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Title: The Role of Evolving Social Protections in Reducing Poverty and Inequality: Theoretical Expectations vs Contextual Variations



The opportunities afforded by economic growth and expansion of the last half-century have offered unprecedented improvement in income and living standard around the world. With an expanded tax-base, countries have also been more willing to invest in social infrastructure including social protection programs that help the poor, low income, and disadvantaged groups that otherwise cannot fully participate in the expanding labor market. The result from these evolving economic and political realities has been a major reduction in poverty specifically tied to income or consumption as well as some progress in reducing economic inequality. An important policy question concerns the extent to which the various social protection programs are helping the poor and low-income groups so that the progress achieved in improving living standards can be sustainable both financially and politically.

Whereas social protection policies have long been used to mitigate social risks and vulnerabilities associated with life cycle changes and natural disasters across the high-income countries, their use in middle and especially low-income countries has been a more recent development. This paper examines the efficacy of social protection policies in reducing poverty and inequality using the time series contexts of some 98 high, middle, and low-income countries. Data indicate a generally expanding trend of public expenditures in health and income maintenance programs in low and especially middle-income countries. But findings from a series of panel data regressions challenge the observation of seemingly negative relationship of social protection policies with poverty and inequality. Whereas any poverty and inequality-reducing impacts are limited to the current decade and Europe and North America region in particular, this paper attempts to tease out the nuances involved in contextualizing the connection for countries lacking resources to introduce comprehensive social protection policies in the first place.

At a time when governments and international development partners are trying to find ways to ensure greater equality and equity, the evidence-based insights of this paper will be valuable to understand the role of public policies in sustaining the progress achieved so far.