

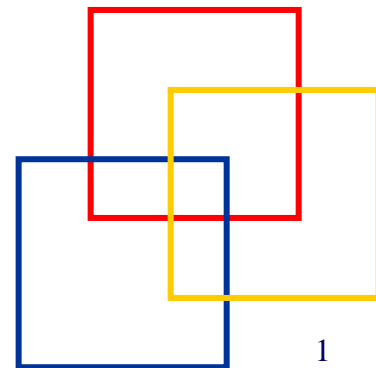


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Social security for all: Towards a social security floor

Michael Cichon

Social Security Department
International Labour Office
Geneva, 28 November 2007

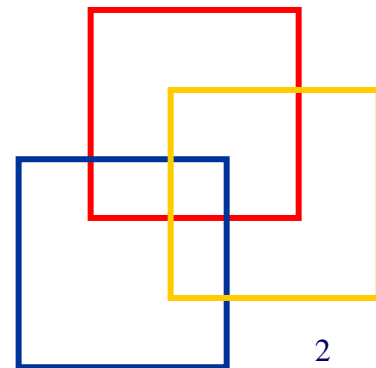




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“The world does not lack the resources to eradicate poverty, it lacks the right priorities.”

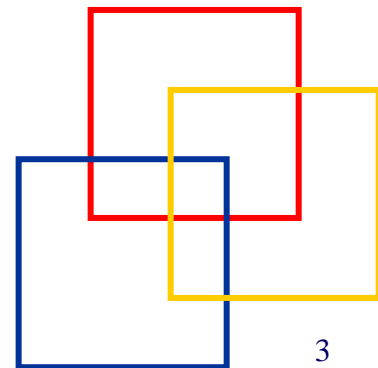
Juan Somavia, Director General of the ILO





Structure of the presentation

- **Point One:** The Policy challenge
- **Point Two:** Challenging the non-affordability myth
- **Point Three:** A quick cost benefit analysis of social security
- **Point Four:** A new social security development paradigm and a basic social security floor
- **Point Five:** Requirements for change

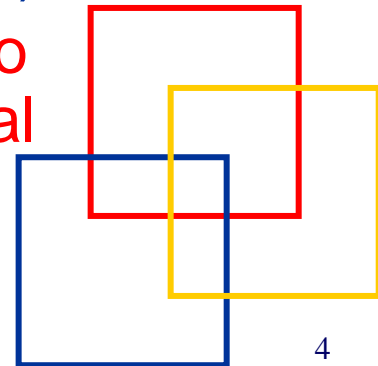




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Point One: The policy challenge

- 80% of people live in social insecurity, 20% in abject poverty, millions of children under age 5 die every year due to lack of access to health care and lack of income security
- Social security reduces poverty by at least 50% in almost all OECD countries
- Social security reduces income inequality by about 50% in many European countries
- Social security universally accepted human right (article 22, Universal Declaration of Human Rights)
- Hence social security transfers are a pivotal tool to combat poverty and social exclusion and yet social security is underutilized in national anti-poverty and development strategies

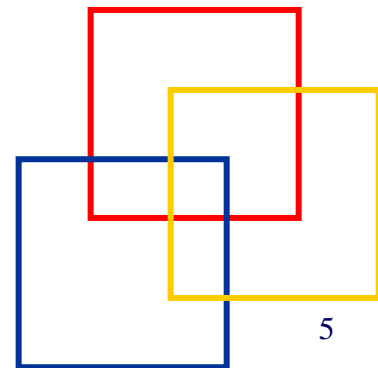




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Point One: ...social security is in disrepute even though...three old prejudices are myths

- There is no trade-off between economic performance and the level of social security, provided the social protection schemes are designed and managed well
- The trickle down effect (“the tide raises all boats”) of growth on poverty is a myth...
- ... and some level of social security is affordable at all stages of economic development **even for people in the informal economy**, as the new developments in Brazil, China and India (and ILO simulations) show

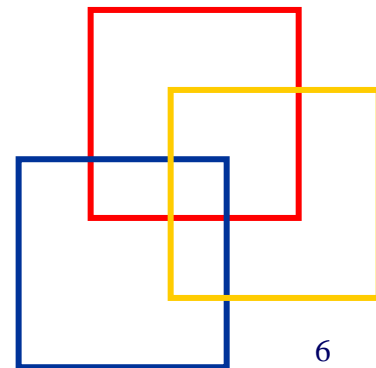




Point Two: Can low-income countries afford basic social security for all - including people in the informal economy?

Four ILO costing studies and one distribution study on a basic social protection package in selected developing countries

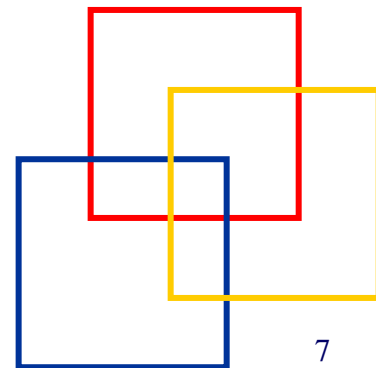
- Costing minimum benefit packages in seven low income countries in Africa (Pal et al. 2005)
- Costing minimum benefit packages in five countries in Asia (Mizunoya et al. 2006)
- Assessing the poverty effects in two low income African countries (Gassmann and Behrendt, 2006)
- Costing and poverty assessment for 10 countries in Latin America « Un Piso de Protección Social en América Latina », in progress





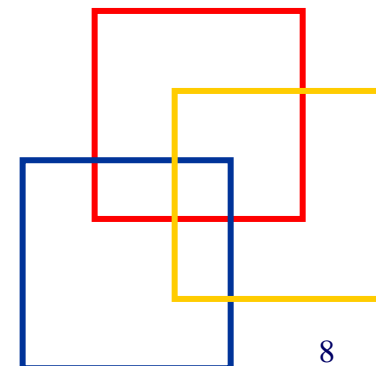
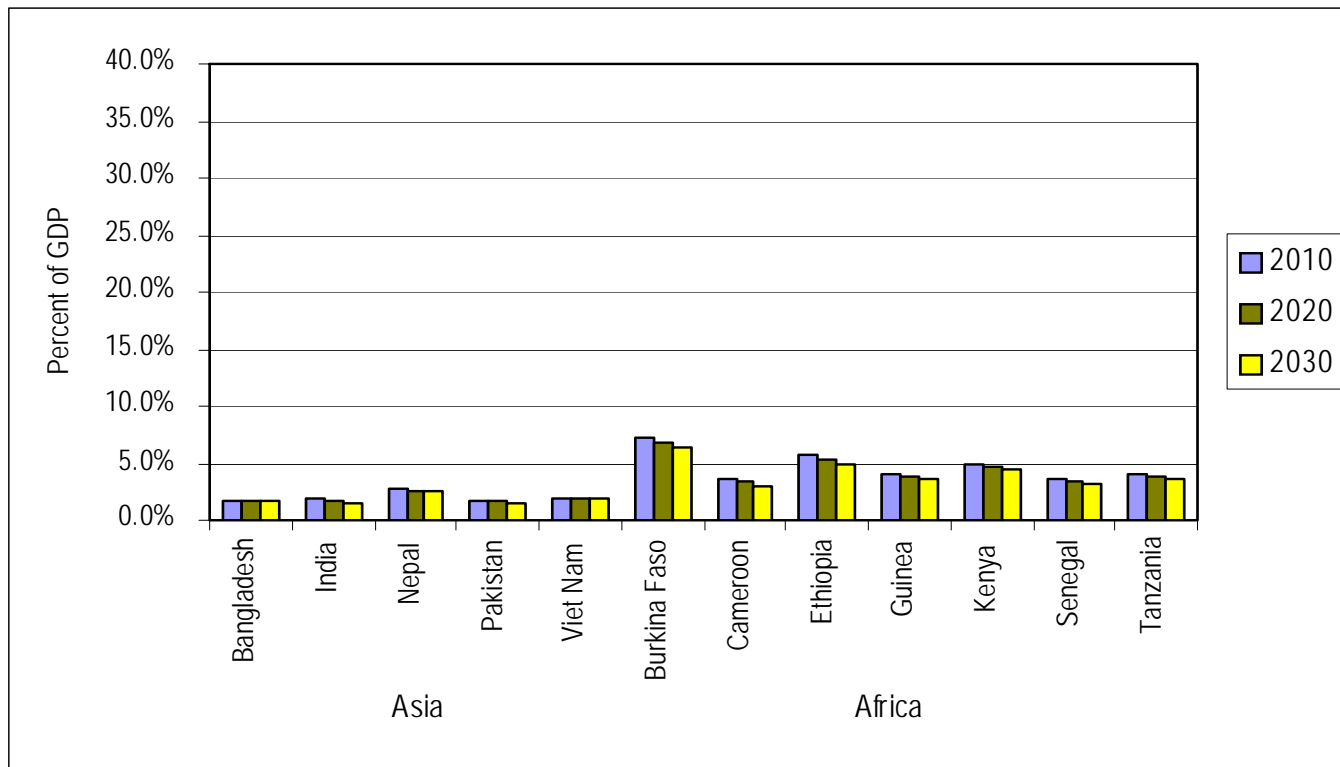
Benefit assumptions for calculations in Africa and Asia

- Basic old age and invalidity pensions:
 - Senegal/Tanzania: Benefit of 70% of food poverty line (poverty study)
 - 12 countries: Benefit of 30% of GDP per capita
- Child benefits:
 - Senegal/Tanzania: Benefit of 35% of food poverty line (half of a pension), paid to all children in school age (7-14) and orphans also below 7
 - Benefit of 15% of GDP per capita (half of pension), paid to all children up to the age of 14
- Essential health care: Annual per capita costs based on the health infrastructure level of Namibia and Thailand



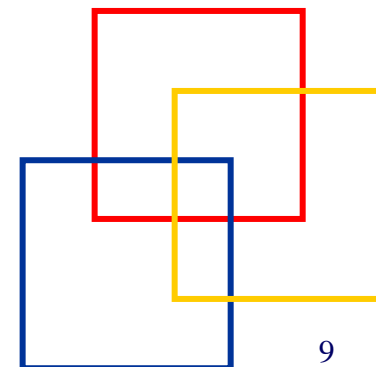
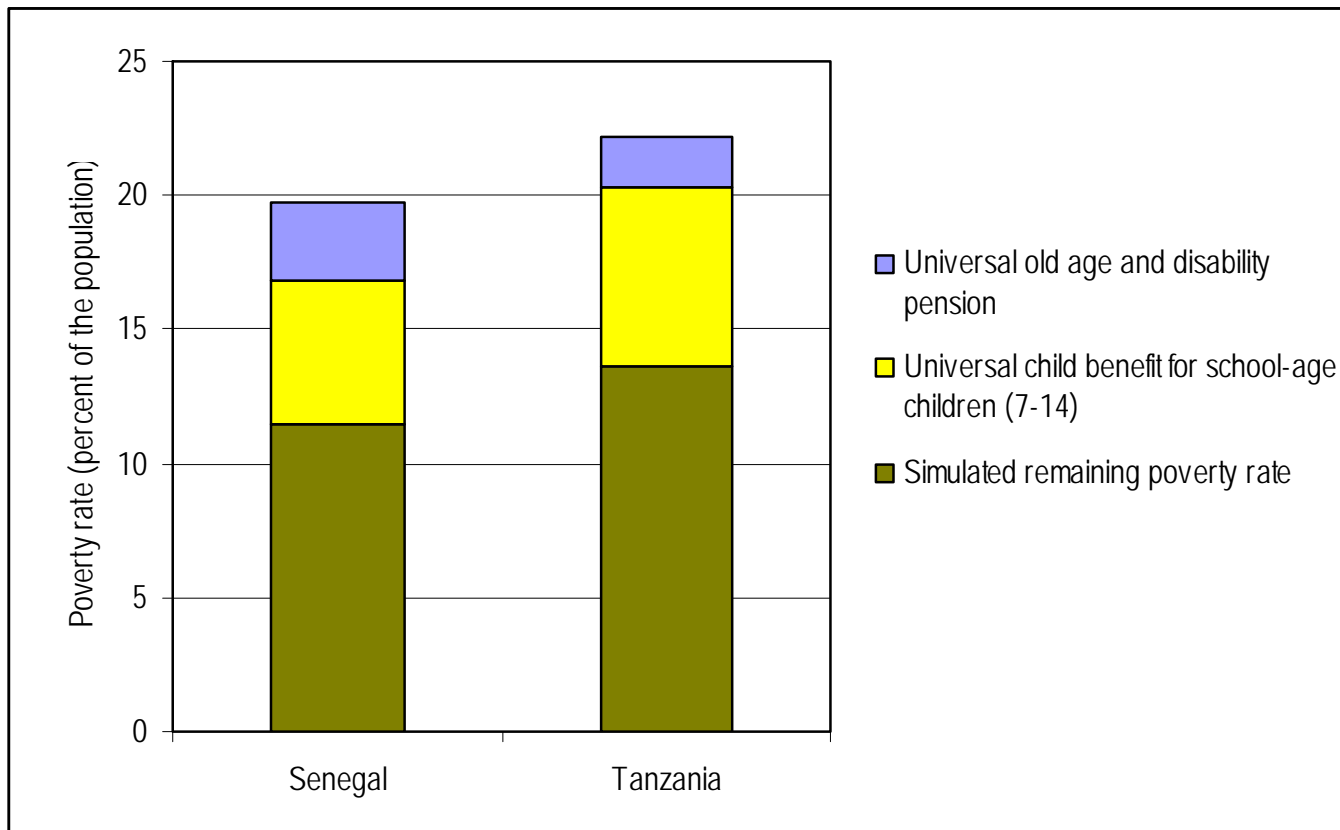


... a basic social protection package is affordable in developing countries:



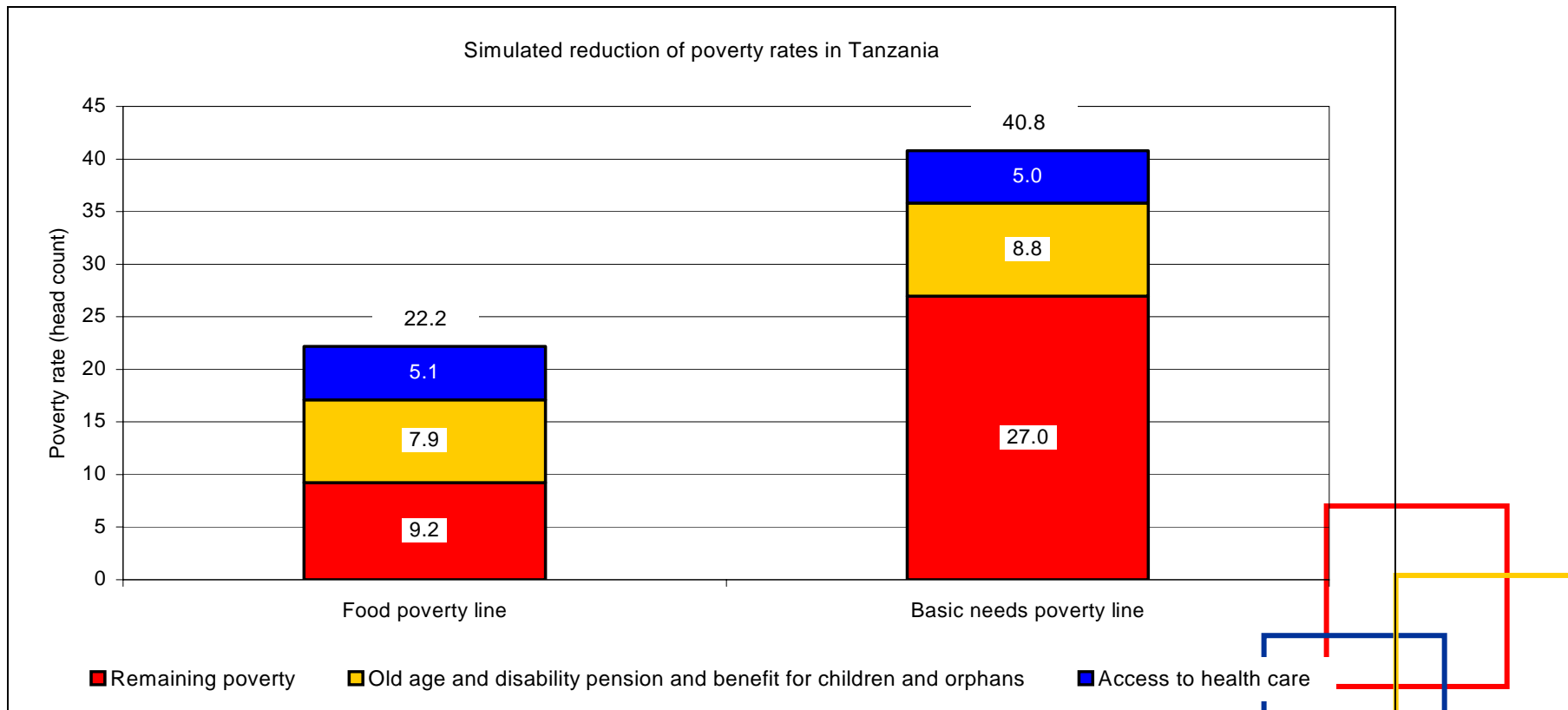


Point Three: The cost–benefit analysis: Estimated effect of cash transfers on reduction of poverty (headcount)



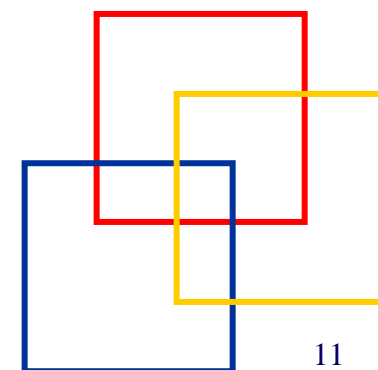
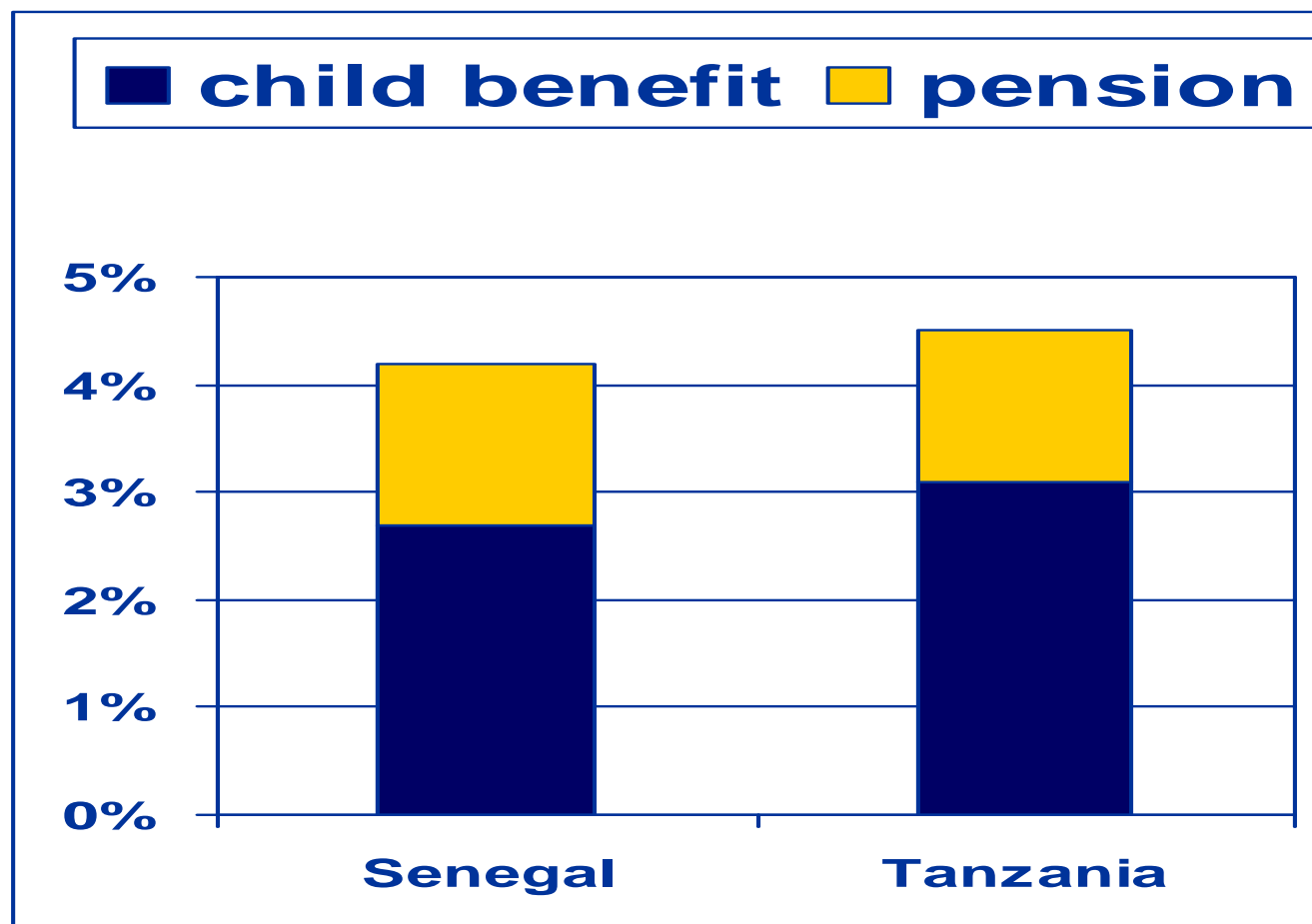


Estimated effect of a basic benefit package on poverty headcount : Tanzania





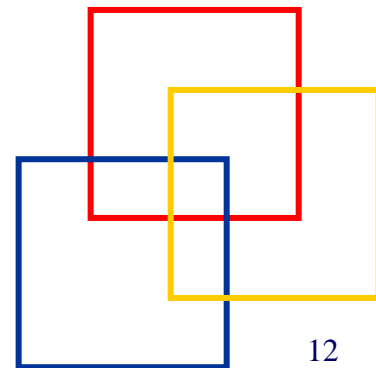
Assessing potential impact and costs of cash transfers in Senegal and Tanzania: Cost of benefit package as percentage of GDP





Point Four: Other relevant experience

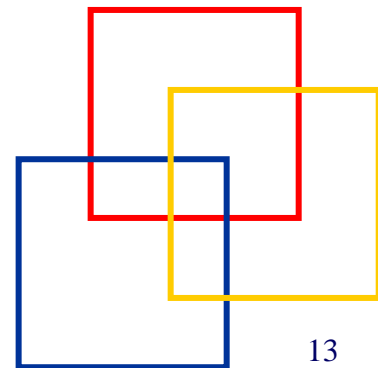
- The ILO study for Latin America shows that the cost of a modest package of conditional child cash transfers, universal pensions and basic health care can be kept under 5% of GDP; the poverty headcount effects can be reaching a reduction of more than 50%
- A GTZ-sponsored targeted cash transfer pilot in Zambia has shown that a scaled up social assistance to a national level is estimated to cost 0.5% of GDP.
- Universal pension schemes in Botswana, Brazil, Lesotho, Mauritius, Namibia, Nepal, and South Africa, cost between 0.2 and 2% of GDP.
- The old age grant in South Africa improved the well-being of older persons but also of other household members, namely children living in the household.
- The Mexican conditional cash transfer programme Progresa has shown positive effects on children's nutritional and health status and vaccinations and school enrolment.





... but what would a basic set of social security benefits really cost in a dynamic society...

- **Perhaps nothing**
- Assume there would only be a 10% increase of GDP due to productivity effects of basic transfers..,then they would pay for themselves as tax revenues increase with GDP levels
- **And that means countries can grow in equity...**



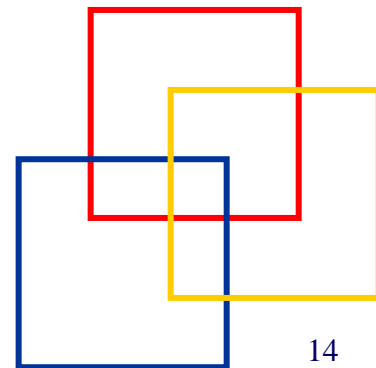


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Point Four: The new developmental policy paradigm of the Global Campaign

A “Universal but progressive” approach could mean:

- **Building progressively higher levels of protection**
- **Based on a basic floor of social security for all**

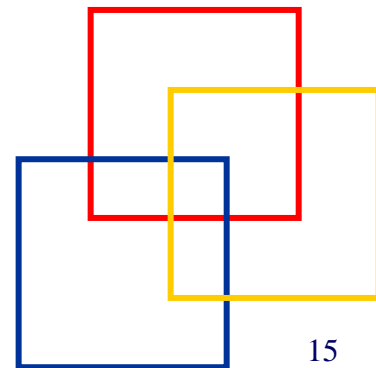




Point Five: A new pragmatic social security strategy

Suggested Principles for the campaign strategy

- **First:** Basic coverage for all, universal but not necessarily uniform coverage
- **Second:** Overall responsibility rests with the government but delivery can be shared with private sector and communities except in failing states...
- **Third:** Rights based ("everyone has a right to social security", Article 22 of the UN Declaration of Human Rights)
- **Fourth:** Accepting pluralism in organization and financing
- **Fifth:** Good tri-partite and financial governance

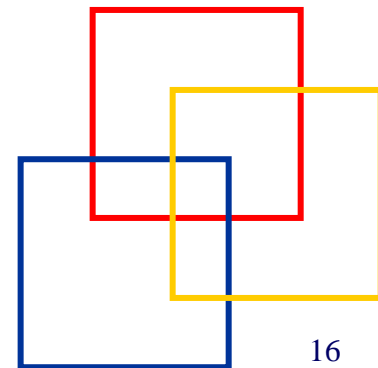




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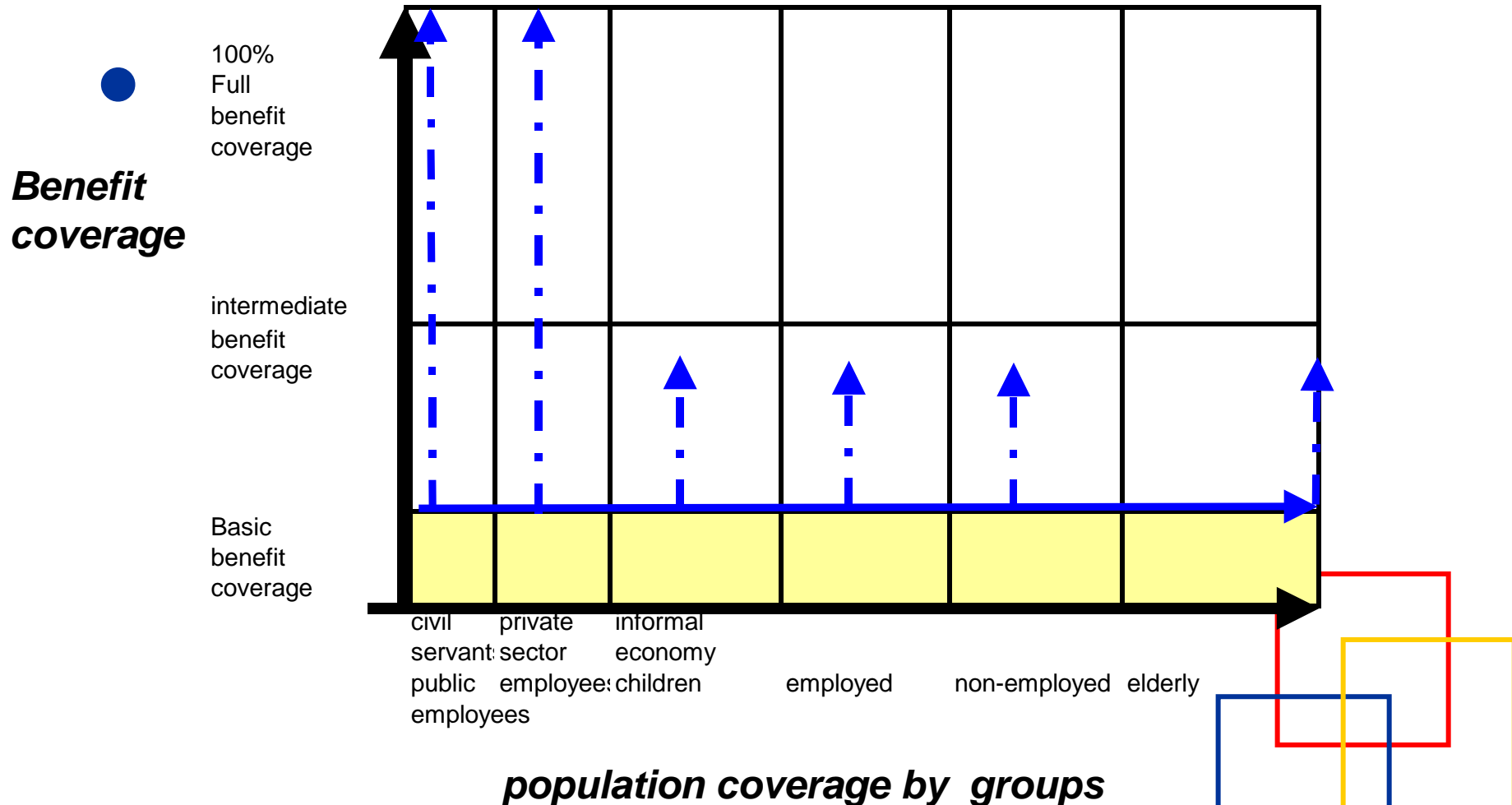
Towards a progressive development of social security starting with a floor that could be introduced gradually and consist of **four essential social security guarantees**:

- **Universal guarantee of access to basic health benefits**, through a set of sub-systems linked together: basically a public health service funded by taxes, social and private insurance and micro-insurance systems.
- **Guaranteed income security for all children through family/child benefits** aimed to facilitate access to basic social services: education, health, housing
- **Guaranteed access to basic means tested/self targeting social assistance** for the poor and unemployed in active age groups
- **Guaranteed income security** for people in old age, invalidity and survivors through basic pensions.



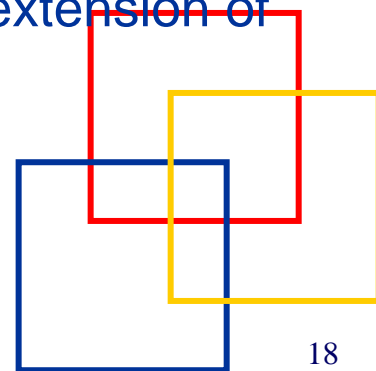


...towards progressive universalism



What can you do to help to develop the concept? Talk to us: Use the Social Security Department Internet platform on the global extension of social security

- Multi-service tool available to all actors in the field of social security extension
- Provides access to information and knowledge in the field of social security extension
- Enables the exchange of experiences, advocacy, innovation, field research and experimentation, the design and implementation of initiatives, national strategies, and plans of action for the extension of social security (ASSAPs)
- Allows online distance collaboration
- Provides access to technical assistance and training



The Social Security Department Internet platform system on the global extension of social security ... and its components



A dynamic platform connecting micro insurance actors for the extension of social security

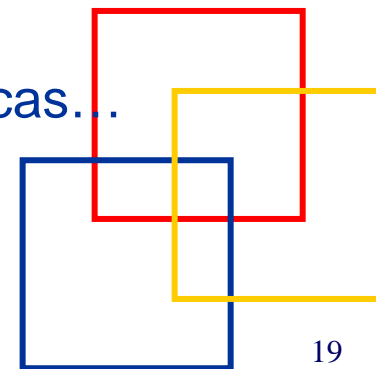


A community tool and resources centre to strengthen practitioners' capacity to design and implement actions and policies to fight social exclusion

...**Soon**

A distance learning campus for the financing of social security in the Americas...

... and probably for Africa





Point Five: What do we need...

- **An international consensus** to be achieved by the ILO campaign on the new development paradigm: Growing with equity
- **More experience** with national implementation processes of basic benefits packages; this is what we are just testing in Tanzania, Zambia and Vietnam with DFID financing, or through STEP in Senegal etc.
- **National capacities** should be strengthened in :
 - Social security needs analysis, design and financial planning and management
- And ideally an **international instrument** (Convention?) on the basic social security guarantees (the floor) that concretises the human right to social security, and
 - that sets the social rules in the globalising economy and
 - defines a moral right for which national and international pressure groups can campaign...

