

Highlights



Cost of cash benefits equivalent to 25 per cent of the national poverty line for all children less than 5 years old only 1.04 per cent of GDP.



Maternity cash benefits equivalent to USD 1 at PPP per day for all mothers during four months around childbirth only 0.09 per cent of GDP.



Cost of cash benefits equivalent to 100 per cent of the national poverty line for all persons with severe disabilities only 0.93 per cent of GDP.



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Social Protection Floors

A Preliminary Cost Estimation for Bangladesh

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1. The Context

Beneficiary targeting, or to bring in the right group of people, has been a major weakness of social safety net programmes (SSNPs) in Bangladesh. Even according to government estimates, of the 24.5 per cent households who reported benefitting from at least one of the 30 SSNPs covered in the Household Income and Expenditure Survey, 18 per cent of the beneficiaries were non-poor in 2010 (GED, 2015). The lists of targeting criteria for the existing SSNPs are huge, obsolete and sometimes impractical (MSUK, 2013). However, Khatun *et al.* (2010) observed that beneficiary targeting was found to be more or less good in case of Employment Generation for Hardcore Poor (EGHP) programme but mistargeting was frequent in solvent areas such as Chattagram. The weak supervision of the SSNPs creates both targeting errors and leakages (MSUK, 2013).

It is not fully clear how and when the so-called well-off get included in these safety net programmes. Reducing leakages and proper targeting can help release a significant amount of resources that can serve the more vulnerable and deserving groups more effectively. Although 18 per cent of the non-poor population gets into the SSNP coverage, they effectively account for nearly 47 per cent of the total funds that accrue to SSNPs (BBS, 2011). Whether this is due to the negligence of identification or a conscious pursuit is unclear. Nevertheless, this requires an appropriate assessment to provide greater transparency and legitimacy.

Universal social protection resolves the problem of beneficiary targeting by simply including all relevant individuals under the aegis of social protection. This policy brief contains a preliminary estimation of the cost of providing universal social protection floors in Bangladesh, which may be useful to estimate the necessary financial commitment of universal social protection. It provides an insight into the associated challenges to implement a social protection strategy that is commensurate with the vision of Bangladesh becoming an upper middle-income country and to realise Sustainable Development Goal (SDG) target 1.3 (implement nationally appropriate social protection systems and measures for all, including floors, and achieve substantial coverage of the poor and the vulnerable) by 2030.

2. Universal Social Protection Floors

The International Labour Organization's (ILO) Social Protection Floors Recommendation, 2012 (No. 202) (ILO, 2012) asserts that social protection is a human right. It mentions that social protection is a necessity for development, a tool for reducing social exclusion, an investment in workers' empowerment and a mechanism that is conducive towards gradual formalisation of employment (ILO, 2012). The recommendation calls upon countries to establish and maintain social protection floors, and progressively make the transition to higher levels of social security. In this regard, the ILO recommends that countries abide by 18 broad principles, which include, inter alia, universality, entitlement, adequacy, non-discrimination, transparency and tripartite

participation (ILO, 2012). Based on their national circumstances, countries are urged to guarantee income security and essential healthcare throughout the life-cycle, so that everyone has a chance to live a dignified life, free from hardship. For this purpose, the ILO recommends that countries diversify their sources of finance to fund social protection floors. It also suggests that countries take steps towards the reduction of fraud and tax evasion which tend to misappropriate valuable resources that may be otherwise utilised efficiently for the provision of social protection benefits.

Despite ILO’s Social Protection Floors Recommendation, 2012 (No. 202), 55 per cent of the global population, or around 4 billion people worldwide, did not have access to any form of social protection in 2017 (ILO, 2017). To make things worse, social protection coverage is lower in less developed regions of the world. In 2017, 61 per cent people in the Asia and Pacific and 82 per cent people in Africa did not have access to any social protection (ILO, 2017). Nonetheless, it appears that we are at the right juncture in history to expand the global reach of universal social protection, since many developing countries are as rich today as some developed countries were when they first introduced their social protection systems (Ortiz *et al.*, 2017b).

It is easy to be deceived into thinking that providing non-contributory universal social protection floors in developing countries with large numbers of vulnerable people is prohibitively expensive. However, it has been shown that for a sample for 101

meagre cost, considering that such universal social protection floors would directly benefit 9.5 per cent of the world’s population, including 103 million severely disabled people, 153 million elderly and 364 million children (Ortiz *et al.*, 2017b).

3. Cost of Child Benefits

It has been estimated that if historical trends continue business-as-usual, then 60 million children of primary school age will remain outside the school and 167 million children will live in poverty in 2030 (UNICEF, 2016). ILO’s Social Protection Floors Recommendation, 2012 (No. 202), unambiguously acknowledges income security for children as a core component of a national social protection floor. Yet only 35 per cent of children worldwide, 28 per cent of children in Asia, and 29.4 per cent of children in Bangladesh were covered by social protection benefits in 2017 (ILO, 2017). The cost of providing universal cash benefits equivalent to 25 per cent of the national poverty line to all children between 0 to 4 years old, in a sample of 57 developing countries, would be equal to only 1.4 per cent of GDP (Ortiz *et al.*, 2017b). Similar calculations for Bangladesh, using ILO’s Social Protection Floors Cost Calculator, show that the cost of providing cash benefits equal to 25 per cent of the national poverty line to all children less than 5 years old would be only 1.04 per cent of GDP (Table 1). On the other hand, providing United States Dollar (USD) 1 per day at purchasing power parity (PPP) to all children less than 5 years old in Bangladesh would cost 1.24 per cent of GDP (Table 1).

Table 1: Cost of child benefits (as a percentage of GDP)

| Type of programme | Universal | | | | Directed to the poor (National Poverty Line) | | | |
|-------------------------------|-----------|-------|---------|-------|---|-------|---------|-------|
| | 0 – 4 | 5 - 9 | 10 - 14 | 0-14 | 0 – 4 | 5 - 9 | 10 - 14 | 0-14 |
| Age groups (in years) | | | | | | | | |
| Benefit level | | | | | | | | |
| 100% of national poverty line | 4.17 | 4.26 | 4.46 | 12.90 | 3.48 | 3.56 | 3.73 | 10.79 |
| 75% of national poverty line | 3.13 | 3.19 | 3.35 | 9.68 | 2.61 | 2.67 | 2.80 | 8.09 |
| 50% of national poverty line | 2.08 | 2.13 | 2.23 | 6.45 | 1.74 | 1.78 | 1.86 | 5.40 |
| 25% of national poverty line | 1.04 | 1.06 | 1.12 | 3.23 | 0.87 | 0.89 | 0.93 | 2.70 |
| 100% of minimum salary | 7.98 | 8.15 | 8.54 | 24.70 | 6.67 | 6.81 | 7.14 | 20.65 |
| 75% of minimum salary | 5.98 | 6.11 | 6.40 | 18.52 | 5.00 | 5.11 | 5.35 | 15.49 |
| 50% of minimum salary | 3.99 | 4.08 | 4.27 | 12.35 | 3.33 | 3.41 | 3.57 | 10.33 |
| 25% of minimum salary | 1.99 | 2.04 | 2.13 | 6.17 | 1.67 | 1.70 | 1.78 | 5.16 |
| USD 2 PPP per day | 2.48 | 2.53 | 2.65 | 7.67 | 2.07 | 2.12 | 2.65 | 6.41 |
| USD 1 PPP per day | 1.24 | 1.27 | 1.33 | 3.83 | 1.04 | 1.06 | 1.11 | 3.21 |

Source: Authors’ calculations based on ILO’s Social Protection Floors Cost Calculator. Available at: <https://www.social-protection.org/gimi/gess/SPFCalculReport.action>

Note: i) Calculations include only the cost of non-contributory social assistance benefits for the specified population - it does not include social insurance; ii) Social insurance is financed by employers and workers contributions, and delivers higher benefits; iii) Child benefit consists of a cash transfer to families with children of the selected age groups; iv) Administration costs are included for all benefits and 3 per cent administrative costs are assumed for all universal benefits; v) Assuming that total population is 158,512,570, GDP per capita is Bangladeshi Taka (BDT) 78,065, national poverty line is BDT 33,230, minimum salary is BDT 63,600, percentage of children in the population is 29.4 per cent, percentage of orphans among children is 0.0 per cent (rounded to first decimal place), percentage of older persons in the population is 5 per cent, rate of disability is 3.2 per cent, total fertility rate is 2.4, and percentage of fertile age women is 2.1 per cent.

developing countries, the average cost of providing universal social protection floors is only 1.6 per cent of Gross Domestic Product (GDP) (Ortiz *et al.*, 2017b). Cost estimates for a smaller sample of 34 lower middle-income countries (LMICs) and 23 low-income countries (LICs) show that universal social protection floors would cost only 2.1 per cent of the combined GDP of those 57 countries, or only 0.23 per cent of world GDP (Ortiz *et al.*, 2017b). This is a rather

4. Cost of Universal Disability and Maternity Benefits

Globally, there are around 785 million people who are 15 years or older and suffering from a disability (ILO, 2014). ILO’s Social Protection Floors Recommendation, 2012 (No. 202) calls upon countries to provide basic income security and access to healthcare to persons with disabilities, in line with the specific needs of such

persons (ILO, 2012). Unfortunately, worldwide only 27.8 per cent people with disabilities, and in Bangladesh only 18.5 per cent of people with disabilities, were protected with benefits in 2017 (ILO, 2017). In the Asia and Pacific region, only 9.4 per cent with disabilities were protected with benefits in 2017 (ILO, 2017). The cost of providing universal cash benefits equivalent to 100 per cent of the national poverty line to all persons with severe disabilities, in a sample of 57 developing countries, would be equal to only 0.8 per cent of GDP (Ortiz *et al.*, 2017b). By using ILO’s Social Protection Floors Cost Calculator, it is found that in Bangladesh the cost of providing cash benefits equal to 100 per cent of the national poverty line to all persons with severe disabilities would be only 0.93 per cent of GDP (Table 2). On the other hand, providing USD 2 per day PPP to all persons with severe disabilities in Bangladesh would cost 0.55 per cent of GDP (Table 2).

per month or USD 0.20 per day) for a two-year period, to women above the age of 20 years old living in specifically targeted rural areas whose household income is less than BDT 1500 per month and who were pregnant with their first or second child during the month of July (Strengthening Public Financial Management for Social Protection (SPFMSP) Project, 2017). The Lactating Mother Allowance programme in Bangladesh also provides a one-time only payment of BDT 500 per month (approximately USD 6 per month or USD 0.20 per day) for a two-year period, to women above the age of 20 years old whose household income is less than BDT 8000 per month (in case of formal employment) or less than BDT 5000 per month (in case of informal employment) and who were pregnant with their first or second child during the month of July (Strengthening Public Financial Management for Social Protection (SPFMSP) Project, 2017). It can be shown that increasing the maternity cash benefits to be

Table 2: Cost of universal social benefits (as a percentage of GDP)

| Type of benefit | Disability | Maternity |
|-------------------------------|------------|-----------|
| Benefit level | | |
| 100% of national poverty line | 0.93 | 0.30 |
| 75% of national poverty line | 0.70 | 0.23 |
| 50% of national poverty line | 0.47 | 0.15 |
| 25% of national poverty line | 0.23 | 0.08 |
| 100% of minimum salary | 1.78 | 0.58 |
| 75% of minimum salary | 1.34 | 0.44 |
| 50% of minimum salary | 0.89 | 0.29 |
| 25% of minimum salary | 0.45 | 0.08 |
| USD 2 PPP per day | 0.55 | 0.18 |
| USD 1 PPP per day | 0.28 | 0.09 |

Source: Authors’ calculations based on ILO’s Social Protection Floors Cost Calculator. Available at: <https://www.social-protection.org/gimi/gess/SPFCalculReport.action>

Note: i) Calculations include only the cost of non-contributory social assistance benefits for the specified population - it does not include social insurance; ii) Social insurance is financed by employers and workers contributions, and delivers higher benefits; iii) Disability benefit consists of a cash transfer to people with disabilities at active ages (15-64); iv) Maternity benefit consists of a cash transfer to every pregnant woman for a period of four months (medical costs are not included); v) Administration costs are included for all benefits and 3 per cent administrative costs are assumed for all universal benefits; vi) All values shown up to second decimal place; vii) Assuming that total population is 158,512,570, GDP per capita is BDT 78,065, national poverty line is BDT 33,230, minimum salary is BDT 63,600, percentage of children in the population is 29.4 per cent, percentage of older persons in the population is 5 per cent, rate of disability is 3.2 per cent, total fertility rate is 2.4, and percentage of fertile age women is 2.1 per cent.

Research has shown that increase in job-protected paid maternity leave was associated with a significant decrease in infant mortality, although unpaid maternity leave was not (Human Rights Watch, 2011). In the absence of the income security provided by a paid maternity leave, women tend to work late into their pregnancy or return to work quickly after childbirth, thus exposing themselves to undue health risks that could have been easily avoided (ILO, 2016). ILO’s Social Protection Floors Recommendation, 2012 (No. 202) urges countries to provide basic income security for women during maternity (ILO, 2012). Regrettably, worldwide 41 per cent of women with newborns received maternity benefits in 2017, while in Bangladesh the share of women with newborns receiving maternity benefits was only 20.9 per cent in 2017 (ILO, 2017). The cost of providing universal maternity benefits equivalent to 100 per cent of the national poverty line to all mothers during four months around childbirth, in a sample of 57 developing countries, would be equal to only 0.43 per cent of GDP (Ortiz *et al.*, 2017b). For Bangladesh, the cost of providing maternity cash benefits equal to 100 per cent of the national poverty line to all mothers during four months around childbirth would be only 0.30 per cent of GDP (Table 2).

The Maternity Allowance (MA) programme in Bangladesh provides a one-time-only payment of BDT 500 per month (approximately USD 6

equal to USD 1 at PPP per day to all mothers during four months around childbirth would cost only 0.09 per cent of GDP in Bangladesh (Table 2).

5. Cost of Old-age Pensions and Unemployment Support

Income security is a crucial part of social protection for the elderly. ILO’s Social Protection Floors Recommendation, 2012 (No. 202) mentions that basic income security and access to healthcare are essential for ensuring a secure and dignified life for the elderly (ILO, 2012). Although pensions for the elderly are the most commonly provided form of social protection in the world, 32 per cent of the elderly population worldwide, and 66 per cent of the elderly population in Bangladesh, are still not covered with any social protection benefits (ILO, 2017). Bangladesh also has some of the most stringent legal requirements for obtaining old-age pensions in South Asia. The cost of providing universal cash benefits equivalent to 100 per cent of the national poverty line to all persons aged 65 years and above, in a sample of 57 developing countries, would be equal to only 1.6 per cent of GDP (Ortiz *et al.*, 2017b). In the case of Bangladesh, the cost of providing cash benefits equal to 100 per cent of the national poverty line to all persons aged 65 years and above would be 2.18 per cent of GDP (Table 3). On the other hand,

providing USD 2 per day PPP to all persons aged 65 years and above in Bangladesh would cost 1.30 per cent of GDP (Table 3). **6. Moving Forward**

Using ILO’s Social Protection Floors Cost Calculator, it can be shown that the cost of providing unemployment support, such as the 100-day Employment Generation Programme, equal to 100 per cent One needs to balance priorities and build on processes that would reinforce the social protection floor goals, and move the National Social Security Strategy (NSSS) framework towards targeted universal goals, and make the transition away from random

Table 3: Cost of pensions (as a percentage of GDP)

| Type of programme | Universal | Directed to the poor (National Poverty Line) |
|-------------------------------|-----------|--|
| Benefit level | | |
| 100% of national poverty line | 2.18 | 1.69 |
| 75% of national poverty line | 1.64 | 1.27 |
| 50% of national poverty line | 1.09 | 0.85 |
| 25% of national poverty line | 0.55 | 0.55 |
| 100% of minimum salary | 4.17 | 3.24 |
| 75% of minimum salary | 3.13 | 2.43 |
| 50% of minimum salary | 2.09 | 1.62 |
| 25% of minimum salary | 1.04 | 0.81 |
| USD 2 per day at PPP | 1.30 | 1.01 |
| USD 1 per day at PPP | 0.65 | 0.50 |

Source: Authors’ calculations based on ILO’s Social Protection Floors Cost Calculator. Available at: <https://www.social-protection.org/gimi/gess/SPFCalculReport.action>

Note: i) Calculations include only the cost of non-contributory social assistance benefits for the specified population - it does not include social insurance; ii) Social insurance is financed by employers and workers contributions, and delivers higher benefits; iii) Pension is a cash transfer to people aged 65 or older; iv) Administration costs are included for all benefits and 3 per cent administrative costs are assumed for all universal benefits; v) Assuming that total population is 158,512,570, GDP per capita is BDT 78,065, national poverty line is BDT 33,230, minimum salary is BDT 63,600, percentage of children in the population is 29.4 per cent, percentage of orphans among children is 0.0 per cent (rounded to first decimal place), percentage of older persons in the population is 5 per cent, rate of disability is 3.2 per cent, total fertility rate is 2.4, and percentage of fertile age women is 2.1 per cent.

of the national poverty line for 100 days per year for one person at working age per vulnerable household would be 2.14 per cent of GDP (Table 4). On the other hand, providing USD 2 per day PPP for 100 days per year for one person at working age per vulnerable household would cost 1.27 per cent of GDP (Table 4). discretionary SSNPs. The fiscal challenge in Bangladesh vis-à-vis social security financing is enormous. The pace of the realisation of the NSSS, and its vision to reach universal targets, would depend crucially on how the many elements of its programmes are financed and implemented. Although the design of the NSSS is to gradually

Table 4: Cost of unemployment support (as a percentage of GDP)

| Benefit duration | 100 days | 200 days | 300 days | 365 days |
|-------------------------------|----------|----------|----------|----------|
| Benefit level | | | | |
| 100% of national poverty line | 2.14 | 4.28 | 6.41 | 7.80 |
| 75% of national poverty line | 1.60 | 3.21 | 4.81 | 5.85 |
| 50% of national poverty line | 1.07 | 2.14 | 3.21 | 3.90 |
| 25% of national poverty line | 0.53 | 1.07 | 1.60 | 1.95 |
| 100% of minimum salary | 4.09 | 8.18 | 12.27 | 14.93 |
| 75% of minimum salary | 3.07 | 6.14 | 9.21 | 11.20 |
| 50% of minimum salary | 2.05 | 4.09 | 6.14 | 7.47 |
| 25% of minimum salary | 1.02 | 2.05 | 3.07 | 3.73 |
| USD 2 per day at PPP | 1.27 | 2.54 | 3.81 | 4.64 |
| USD 1 per day at PPP | 0.64 | 1.27 | 1.91 | 2.32 |

Source: Authors’ calculations based on ILO’s Social Protection Floors Cost Calculator. Available at: <https://www.social-protection.org/gimi/gess/SPFCalculReport.action>

Note: i) Calculations include only the cost of non-contributory social assistance benefits for the specified population - it does not include social insurance; ii) Social insurance is financed by employers and workers contributions, and delivers higher benefits; iii) Unemployment support consists of an employment guarantee for a set number of working days per year for one person at working age per vulnerable household; iv) Administration costs are included for all benefits and 3 per cent administrative costs are assumed for all universal benefits; v) Assuming that total population is 158,512,570, GDP per capita is BDT 78,065, national poverty line is BDT 33,230, minimum salary is BDT 63,600, percentage of children in the population is 29.4 per cent, percentage of orphans among children is 0.0 per cent (rounded to first decimal place), percentage of older persons in the population is 5 per cent, rate of disability is 3.2 per cent, total fertility rate is 2.4, and percentage of fertile age women is 2.1 per cent.

encourage growth of social insurance and contributory financing, the latter would need a prolonged period of many developments before one can start envisaging a reduction in transfers and SSNP interventions, especially the steady growth in paid and protected jobs in the private formal sector. Nevertheless, the budget burden to finance the SSNPs will continue to be large, given the current levels of extreme poverty and vulnerability in the economy, especially of underprivileged groups and regions. Fiscal space will also need to expand to build the capacity and institutions needed towards implementation of the NSSS. Equally, statutory provisions that are likely to come with NSSS and the building of social protection floor will require financial provisions. For instance, attempts should be made to widen social insurance coverage in the informal sector, and informal enterprises, and to make these effective, there will likely be the need to extend financial incentives and subsidies.

Fiscal space in Bangladesh is currently restricted by the very low revenue-GDP ratio, which is low not only compared to many of the Asian countries, but also compared to many sub-Saharan countries. Expansion of fiscal space is not only dependent on additional tax and non-tax revenues, but also on reprioritisation and better rationalisation of public expenditures (Ortiz *et al.*, 2017a). More significantly, pressure on expenditures on SSNPs in the long-run will diminish only when there is a steady job growth in the economy, especially in the private sector. The NSSS strategy to build a social protection floor will critically depend on how a rising employer-employee contribution will supplement social assistance transfers, and eventually reinforce and institutionalise a public social insurance system that would be central to realisation of SDG target 1.3 and of the NSSS by 2030.

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