and poverty reduction.¹⁹ Data from the OECD also attest to the poverty reducing power of the redistributive combination of taxes and social transfers. As seen in figure 2, in 2021, relative poverty rates were approximately 62 per cent lower on average in OECD countries than they would have been without taxes and transfers. The largest reduction is observed in Finland, where poverty is 6.7 per cent rather than 35 per cent, an 81 per cent reduction, thanks to the broad-based and highly redistributive tax and social security systems.

¹³ OECD, 2023. “Inequality and Poverty Reduction,” in *Government at a Glance*. OECD, Paris.

<https://www.oecd-ilibrary.org/sites/4c6f064c-en/index.html?itemId=/content/component/4c6f064c-en>

¹⁴ As of 2021, the average relative poverty rates for different age groups in OECD countries stood at 12.2 for children (younger than age 18), 12.3 per cent for youth (aged 18-25), 9.8 per cent for adults (aged 26-65) and 14.0 per cent for those over 65. See OECD Income Distribution Database (IDD), <http://stats.oecd.org/Index.aspx?DataSetCode=IDD>.

¹⁵ Ibid.

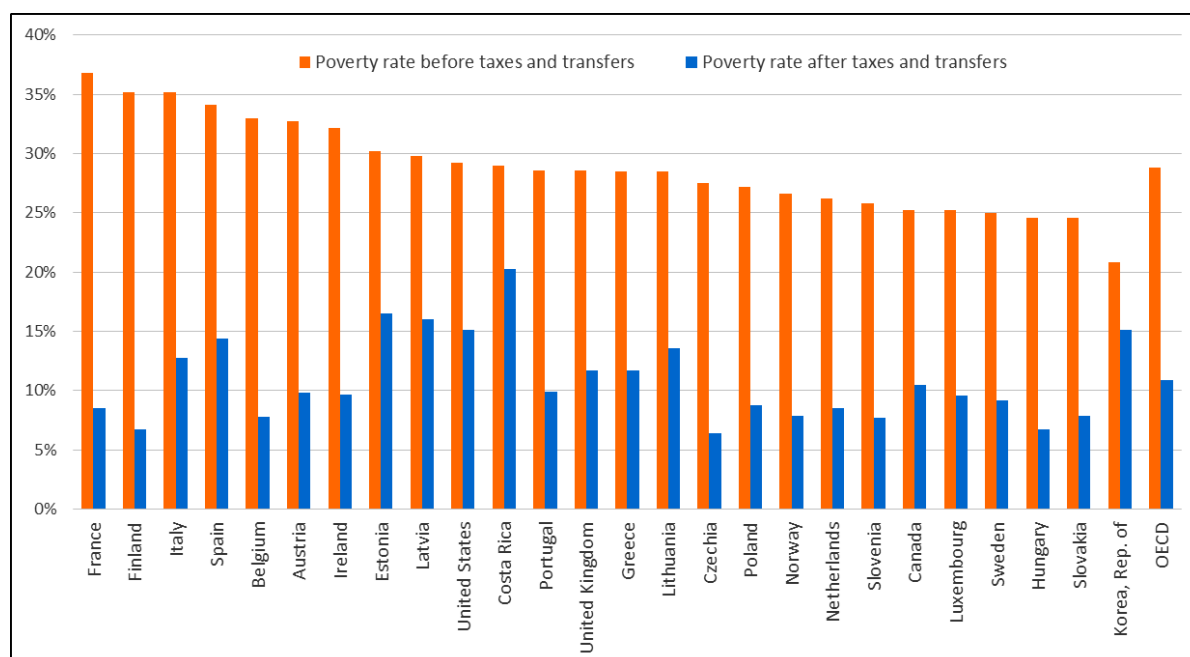
¹⁶ Ladaïque, M. 2021. “The Poverty Risk Has Shifted from the Elderly to Young People”. The Forum Network, OECD. <https://www.oecd-forum.org/posts/the-poverty-risk-has-shifted-from-the-elderly-to-young-people>

¹⁷ Ibid.

¹⁸ Gerszon Mahler, D., Lakner, C., and Serajuddin, U., 2020, “The median’s new best friend? Introducing SDG 10.2.1” World Bank Blogs, 03 August 2020. <https://unstats.un.org/sdgs/metadata/?Text=&Goal=10>

¹⁹ ILO, 2021. *World Social Protection Report, 2020–2022*.

Figure 2: Relative poverty rate (50% of median) in selection of OECD countries before and after taxes and transfers (2021)



Source: OECD Stat. <https://stats.oecd.org/Index.aspx?DataSetCode=IDD#>. Note: OECD countries without 2021 reported data are not represented. Data for the United States and the Netherlands were provisional at the time of drafting.

It is largely for this reason that social protection²⁰ features prominently in SDG 1 (Goals 1.3) and is now taken for granted as a key instrument for poverty eradication (Goal 1.3), as well as being a fundamental human right.²¹ To ensure it can play this role more effectively, a large and growing coalition of international actors and governments have signed on to implement universal social protection by 2030.²²

II.3. The role of anti-poverty social protection programming – Promise and reality

The global preoccupation with poverty reduction over the last three decades was accompanied by a renewed acceptance of social policies as a necessary tool to compensate for market failures. However, the appropriate nature and scope of social policies – particularly income transfers – has been and continues to be hotly debated in countries around the world.

With the introduction of flagship conditional cash transfers in Latin America in the early 2000s, “social protection” – broadly conceived as social transfers to poor households – became the policy tool of choice for donors, international financial institutions, and national governments in low- and middle-income countries. Pilot cash transfer programmes proliferated, as did the grey literature demonstrating their ability to improve access to basic nutrition, health and education. Global campaigns to promote the use of cash-based assistance, as well as to dispel concerns about welfare dependency, resulted in reams of literature attesting to the mechanisms and pathways through

²⁰ Social protection and social security are often used interchangeably in global literature. See, for example, “Glossary” in the *ILO World Social Protection Report 2020–2022*.

²¹ *Universal Declaration of Human Rights*. United Nations General Assembly resolution 217A, 10 December 1948. <https://un.org/en/about-us/universal-declaration-of-human-rights>

²² “USP2030” website.

which social protection operates to reduce poverty in households. Thanks to the popularity of cash transfers, evidence for the effectiveness of “just giving money to the poor” is, by now, ubiquitous.²³

In the midst of this trend, influential scholars of welfare states, and especially those focused on the Global South, began to persuasively argue that the narrow focus on poverty had constrained the policy space for social policies, confining them to a compensatory or “residualist” role.²⁴ Despite the burgeoning “green shoots” of social protection,²⁵ progress toward establishment of rights-based programmes anchored in legislation was slow.²⁶ Scholars observed that social protection programming had become “micro-ized” and “project-ized”.²⁷ Indeed, outside of Latin America where progress was becoming more institutionalized, only rarely did small donor-funded programmes become permanent government-sponsored schemes.²⁸

In high-income countries, parallel debates were occurring around retrenchment in the context of looming fiscal crises brought about by population ageing and the flexibilization of labour markets, as well as a reaction to the perceived rise of so-called “welfare dependency”. Amidst strong performance of markets in the 1990s, anti-poverty programming, with its focus on “welfare-to-work”, was simultaneously seen as a way to reduce the scale of social transfers while encouraging individual responsibility.²⁹ Later, as macroeconomic conditions deteriorated, contributory systems in high-income countries found themselves struggling to cope with rising numbers of workers with weaker attachment to labour markets, placing more pressure on means-tested household programmes.

Emerging critiques began to cast doubt on the sustainability of solutions oriented exclusively or predominantly toward poverty reduction. While few debated the fact that those who benefit from the programmes tended to do better, there were growing concerns about the limits of poverty targeted programmes in the face of widespread low-incomes and a lack of solutions for those on precarious or middle incomes. Some drew attention to the fact that programmes targeting the poorest of the poor (typically, less than 10 per cent of the population), made little difference in contexts where very large shares of population were considered poor and vulnerable. Eligibility thresholds were arbitrarily set and frequently determined by the size of the budget rather than

²³ Most emblematically, see Hanlon, J., Barrientos, A. and Hulme, D. *Just Give Money to the Poor: The Development Revolution from the Global South*. Kumarian Press, Delhi.

²⁴ See e.g. Mkandawire, T. (ed.). 2004. *Social Policy in a Development Context*. UNRISD, Geneva; Mkandawire, T. 2005. “Targeting and Universalism in Poverty Reduction”. UNRISD Social Policy and Development Programme Paper, No. 23. UNRISD, Geneva.; Tender, J. 2004. “Why Social Policy is Condemned to a Category of Residual Safety Nets and What to Do About It”, in Mkandawire, T. (ed.). 2004. *Social Policy in a Development Context*. UNRISD, Geneva.

²⁵ Niño-Zarazúa, M., Barrientos, A., Hulme, D. and Hickey, S., 2010. “Social Protection in sub-Saharan Africa: Will the Green Shoots Blossom?” Munic Personal RePEc Archive (MRPA) Paper No. 22422, 3 May 2010. https://mpr.ub.uni-muenchen.de/22422/1/MPRA_paper_22422.pdf

²⁶ ILO, 2017, *World Social Protection Report, 2017-2019*; ILO, 2021, *World Social Protection Report, 2020-2022*.

²⁷ Tendler, J., 2004. “Why Social Policy is Condemned to a Category of Residual Safety Nets and What to Do About It”, in Mkandawire, T. (ed.). 2004. *Social Policy in a Development Context*. UNRISD, Geneva.

²⁸ ILO, 2011. *Social Security and the Rule of Law*, General Survey concerning social security instruments in light of the 2008 Declaration on Social Justice for a Fair Globalization, Report of the Committee of Experts on the Application of Conventions and Recommendations (articles 19, 22 and 35 of the Constitution). https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_152602.pdf

²⁹ In many countries, the shrinking of social rolls itself was often viewed synonymously with poverty reduction, even when decisions to cut programmes were budget-driven.

need. There were also concerns about potential negative externalities – both economic and political – caused by poverty targeting.³⁰

One of the primary reasons that poverty targeting, especially in low-capacity contexts, has been found to be ineffective in reaching the poor is that the “poor” is not a fixed group, as explained in box 2.

Box 2: The challenge of keeping up with income, poverty and labour market dynamics

Pinpointing who is “poor” in any given moment is an inherently difficult, if not impossible, task. All programmes that rely on means-testing, regardless of the level of state capacity, must grapple with the reality of income volatility.

Over the last two decades, analyses of household panel survey data have consistently found that households move up and down the income and consumption distribution within a very short time.³¹ According to Pritchett (2005), the changes “reflect the large shifts in households’ fortunes even over short periods of time – as households gain and lose jobs, harvests are good or bad, business goes well or badly” (p. 17).³² In other words, household experiencing common lifecycle and labour market risks are much more likely to fall into poverty.

These observations have led some to argue that “the poor” do not exist as such and instead are a fictional construct;³³ rather, it is more appropriate to talk about “persons experiencing an episode of poverty”.³⁴ This constant volatility means that programmes that target “the poor” as a fixed group will inevitably have exclusion errors resulting from the lag between surveys, selection, and payment.

Moreover, transformations in family structures and dynamics, coupled with technological innovations, pose related challenges for contributory schemes. In countries of all income levels, working lives are increasingly fragmented and volatile, as depicted in figure 2, requiring social security systems to be both comprehensive and flexible enough to offer protection following periods of low or no contributions. During the COVID-19 pandemic, many countries found that the limited coverage of significant portions of the population on low-

³⁰ On the negative economic spillover effects of targeting, see for example, Filmer, D., Friedman, J., Kandpal, E. and Onishi, J., 2018. “Cash Transfers, Food Prices, and Nutrition Impacts on Nonbeneficiary Children”, World Bank, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/989031522077749796/cash-transfers-food-prices-and-nutrition-impacts-on-nonbeneficiary-children>. On social cohesion, see for example, Nawaz, S., and Hussain, S., 2024. “Unveiling Effects of Cash Transfers on Poverty and Social Cohesion in Conflict-affected Zones: Insights from ex-FATA, Pakistan”, *World Development Perspectives*, Vol. 22, March 2024.

³¹ See, for example, Baulch, B., Hoddinot, J., 2000. “Economic Mobility and Poverty Dynamics in Developing Countries”, *Journal of Development Studies* 36(6), pp. 1-24; Pritchett, L., 2005. “The Political Economy of Targeted Safety Nets”, Social Protection Unit Discussion Paper No. 0501, World Bank, Washington; or Gelders, B., 2018. “Five Things We Learnt About Poverty Dynamics in the World’s Fourth Most Populous Country”, Development Pathways Blog, 01/03/2018, <https://www.developmentpathways.co.uk/blog/five-things-we-have-learnt-about-poverty-dynamics/>.

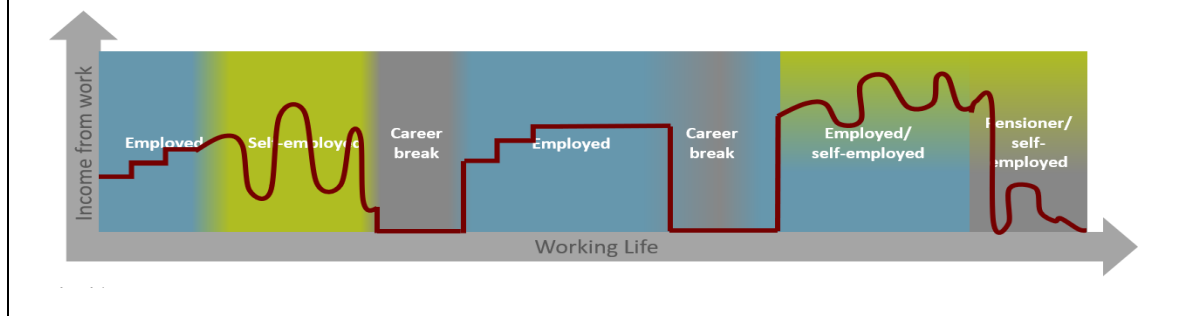
³² This so-called “churning” occurs in countries of all income levels but is even more pronounced in low- and middle-income countries where welfare distributions are relatively flat (or very gently curved) across the lower seven to eight deciles.

³³ Knox-Vydmanov, C., 2014. “Why ‘The Poor’ Don’t Exist (and What this Means for Social Protection Policy)”. *Pathways’ Perspectives on Social Policy in International Development*, No. 16, March 2014. <https://www.developmentpathways.co.uk/wp-content/uploads/2014/02/16-PathwaysPerspective-Why-the-Poor-Dont-Exist-Charles-Knox-Vydmanov.pdf>.

³⁴ Pritchett, 2005. “The Political Economy of Targeted Safety Nets”, Social Protection Unit Discussion Paper No. 0501, World Bank

to middle-incomes made it impossible to offer real solutions through contributory schemes, but that poverty targeted programme rolls were an insufficient policy tool to close the gap.³⁵

Figure 3: Growing volatility in career paths and implications for income security



With attention focused on perfecting methods to identify the poor, prominent scholars noted that the preoccupation with ending poverty had devolved into a “fetish” around high-tech solutions to poverty targeting (most famously embodied by the proxy means test) departing from their intended objective.³⁶ They also carried very high administrative costs that were neither justified by the results nor sustainable in the long term in low-resourced environments.³⁷

II.4. Integration of social security in social protection and anti-poverty programming

The embrace of anti-poverty programming in low- and middle-income countries was largely attributable to the perceived failure of social insurance systems to reach the populations most in need. There was an expectation that tax-financed solutions – primarily manifest as poverty targeted programmes – would help plug the design gaps in social provisioning. However, high levels of labour market informality throughout much of the Global South left large proportions of the population, many of them on precarious incomes, with little or no access to social protection. The so-called “missing middle” was not poor enough to benefit from poverty targeted assistance but was still vulnerable to falling into poverty at any moment due to common shocks.

The implication for social security of the global preoccupation with poverty has been a general de-emphasis on the role and potential of large, broad-based programmes for poverty reduction, and a parallel shift toward a greater reliance on the promise of small, targeted programmes to do the “heavy lifting” of social transfer systems. For the reasons outlined, there has been growing recognition that placing poverty reduction at the centre of the social transfer programming

³⁵ Razavi, S., Behrendt, C. Nesterenko, V., Orton, I., Peyron Bista, C., Ramos Chaves, A., Schwarzer, H., Stern-Plaza, M., and Wodsak, V., 2022. “Building Universal Social Protection Systems for All: What Role for Targeting?”, *Global Social Policy*, 22 (3).

³⁶ Stewart, J., 2016. “Five Lessons from Martin Ravallion’s WIDER Annual Lecture”. UNU-WIDER blog. March 2016. <https://www.wider.unu.edu/publication/five-lessons-martin-ravallion%E2%80%99s-wider-annual-lecture>.

³⁷ For further critiques of the proxy means test and other targeting tools, see e.g. Kidd, S. and Athias, B. 2016. “Exclusion by Design: An Assessment of the Effectiveness of the Proxy Means Test Poverty Targeting Mechanism”. Extension of Social Security (ESS) Working Paper No. 56, International Labour Office, Geneva. https://www.ilo.org/global/topics/dw4sd/WCMS_568678/lang--en/index.htm; Mkandawire, T., 2005. *Targeting and Universalism in Poverty Reduction*, Social Policy and Development Programme Paper No. 23, UNRISD, Geneva; Pritchett, L., 2005. “The Political Economy of Targeted Safety Nets”, Social Protection Unit Discussion Paper No. 0501, World Bank, Washington; Kidd, S., and Athias, D., 2020. *Hit and Miss: An Assessment of Targeting Effectiveness in Social Protection – Summary version with updated analysis*. Working Paper, June 2020, ACT Church of Sweden and Development Pathways.

apparatus can inadvertently jeopardize that very objective. However, the alternative vision is less well articulated.

In the midst of these developments, the ILO spearheaded a global commitment to establish national “social protection floors” (SPF). The ILO Social Protection Floors Recommendation, 2012 (No. 202), served as an attempt to counterbalance the project-based, safety-net approach and spur countries to commit to sustainable, rights-based extension rooted in national legislation, as explained in box 3. However, the recommendation stopped short of prescribing specific programmes or design parameters in favour of nationally determined solutions.

In the wake of the SPF movement, countries have grappled with how to design floors in a way that both guaranteed income and health security for children, people in working age, and older people, but also allowed for progressive expansion. Despite the strong inclination toward life cycle-based approaches evident in ILO Recommendation No. 202, many countries have by and large continued to place their faith in the prevailing poverty targeted solutions, though there are notable exceptions.

Against this backdrop, it is fair to say that in many low- and middle-income countries, social security organizations often found themselves largely excluded from national conversations around the construction of “social protection floors”.

III. Life cycle risks as an organizing principle and why it (still) matters

International frameworks and most national social security systems, especially those designed around social insurance principles, are organized around common life cycle and labour market risks. These so-called “contingencies” – including childhood (as an inherently vulnerable stage of life), maternity/paternity, sickness, unemployment, employment injury, disability, old age and survivorship – have long been widely accepted as moments in which individuals and their households are most likely to experience income insecurity. Using collective financing mechanisms, including contributions, taxes or a combination of these, social security systems have historically provided income transfers for these moments, to either replace lost or foregone income or provide additional support (for example, to share the costs of childrearing or to cover the extra costs associated with disability).

Box 3: The life cycle approach embedded in international standards and social security systems

The invocation of risks related to the life course and labour market is a common thread that runs through international frameworks setting out the right to social security.

Article 22 of the Universal Declaration of Human Rights of 1948 establishes the right to social security, while Article 25 sets out the “right to security in the event of *unemployment, sickness, disability, widowhood, old age or other lack of livelihood...*”.

ILO Convention No. 102 of 1952 on Minimum Standards in Social Security sets minimum standards for benefits covering *medical care, sickness, unemployment, old age, employment injury, family, maternity, invalidity, and survivorship*.

ILO Recommendation No. 202 of 2012 on Social Protection Floors does not prescribe specific benefits but calls for “basic income security for *children...*; persons in active age... who are unable to earn sufficient income... particularly in cases of *sickness, unemployment, maternity and disability*; and... for *older persons*”.

Because these systems target common contingencies, rather than groups of people, they are both universal in applicability (everyone, or their family member, is almost certainly going to experience them at some point in their lives), and relatively predictable. Indeed, life cycle risks, as articulated in international frameworks and manifest in established social security systems around the world, were arguably the original “proxies” for poverty. Providing income security during these times is therefore fundamentally *preventive* of poverty – life cycle-based social security targets the causes of poverty before it occurs.³⁸ Moreover, because the risks are relatively transparent and simple to identify, they are far simpler to administer.

In contrast, poverty targeted programmes are always retrospective, providing benefits to those who can demonstrate that they are already poor.³⁹ While efforts are underway all around the world to leverage technology to provide on-demand, real-time support, most would agree that we are far from a world in which this is possible. Even in high-capacity contexts, qualification for means-tested benefits usually relies on past income statements, often from the previous year, and record-keeping around compliance with eligibility criteria requires significant administrative energy from both the beneficiary and the service provider to maintain. In low-capacity contexts, surveys are extremely costly and are therefore carried out infrequently – beneficiaries are often selected based on surveys carried out many years before.⁴⁰

III.1. Impacts of core social security programmes on poverty and related outcomes

Ultimately, the effectiveness of social protection systems and programmes depends on a combination of the extent of horizontal coverage (population reached) and the adequacy of benefits provided. Universal or near-universal programmes aimed at children and older people – the quintessential life cycle-based benefits – reach large numbers of households at one time. Moreover, old-age pensions tend to have higher transfer values, while universal child benefits tend to result in larger total transfers for poorer households, who tend to have more children and for whom transfers are proportionally more important relative to household consumption. As a result, paradoxically, these broad-based life cycle transfers are often associated with higher impacts on poverty and inequality than programmes designed with the specific goal of alleviating poverty. The following paragraphs offer some national experiences to illustrate these dynamics.

In Georgia, universal tax-financed old-age and disability benefits offer guaranteed income security for the whole population when they experience disability or reach pensionable age. In contrast, there are wide gaps in provisioning for children and working-aged adults. To reduce poverty, national policymakers have placed a great deal of faith in the national flagship Targeted Social Assistance (TSA) programme, which uses a proxy means test to select beneficiaries. Significant efforts have been made through the years to enhance the targeting effectiveness and impact of the programme, with a particular focus on children with the addition of a targeted child benefit component. Despite these efforts, a 2015 study in Georgia found that the universal old-age pension was responsible for nearly 70 per cent of the reduction in child poverty, compared with just 20 per cent for the TSA, due to a combination of high coverage and relatively higher transfer values of the

³⁸ Razavi, S., Behrendt, C. Nesterenko, V., Orton, I., Peyron Bista, C., Ramos Chaves, A., Schwarzer, H., Stern-Plaza, M., and Wodsak, V., 2022. “Building Universal Social Protection Systems for All: What Role for Targeting?”, *Global Social Policy*, 22 (3).

³⁹ Ibid.

⁴⁰ Kidd, S. and Athias, D., 2020. *Hit and Miss: An Assessment of Targeting Effectiveness in Social Protection – Summary version with updated analysis*. Working Paper, June 2020, ACT Church of Sweden and Development Pathways.

old-age pension.⁴¹ A follow-up study led by ILO and UN Women found that while just 12–14 per cent of children lived in households covered by TSA transfers, some 36 per cent lived in households with an old-age pensioner.⁴²

In Brazil, much has been written about the *Bolsa Familia* programme. The flagship anti-poverty programme was among the standard-bearers of the conditional cash transfer movement that began in Latin America and has been widely acclaimed globally, with incontestably positive impacts for recipient households and impressive administrative advances in management information and delivery systems. Despite these achievements, a 2013 International Social Security Association (ISSA) study found that pensions had a much larger impact on inequality than the flagship *Bolsa Familia* programme, despite the latter achieving relatively high coverage compared with similar programmes globally. Whereas *Bolsa Familia* was responsible for 0.6 per cent reduction in inequality, pensions (including old age, invalidity and survivors) explained 11 per cent of the reduction, a more than 18-fold difference. The authors concluded that the low impact for some programmes was at least partly explained by relatively lower transfer values. In addition, the study found that the rural pension dramatically reduced poverty among older people and significantly reduced poverty across all age groups between 1988 and 2010.⁴³

In Mauritius, the social security system has long been recognized for its multi-tiered system, consisting of a guaranteed universal, tax-financed old-age, disability and survivors pensions (“Basic pensions”) coupled with mandatory social insurance National Pension System for the same contingencies.⁴⁴ At the same time, historically, provisions for younger cohorts were centred around poverty targeted Social Aid benefits. Recent reforms included a conditional cash transfer for children under an umbrella “Marshall Plan Social Contract” programme, supported by a social registry to identify eligible households and monitor compliance.⁴⁵ According to the ILO, the Government invests roughly 4.5 per cent of GDP on older persons, compared with 0.3 per cent on children, 0.9 per cent for people in working age, and 0.5 per cent on general assistance.⁴⁶ Reflecting this wide variation in levels of investment, distinct poverty trends can be seen across age groups: as of 2017, absolute poverty among people older than age 60 was virtually non-existent, at 0.7 per cent, while for

⁴¹ Kidd, S. and Gelders, B., 2015. *Child Wellbeing and Social Security in Georgia: The case for moving to a more inclusive national social security system*. UNICEF. https://www.developmentpathways.co.uk/wp-content/uploads/2018/06/UNICEF_Child_Wellbeing_ENG_.pdf

⁴² McClanahan, Shea, Bjorn Gelders, Madeleine Cretney and Salome Kajaia., 2021. *Assessment of the Social Protection System in Georgia*, ILO and UN Women. https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-moscow/documents/publication/wcms_767261.pdf

⁴³ Matijascic, Milko and Stephen J. Kay., 2013. “Universal Social Security Coverage and Democracy: The Brazilian path to nation building”, in *Social Security Coverage Extension in the BRICS – A comparative study on the extension of coverage in Brazil, the Russian Federation, India, China and South Africa*, ISSA (ed). International Social Security Association. [Social security coverage extension in the BRICS \(issa.int\)](https://www.issa.int/publications/social-security-coverage-extension-in-the-brics)

⁴⁴ Willmore, L. 2003. *Universal Pensions in Mauritius: Lessons for the Rest of Us*. United Nations DESA Discussion Paper No, 32, 26 May 2003, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=398280#:~:text=Larry%20Willmore,-International%20Institute%20for&text=The%20scheme%20dates%20from%201950,regime%20without%20affecting%20its%20universality.

⁴⁵ McClanahan, S., Hillson, D., and Chirchir, R., 2021. *Global Research on Social Protection and Governance – Case studies on Mauritius and Fiji*, UNDESA and ILO. https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2021/08/Mauritius-and-Fiji_SP-June-2021-Governance.pdf.

⁴⁶ ILO, 2021. *World Social Protection Report 2020–2022*, as cited in McClanahan, S., Hillson, D., and Chirchir, R. 2021, *Global Research on Social Protection and Governance – Case studies on Mauritius and Fiji*, UNDESA and ILO. https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2021/08/Mauritius-and-Fiji_SP-June-2021-Governance.pdf

children younger than age 16, it was 7.2 per cent. Relative poverty (at 50 per cent of median income) was 17.8 per cent among children, versus 4.3 per cent among the elderly.

Similar results can be observed in countries that achieve very high or universal coverage primarily through social insurance systems but supported with tax-financed means-tested components. For example, in the United States, the Social Security programme -- which provides social insurance and means-tested old-age, disability survivors pensions -- lifts many more people out of poverty than any other programme in the country. In 2018, Meyer and Wu found that Social Security “single-handedly slashes poverty [among the elderly] by 75 per cent, more than 20 times the combined effect of the means-tested transfers [SSI, SNAP, Public Assistance, the EITC and housing assistance].⁴⁷ Similarly, Romig and others have consistently found that Social Security lifts more people across all age groups above the poverty line than any other programme, including more than one million children and five million people of working age.⁴⁸ This is due to a combination of low coverage and low transfer values of means-tested programmes: for example, Temporary Aid to Needy Families (TANF), the primary poverty targeted programme for poor households, benefits still leave a beneficiary family “at or below 60 per cent of the poverty line in every state”.⁴⁹

Similar results can be observed in other countries that have focused on transfers historically associated with the universal right to social security. Mongolia’s Child Money Programme, a near universal⁵⁰ child benefit in place since 2006, not only significantly reduces child poverty and overall inequality, but a World Bank analysis found that it was “pro-poor” because more benefits accrue to those living in lower-income households.⁵¹ In Bolivia, poverty rates were 14 percentage points lower in households with a recipient of the universal social pension, *Renta Dignidad*, than in control households, and children living in these households were much more likely to attend school and less likely to engage in child labour.⁵² And, in China, universal pensions have been found to reduce both poverty and inequality and rural and urban areas,⁵³ even though the value of the pension is low by international standards.

In all of these cases, which reflect a variety of country contexts, social security systems have played a key role in delivering programmes designed with multiple objectives beyond reducing poverty, but which nonetheless achieved notable impacts on poverty.⁵⁴

⁴⁷ Meyer, Bruce D. and Derek Wu, 2018. “The Poverty Reduction of Social Security and Means-tested Transfers”, National Bureau of Economic Research Working Paper No. 24567. [w24567.pdf \(nber.org\)](https://www.nber.org/papers/w24567)

⁴⁸ Romig, Kathleen, 2024. “Social Security Lifts More People Out of Poverty Than Any Other Program”, Center

⁴⁹ Thompson, Gina Azito, Diana Azevedo-McCaffrey and Da’shon Carr, 2023. “Policy Brief: Increases in TANF Cash Benefit Levels Are Critical to Help Families Meet Rising Costs”, Center for Budget and Policy Priorities. [Policy Brief: Increases in TANF Cash Benefit Levels Are Critical to Help Families Meet Rising Costs | Center on Budget and Policy Priorities \(cbpp.org\)](https://www.cbpp.org/policy-brief-increases-in-tanf-cash-benefit-levels-are-critical-to-help-families-meet-rising-costs)

⁵⁰ The Child Money Programme has been universal for most of its history but was recently affluence tested. As of 2019, the programme reaches 85 per cent of children under 18, and the government was considering making it universal once again. See UNICEF, 2019. “Universal Child Benefit Case Studies: The experience of Mongolia”, July 2019. <https://www.unicef.org/media/70471/file/MNG-case-study-2020.pdf>

⁵¹ UNICEF, 2019. *Universal Child Benefit Case Studies: The Experience of Mongolia*. July 2019. <https://www.unicef.org/media/70471/file/MNG-case-study-2020.pdf>

⁵² Mendizabal, J. and Escobar, F., 2013. *Redistribution of Wealth and Old Age Social Protection in Bolivia – The impact of Renta Dignidad on the wellbeing of households with older persons*. <https://www.helpage.org/silo/files/redistribution-of-wealth-and-old-age-social-protection-in-bolivia.pdf>

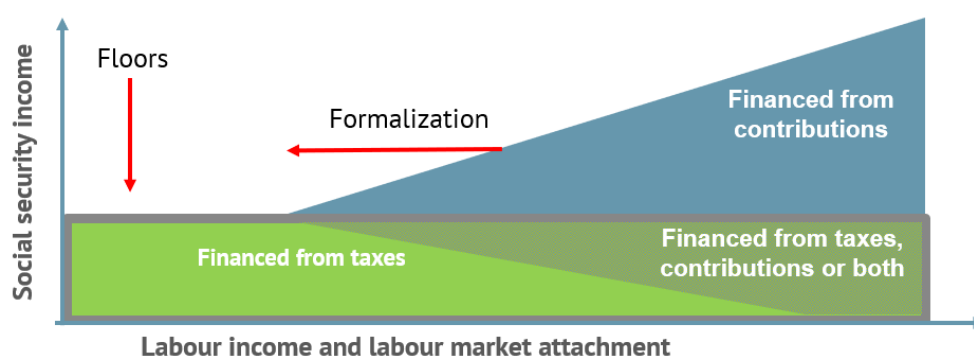
⁵³ Zhang, A. and Imai, K.S., 2022. *Does a Universal Pension Reduce Elderly Poverty in China?* RIEB Discussion Paper Series No. DP2022-30. <https://www.rieb.kobe-u.ac.jp/academic/ra/dp/English/DP2022-30.pdf>.

⁵⁴ See also ILO, 2023. *ILO Monitor of the World of Work – Eleventh Edition*. 31 May 2023. https://www.ilo.org/global/publications/books/WCMS_883341/lang--en/index.htm.

III.2. Toward multi-tiered designs for more coherent and effective social security systems

The most impactful programmes in the cases described above were designed using a combination of tax-financed and contributory mechanisms to provide income security for defined life cycle-based (social security) contingencies, as depicted in figure 4.

Figure 4: Inclusive, multi-tiered social security systems for life cycle risks⁵⁵



These multi-tiered designs are typically associated with old-age, disability or survivors' pensions but have also been used for other contingencies, as for example in Portugal (parental and unemployment benefits), Mauritius (unemployment), and for child benefits in several countries.⁵⁶ In the aftermath of the COVID-19 pandemic, a growing number of countries are looking to these designs to extend the reach of their social security systems in a way that bridges the contributory and tax-financed tiers more seamlessly. For example, Oman's recent ambitious reform of the social security system includes the introduction of integrated contributory and tax-financed components to guarantee coverage for old-age, disability, survivorship, unemployment⁵⁷ and maternity benefits.⁵⁸

Importantly, all national social security systems typically incorporate elements of a social security, life cycle-based organization, as well as means-tested components.⁵⁹ Therefore, the choice is not between one or the other, but is rather about achieving an appropriate combination, one that ensures that the primary objectives of social security systems – income security for children and older people, and for people experiencing parenthood, disability, unemployment, survivorship, or

⁵⁵ Adapted based on McClanahan, S., Seglah, H., Sibun, D. and Sengupta, A. (forthcoming), *Inclusive Social Insurance: Exploring real solutions to reach the self-employed*. WIEGO and ILO.

⁵⁶ Argentina, Japan, Liechtenstein and Switzerland have so-called "coordinated mixed" quasi-universal child benefit schemes. See ILO, 2024. "The Promise of Universal Child Benefits: The foundational policy for economic and social development", *Social Protection Spotlight*, February 2024, ILO. <https://www.social-protection.org/gimi/Media.action?id=19447>. Multi-tiered child and maternity benefits have also been under consideration for several years in Vietnam. See e.g. McClanahan, S., Gelders, B., and Ramirez Lopez, B., 2020. *A Focus on Families: A short-term benefit package for the extension of multi-tiered social security coverage in Viet Nam*, ILO, Hanoi.

⁵⁷ The tax-financed benefit for unemployment covers first-time jobseekers.

⁵⁸ ILO, 2023. "Far-reaching reforms in Oman set new benchmark for social protection in the region." Press release, ILO, Beirut. https://www.ilo.org/beirut/media-centre/fs/WCMS_888307/lang--en/index.htm

⁵⁹ For a discussion of the ways that multi-tiered systems can reconcile historical tensions between workers' rights and universal rights, see McClanahan, S. and Barrantes, A., 2021, "Workers' rights and human rights: Resolving historical tensions through a multi-tiered social security agenda", *International Journal of Labour Research*, 10(1-2), pp. 14-26.

work-related injuries – accrue to all members of society, regardless of their attachment to the labour market or previous contributory history. Doing this, it often turns out, can also do much of the work of poverty reduction, by preventing it before it occurs and relieving undue pressure on last-resort anti-poverty programmes, ultimately enabling them to perform better.

III.3. Administrative solutions to seal the gaps and leave no one behind

As important as policies and programme design, effective and efficient administration and service delivery are crucial to achieving programmes' goals, especially nationwide and multi-institutional ones.⁶⁰ This involves not only benefits delivery and payment, but also registration and registries management, as well as collecting contributions when applicable. In particular, effectively delivering services to vulnerable populations requires simplified procedures and adapted customer interaction channels complemented by tailored communication and awareness campaigns.⁶¹ These practices have shown to be success factors in implementing both broad-based social security programmes and poverty targeted ones.

In turn, to put them into practice, institutions must develop and consolidate their capacities, notably on technologies and skilled human resources. In addition, institutions should establish effective interinstitutional coordination mechanisms to share critical information and prevent silos generated by the multiplicity of programmes.⁶²

Furthermore, developing interinstitutional capabilities from the beginning, especially data sharing, can enable the use of administrative capabilities across multiple programmes with different policy orientations. It is important to remember that such capacity has shown to be instrumental in effectively implementing other programmes, for instance, the responses to the COVID-19 crisis.⁶³

In addition, developing this capacity can enable the provision of proactive responses to vulnerable populations by keeping track of individuals' fluctuating incomes and transitions between social and labour status.⁶⁴

Importantly, well-integrated multi-tiered frameworks present tangible opportunities for beneficiaries of all types of programming to interact with the formal social security system. Regardless of the source of financing, beneficiaries are united under a common social security framework, which serves to build awareness of obligations and entitlements – including the potential for higher level benefits under contributory schemes. Both the positive interaction with rights-holders, and the concrete linkages in information management and delivery systems, ultimately create pathways for the promotion of broader goals, such as formalization.

⁶⁰ ISSA, 2022. *Priorities for Social Security – Global 2022: Trends, challenges and solutions*.

⁶¹ ISSA, n.d. *ISSA Guidelines on Administrative Solutions for Coverage Extension*.

⁶² ILO-ISSA, 2021. "Governance of social protection systems: a learning journey - Module #1: Coordination". ISBN: 978-9-22-035034-8. International Labour Organization.

⁶³ ISSA, 2023. "Business continuity and resilience in the Americas". International Social Security Association. August 2023; ISSA, 2022. "ICT response to COVID-19: Leveraging accelerated digital transformation to build better and more resilient social protection systems". International Social Security Association. October 2022; ISSA, 2021. "Beyond COVID-19: towards inclusive and resilient social protection systems". International Social Security Association. February 2021.

⁶⁴ Calvo, Souto and Ortiz, 2022. "The role of social security in inclusion and social cohesion: Connecting the dots". International Social Security Association. October 2022.

IV. Conclusions

This article has reviewed the prevailing global preoccupation with poverty reduction and how it has shaped national and global social security and social protection policy agendas, especially in the Global South. Increasingly, observers and practitioners are converging around the view that a singular or predominant focus on poverty reduction, however well-intentioned, is not a sustainable policy solution. Large-scale poverty reduction is, more commonly, a welcome by-product of well-developed, broad-based social security systems comprised of both tax-financed and contributory programmes organized principally around life cycle contingencies. In these systems, poverty targeted programmes play a crucial, but complementary, role.

Achieving sustainable poverty reduction will therefore require a reorientation of social protection programming to focus – once again – on building multi-tiered, life cycle-based social security systems. Doing so will unlock the potentially vast administrative reach and capacity of relatively well-resourced social security organizations, breathing new life into their mandate to ensure the well-being of the whole population.