



## BRIEFING

# Informal Social Protection

### Key messages

- > **Informal social protection (ISP) is structured by social relations.** Care and support is provided to family, community and group members through a range of social structures and social networks.
- > **While an essential part of all societies, ISP does not always support or protect.** It tends to exclude certain groups of people or include them on unequal terms. It is inadequate in dealing with covariate risks. And it is often those with the least resources who are least able to rely on others for ISP in times of need.
- > **In the face of change, ISP is increasingly unable to protect the poor and vulnerable.** Pressures include: widespread poverty and growing inequality; covariate shocks; increasing integration into cash economies and demographic transitions; and shifting values and norms.
- > **Formal social protection (FSP) has a unique and increasingly important role to play alongside ISP.** FSP can address shortcomings in ISP because it can distribute resources according to needs, rights and citizenship, without requiring reciprocation. FSP can also plug the holes in ISP and bolster ISP systems when they are under stress.
- > **Contrary to popular opinion, FSP does not generally crowd out local systems of support.** Where it does, this is not necessarily negative, as it may make ISP relations based on patronage and structural inequality less essential for the survival of the poor. Indeed, FSP can enable poor individuals to build their social capital and increase access to ISP networks.
- > **Not all FSP has a positive effect on ISP.** FSP's impact depends on its design and on social context. It can reinforce ISP the distribution of resources through FSP is fair and just according to local norms and values—as with many universal schemes. By contrast, many poverty-targeted programs have undermined ISP by creating stigma and social tensions.

This is a policy brief based on the DFAT report *Informal Social Protection: social relations and cash transfers*. The full report, including references, is available at [www.dfat.gov.au](http://www.dfat.gov.au)

### What is informal social protection and how is it different from formal social protection?

This study defines social protection as the set of public and private cash and in-kind transfers deemed necessary in a polity or society to smooth consumption and protect individuals from destitution. It identifies three broad categories of ISP:

1. *Sharing and helping between family, close kin and immediate neighbours* (often one and the same). This includes, for example, collecting water for a neighbour, borrowing small amounts of money or food, paying school fees or medical costs for a relative's child, or performing acts of caring in response to major events and crises.
2. *Informal cooperation and mutual assistance aimed at production and livelihood practices.* In South Asia and Africa, for example, this commonly includes practices of labour exchange, work parties, share cropping and even oxen sharing. Mamo notes that these practices among the Arsii in Ethiopia are generally negotiable, balanced and built on pooling endowments 'into a complete operational unit' (2013, p. 23). Rotating money pooling and rotating savings and credit associations, fall into this category, as do more asymmetrical reciprocal arrangements, such as patron – client relations.
3. *Largely kinship-based traditional solidarity events or rituals to support major life transitions and crises.* This includes funerals, weddings and baptisms. It also includes community-based associations formed for risk pooling around major life-course events, such as burial or funeral associations.

The literature makes two main distinctions between ISP and FSP, which require challenging. These are:

1. **FSP is guided by economic and social principles and ISP by religious and cultural principles, as well as community and family values.** This distinction ignores that ISP is embedded in social relations, which are, in turn, guided by social, cultural and religious principles, as well as community values and norms. ISP is guided by economic principles of exchange and redistribution that need to be understood in the context of the informal economy. Further, it is ahistoric and apolitical to suggest that FSP is not guided by social, religious and cultural principles, as well as community and family values.
2. **Unlike ISP, FSP has institutional arrangements, rules, regulations and accountability mechanisms.** Although ISP is not guided by formal legal regulations, it is indisputably characterised by complex, well-developed and sometimes highly formalised institutional arrangements.

Informal and FSP diverge in the type of institutional arrangements characterising each. FSP is characterised by citizen – state relations, while ISP is based on individual and collective arrangements that fall outside these systems. Institutional arrangements characterising ISP are personal and private. Whereas ISP is based on mutuality, FSP is only mutual to the extent it is based on the social contract between states and citizens. One caveat is that in many countries local social dynamics powerfully shape the delivery of ostensibly state-provided benefits—formal and informal are both competing and reinforcing systems.

## Why should policy makers and practitioners be interested in informal social protection?

Identifying and understanding ISP systems and examining the complementary linkages between formal and informal systems is essential to designing effective and sustainable social protection programs based on local capacity and social values. Understanding ISP is critical for four main reasons:

1. Because ISP does not protect everyone, nor everyone equally, **understanding how social relations work to exclude some, to include others on adverse terms, and to protect others is critical** to designing and implementing FSP policies and programs so they address asymmetrical and unequal relations that keep some people poor and excluded.
2. FSP policy intentions are filtered through local dynamics during implementation. **Understanding the values and norms underpinning ISP systems is critical in designing and implementing FSP systems that are locally acceptable and do not negatively affect social relations.** This includes understanding the concepts of mutuality and generosity underpinning reciprocal resource

sharing, as well as the values of communality and accountability underpinning redistributive resource sharing. Communities have distinct notions of justice, which include identifying those who deserve support. This affects how FSP benefits are received and perceived and, ultimately, how effective they are in addressing poverty and vulnerability.

3. **ISP systems are under stress and increasingly unable to protect the most vulnerable and those requiring support.** Four trends contribute to this:
  - > **Widespread poverty and growing inequality.** People have insufficient resources to maintain networks. This limits the effectiveness of reciprocity as a risk-pooling mechanism and can shift more egalitarian systems of ISP to systems characterised by patronage and asymmetry.
  - > **Covariate shocks.** When shocks affect all or most members of a relatively homogenous network, ISP is unlikely to be effective because community members are less able to help each other. This also means that the better off are more likely to withstand a covariate shock than the poor, as they have more resources at their disposal and incur a smaller erosion of their assets' status proportionately than the poor.
  - > **Monetisation, urbanisation and migration.** The rise of cash-based markets, rural – urban migration and urbanisation comprise significant drivers of change in ISP networks and structures. This includes a widening gap between those operating in the cash economy and those depending on traditional subsistence activities, most starkly characterised by urban migrants and their rural kin. Linked to transitions to a cash-based economy are demographic transitions. These transitions pressure informal inter-generational care arrangements because a smaller number of children will have to provide old-age support to a growing population of older people.
  - > **Shifting values and norms.** The incursion of other social philosophies is eroding traditional value systems. The values of obligation, reciprocity and redistribution that characterise flourishing systems of ISP can become patronage, cronyism and corruption when translated from village society to a modern economy. The rise of indebtedness and consumption borrowing is testimony to increasing vulnerability and shifting value systems. The two are indelibly linked.

These pressures make it even more important for FSP to be designed so it supports the strengths and addresses the weaknesses in informal systems of support.

## How can formal social protection be more sensitive to informal social protection?

If done well, FSP can support rather than undermine the positive aspects of ISP systems. FSP should be informed by a strong understanding of local ISP systems.

Robust social analysis enables policy makers to anticipate the policy choices and design features likely to disrupt supportive social relations or to reinforce them. It also enables policy makers and practitioners to anticipate the policies and programs most likely to address the weaknesses in ISP systems.

A number of design features can have an impact on social relations, including benefit value, length and regularity of provision, conditionality and targeting. The impact of conditions and targeting are the most debated and best documented.<sup>1</sup> This study focuses on targeting.

Social networks already support those seen as deserving based on local notions of fairness and justice. Because of this, categorically targeted programs, such as old age pensions, child grants and disability allowances, are often acceptable at local level. By contrast, poverty targeting is more likely to damage social networks by creating jealousy or stigma towards recipients and because recipients may perceive targeting methods as random and unfair. Indeed, international evidence suggests poverty targeting (both proxy means testing and community-based targeting) can cause conflicts when some people are chosen and others are not.<sup>2</sup>

Good social relations are a key asset of the poor. Serious reflection is needed on whether the benefits of poverty targeting outweigh the costs if damage is being done to social capital. Where FSP undermines social capital, ISP can be crowded out. In general, however, evidence suggests that new resources are additive and may prevent informal systems from breaking down. They can also help improve reciprocity in families and communities (Hofmann et al., 2008; Calder and Nakafeero 2012). In other words, it appears that it is poverty targeting—not transfers themselves—that undermines ISP.

Where societies are more equal and more egalitarian, and where poverty targeting is imposed, it is common to hear members exclaim: 'We are all poor here!' (Ellis 2012). In Malawi, for example, a community argued: 'We are one group of people therefore targeting some and leaving out others is not right.' (Mgomezulu 2008, p. 73). As a result of communal and egalitarian social norms, it is not uncommon for cash and in-kind transfers to simply be redistributed through social networks. This is attributed to the desire to maintain smooth intra-community relations (McCord 2013), which depend on normative behaviour.

## Conclusion

Contrary to what, in much of the literature, is being referred to as the breakdown of ISP, evidence suggests that ISP has never been adequate in providing sufficiently for all members of society. It has, however, been a critically important form of support for many. As ISP systems come under increasing stress, and FSP systems are introduced to new contexts, it is critical to better understand and learn from ISP systems and design FSP systems so they build on local systems' strengths and address their weaknesses.

**The full Social Protection Paper *Informal Social Protection*, including references, is available at [www.dfat.gov.au](http://www.dfat.gov.au)**

1 There is significant debate on whether conditions are empowering for women and enable them to challenge traditional gendered roles and responsibilities and increase their bargaining power within the household or disempowering which reinforces inequalities. Examples: Molyneux (2006); Luttrell and Moser (2004); Martinelli and Parker (2003); Adato and Mindek (2000); Kabeer (2008).

2 Cf. Adato (2000); Adato et al. (2000); Adato and Roopnaraine (2004); Hannigan (2010).