

**First ILO World Social Security Report:  
Social security plays critical role in times of crisis, but still eludes much of the world**

Beirut (ILO News) – A new report by the International Labour Office (ILO) says that while social security measures have played a critical role in reducing the social impact of economic crises both now and in the past, basic social security coverage remains out of reach for most of the world, especially in low-income countries.

The “World Social Security Report 2010-2011: *Providing coverage in times of crisis and beyond*” – the first in a series to be published every two years – also examines the gaps in access to social security programmes in areas such as health care, pensions, social assistance, and unemployment benefits. It also finds that most of world’s working age population and their families lack effective access to comprehensive social protection systems.

“The current crisis has highlighted the importance of having a minimum set of social security benefits for all in place,” says ILO Director-General Juan Somavia. “This is why we advocate for social security and a global social protection floor. This report shows that building adequate social protection for all, drawing on a basic social protection floor, as called for by the ILO Global Jobs Pact, is now more urgent than ever”.

The report says that social security plays an important role in times of crisis, including the current one, as an “irreplaceable economic, social and political stabilizer” that provides income replacement and helps stabilize aggregate demand, without negatively effecting economic growth.

However, the ILO study also warns that cutting social security due to fiscal consolidation aimed at coping with increased deficits and public debt “may not only directly affect social security beneficiaries and consequently the standards of living of a large portion of the population but also, through aggregate demand affects, slow down or significantly delay a full economic recovery”.

Among its main findings:

- Taking into account those who are not economically active, it is estimated that only about 20 per cent of the world’s working age population and their families have effective access to comprehensive social protection systems.
- On average, 17.2 per cent of global GDP is allocated to social security. However, these expenditures are concentrated in higher-income countries.
- Worldwide, nearly 40 per cent of the population of working age is *legally* covered by contributory old-age pension schemes. In North America and Europe, this number is nearly double, while in Africa less than one-third of the working-age population is covered even by legislation. Effective coverage is significantly lower than legal coverage. In sub-Saharan Africa, only 5 per cent of the working-age population is effectively covered by contributory programmes, while this share is about 20 per cent in Asia, the Middle East and North Africa.
- In high income countries, 75 per cent of people aged 65 or over are receiving some kind of pension while in low-income countries less than 20 per cent of the elderly receive pension benefits.
- Statutory unemployment social security schemes exist only in 42 per cent of the 184 countries covered by the report, often covering only a minority of their labour force.

- In the OECD countries, private financial sources constitute on average one fifth of retirement incomes but they are over 40 per cent in five countries: Australia, Canada, the Netherlands, the United Kingdom and the United States. On the other end, there are less than 5 per cent in Austria, the Czech Republic, Hungary, Poland and Slovakia.
- Less than 30 per cent of the global working-age population is legally covered by insurance for workplace accident and employment-related diseases. However, there are large regional differences in legal coverage.
- In low income countries, no more than 35 per cent of women in rural areas have access to professional health services, while in urban areas the access rate rise to about 70 per cent. However, this is still more than 20 percentage points lower than the access in high-income countries.

The study also concludes that well-designed unemployment schemes, social assistance and public works programmes effectively prevent long-term unemployment and help shorten recovery from economic recession. The report says unemployment insurance schemes were the most common type of social protection measures used to respond to the crisis. However, only 64 out of 184 countries for which information is available had such unemployment schemes in place when it started.

The report shows that in high-income countries the most common response to the economic crisis has been to modify existing unemployment schemes. In middle-income countries, the general response has been the extension of public employment schemes (for example in the Philippines) as well as cash transfer schemes such as the Bolsa Familia in Brasil, the Oportunidades in Mexico, the social grant system in South Africa or universal pension schemes in countries such as Namibia and Nepal.

“Non-contributory social protection provides an opportunity not only to alleviate poverty but also to fill a large part of the sizeable existing gaps shown in this report”, says Michael Cichon, Director of the ILO Social Security Department. “Meanwhile, even if there is a strong correlation between income levels and amounts of resources allocated to social security, there is still fiscal and policy space for lower-income countries to decide on the size and type of their social security system”.

Finally, the report says social security schemes need to adapt to lessons learned from economic crises and various criteria such as increasing life expectancy and keeping adequate income security. “The crisis and the consequential losses in pension reserves clearly demonstrated the vulnerability of pension levels, and hence old-age income security, to the performance of capital markets and other economic fluctuations”, the report says.

In addition to the World Social Security Report 2010-2011, the ILO has also issued a new publication: “Extending Social Security to All: A guide through challenges and options”. The 140 page-parallel study provides the policy framework for establishing adequate social security for all as well as an analytical synthesis of recent policies in this field around the world. It also concludes that – since effectively extending social security to the population in need brings positive social and economic impacts – some level of social security can be afforded anywhere assuming political will is in place.