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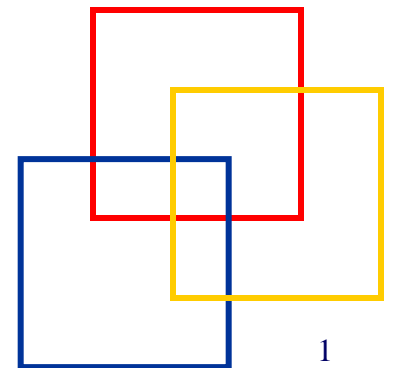
# Social Security for all:

The ILO's global perspective on  
Economic and Social Development  
and the Right to Social Security

Michael Cichon

and the social security team of the  
International Labour Office  
New Delhi, 19 May 2008

The ILO Global Campaign to extend Social Security to all



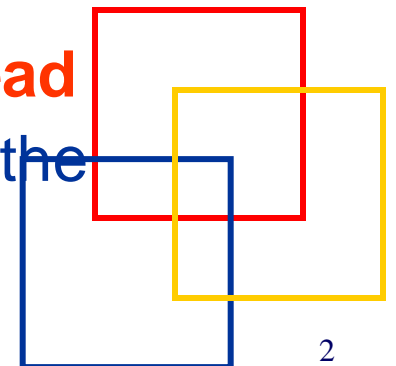


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## Structure of the presentation

- **Point One:** The history and state of Social Security in Asia
- **Point Two:** The case for social security in development policy
  - Social security is a Human Right
  - Social security is a social necessity
  - Social security is an economic necessity
  - Social security is fiscally affordable
- **Point Three: The new policy paradigm for the ILO Campaign**
- **Point Four: What do we need to move ahead**
- **Point Five:** What the ILO can do to support the region...

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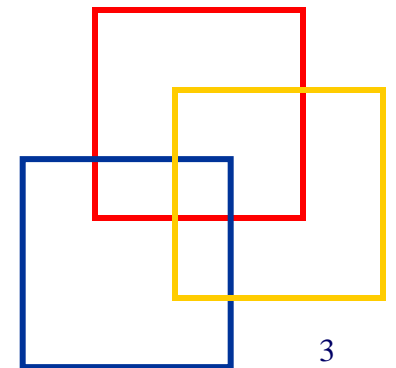


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## Point One: History and state: developments...

- Most social security programmes started in the regions after the WW II:
  - 2 countries around 1900 up to 1939 (Australia, NZ)
  - 11 countries (including China, India) between 1940 and 1959
  - 8 countries between 1960 and 1979 (including Pakistan)
  - 3 countries between 1980 and 1999 (including Thailand)
- The ILO has provided support to 19 countries since 1958 – half a century ...

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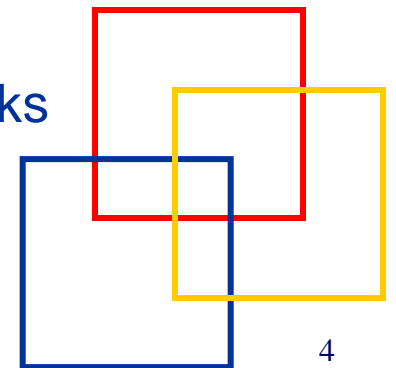




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## Point One: History and state: challenges: the coverage gap and governance issues...

- Population benefit coverage (non-health) in most countries except Australia, NZ, Japan and Korea incomplete; most workers in the informal economy remain uncovered
- Health protection coverage ranging between 11-15% and 100 percent, China and India are taking a big step ahead...
- Benefit coverage (based on the contingencies listed in ILO conventions No. 102) shows gaps in non-pension benefits (such as non-fault accident insurance and unemployment) and social assistance for the poor
- Governance and design issues: Benefit systems might not be ideally designed to cope with certain risks

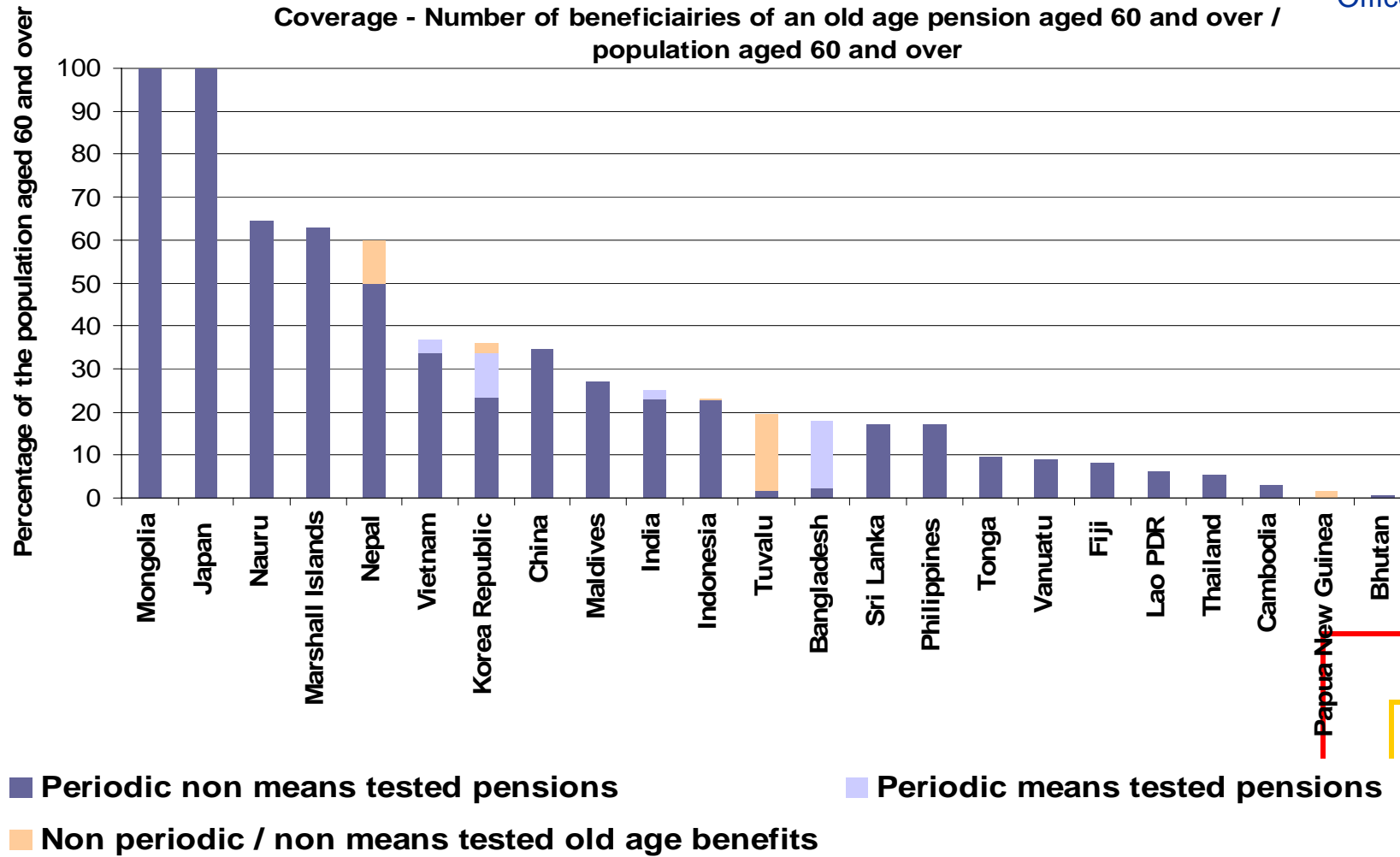


# Old age pension beneficiaries – Selection of Asian countries



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Coverage - Number of beneficiaries of an old age pension aged 60 and over / population aged 60 and over



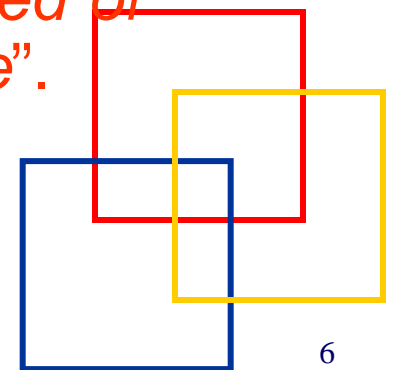
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## **Point Two:** The case for social security in development policies: Social security is a human right

- Article 22 of the Universal Declaration of Human Rights states: “**Everyone, as a member of society, has the right to social security**”
- *Article 25: ...Everyone has the right to a standard of living adequate for health and well being for himself and of his family...*
- The ILO’s Declaration of Philadelphia charged the ILO with “.... *the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care*”.
- Even after almost 60 years that still remains a dream for 80 per cent of the global population.

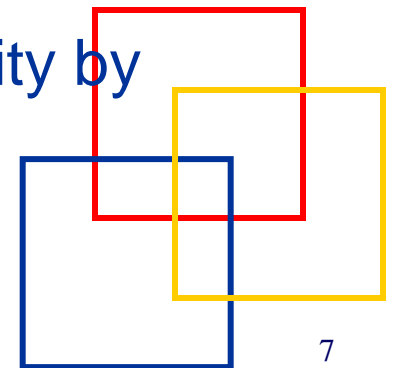




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## Point Two: Social security is a social necessity

- 80% of people live in social insecurity, 20% in abject poverty, more than 5 million children die every year under age 5 due to lack of access to health care and lack of income security
- Economic growth does not automatically reduce poverty
- Social security transfers reduce poverty by at least 50% in almost all OECD countries
- Social security transfers reduce income inequality by about 50% in many European countries



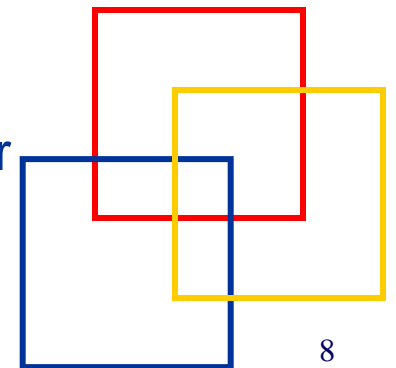


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## Point Two: ...social security is an economic necessity...

- Economies cannot develop and grow without a productive workforce. In order to unlock a country's full growth potential one has to fight social exclusion, ignorance, unemployability...
- It is social transfers that most directly and most effectively reach out to the excluded and the poor and those who have to adapt to economic change ...
- Access to social health protection improves productivity levels
- Social transfers cushion the effects of economic downturns on domestic demand
- Cash transfers in developing countries have multiplier effects on local markets

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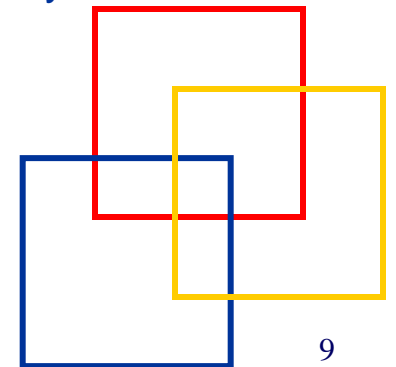




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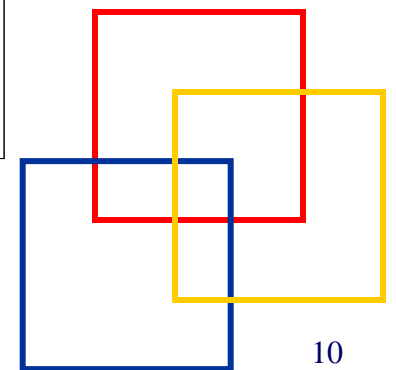
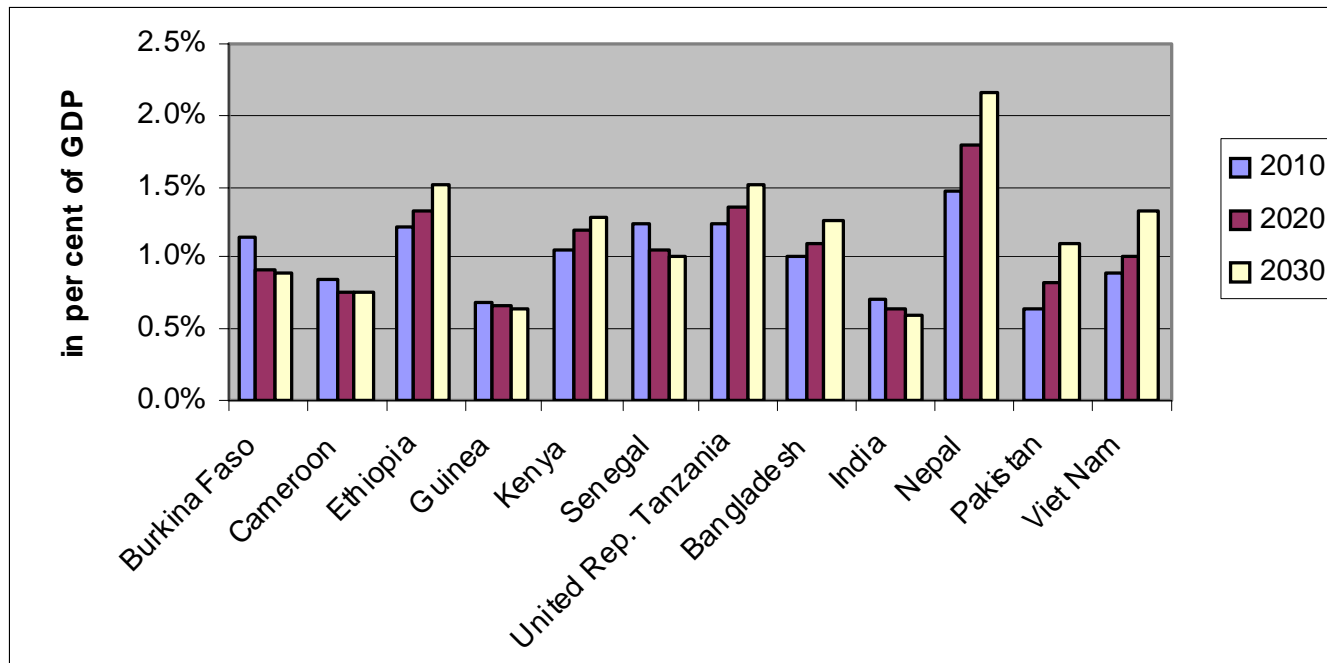
## Point Two: Social security is affordable: A simulation exercise – Assumptions

- **Basic old age and invalidity pensions:**
  - 30% of per capita GDP capped at US\$ 1 PPP per day
- **Child benefits:**
  - 15% of per capita GDP capped at US\$ 0.50 PPP, for a max. of two children in age barcket 0-14
- **Essential health care:**
  - based on an health system staffing ratio of 300 medical professional per 100,000 population, overhead 67% of staff cost ...
- **Basic social assistance for the unemployed:**
  - 100 day guaranteed employment paid by 30 of per capita daily GDP to 10% of the population
- **Administration cost:**
  - 15% of cash benefit expenditure



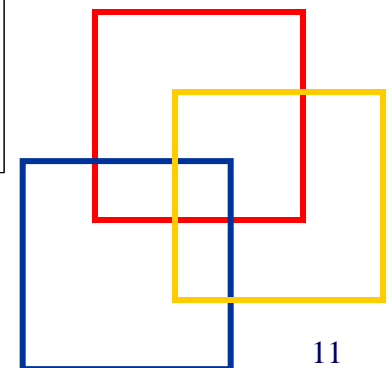
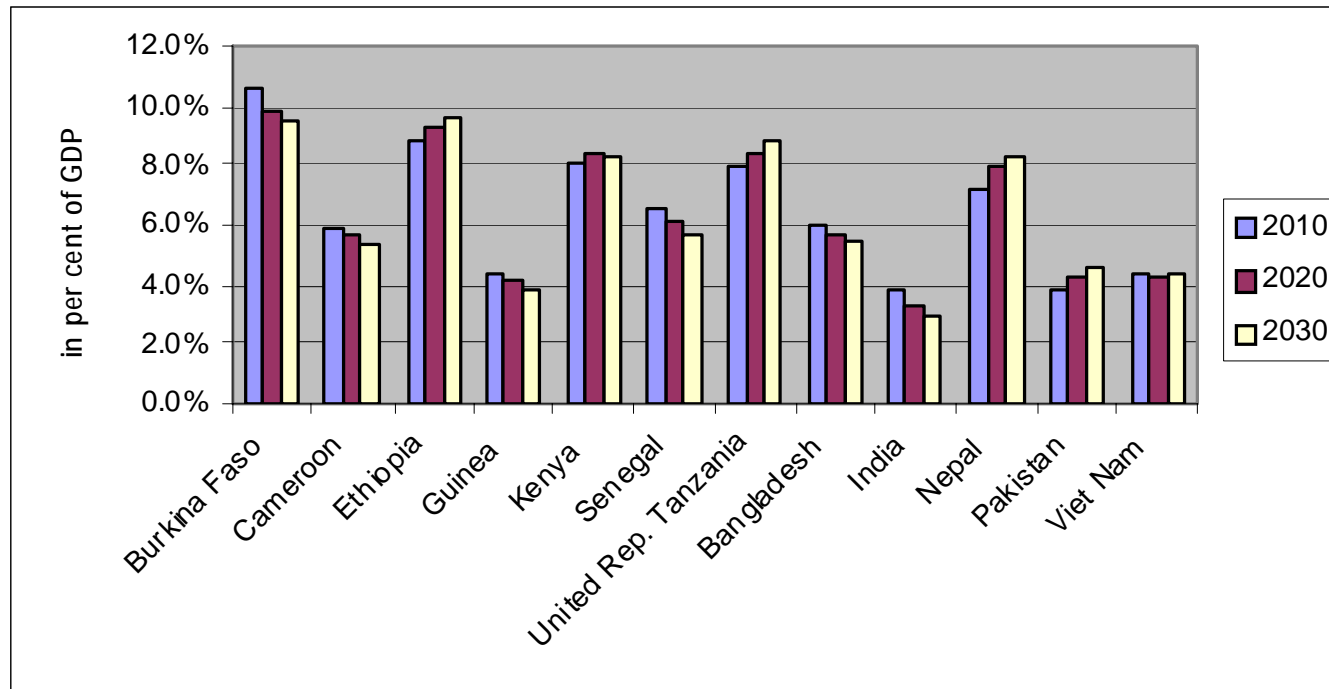


## Point Two:... cost of universal pensions



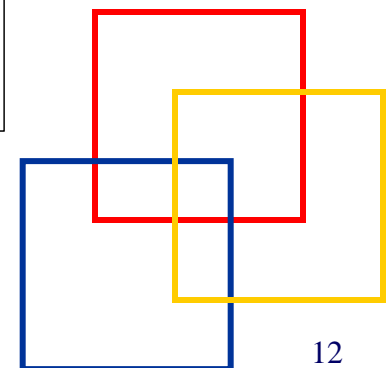
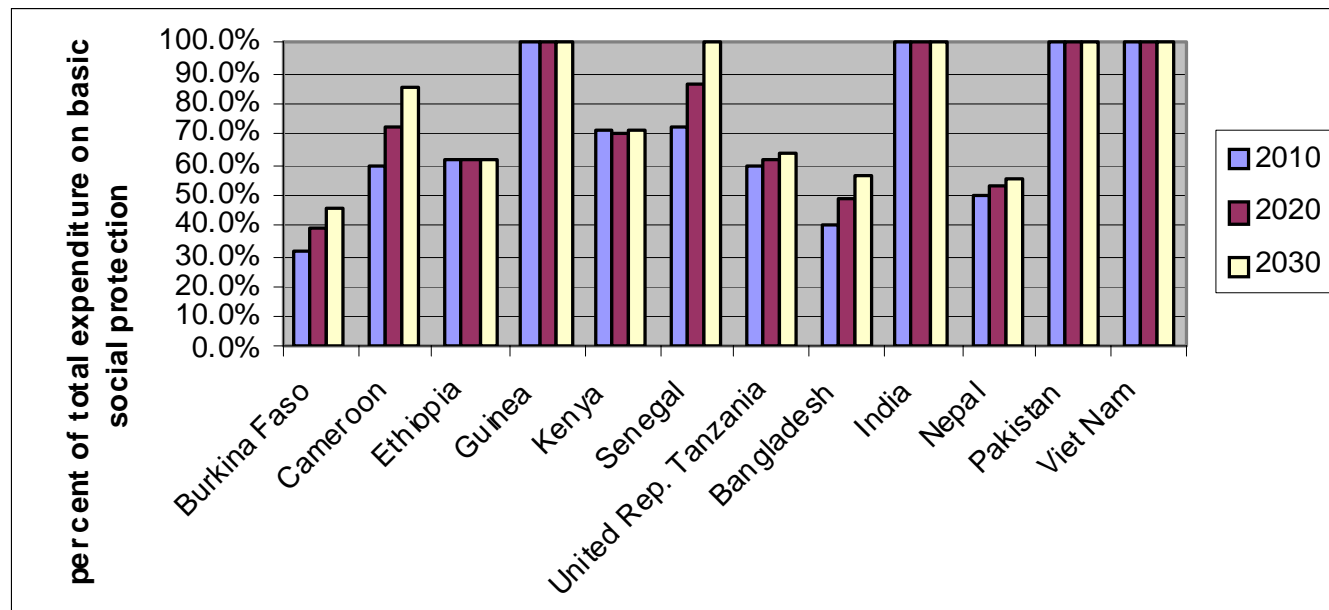


# Point Four:... a basic social protection package is affordable: cost of all basic benefit package components





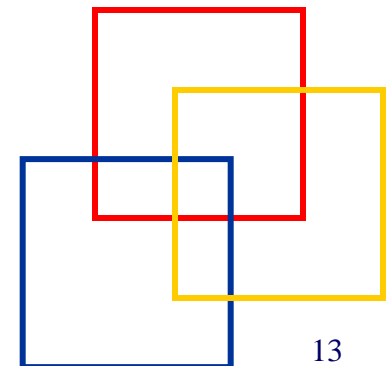
## Point Two:... share of total cost that can be covered by domestic resources





# Point Two: Social security is affordable – Possible financing – here Nepal

ITEM		in % of GDP
<b>Gross cost of social security floor</b>		<b>6.9</b>
Universal pensions		1.2
Basic health		1.5
soc assistance		0.6
Child benefit		2.9
admin		0.7
<b>Financing</b>		<b>6.2</b>
present expen on basic benefits		1.4
Increase tax on goods and services	2.6%-points	1.0
Increase in incomes tax revenues	10%	0.2
health insurance		1.5
reduction of child benefits		1.5
reduction of basic pensions		0.4
Reduction in admin		0.3
<b>Deficit</b>		<b>0.7</b>
Increase in Tax to GDP ratio		2.6
From 14.1 to 16.7		



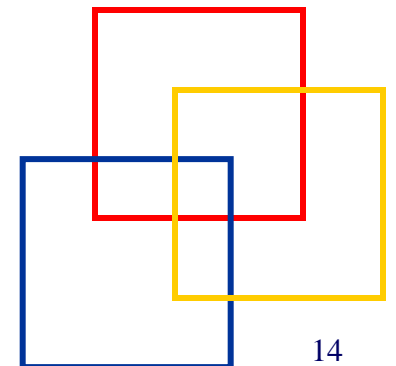


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## Point Two: Social security is affordable

- A basic package of modest pensions and child benefits can reduce the poverty head count by 40 per cent in poor developing countries at a cost of 3-4 per cent of GDP.
- In Latin America 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 reach a reduction of more than 50%
- The famous trade-off between and equity is a myth...
- Investing in a basic set of social security benefits early might actually cost nothing, as modest schemes should pay for themselves by productivity increases that they can trigger...

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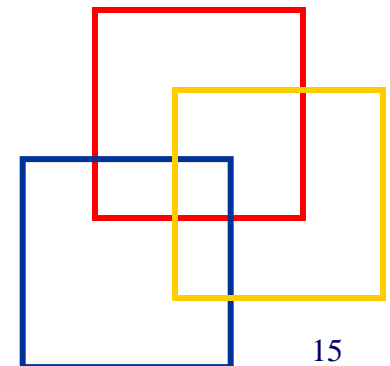




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## Point Two: Prevalence of basic cash transfer schemes

Type of cash transfers	Countries	Number
<b>Unconditional</b>		
Household income support	Chile, China Indonesia, Mozambique, Pakistan, Zambia	6
social pensions	Argentina, Bolivia, Bangladesh, Brazil, Botswana Chile, Costa Rica, India, Lesotho, Mauritius, Namibia Nepal, Samoa, South Africa, Uruguay	15
Child/family benefits	Mozambique, South Africa	2
<b>Conditional</b>		
Cash for work	Argentina, Ethiopia, India, Korea, Malawi, South Africa	6
Cash for Human Development	Bangladesh, Brazil, Colombia, Ecuador Honduras, Jamaica, Mexico, Nicaragua	8



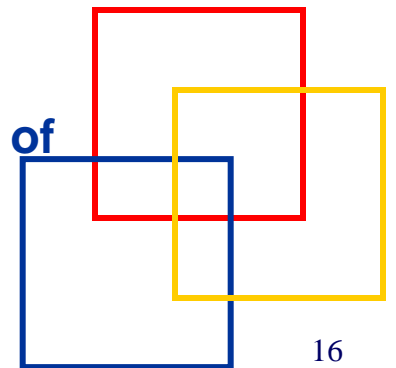
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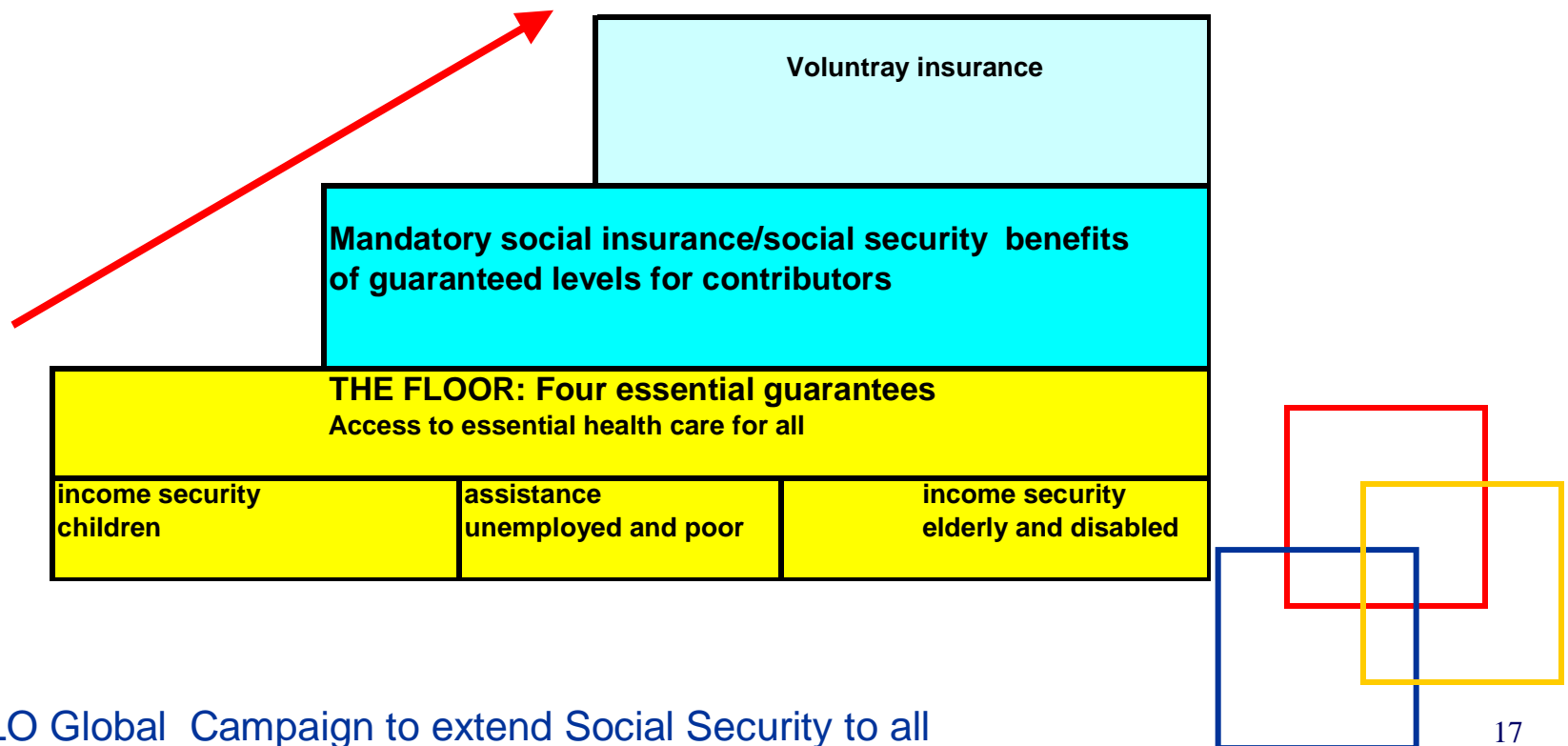
## **Point Three:** The new developmental policy paradigm of the Global Campaign

- Following a mandate of the International Labour Conference in 2001, the ILO launched in 2003 a Global Campaign to extend social security to all.
- The basic “philosophy” of the campaign is a “Universal but Progressive” approach that ensures:
  - **Building progressively higher levels of protection**
  - **Based on a basic social security floor for all**
  - **and seeking to ensure social outcomes rather than advocating specific processes and specific types of organizations...**





# The social security staircase

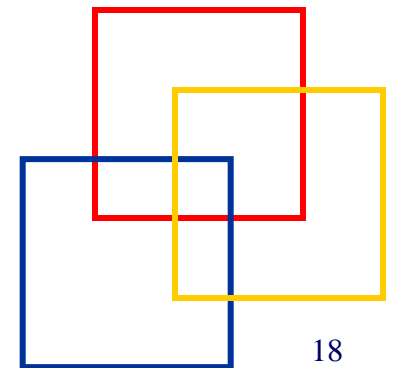




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## Point Three: ...building on a floor that could consist of four essential social security guarantees:

- 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.

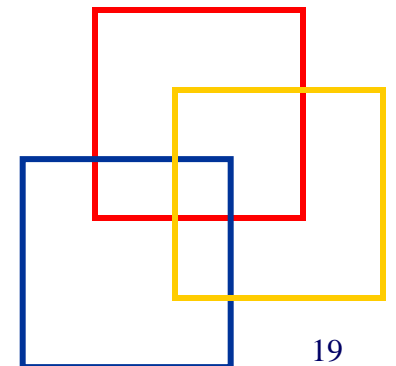




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## Point Three: ... and at the same time aiming at

- Higher levels of security should be designed by national tripartite consultations and consensus, for increasing groups as economies develop...
- but focussing on **social outcomes rather than on process**, i.e. each country should define its own solutions when closing the coverage gap through social insurance, social assistance, micro-systems, universal schemes or combinations thereof... but
- we would insist on 10 elementary principles...

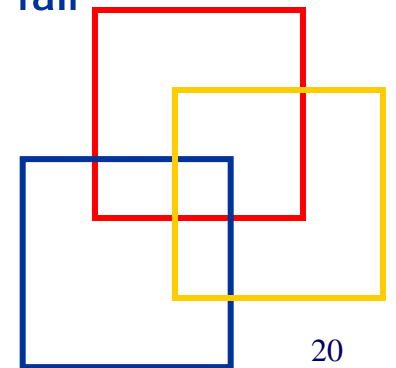




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## Point Three: ... conditional on 10 basic principles

- (1) **Universal coverage:** ... minimum level of income protection and access to essential health care for all residents.
- (2) **Benefits as of rights:** benefits as of predictable rights as a resident and /or as of right as a contributor.
- (3) **Protection against poverty:** the system should protect all people against poverty.
- (4) **Income security:** benefit levels should have reliable minimum levels as stipulated in ILO Convention No. 102.
- (5) **Actuarial equivalence of contributions and benefit levels:** fair relationship between contributions and benefits.

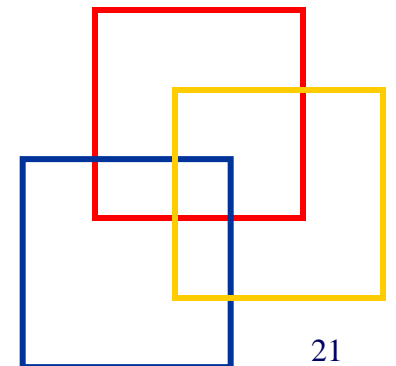




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## Point Three: ... conditional on 10 basic principles

- (6) **Guarantee a minimum rate of return on savings:** the real value of contributions paid into savings schemes should be protected.
- (7) **Gender fairness:** benefit provisions should be gender-neutral and gender-fair.
- (8) **Sound financing:** schemes should be financed in such a way as to avoid uncertainty.
- (9) **Fiscal responsibility:** individual schemes should not crowd out the fiscal space for other social benefits.
- (10) **State responsibility and good governance:** the State should remain the ultimate guarantor, social partners should participate in the governance of social security.





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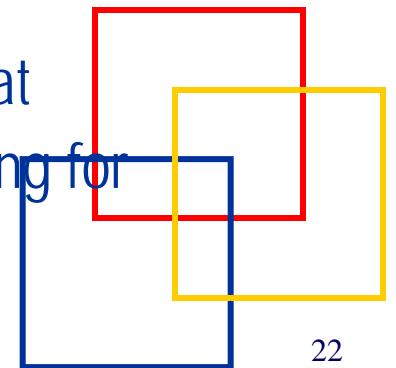
## Point Four: What do we have?

- Existing social security Conventions, and in particular C. 102
  - embody an internationally accepted definition of social security,
  - have substantial influence at international, regional and national level
- But:
  - *fall short of providing universal access to a basic benefit package*

## What do we need?

- A new mechanism
  - supporting *universal access to basic benefits* to combat poverty as fast as possible and progressively providing for *more comprehensive social security protection*

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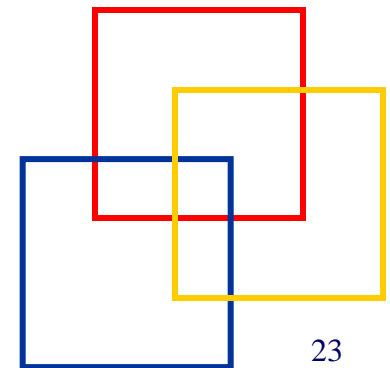


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## **Point Five:** What the ILO can do to support the region...

Essentially probably four things:

- (a) **Set and promote international instruments** that define minimum benefits for certain stages of development, that can then be used to promote the development of national social security systems
- (b) **Help to develop and implement national action plans** for social security (in the context of Decent Work Country programmes) that draw up a credible and pragmatic roadmap for the achievement of decent social security outcomes through regional advisory services
- (c) Intensify **capacity building and knowledge dissemination activities** in the region
- (d) Help to develop a tool for voluntary **monitoring of progress**



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