

Can Bangladesh become a welfare state?



A welfare state can boost economic advancement and enhance wellbeing for all. photo: Star

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The National Social Security Strategy approved by the Cabinet in 2015 points to a strong political commitment of Bangladesh to become a welfare state. The welfare state has potential to provide economic security, advance opportunities and ensure wellbeing for all and should, therefore, be of shared interest to citizens of different walks of life.

Welfare states come in different shapes, determined foremost by whether universal or selective policies are chosen. However, common to all is that the state as a provider of social

security assumes responsibility for guaranteeing a minimum level of welfare to its citizens. This happens to be the majority view in Bangladesh and it is also a mandate of the state as laid down in the country's Constitution. Poverty reduction has become a unifying moral issue in political discourse and culture. These are good starting points.

A welfare state is based on principles of public responsibility for those falling behind, with certain demands on scope and quality of the social security system. Setting standards for what it would take for Bangladesh to become a welfare state, the Core Diagnostic Instrument (CODI), recently developed by a consortium of global development agencies to assess effectiveness of national social security systems, could be useful. CODI assesses social protection systems against a bundle of core requirements.

The first requirement is inclusiveness: the system's capacity to protect all members of society along the lifecycle, with special consideration for the most vulnerable. This includes both social assistance, delivered without discrimination or gender barriers, and the economically active population being covered by contributory social insurance and labour market programmes. A welfare state offers social security from the cradle to the grave, and the new Bangladesh strategy is a step in that direction.

A second requirement looks at adequacy; whether benefits are regular, predictable and adequate to meet social protection needs of the population. Does the design of the system ensure distribution of resources in favour of the poor? Does it reduce poverty? Does it protect against risks and vulnerabilities? Is the combination of benefits and services to promote productive economic activity adequate and suitable for those in working age?

Other sets of indicators look at overall arrangements to respond to national needs. Appropriateness of the system requires a mix of programmes that complement each other and reflect socio-economic realities. Coordination and integration across programmes must be ensured through legal provisions and institutional arrangements. Further, mechanisms and procedures need to ensure coherence between social protection and other relevant sectors, such as health, education and employment.

Assessing the social protection system's responsiveness, CODI looks at flexibility in response to socio-economic crises. It is important that the population affected by disasters and shocks is included in emergency responses and that there are budget and implementation mechanisms in place to effectively respond to shocks, crises and socio-economic changes.

Respect for rights and dignity is crucial in delivery of social protection. CODI looks at social protection provisions as entitlements being anchored in law. This is a core principle of the welfare state. It is of paramount importance that people are well-informed about their benefit entitlements and that efficient and accessible complaint and appeal mechanisms are in place.

Crucially, CODI assesses governance and institutional capacity; the system's rules, regulations, responsibilities and implementation capacities. Strong governance is needed to enforce compliance with programme rules and to minimise errors and fraud in implementation. Institutional capacity requires adequate numbers of programme staff, being adequately trained to carry out their tasks.

Assessing financial and fiscal sustainability of the system, a first CODI test is whether a long-term vision of social protection and related financial commitments are clearly addressed in a social protection strategy. Bangladesh is in an advantageous position, having just developed and adopted a National Social Security Strategy which does exactly this.

A second test is whether social protection expenditures are fully financed from domestic resources. Compared with most developing countries, Bangladesh is doing very well here. Around 95 percent of the social protection budget is government-financed. The budget is clearly aligned with financing capacity. Still, current spending level is not sufficient for Bangladesh becoming a welfare state.

During the 6th Five-Year Plan, the targeted spending of three percent of gross domestic product (GDP) on social protection was never achieved. Actual spending during the plan period varied between two and 2.6 percent of GDP. Although this level of social protection spending is exactly where the Swedish welfare state boldly took off in the 1930s, it is but the beginning of the journey.

To be able to meet social protection entitlement demand in terms of population coverage and adequacy of benefit amounts received, the current level of spending probably has to be doubled, reaching at least four percent of GDP. Most of this would be tax-financed, which demands taxpayer motivation for increased spending. But the welfare state offers just that: the prospect that anyone falling on hard times is entitled to social security includes the taxpayer. The coinciding welfare interests of the poor and the tax-paying middle class forge the bonds of solidarity that underpin the welfare state.

Nevertheless, affordability and fiscal space considerations are challenges in realising the welfare state commitment. Can Bangladesh meet the CODI requirement of social protection financing being stable, reliable and progressive? The 7th Five-Year Plan expects strong competition for budgetary resources: an expected additional demand of 1.5 percent of GDP for social spending (social security, health and education) will be a major challenge, competing with other pressing demands.

Then again, social security is not only a fiscal burden for the state. It is equally an investment in people that pays off. The alternative of leaving poor and vulnerable people behind is even costlier for the national economy. A welfare state does not imply that disadvantaged people merely draw benefits. In a welfare state, they also contribute to economic growth and participate as equal citizens.

Social security consists of a range of policies, services and instruments that serve purposes related to vulnerability, risk and deprivation. Benefits of growth do not reach all and social security helps to make development more inclusive. Social security protects those who face hardship and prevents vulnerable people from sliding into poverty; it assists recovery from disasters and shocks; it promotes pathways out of poverty by cushioning risks. It builds human capital, confidence and empowerment; it creates cohesion in the social fabric; it invests in nation-building.

Looking at social security as a good investment in the interest of all citizens, can the commitment to make Bangladesh a welfare state be realised by 2030, the target year for achieving the Sustainable Development Goals? Or even by 2021 when the nation turns fifty? The window of opportunity is now, while Bangladesh still has the demographic dividend of a commanding share of working-age population to set it on foot.

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