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Ministry of Gender, Labour
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EXPANDING
**SOCIAL
PROTECTION**

Inclusive lifecycle social security: An option for Uganda?

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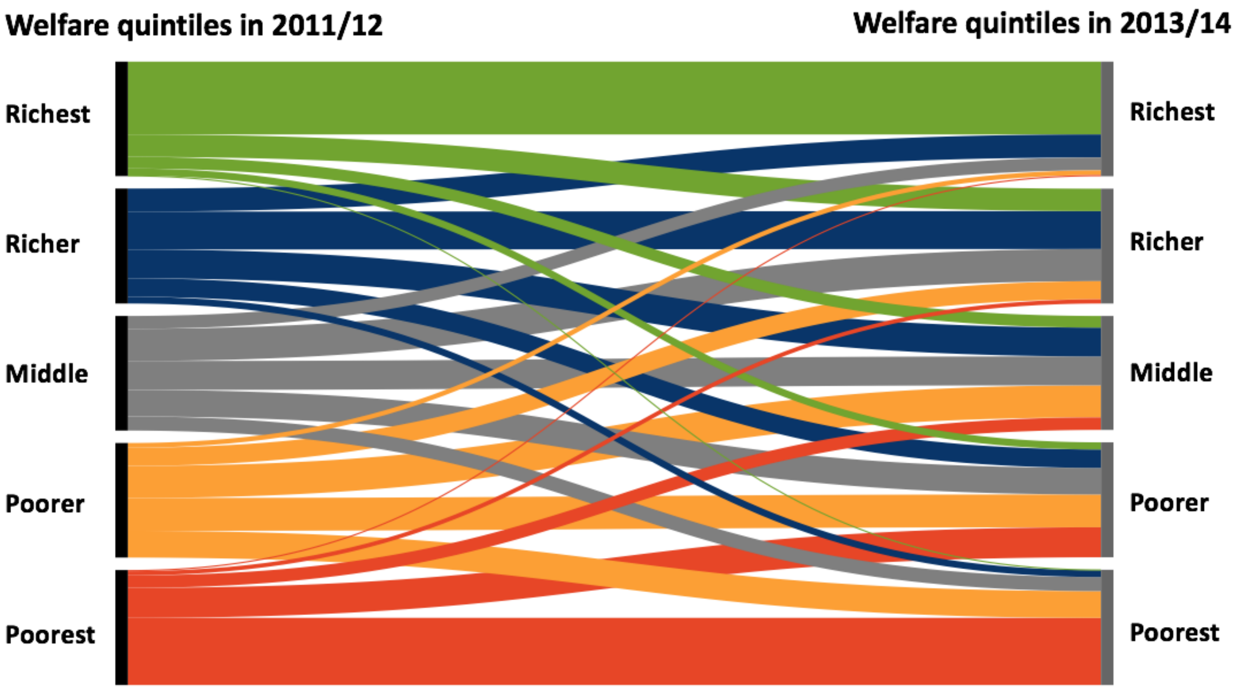
1. Introduction

We live in a world full of risk. At any time, a crisis or shock could hit a family, knocking them backwards and impacting on their living standards. Everyone is vulnerable to crises: it may be a sudden onset of illness or disability resulting from an accident; the growing challenge of ageing, as people gradually become frailer and less able to provide for themselves and their families; unemployment; the birth of a child which, while a joyful event, also means that family costs increase at the same time that their capacity to earn falls; the death of livestock; a drought or flood; or an economic recession. No-one is safe and everyone needs some form of protection to ensure that these crises do not have a devastating impact on wellbeing.

Evidence on the impact of crises and shocks can be seen in the volatility of family incomes among Ugandans. Figure 1 indicates changes in the ranking of households in Uganda between 2011/12 and 2013/14. It shows the households that were in each consumption quintile of the population, from poorest to richest in 2011/12, and the quintile in which they were found just two years later. While many had improved their position, a large number had fallen back. Even some in the richest quintile had dropped into the poorest quintile, a significant reduction in wellbeing. In fact, 45% of households living in poverty in 2013 had not been poor in 2011.

Figure 1: Movement of households across wealth quintiles between 2011/12 and 2013/14[1]



Much of the explanation for these falling living standards are shocks and crises, and the inability of households to deal effectively with risk. And, as implied earlier, many of these shocks are related to stages of the lifecycle, from birth and childhood, through to old age. At each stage of the lifecycle, people are subjected to different types of risk and the lower their incomes, the less able they are to address these risks.

People deal with risks in a range of different ways. Traditionally, kinship groups and communities acted as informal safety nets for those experiencing a crisis, offering them support even if it is prolonged. So, as people aged, they would have expected their kin to offer them care and assistance, once they were no longer able to look after themselves. However, high levels of poverty, the expansion of market economies, modernisation and migration have resulted in a gradual breakdown of informal social protection systems. There are many other mechanisms that people use to cope with a crisis, such as working longer hours, taking loans, borrowing from neighbours and shops, and

1 Based on analysis of Uganda's National Panel Survey.

begging. Or, they may cut down on spending, reducing meals, forgoing luxury items or even essentials, not paying for healthcare, and potentially pulling children out of school to make them work.

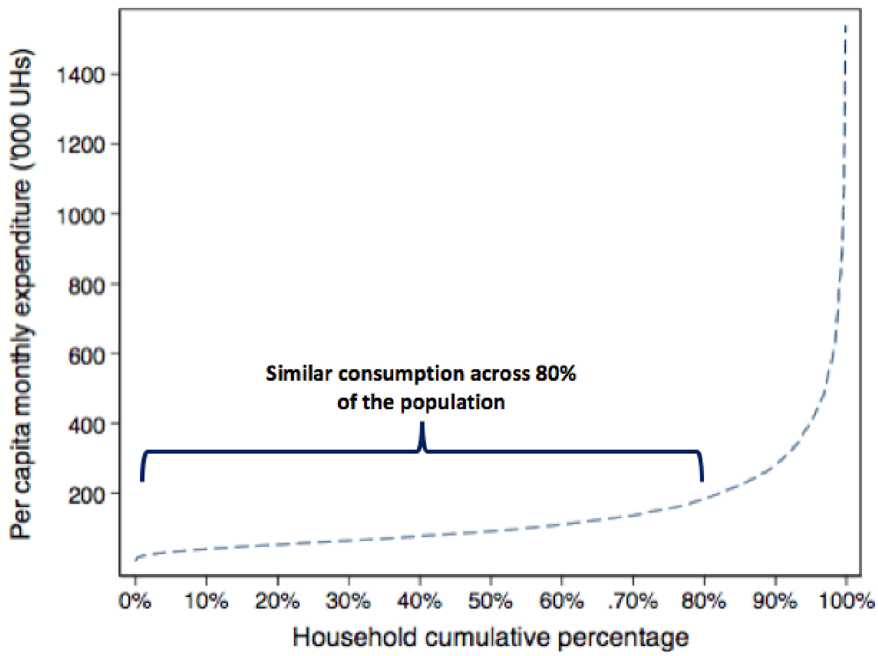
A key aim of a national social protection system is to establish mechanisms that enhance the capacity of families to deal with the consequences of risk. This can be achieved by offering individuals and families the guarantee of a minimum level of income below which, if hit by a crisis, they know they will not fall. In addition, individuals and families should be able to access a responsive safety net as soon as a crisis occurs.

This paper will discuss how all countries, over time, move towards building lifecycle social security systems addressing the main challenges and crises that people face across their lives. It will begin by examining in more detail the types of risks faced by the citizens of Uganda before explaining lifecycle social protection systems in more detail, and how they are different to a social assistance – or poor relief – approach. It will then describe a potential "early-stage" lifecycle system for Uganda and discuss the kinds of impacts it could have, as well as its costs and coverage.

2. Lifecycle Risks in Uganda

Ugandans face a wide range of risks throughout their lives, beginning in the womb and continuing through to their final days. These risks are exacerbated by widespread low incomes, with 20% of people living on less than UGX 2,400 per adult equivalent per day in 2012/13, while close to 65% had less than UGX 4,800 per day. When these low incomes are combined with an appreciation of the volatility in consumption that was described earlier, it can be understood that a wide range of Ugandan citizens are not in a strong position to cope with risks. Indeed, as Figure 2 shows, the levels of consumption of at least 80 of the population is relatively similar and only a small percentage of the population could be described as reasonably income secure.

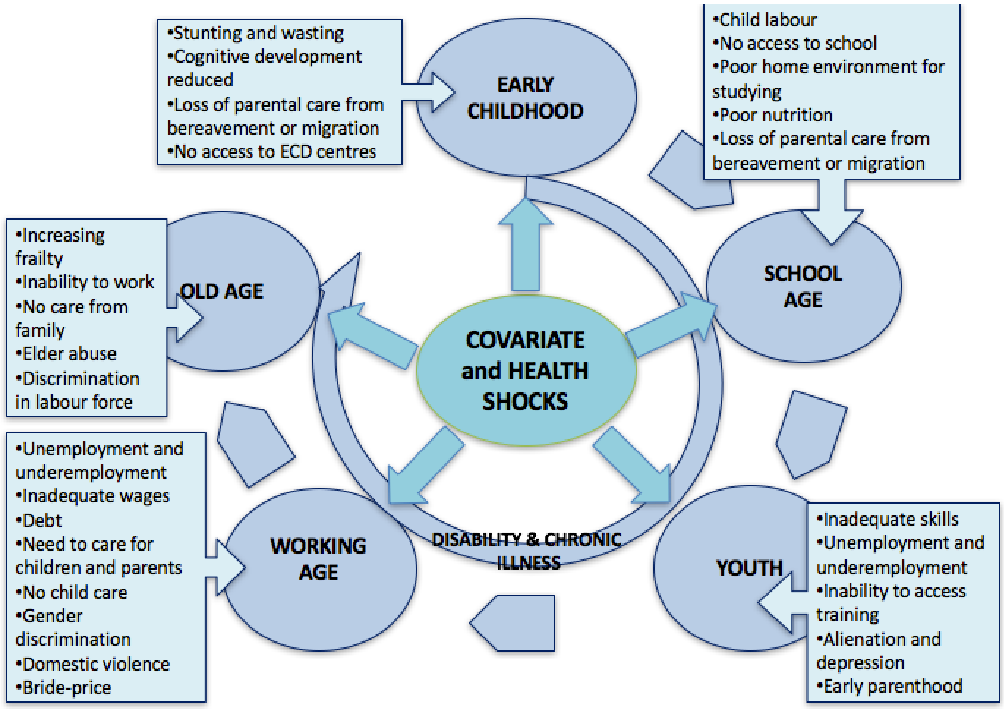
Figure 2: Household poverty incidence curve (cumulative distribution of monthly expenditure per capita)[2]



This section will outline a range of risks that can be addressed by investment in social security and which, if tackled effectively, could contribute to significant reductions in poverty as well as enhanced wellbeing for all citizens. Figure 3 summarizes many of the key risks and challenges that people could experience at each stage in their lives, as well as highlighting that people can be subject to co-variate risks – in other words, crises that hit many people at the same time (such as droughts and floods) – at any time in their lives.

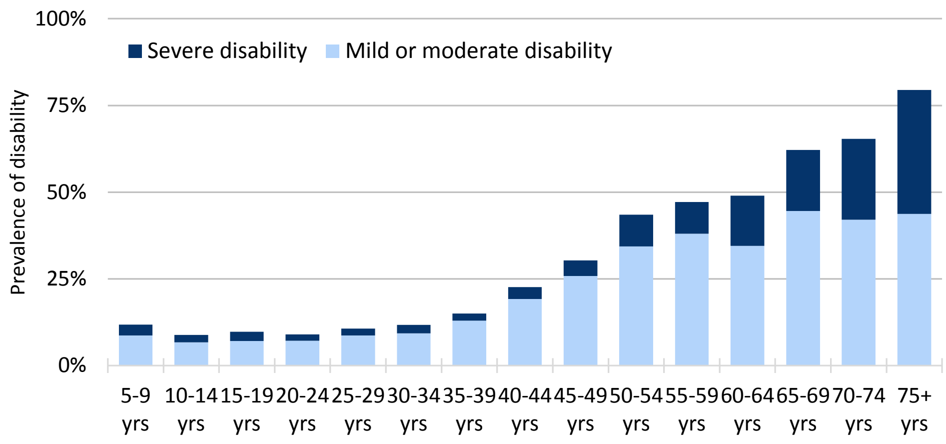
2 Source: Based on analysis of the Uganda National Household Survey 2012/13 (Uganda Bureau of Statistics, 2014).

Figure 3: A summary of lifecycle risks in Uganda



Disability is a challenge across the lifecycle. An estimated 12% of the population have a mild or moderate disability while 3.9% have a severe disability.[3] This means that, overall, nearly one in six people (15.8%) live with some form of functional limitations. Figures 4 indicate that the prevalence of disability increases sharply with age, with very high prevalence among older people.

Figure 4: Prevalence of disability by five-year age groups and by severity[4]

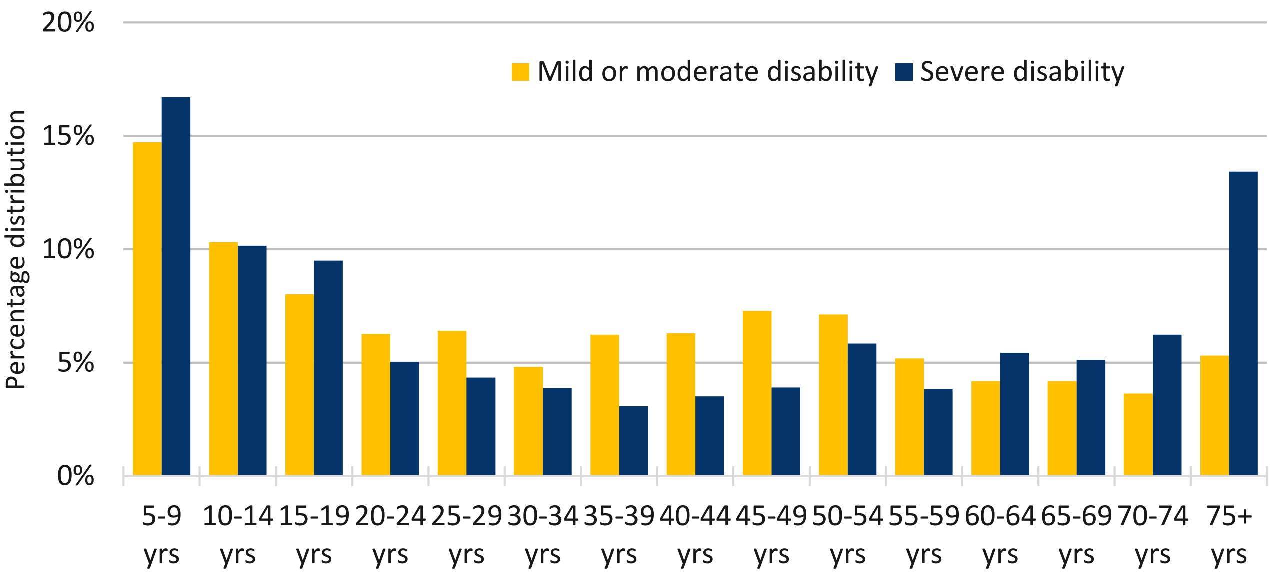


However, since Uganda has a very young population, the highest numbers of people with disabilities are below the age of 15 years. Figure 5 indicates the proportion of persons with a severe disability who are in each five-year age group and shows that the highest absolute numbers are among children, although there is still a significant number above 75 years of age (due to the accumulation of multiple 5-year age groups, but also the high prevalence among older people).

3 Source: Based on analysis of the Uganda National Household Survey (UNHS) 2009/2010 of the population aged 5+ years old. The survey included questions designed to identify those who are at greater risk than the general population of experiencing restrictions in performing tasks (such as activities of daily living) or participating in roles (such as working). They ask whether household members have difficulties in functioning in six core domains: walking, seeing, hearing, remembering, self-care and communication. Difficulties in these domains have the potential to limit independent living or social integration if appropriate accommodation is not made. In analysing the UNHS 2009/10, two levels of functional limitations were used to identify people with disabilities. Those who experience some difficulty in one or more functional domain, but do not have a lot of difficulty in any one domain, are considered to have a mild or moderate disability. Those who have a lot of difficulty or cannot do an activity at all in at least one functional domain, are considered to have a severe disability. The more recent UNHS 2012/13 did not include questions to identify people with disabilities.

4 Source: Idem.

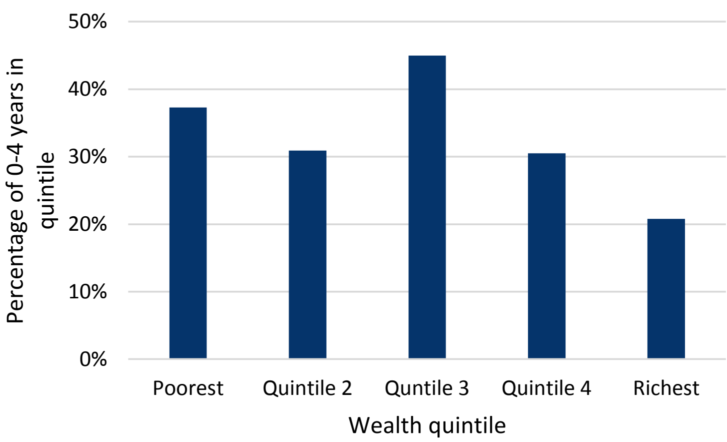
Figure 5: Distribution of the number of people with disabilities by five-year age groups and by severity[5]



2.1. Early childhood

Risks begin in the womb, in particular if pregnant women are unable to access an adequate diet, as this will have negative impacts on their babies' nutritional status. However, the risk of poor nutrition is very real among young children in Uganda, with 33% of under-5s experiencing stunting and 14% extreme stunting. In fact, among children aged two years, 43% of children are stunted.[6] Furthermore, as Figure 6 shows, stunting is experienced by children living in families across the wealth distribution, indicating that many families are struggling to provide an adequate diet for their children.[7] A significant consequence of stunting is that it is likely to impact on children's cognitive development. Setbacks among young children are difficult to recover from and feed through to inferior performance at school and lower lifetime earnings.

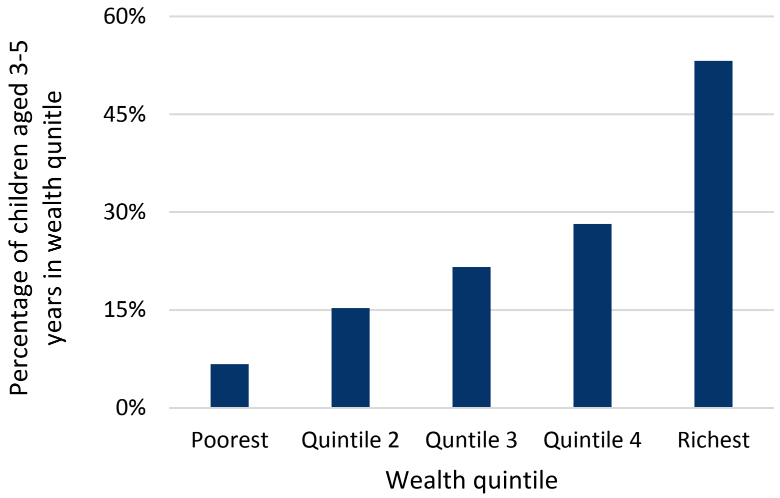
Figure 6: Stunting rates among children 0-4 years, by wealth quintile[8]



Low incomes also mean that children are less likely to attend pre-primary school, thereby placing them at a disadvantage compared to other children. So, while the net attendance ratio at pre-primary school for children aged 3-5 years is around 23%, as Figure 7 indicates, attendance is much lower among children in poor wealth quintiles. In fact, the impact of low incomes across most of the population is seen by the fact that only among the wealthiest 20% of the population is participation higher than 50%.

5 Source: Idem.
6 Source: Uganda Bureau of Statistics & ICF International (2012)
7 Poor nutrition is caused by a range of factors, although low incomes are a key cause.
8 Source: Uganda Bureau of Statistics & ICF International (2012)

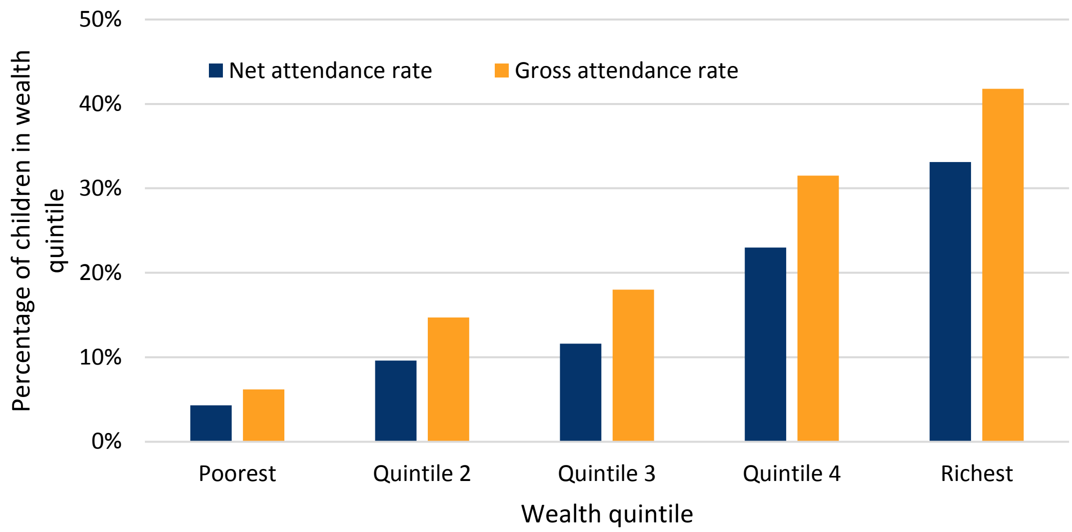
Figure 7: Net attendance rates for pre-primary education, among children 3-5 years of age[9]



2.2. School age

As children age, a major risk is not being able to attend school. While, in Uganda, primary school attendance rates are relatively high, the main challenges for children are at secondary school age. The net attendance ratio at secondary school is only 17% while the gross attendance ratio is 23%. There is likely to be a range reasons for children not attending secondary school but, as Figure 8 suggests, children from families on lower incomes are less likely to be able to attend school. But, given that even among the most affluent quintile the attendance rates are low, the challenge of low incomes affects most families with teenage children in the country. Children living in poverty are also likely to find that their home environment is less conducive to study. And, if they are unable to obtain a proper diet – and three good meals a day – they are more likely to struggle.

Figure 8: Net and gross attendance rates at secondary school by wealth quintile[10]



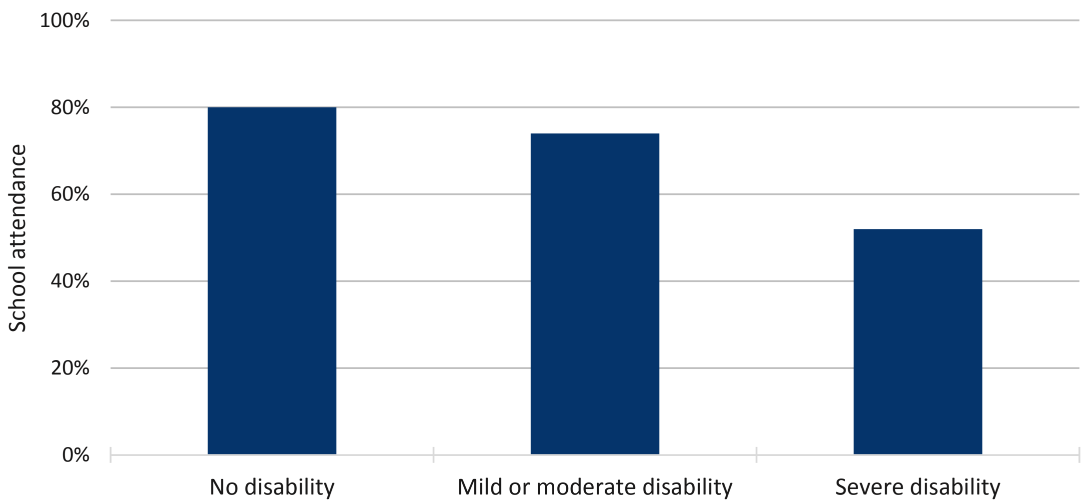
Children from families on low incomes are also more likely to engage in child labour, since families need the cash. While most children are routinely engaged in paid and unpaid forms of work that are not necessarily harmful to them, around 16% of those aged 5-14 years are classified as child labourers because they are either too young to

9 Source: Idem. and
10 Source: Idem.

work or are involved on hazardous activities that may compromise their development.[11] The prevalence of child labour is similar among boys and girls, while children in rural areas are almost twice as likely to be engaged in labour that is considered detrimental to their health and development compared with children living in urban areas (17% versus 9%).

The challenges are much greater for children with disabilities, although this will vary with the type and severity of disability. An estimated 2.8% of children 5-17 years are living with a severe disability while another 7.7% experience mild or moderate functional limitations.[12] As illustrated in Figure 9, children with disabilities are much less likely to be in school: for instance, the attendance rate was 80% among children with no disabilities compared with only 52% among those with severe disabilities according to the UNHS 2009/10. Often, this is because of barriers put in the way of disabled children within schools but also because it is costlier for them to attend, perhaps because of higher transport costs, or an absence of assistive devices. Or, families may hide children with disabilities away, as they may be ashamed of them or believe that they will never be productive or independent.

Figure 9: Percentage of children 5-17 years attending school, by disability status[13]



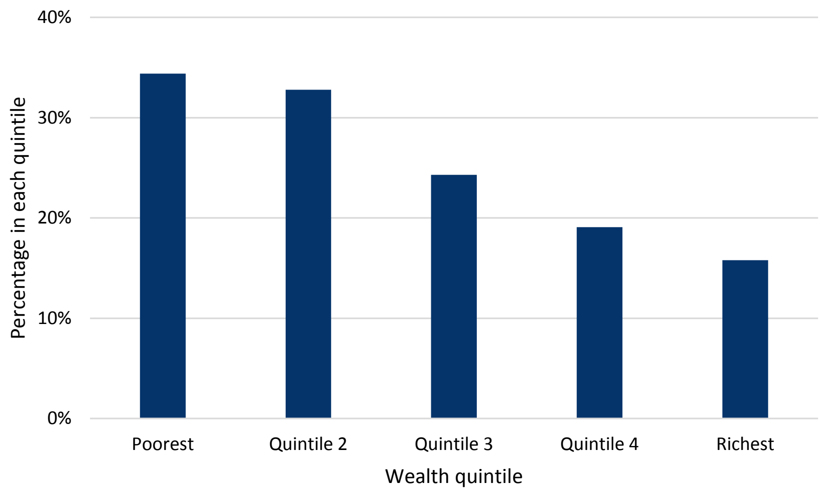
2.3. Young people

Young people face a wide range of challenges, in particular if they have not been able to gain adequate levels of education, which severely hinders their chances of obtaining decent work. Youth unemployment is a major concern as more than one in five people aged 15-24 years (22%) in the labour force do not hold a job.[14] Furthermore, the opportunities for vocational training are limited, meaning that many young people will never gain the skills they need to obtain a decent job. Gender disparities are significant and the proportion of female youth who are neither in employment nor education or training (19%) is almost three times that of their male counterparts (7%).[15]

A particular challenge is that a significant share of young women in Uganda have already given birth to a child by the time they reach 20 years of age, thereby limiting their ability to work and earn an income just at the time they face higher costs, as a result of their childcare responsibilities. As Figure 10 shows, there is a correlation between greater poverty and higher likelihood of childbearing among teenagers, perhaps reflecting that young women living in poverty are more likely to have children early and/or that having a child increases household costs and, therefore, reduces standards of living.

11 UNICEF Global Database (data.unicef.org) based on Uganda's National Labour Force and Child Activities Survey 2011/2012.
12 Source: Based on analysis of the Uganda National Household Survey (UNHS) 2009/2010.
13 Idem.
14 According to the "relaxed definition" of unemployment, meaning that they were available but without work in the last four weeks preceding the survey (Uganda Bureau of Statistics, 2015).
15 Source: Idem.

Figure 10: Percentage of girls aged 15-19 years that have commenced childbearing, by wealth quintile[16]

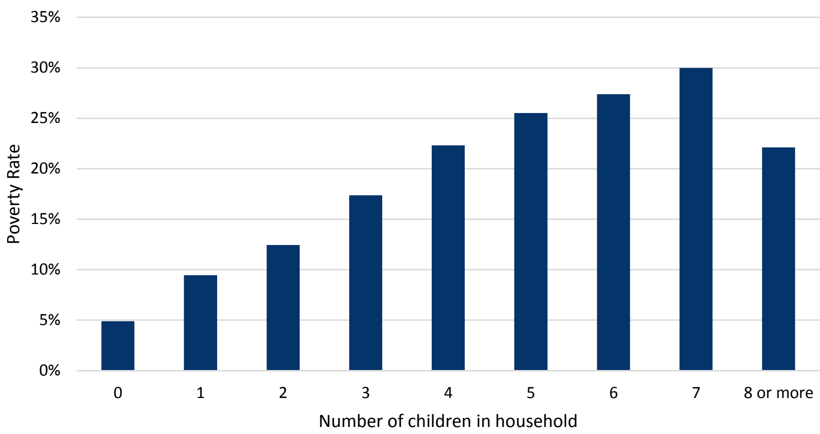


Young people with disabilities are often in an even more challenging position, facing a difficult period as they transition from childhood into adulthood, in the areas of employment and independent living. Not only are many entering working life with lower education levels, they face both discrimination and higher costs in obtaining work and lower wages when they do obtain a job. Overall, some 7.1% of youth aged 15-24 years have a mild or moderate disability while 2% experience severe functional limitations.[17] The poverty rate among households that include young people with disabilities (20.2%) is about a fifth higher than the poverty rate among households with young people with no disabilities (16.8%).

2.4. Working age

The challenges faced by young women and men continue as they become older and begin families. As Figure 11 indicates, the more children in a family, the more likely it is to live in poverty. Rates of fertility are still high in Uganda and, indeed, women regard the ideal number of children in a family as five, while men believe it is six.[18] There is strong international evidence that comprehensive old age pension systems are a key driver of lower fertility[19] – since working age people know that the state will care for them in old age and, therefore, begin to realise that they do not need to depend on their children – but this is still absent in Uganda (although the Senior Citizens' Grant is a step in the right direction).

Figure 11: Poverty rates for households, by number of children in the household[20]

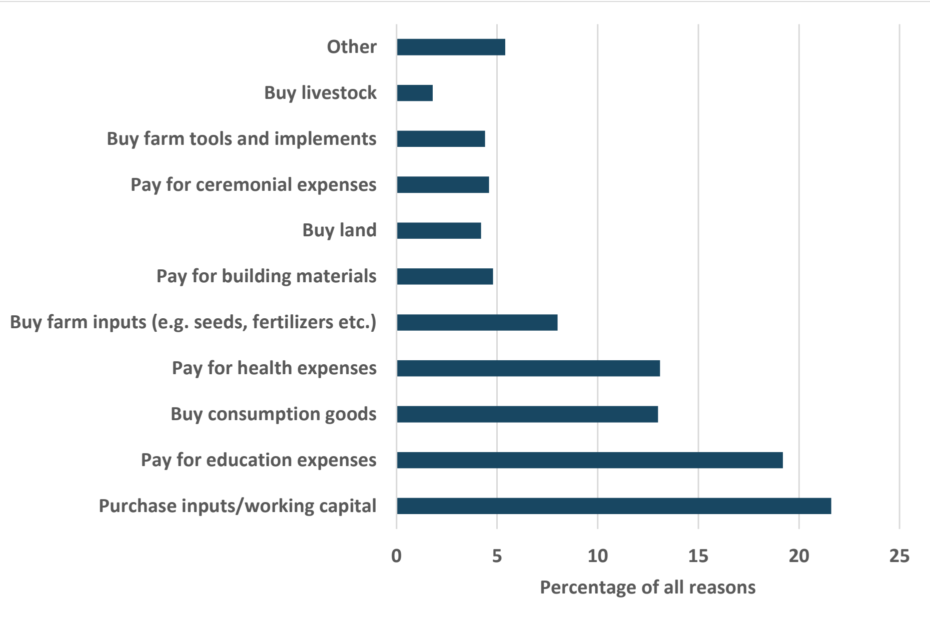


A majority of households is heavily reliant on the agricultural sector for their subsistence and income. Indeed, subsistence farming remains the main source of earnings for 42% of households and more than half of households (54%) in rural areas earned less than UGX 830 per day in 2012/13, a tiny amount.[21] Other key sources of income include wage employment (for 24% of households) and non-agricultural enterprises (24%). However, around 17% of employed people still fall below the official national poverty line while

16 Source: Uganda Bureau of Statistics & ICF International (2012)
17 Source: Based on analysis of the Uganda National Household Survey (UNHS) 2009/2010.
18 Source: Uganda Bureau of Statistics & ICF International (2012)
19 Boldrin et al. (2005), Holmqvist (2010) and Galasso et al.(2009)
20 Source: Based on analysis of the Uganda National Household Survey 2012/2013.
21 Source: Uganda Bureau of Statistics (2014) This figure is calculated by assuming 240 working days per year. The total annual income was UGX 200,000.

32% of people in wage employment are inadequately paid, indicating that having a job does not mean that families can escape poverty. Incomes are very volatile in most families so they have to resort to loans to make ends meet. In fact, over a fifth of households (22%) borrowed money in 2012/13 and, as Figure 12 illustrates, people often have to take out loans for consumption as well as to pay for education and health expenses.

Figure 12: Reasons given for borrowing money in 2012/13[22]



Families are particularly vulnerable when hit by shocks. For example, if a breadwinner becomes ill or, indeed, disabled, the impact on family incomes could be significant, with knock-on effects for the wellbeing of children. It is particularly severe if other adults in the family have to withdraw from work to provide care.

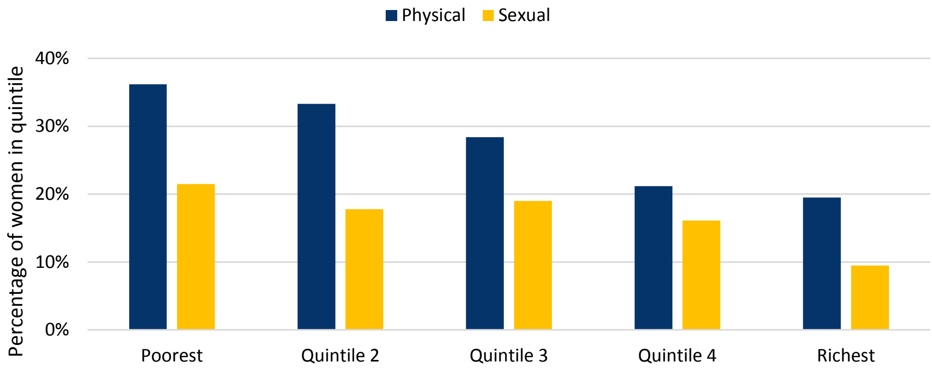
A particular challenge for families happens with the birth of a child, as this often leads to the mothers giving up – or reducing – work to care for the child. The absence of child care facilities means that many mothers of young children cannot return to work until the children reach school age and, as a result, women's participation in the labour force is lower than men's. Furthermore, the absence of a comprehensive old age pension system – apart from in those districts with the Senior Citizens' Grant (SCG) – means it is more challenging for grandparents to care for their children, so that their mothers can work: indeed, access to the SCG has been associated with a 9% increase in the number of working age people in employment and a 16% increase in number of hours worked per week.[23]

A further challenge facing working age families is the need to care for frail elderly parents or persons with severe disabilities who cannot be fully independent, while also caring for their children. Such people have recently been referred to as sandwich carers, as they are stuck between the demands of caring for both older adults and their children.[24] Around 25% of households include both working age and older people, many of whom require support. Indeed, one in ten out of these households contains an older person aged 60 years and above with a severe disability while 29% have an older person with a mild or moderate disability.[25] The need to provide care reduces the share of household income available for investing in children and may also mean that breadwinners withdraw from the labour market, at least partially. The challenge is not restricted to those households including older people: many working age people still support their vulnerable kin, even if they do not live with them.

The prevalence of low family incomes in Uganda is also likely to create stresses and divisions in families, as parents worry about whether they will be able to feed their children or give them all they need. This can result in higher levels of domestic and sexual violence. Figure 13 indicates that many women experience physical and sexual violence and that there is some association with higher poverty. More violent home environments are also likely to cause setbacks in child development.

22 Idem.
23 Merttens et al. (2016)
24 See Macmillan Cancer Support (2016)
25 Source: Based on analysis of the Uganda National Household Survey (UNHS) 2009/2010.

Figure 13: Percentage of women in each wealth quintile who had experienced physical and sexual violence by women in past 12 months[26]



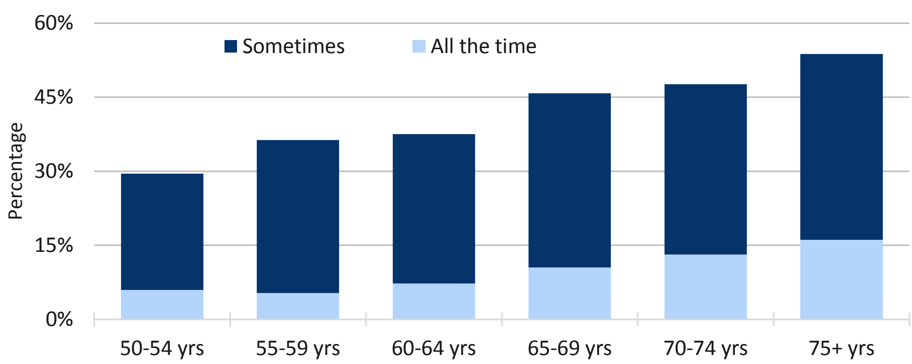
The challenges faced by working age families are exacerbated for single parents, who face the challenge of having to work while also having family care responsibilities. They are particularly severe for single parents caring for a severely disabled child, as many find it almost impossible to juggle their care responsibilities with the need to obtain an income. Given that many husbands abandon their wives if a child is born disabled, the challenge can be particularly significant for the mothers of disabled children.

A breadwinner becoming disabled is a major shock, especially if it leads to high health costs, an inability to work and a need for another adult in the family to provide care. And, those who were disabled as children continue with the same challenges they faced as young people, often having lower skills, higher costs to access work and, potentially, a need for care support. Overall, the poverty rate among households with working age people with a severe disability (23.2%) is about a fifth higher than the poverty rate among households with no disabled working age people (19.2%).[27] If the additional costs of disability were taken into account, the poverty rate would be even higher.

2.5. Old Age

Some of the biggest challenges faced by people happen during old age, as the capacity to work gradually reduces due to increasing disability. The prevalence of disability increases sharply with age; for instance, the share of people aged 60-64 years with severe functional limitations is around 14.5%, rising to 36% among 75+ year olds, while many more experience mild and moderate disabilities. Figure 14 shows the proportion of older people who need to reduce the amount of work they can do as a result of a disability, with around 50% of older people affected above the age of 70 years. The type of work that older people can obtain is likely to be lower paid than that obtained by younger people.

Figure 14: Percentage of older people who need to reduce the amount of work they can do because of a disability, by age group[28]

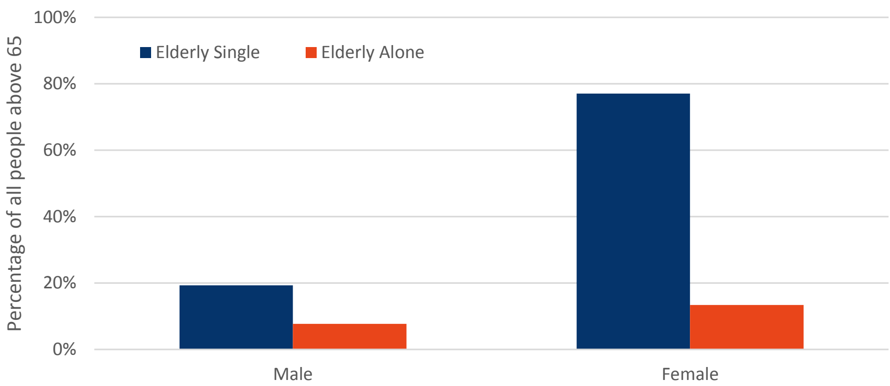


The loss of independent income can lead to growing social exclusion: as older people become less able to contribute to their kinship networks – for example by helping their grandchildren – they may face growing isolation and loss of support from others, many of whom are, themselves, struggling to provide for their own children. Isolation and social exclusion

26 Source: Uganda Bureau of Statistics & ICF International (2012)
27 Source: Based on analysis of the Uganda National Household Survey 2009/10.
28 Idem.

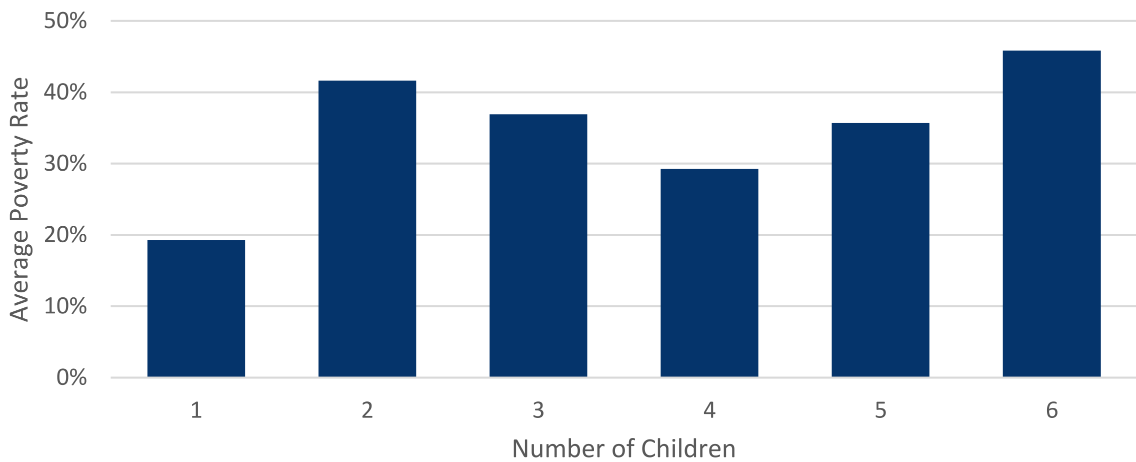
are more of a challenge for older women, who comprise 56% of the population over 60 years. As illustrated in Figure 15, a large share of women above 65 years are single (77%) while over 13% live alone. For men, the numbers are 19% and 8%, respectively.

Figure 15: Percentage of older people 65+ years who are single (widowed or unmarried) and who are living alone, by sex[29]



Some older people face the additional challenge of taking on care responsibilities for orphaned or abandoned children, or have to support vulnerable adults with disabilities. Consequently, households comprising only grandparents and (grand-) children are much more likely to be living in poverty than the national average, as shown in Figure 16.

Figure 16: Poverty rates among households with only older people and children, by number of children[30]



Old age can be associated with a loss of dignity. The low incomes experienced by older people can place them in vulnerable positions, with many resorting to begging. Often older people cannot purchase soap or new clothes and may be looked down upon by others in the community. It is a sad end to life for those who have spent their lifetimes contributing to their communities and nation.

29 Source: Analysis of the Uganda National Household Survey 2012/13.

30 Idem.

3. Inclusive Lifecycle Social Security

As countries develop and democracies strengthen, they establish systems of social security offering benefits to individuals at different stages of their lives (often referred to as lifecycle social security systems). As Box 1 explains, this contrasts with the type of social assistance approach adopted in Europe in the 18th and 19th Centuries, which targeted benefits at "the poor" and has been adopted by some developing countries in recent years. Unfortunately, social assistance targeted at "the poor" tends to be unpopular, since the majority of the population are excluded, while the programmes themselves are of poor quality, offering small value benefits and excluding most of those living in poverty (see Kidd 2014a for further discussion).

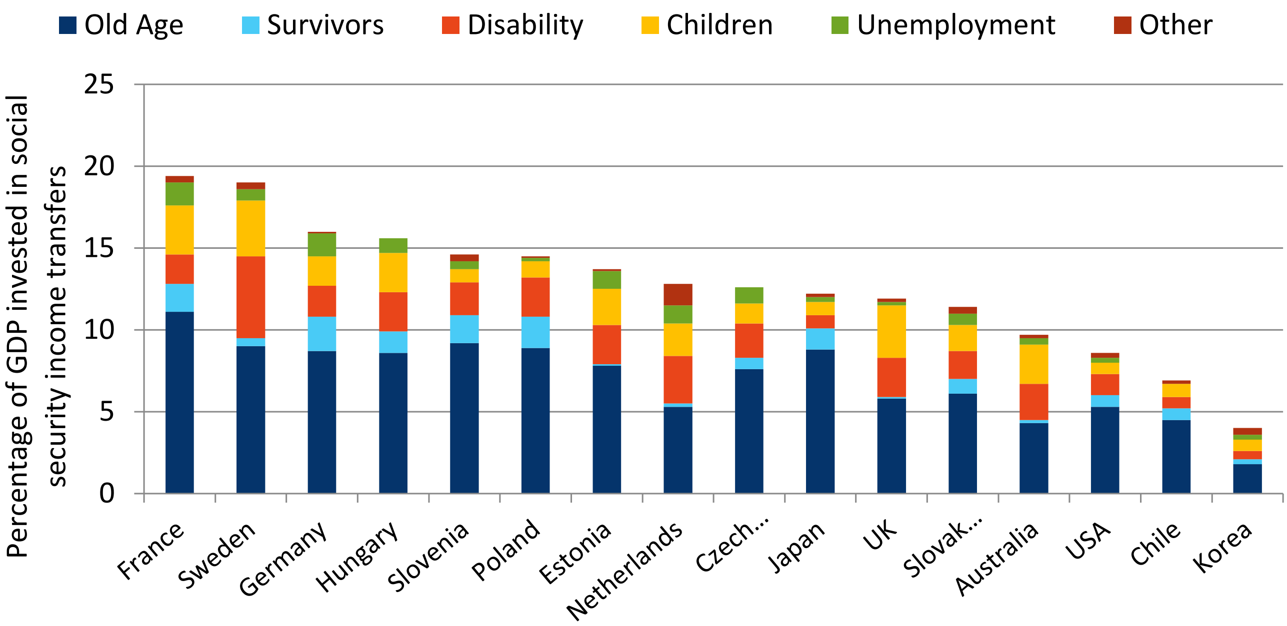
Box 1: Targeted social assistance

During the 18th and 19th centuries, a number of European countries established formal social transfer schemes to tackle the rising poverty engendered by industrialisation and rural-urban migration.[1] The schemes – collectively known as "Poor Relief" – directed their support at those living in the greatest poverty. By the early 19th Century, Poor Relief budgets in some countries were relatively large, costing over 1% of GDP in Belgium and the Netherlands while reaching 2.5% of GDP in England. However, during the 19th Century Poor Relief budgets shrank, some by very significant margins. In England, for example, by 1880 overall spending on Poor Relief had fallen to around a quarter of the expenditure in 1820. A key reason for the fall in spending was the spread of democracy. While Poor Relief served the interests of those in power – providing landowners and factory owners with a more flexible labour force – it was largely financed from taxes on the middle class who still did not have the vote. But, as the middle class gained the vote, they began to resent their taxes being spent on schemes from which they were excluded. As a result, popular support for Poor Relief – which was increasingly seen as a "handout" – fell, leading to a concomitant fall in budgets. Over time, they were replaced by lifecycle social security schemes, from which the middle class could benefit, beginning with old age pensions.

A number of developing countries that are either still authoritarian or in the early stages of democracy have established similar Poor Relief schemes – referred to nowadays as social assistance – as the core of their national social protection systems. Well-known examples are ***Prospera*** in Mexico, the ***Bono de Desarrollo Humano*** programme in Ecuador, the ***Pantawid*** programme in the Philippines, and the Social Cash Transfer in Malawi. Often these schemes are promoted by development partners, since they do not need to appeal to electorates and often mistakenly believe that targeting the "poor" is good for the "poor." Yet, as with Poor Relief, the schemes are unpopular since the majority of the population are excluded. They also tend to be of poor quality, since the exclusion errors of those living in poverty are often above 50-60%. However, some of these countries are now beginning to move towards lifecycle systems, with Mexico, Ecuador and the Philippines introducing old age pension schemes in recent years, probably in response to the demands of strengthening democracies.

Lifecycle social security systems comprise a range of complementary schemes that are directed towards different phases of the lifecycle, such as child benefits, disability benefits, old age pensions, maternity benefits and unemployment benefits. Figure 17 shows the level of spending in a range of developed and developing countries, with the vast majority of investment in lifecycle schemes and very little in general social assistance (which would be included under "other"). The average level of investment in developed countries is 14% of GDP, although this has grown over many decades. Some developing countries – such as South Africa, Namibia, Mauritius, Mongolia, Uzbekistan and Georgia – are already establishing relatively comprehensive lifecycle social security systems, covering at least the risks of disability, old age and childhood

Figure 17: Investment in lifecycle social security schemes across a range of developed countries[31]



While social assistance schemes address the symptom of poverty, lifecycle schemes address the causes of poverty, many of which are linked to vulnerabilities experienced across the lifecycle. Once comprehensive lifecycle systems are in place, every citizen can access social security whenever in need, throughout their lives. As a comprehensive system, lifecycle benefits also adapt to the vulnerability of households: so, the higher the number of vulnerable individuals in a household, the greater the number of benefits they will receive. For example, an older person caring for two children could receive an old age pension and two child benefits.

Indeed, while lifecycle schemes may appear to be programmes for specific population groups, they are, in reality, programmes for all citizens. So, for example, a tax-financed old age pension such as the Senior Citizens' Grant is not just for older people but is, instead, an entitlement for everyone, since everyone hopes to reach old age. In effect, citizens contribute throughout their lives to society and the nation and, in return, the state guarantees everyone a minimum income guarantee in old age. Similarly, child benefits are for everyone, since effective schemes ensure benefits are in place for every person as soon as they are born.

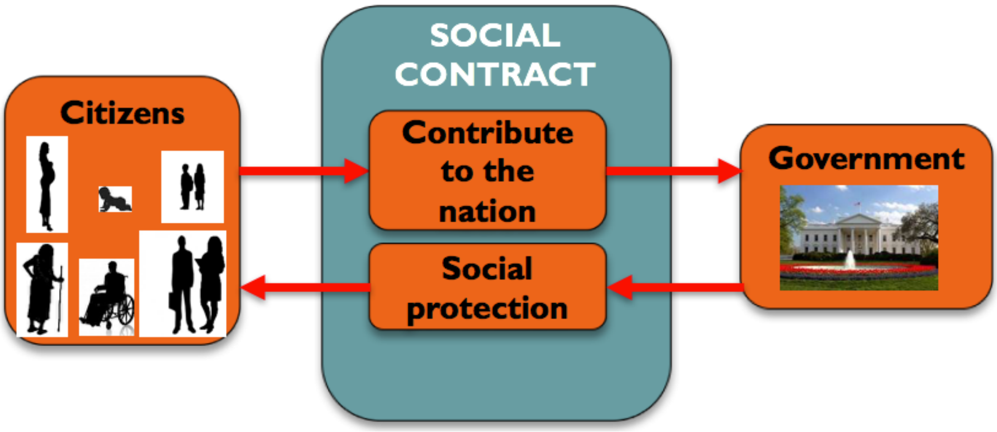
Lifecycle social security schemes benefit not only the direct recipients, but many others, in particular close kin who, themselves, are at different stages of the lifecycle. So, for example, the Senior Citizens' Grant has had a range of positive benefits for children.[32] Pensioners offer financial support to their grandchildren and, as a result, there has been a significant increase in the average number of meals consumed by children each day: for children aged 0-5 years, the number increased from 1.9 to 2.1, while it increased from 1.8 to 2 for children aged 6-17 years. There were also improvements in schooling for some children: for instance, the mean number of days that children were absent from school in the previous 30 scheduled days fell from 1.7 days to 1.1. Furthermore, the proportion of girls aged 5-17 years engaged in child labour fell from 26% to 19%. A comprehensive system of complementary lifecycle benefits can have multiple impacts on members of households and kinship groups.

Lifecycle schemes are most effective when they are inclusive, and provided to the majority of people in the specific category or, indeed, to everyone. As explained earlier, the vast majority of the population of Uganda depend on low incomes, either living in poverty or insecurity, so it makes little sense to target schemes only at those living in extreme poverty, particularly in a context of highly dynamic incomes. And, if social security schemes are inclusive by offering high or universal coverage, they include a much higher proportion of those living in poverty than poverty targeted schemes and, therefore, are more effective (see Kidd and Bailey Athias 2016 for further explanation).

31 Source: OECD Statistical Database at: http://stats.oecd.org.
32 See Kidd (2016) and Merttens et al. (2016)

Inclusive lifecycle schemes are also more popular than those targeted at the "poor" since they are entitlements for all citizens, based on the right to social security for all. Since they can be accessed by everyone, they are more likely to support government investment in them and, therefore, the majority of the population is more willing to pay higher taxes. They are a key factor underpinning the development of a national social contract, since, if everyone receives a universal entitlement, they are more likely to pay their taxes. Indeed, as Figure 18 indicates, entitlement schemes should be regarded as programmes financed by citizens for citizens, with the government assuming the role of managing the distribution of resources. In contrast, poverty targeted schemes deliver exclusion rather than inclusion and, as such, have little support in democratic regimes, and are likely to follow the trajectory of 19th Century Poor Relief. Indeed, the demise of Uganda's Vulnerable Family Grant – which was targeted at the most vulnerable 15% of households in pilot districts – is a salutary lesson: it could not generate popular and political support, in contrast to the inclusive Senior Citizens' Grant, a programme for all the citizens of Uganda.

Figure 18: Depiction of how the social contract is built via contributions of citizens to the nation



Box 2: Lifecycle social security systems and the social protection floor

The Social Protection Floor – which was endorsed by all members of the International Labour Organisation in 2012, including Uganda – is based on the concept of building inclusive lifecycle social security systems across all countries. This is a means of providing income guarantees to categories of the population, with a focus on:

- Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
- Basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and,
- Basic income security for older persons.

4. An Inclusive Lifecycle Social Security System for Uganda

The Senior Citizens' Grant is a first step in the direction of building an inclusive lifecycle social security system in Uganda. As it expands it will offer dignity to all Ugandans in their final years, while also generating a wide range of other social and economic benefits for individuals, households and communities. At the current value of transfer, it would be possible to ensure income security for all Ugandans once they reach age 65 years for a cost of only 0.36% of GDP (which would make this one of the cheapest universal pension schemes in the world).

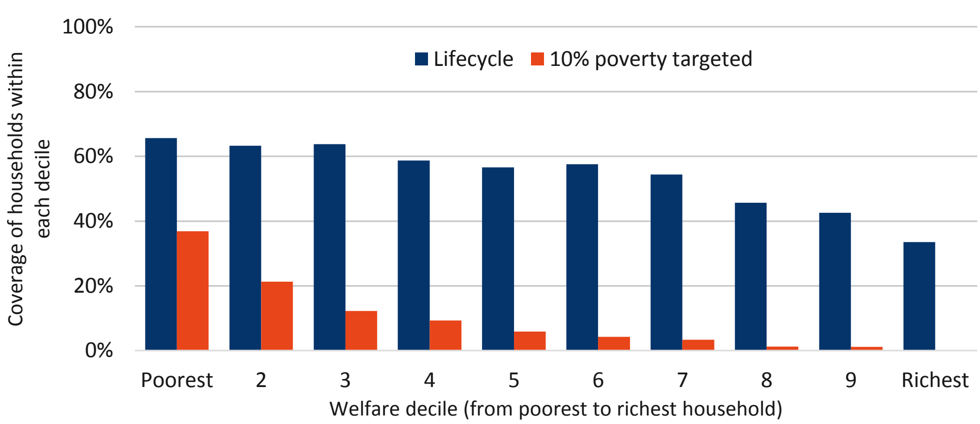
To gain the full benefits of investment in inclusive lifecycle social security, Uganda could also introduce additional lifecycle benefits, with priority given to people with severe disabilities and children. Table 1 outlines options for investing around 1% of GDP in such schemes, comprising a national scale-up of the Senior Citizens' Grant, disability benefits for all children with a disability and working age adults with a severe disability, and a Child Benefit for children aged up to 5 years. The schemes would offer universal coverage, except for the Child Benefit which would reach 70% of children.

Table 1: Potential scenario for an inclusive lifecycle social security system, costing around 1% of GDP (2015)[33]

Scheme	Age of recipients (years)	Coverage of category	Value of transfer: UGX/month	Cost: UGX billions/year	Cost: percentage of GDP
Senior Citizens' Grant	65+	100%	25,000	291	0.36
Disability Benefit	18-64	100%	25,000	100	0.12
Child Disability Benefit	0-17	100%	25,000	129	0.16
Child Benefit	0-4	70%	5,000	306	0.38
Total				825	1.03

Overall, under this scenario of inclusive, lifecycle social protection, 54% of households would receive a social security benefit and, as Figure 19 indicates, the coverage of households in the poorest decile would be high, at around 66%. Figure 19 also compares the coverage of the inclusive system with that of a social assistance programme targeted at the poorest 10% of households[34], which would be much less effective, excluding over 60% of the target group. The inclusivity of the lifecycle system would be one of its strengths. Schemes would be offered as entitlements to all citizens and the fact that those on middle and high incomes could access them would mean that they would be much more popular than programmes targeted at those living in extreme poverty. Indeed, the evidence for this can be seen in the popularity of the Senior Citizens' Grant among the general population. And, of course, since those that are more affluent are paying for the schemes through their taxes, it is only right that they also can benefit from them.

Figure 19: Coverage of inclusive lifecycle and poverty targeted social security systems[35]



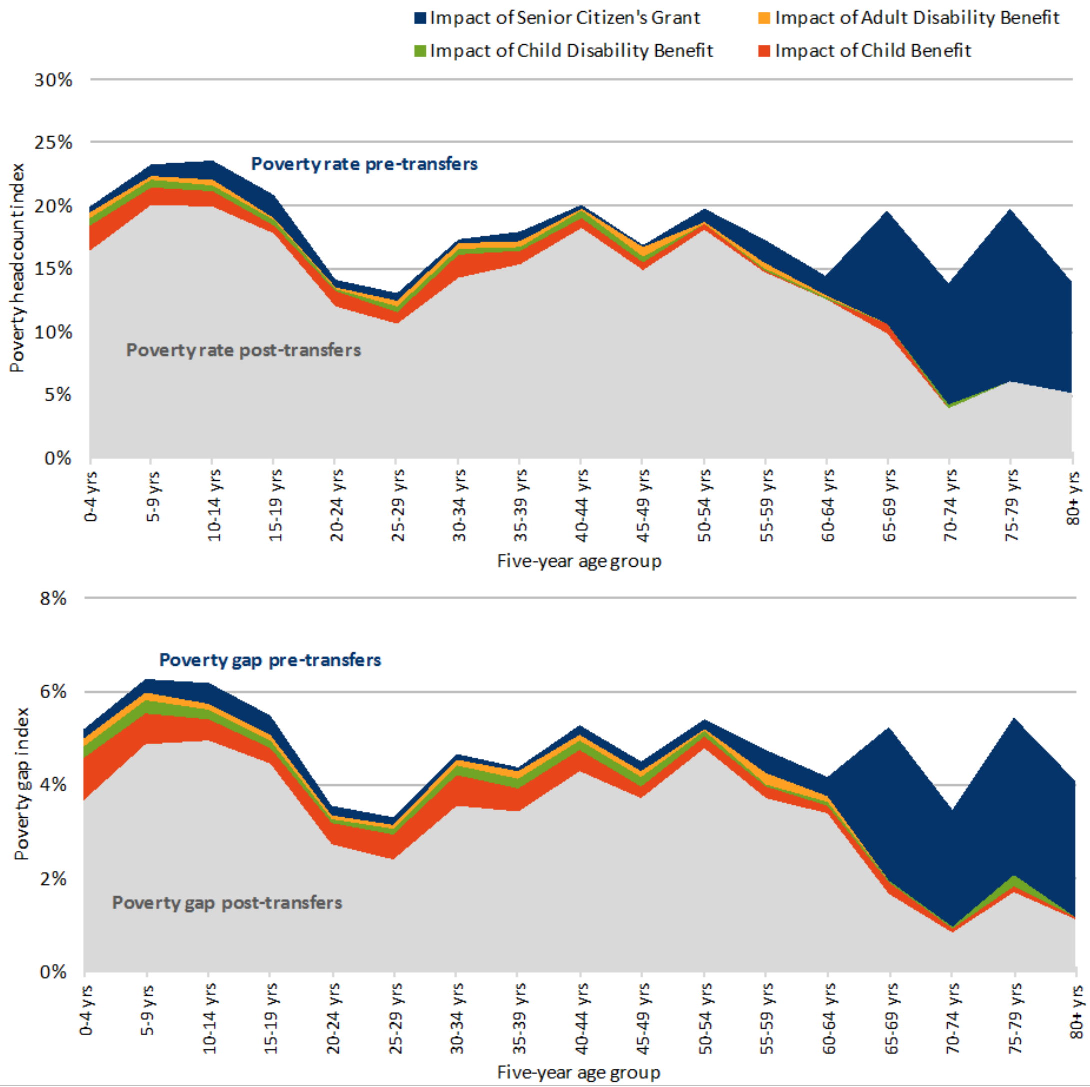
Investing 1% of GDP in an inclusive lifecycle system would also have significant impacts on poverty and inequality. Overall, the national poverty rate would fall by more than 16%, from a pre-transfer poverty rate of 19.7% to a post-transfer poverty rate of 16.5% and the national poverty gap would be reduced by a quarter, from 5.2% % to 3.9%. Figure 20 shows the impacts on poverty across different age groups. Under the proposed scenario, levels of poverty among older people would fall by nearly two thirds (62%), while child poverty would decline by around 16% and poverty among working-age adults by some 14%. Moreover, income inequality in Ugandan society, as measured by the Gini coefficient, would be reduced by 3.2%, from 0.395 to 0.382.

33 Based on calculations using official United Nations population estimates for 2015 and IMF estimates of Uganda's Gross Domestic Product (GDP). It assumes that 2% of the population have a severe disability and would be eligible for a disability benefit.

34 Using a simulated proxy means test (PMT).

35 Source: Simulations using the Uganda National Household Survey 2012/2013.

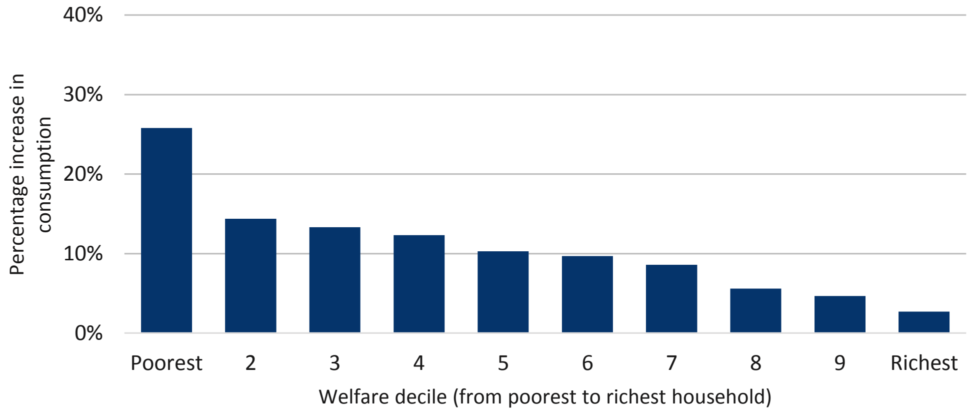
Figure 20: Impacts on poverty rate and poverty gap across age groups of the national population of inclusive social security system costing 1% of GDP[36]



The consumption of beneficiaries of the inclusive social security system would rise, irrespective of where they are on the wealth spectrum. As Figure 21 shows, the average increase in household consumption (per adult equivalent) would be 26% among beneficiary households in the poorest decile while, among those in the middle of the welfare distribution – who are still highly insecure – it would be boosted by a relatively significant 10%. Among this group, the inclusive social security system would also play a key role in reducing the likelihood of their falling into poverty, if hit by a crisis.

36 Source: Simulations using the Uganda National Household Survey 2012/2013.

Figure 21: Average increase in household consumption (per adults equivalent) for beneficiary households of inclusive social security system costing 1% of GDP[37]



However, some African countries are already spending at least 3% of GDP on tax-financed social security schemes, such as South Africa and Mauritius. In the long term – perhaps over 20 years – Uganda may choose to move to this level of spending. One scenario for an inclusive social security system with an investment of 3% of GDP is outlined in Table 3. Compared to the scenario of 1% of GDP, it increases the monthly transfer value for the Senior Citizens' Grant and the Disability Benefits to UGX40,000 per month while expanding coverage of the Child Benefit to all those under the age of 15 years with a transfer set at UGX7,000 per month.

Table 2: Potential investment in lifecycle social security schemes of 3% of GDP (2015)[38]

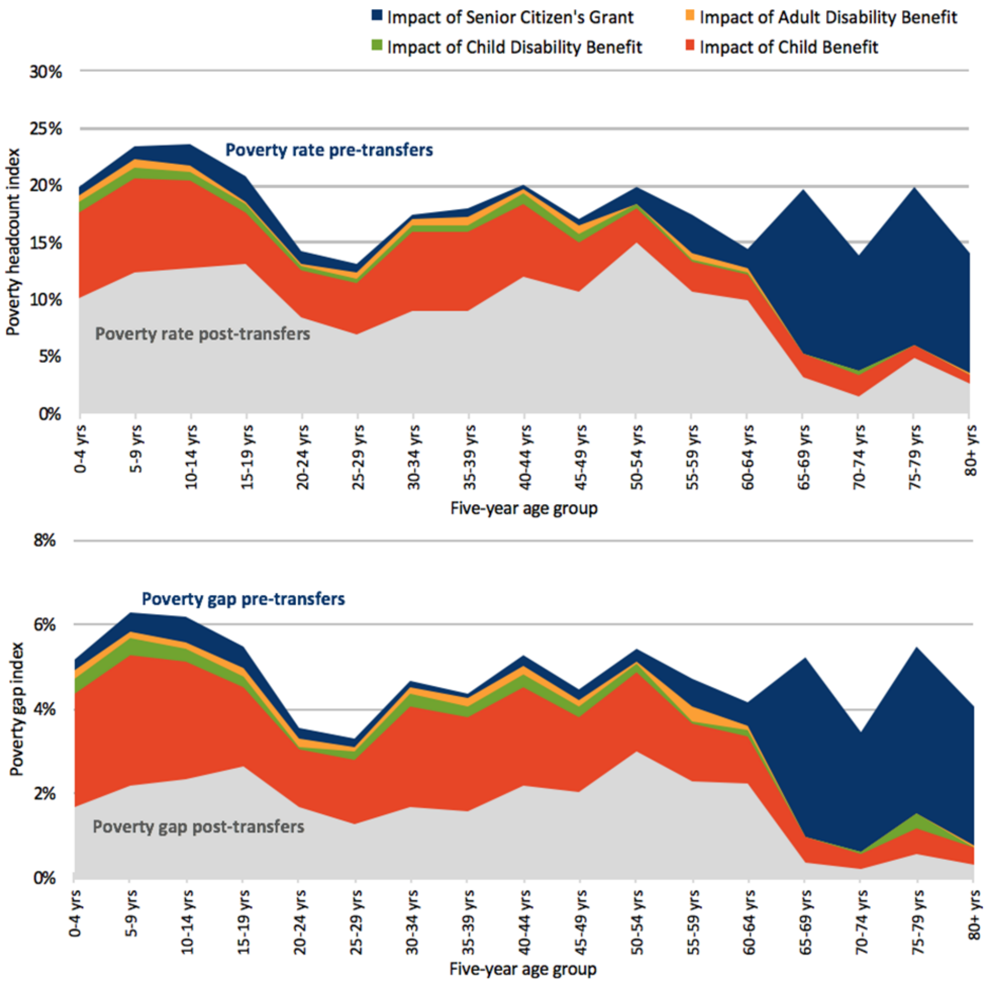
Scheme	Age of recipients (years)	Coverage of category	Value of transfer: UGX/month	Cost: UGX billions/year	Cost: percentage of GDP
Senior Citizens' Grant	65+	100%	40,000	466	0.58
Disability Benefit	18-64	100%	40,000	159	0.20
Child Disability Benefit	0-17	100%	40,000	206	0.26
Child Benefit	0-14	100%	7,000	1,577	1.97
Total				**2,408**	**3.00**

The impacts on poverty in Uganda of such an investment of 3% of GDP would be significant. The national poverty rate would fall from 19.7 % to 10.7% and the national poverty gap from 5.2% to 2.0%, while the Gini Coefficient would fall from 0.395 to 0.357. Figure 22 shows the impacts across age groups, indicating that poverty among older people would almost be eliminated, with the poverty rate falling to just 3%, while poverty among children would be cut in half and poverty rates among working-age adults would drop by 41%. This would imply a significant transformation of Ugandan society.

37 Source: Simulations using the Uganda National Household Survey 2012/2013.

38 Based on calculations using official United Nations population estimates for 2015 and IMF estimates of Uganda's Gross Domestic Product (GDP). It assumes that 2% of the population have a severe disability and would be eligible for a disability benefit.

Figure 22: Impacts on poverty rate and poverty gap across age groups of the national population of inclusive social security system costing 3% of GDP

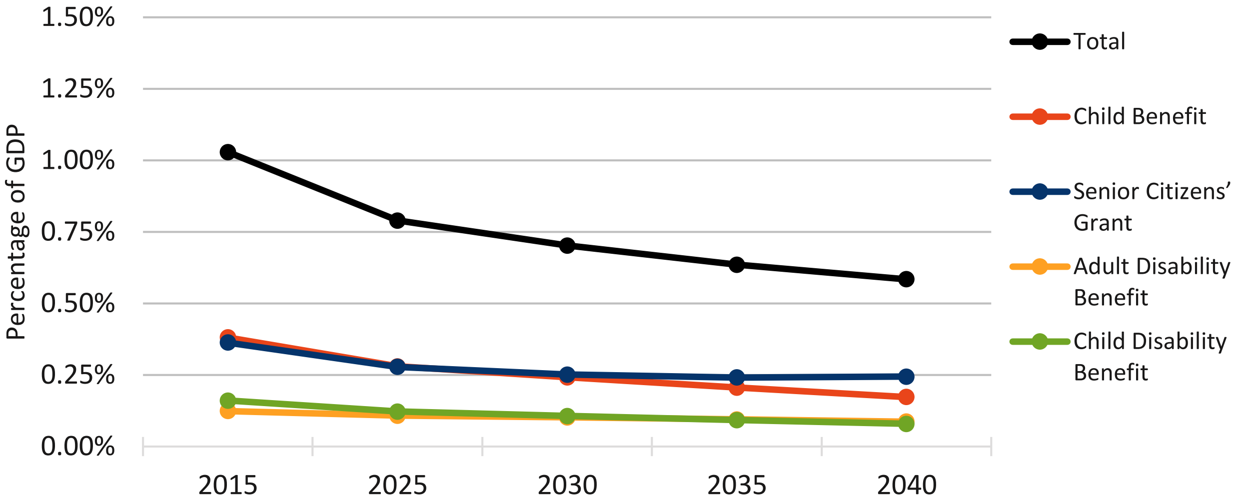


In fact, investing in inclusive social security will have social, economic and political impacts that go beyond just poverty and inequality.[39] International evidence strongly indicates that child development would be enhanced, with reductions in undernutrition while children would be more likely to attend school and perform better. As a result of feeling more secure, recipients would be more likely to invest in income-generating activities or seek employment. Local economies would be much more dynamic, since spending would increasingly benefit entrepreneurs, both large and small. At a national level, these local multipliers would come together to stimulate national GDP growth. And, importantly, the inclusion of a high proportion of the population would strengthen the social contract and promote greater social and political stability.

Figure 23 shows the costs of the inclusive social security option over time, assuming that the value of transfers is indexed to inflation and economic growth continues in line with past performance and IMF projections. Factoring in a long-term real economic growth rate of 5% per year, by 2040, the cost as a proportion of Gross Domestic Product (GDP) would drop significantly from 1.03% to 0.58% of GDP, indicating that there is no fiscal time bomb in waiting. Indeed, it indicates that the coverage of the schemes could expand and/or the real value of transfers increase. Of course, as suggested earlier by 2040 Uganda should be thinking of a significant expansion of its investment in inclusive social security to 3% or more, in line with its economic development.

39 See Kidd (2014a, 2014b) and Bastagli et al. (2016) for summaries of the international evidence on the broader impacts of social security.

Figure 23: Projected cost of investment in inclusive social security over time, 2015-2040[40]



40 Calculations based on UN population projections and estimates of annual GDP up to 2020 from the IMF's World Economic Outlook dataset. It is assumed that after the year 2020 the real economic growth rate will be 5% per annum and benefit levels are indexed to inflation.

5. Conclusion

A high proportion of the population of Uganda are living on low incomes, experiencing significant levels of insecurity. Many of the reasons for their insecurity are linked to stages of the lifecycle and, as happens across all countries, Uganda should look to building a comprehensive national social security system that offers support to, initially, older people, persons with disability and children. Significant impacts could be achieved through an investment of just 1% of GDP which is similar to the level of investment by Nepal, a country with a similar Gross Domestic Product to Uganda. The national poverty gap could be reduced by 24%, while inequality would fall by 3.2%. In fact, among the poorest households benefitting from the national social security system, their daily consumption would increase by an average of 26%. Furthermore, an investment in an inclusive lifecycle social security system would be significantly more effective in reaching households living in poverty than a programme targeted at the 'poor.' If Uganda were to move to an investment of 3% of GDP – in line with some countries in Africa – then the changes would be truly transformative.

An increase in in social security investment could bring a wide range of broader social, economic and political benefits to Uganda, enhancing the nation's social infrastructure. The provision of an old age pension for all citizens would ensure that every Ugandan lives their final years in dignity. By offering a child benefit, families would be able to invest in their children, making significant inroads into the scourge of stunting that is holding back the cognitive development of so many of the nation's children, while also enabling families to keep their children in school. In the long-term, this will significantly enhance the quality of the nation's workforce. Disability benefits would enable persons with disabilities to overcome the significant cost barriers they face in obtaining jobs, while also ensuring higher quality care for those that cannot work. Indeed, there is strong evidence from around the world that, once families receive a guaranteed regular and predictable cash transfer, they feel more secure and more willing to invest in productive assets and income generating activities. Furthermore, old age pensions enable grandparents to care for their grandchildren, so that mothers of young children can return to the labour market.

By investing in a system of inclusive social security – that, over time, offers access to all citizens whenever they need it – the national social contract will be strengthened, social cohesion and political stability will be enhanced, and Uganda will become an increasingly attractive country to outside investors. Furthermore, by increasing the flow of cash into communities across Uganda, local markets will be stimulated, offering opportunities to entrepreneurs, both large and small. Indeed, a recent study by the FAO (2014) across a number of African countries indicated that each dollar spent on social security would generate between 30% and 150% of additional income in communities. At a national scale, this would be a significant stimulus to national economic growth.

All countries eventually invest in an inclusive lifecycle social security system and, indeed, much of the success of the world's strongest economies is based on their significant investment in social security. The question is not whether Uganda can afford to invest in social security: rather, it is whether it can afford not to.

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