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Discussion paper 16

Social security for all:
Investing in global social and economic development

A consultation

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Global Campaign on Social Security and Coverage for All

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Preface and acknowledgements

In 2005 the Social Security Department of the ILO embarked on the process of substantial reorganization and integration of various social security activities conducted by separate units over the preceding five years.

Integration has to be built around a joint coherent policy vision of the Department; and building such a policy vision requires debate. This process started a year ago and this paper is a report on the interim results of that debate. This publication is a contribution to the assignment that the International Labour Conference bestowed on the International Labour Office, i.e. to launch a major campaign for the extension of social security to all. For us in the Department, this ambitious mandate determines all our activities. The discussion on the concrete ways to achieve social security for all will continue.

This paper is thus of a consultative nature. We hope that it is the beginning of a wider debate between social security stakeholders, researchers, practitioners and decision-makers as to how to provide some form of social security to the majority of the world's populations and to ensure that the human right to social security (article 22 of the United Nations Declaration of Human Rights) can be made a reality in the shortest possible time. In the course of that debate we shall almost certainly have to modify our views, but we hope that the basic approach that underpins our thinking – i.e. a rights-based approach that advocates universal access to social security – is flexible and open enough to achieve a wide consensus on the two central objectives of social security: poverty alleviation and the granting to all people of the opportunity to live their lives in the absence of debilitating material insecurity.

Many people contributed to the paper – either by drafting major parts of the paper, or providing comments in writing or orally during various meetings. Equally important has been the support by Department staff and colleagues through their practical and conceptual work for the Department or as social security specialists in the field; through research on various topics; or through work carried out in the context of the 30 or more technical cooperation projects in various parts of the world that the Department conducts at any point in time. All this experience has helped us draw the policy conclusions presented in this paper. Central messages have been aired in various forums within and outside the ILO, in meetings with ILO stakeholders and donor agencies during the last 12 months, as well as most prominently in the context of the Director General's Report to the 95th Session of the International Labour Conference in 2006, *Changing patterns in the world of work*.

This paper was made possible by inputs, contributions and feedback provided on all or parts of the paper by the people listed below, members of the Social Security Department of the ILO, our colleagues in the field and a number of friends working in other agencies: Bernard Andre; Pascal Annycke; Margaret Antosik; Clive Bailey; Sandrine Baronetti; Pauline Barrett-Reid; Christina Behrendt; Fabio Bertranou; Guy Bezou; Michele Bhunnoo; Gylles Binet; Christine Bockstal; Florence Bonnet; Irène Brown; Ana Teresa Carrion Chavarria; Michael Cichon; Charles Crevier; Nuno Da Cunha Meira Simoes; Simone Da Encarnacao Palma Rosa; Marie-Josée Da Silva Ribeiro; Anne Drouin; Ginette Forgues; Elaine Fultz; Luis Frota; Ivon Garcia; Wouter van Ginneken; Victoria Giroud-Castiella; Fabio Duran Valverde; Germaine Guisse; Alesandro Guliano; Krzysztof Hagemejer; Ken Hirose; Aidi Hu; Christian Jacquier; Stephen Kidd; Ursula Kulke; Florian Leger; Olivier Louis Dit Guerin; Philippe Marcadent; Ana Maria Mendez; Sokhna Ndiaye; Tharcisse Nkanagu; Karuna Pal; Vinicius Pinheiro; Emmanuel Reynaud; Carol Rodriguez Burgess; Markus Ruck; Xenia Scheil-Adlung; Valérie Schmitt-Diabate; Wolfgang Scholz; Nicolai Shinkov; Carmen Solorio; Marc Soquet; Pierre Stadelmann; Emmanuelle St. Pierre Guilbault; José Tossa; Philippe Vanhuynegem; Sergio Velasco; Diane Vergnaud; Lynn Villacosta; Valeria Von Blumenthal; John Woodall; Hiroshi Yamabana.

We are grateful for the editorial collaboration of Frances Papazafiropoulos.

We are looking forward to reactions from as many more interested people as possible.

Michael Cichon,
Director.

Krzysztof Hagemejer,
Policy Coordinator.

Contents

Annexes

Introduction

This paper seeks to explore the framework within which the ILO should promote a principled, practical and responsive approach to social security policy [1] in the new millennium.

The most important single reference source is the general discussion held at the 89th Session of the International Labour Conference in June 2001. The vision of social security that emerged during this discussion gave rise to a set of 21 conclusions, which are reproduced in Annex 2. [2] The conclusions confirmed the validity, within the developing paradigm of decent work, of the general approach to social security which had been developed by the ILO throughout almost all its history since 1919. That approach is rights-based and formulated in terms of a specific set of contingencies, most of which threaten the capacity of an individual worker and her or his family to generate their own income.

In keeping with the multi-dimensional nature of social security, the conclusions adopted at the 89th Session of the Conference refer in some detail to diverse aspects of social security; these may readily be seen to fall into a number of groups which are elaborated below.

Aspects of rights and principles

Social security has been a core element of the ILO's mandate, virtually since its creation in 1919. At the ground-breaking 26th Session of the International Labour Conference in Philadelphia in 1944, the ILO enshrined its recognition of the need to provide an adequate level of social protection in the Declaration of Philadelphia. Both before and after 1944, the Organization has developed a series of Conventions and Recommendations concerned with social security. Over time, the notion of social security as a basic human right has gained wide acceptance, and has been progressively developed in many other forums and Conventions. Moreover, the central role of social security is evident in the light of increasingly structured approaches to poverty prevention and alleviation, such as the development by many countries of Poverty Reduction Strategy Papers (PRSPs), and the targets set by the relevant Millennium Development Goals (MDGs).

Aspects of social solidarity

It is evident that there is no single right "model" of social security which is appropriate to all countries and all eras. Ideally, the best way individual workers may provide income security for themselves and their families is through decent work that is adequately remunerated. Nevertheless, a vital role for social protection is to provide income security in the event of such contingencies as old age, sickness, invalidity,

[1] A global framework, yet one within which the ILO would work with its member States to develop appropriate national policy perspectives and instruments.

[2] ILO: *Report of the Committee on Social Security*, Record of Proceedings, International Labour Conference, 89th Session, Geneva, 2001; see also: ILO: *Social security: A new consensus* (Geneva, 2001), pp. 1-6.

maternity and unemployment – in addition to the provision of appropriate medical care for all.

However, a number of issues have come to the fore in recent years which impact social security provision in many, if not all countries, particularly those which are economically less well developed. Foremost amongst these is the need to extend social security provision to those lacking coverage, who are largely represented in the so-called informal economy and generally very difficult to enrol in formal systems of social security. For this reason, the conclusions adopted by the Conference in 2001 not only highlighted the need to embrace a wide range of organizational approaches right down to the local level, where the potential of micro-insurance schemes should be explored, but also stressed the overall responsibility of the State in the promotion, facilitation and extension of coverage.

There are a range of gender-related issues which are specific to social security. These relate not only to the principle of gender equality at the workplace but also to the problems encountered by women if family responsibilities preclude them from accruing adequate benefits under social insurance.

A further set of issues, given less emphasis during discussions in 2001, but which have become increasingly significant in very recent years, relate to labour migration – the protection of migrants themselves and their families remaining "at home".

Aspects of demographic transition and change

The most obvious of these aspects is that of the "ageing" of society, a phenomenon found in virtually all countries, albeit at different rates. The general increase in longevity and a gradual shift towards an age distribution characterized by a high proportion of elderly (often, but not always, retired) individuals, has evident implications for both pension systems and the provision of appropriate forms of health care.

Other factors impacting strongly on social security include the prevalence, particularly in certain regions, of HIV/AIDS, leading to questions as to the role of social security in providing not only for individuals who become ill but also the management – which is becoming increasingly possible but with associated costs – of the infection before actual illness takes hold.

Aspects of economic viability and sustainability

Discussions on the development of social security in the present and the future tend to focus on determining the level of provision which is "affordable" and finding how the cost will be distributed. The degree to which the cost should be – and is – borne collectively, underpinned by social solidarity, has always been emphasized in the ILO's approach to social security, but varies to some extent, quite naturally, from one society to another – as does the extent to which collective financing (and saving, at least in the social insurance model) may be complemented by individual savings towards pensions and other benefits. Whatever basis of financing is chosen in any individual country, it is essential to ensure that the system as a whole, seeking to provide adequate benefits, is financially viable (which must be assessed by means of regular actuarial valuations), and that the financing scheme is both sustainable and responsive to conditions which will, inevitably, change to at least some degree in the future. This set of issues is central to this paper.

After covering the range of issues and challenges facing social security systems worldwide in the coming years, the discussion at the Conference in 2001 then considered the way social security systems evolved over time, the manner in which each country might develop a national strategy, and the role of the ILO in working effectively with its member States towards extending social security. It was agreed that ILO activities should be anchored in the Declaration of Philadelphia, the decent work concept and the relevant ILO social security standards and that the ILO should maintain an advisory and a research role. Finally, a major initiative was recommended in the form of a campaign to be launched to promote the extension of social security coverage.

* * *

Guiding principles

In summarizing, the following principles, which should underlie the ILO's future work in social security, may be distilled from the conclusions adopted in 2001:

- coverage should be universal and benefits adequate;
- the State bears the ultimate and general responsibility of guaranteeing a framework of good governance and the assurance that benefits will be paid as and when due;
- social security should be organized on the basis of social solidarity between, inter alia, men and women, different generations, those in and out of work, and the rich and poor;
- social security systems must be sustainable;
- the rule of law must prevail at both the national and international levels.

In support of these specific principles, wider linkages are also needed to:

- the principles enshrined in ILO legal instruments;
- the further principles enshrined in the concept of decent work, the promotion of which will ensure an additional linkage with all other ILO activities, in particular employment generation;
- strong and well-functioning social dialogue, involving social actors – specifically the ILO's social partners – in building and managing social security policy.

The first two chapters of this report explore the basis for understanding social security as a human right and the need and demand of workers and their families for the type of protection offered by social security (Chapters 1 and 2). The subsequent two chapters (Chapters 3 and 4) consider the range of challenges to be met in developing a modern approach to social security policy. Chapter 3 particularly considers what may be seen as the prevailing paradigm as regards the issue of the economic "affordability" of social security systems, in particular in the context of developing economies, and argues very strongly that the general perception fails to reflect objective reality. Chapter 5 looks at the way in which these themes point towards an appropriate policy vision; and Chapter 6 briefly concludes the findings of the report.

1. Social security is a basic human right

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. Motherhood and childhood are entitled to special care and assistance.

All children, whether born in or out of wedlock, shall enjoy the same social protection.

(Universal Declaration of Human Rights, United Nations General Assembly, 1948)

Social security is a basic human right
(International Labour Conference, 2001)

In order to capture adequately the scope of the measures and provisions for discussion, this paper is based on a rather broad understanding – rather than a precise definition – of social security as:

- the set of institutions, measures, rights and obligations whose primary goal is to provide – or aim to provide – according to specified rules, income security and medical care to individual members of society.

This formulation may be interpreted in relation to societies – nations – as a whole, to social groups and to both formal and informal economies. On an operational level, social protection or social security systems may therefore be understood as incorporating:

- those cash transfers in a society that seek to provide income security and, by extension, to prevent or alleviate poverty;

- those measures which guarantee access to medical care, health and social services;

- other measures of a similar nature designed to protect the income, health and well-being of workers and their families.

From a global legal perspective, the recognition of the right to social security has been developed through universally negotiated and accepted instruments that proclaim that social security is a fundamental societal right to which every human is entitled. This principle is laid down in:

– Article 22 of the Universal Declaration of Human Rights; and

– Article 9 of the International Covenant on Economic, Social and Cultural Rights.

Social security as a human right is part of the ILO's mandate and is enshrined in a series of ILO Conventions; most prominent among these is the Social Security (Minimum Standards) Convention, 1952 (No. 102), which became the blueprint for the European Code of Social Security and is referred to in other regional instruments such as:

– the European Social Charter;

– the Treaty of Amsterdam of the European Union; and

– regional instruments being developed in Africa and Latin America.

The right to social security has been recognized in a number of countries as a right protected by the Constitution itself; this is, for instance, the case with the German and Brazilian Constitutions.

The universal, regional and national perspectives certainly reflect what has been developed and promoted within the ILO itself. The ILO Constitution, the Declaration of Philadelphia and – more recently – the resolution and conclusions concerning social security, adopted at the 89th Session of the Conference in 2001, have all confirmed the dedication of ILO member States to social security as a fundamental basic human right and their commitment to "… the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care" .

This perspective implies that any State that has decided to become a member of the United Nations and the ILO has the general and fundamental legal obligation to put in place decent social protection for its people.

The overall objective of the ILO is to seek social justice worldwide through the promotion of decent work for all – and one of its principal means of action to achieve this goal is the setting of international labour standards. This standard-setting activity reflects the world community's conviction that social justice has to be dealt with collectively and that it should not be left to accidental bilateral agreements between States. The standards themselves serve as guidelines or benchmarks for the adoption of national social policies; most importantly, once a member State has ratified an international labour Convention, it undertakes to make it binding under national law. Standard setting is therefore a potentially powerful instrument in global social policy.

In accordance with the mandate laid down in its Constitution in 1919, the ILO has always attached considerable importance to social security issues. In fact, the Preamble to the Constitution states that the ILO mandate is to improve conditions of labour through, for example, "(…) the prevention of unemployment, (…) the protection of the worker against sickness, disease, and injury arising out of his employment, (...) provision for old age and injury ".

The International Labour Conference adopted the first international labour Conventions on social security at its very first session in 1919. The flagship Convention on social security, the Social Security (Minimum Standards) Convention, 1952 (No. 102), was adopted in 1952. The most recent Convention in this field was adopted in 2000 and covers maternity protection. Since its creation, the ILO has adopted 31 Conventions and 23 Recommendations on social security. In 2002, the ILO Governing Body confirmed that eight out of these 31 Conventions remain fully up to date, including Convention No. 102.

2. The need and demand of people for social security

It is time for a renewed campaign by the ILO to improve and extend social security coverage to all those in need of such protection … in order to overcome a fundamental social injustice affecting hundreds of millions in member States.

(International Labour Conference, 2001)

A large majority (about 80 per cent) of the global population live in conditions of social insecurity, i.e. they have no access to formal social security beyond the limited possibilities of relying on families, kinship groups or communities to secure their standard of living. Among these 80 per cent, 20 per cent live in abject poverty – the cruellest form of insecurity. While the global poverty headcount might slowly improve, poverty and social insecurity remain rampant and stagnant in many parts of the world, most notably in Africa. Progress towards achieving Goal 1 of the Millennium Development Goals (MDGs) ("halving poverty by 2015") is too slow and the timely achievement of that goal is in doubt.

Social security systems providing transfers in cash or in kind (such as medical care) are key instruments for the prevention and rapid abolition of poverty. There is a growing interest in, and literature on, "social transfers", although some authors use this term in a narrow sense, referring to payments which are specific to one or two contingencies and targeted in nature. In this paper, social security is envisaged as a set of rights- and rules-based payments, dealing with a full range of social needs, and it is this broader concept of social transfer payments to which reference is made herein.

An alternative model of poverty prevention and alleviation relies largely on the positive "trickle down" effect of economic growth. While a variety of approaches may well complement each other, there is no doubt that the benefits of the trickle-down effect will take much longer to reach those in need unless policies of direct and immediate poverty relief though social transfers are in place. The ILO estimates that only 2 per cent of global GDP would be needed to provide the entire world's poor with a minimum package of social benefits and services (access to basic health care, basic income transfers in case of need and basic education). Most of these resources could be raised nationally. Nonetheless, substantial global transfers would be needed to help the poorest countries with a GDP per capita close to – or below – the global poverty line to cope with their problems.

There is clear evidence from Europe and OECD countries that social transfers successfully reduce poverty and social insecurity and that there is a strong correlation between the size and levels of these transfers and the strength of the poverty reduction effect. As a recent OECD study pointed out:

> The relationship between government policies and poverty outcomes is striking: across countries, relative poverty rates among the working-age population are lowest where (non-health) social spending on the working-age population is highest. Within each country, the combined effect of the tax and benefit systems is to lift out of relative income poverty more than half of the population at risk, on average. This effect, which ranges between around one-fourth of those below the poverty threshold before taxes and transfers in the United States and more than two-thirds in Denmark, declined however over the second half of the 1990s in most

OECD countries, as the growth of real benefits most often lagged that of median disposable income. [3]

Experience with social transfers in developing countries is more ambiguous, since overall transfer volumes are comparatively small. However, some basic social protection transfers, such as benefits of social health insurance and basic non-contributory pension schemes, have proven to be potent means in the fight against poverty. Ill health is the main reason for poverty: not only does it lead to high costs – e.g. in the form of user fees – but it is likely to impact significantly on income generation. It has been observed [4] that social health protection can effectively address health-related poverty if benefits are adequate and affordable. Recent experience with modest universal pension systems in a number of developing countries has also shown positive poverty-reducing effects for whole families. They not only provide benefits for the old and disabled but also use this disadvantaged group – whose status in families is greatly enhanced through the cash income they receive – as effective agents of social transfers for whole families. Pension recipients redistribute cash income in the household, finance school fees and medication, etc. [5] Strong evidence of positive experience comes from countries like Brazil, Mauritius, Namibia, Nepal, South Africa and Zambia. [6] It is calculated that such a benefit in most countries would cost between 1 and 2 per cent of GDP or 5 and 10 per cent of national budgets. [7] Implementing this benefit would be, for many countries, a fast first step towards attacking a chronic poverty pocket. Another ILO simulation exercise shows that even a very modest universal pension, costing about 1 per cent of GDP, would reduce the poverty gap in Senegal and the United Republic of Tanzania by more than 20 per cent. [8]

[3] M. Förster and M. Mira d'Ercole: *Income distribution and poverty in OECD countries in the second half of the 1990s*, OECD Social, Employment and Migration Working Paper No. 22 (Paris, 2005), p. 28.

[4] X. Scheil-Adlung et al: *What is the impact of social health protection on access to health care, health expenditure and impoverishment? A comparative analysis of three African countries*, (Geneva, ILO, ESS Paper No. 24, 2006).

[5] See: HelpAge International: *Age and security: How social pensions can deliver effective aid to poor older people and their families* (London, 2004).

[6] See: H. Schwarzer, and A.C. Querino: *Non-contributory pensions in Brazil: The impact on poverty reduction* (Geneva, ILO, ESS Paper No. 11, 2002); F. Durán-Valverde: *Anti-poverty programmes in Costa Rica: The non-contributory pension scheme* (Geneva, ILO, ESS Paper No. 8, 2002); F. Bertranou and C.O. Grushka: *The non-contributory pension programme in Argentina: Assessing the impact on poverty reduction* (Geneva, ILO, ESS Paper No. 5, 2002); A. Barrientos and P. Lloyd-Sherlock: *Non-contributory pensions and social protection*, Issues in social protection series, Discussion paper 12, ILO Social Protection Sector (Geneva, 2003); E. Schleberger: *Namibia's universal pension scheme: Trends and challenges* (Geneva, ILO, ESS Paper No. 6, 2002); F. Bertranou, W. van Ginneken and C. Solorio: "The impact of tax-financed pensions on poverty reduction in Latin America: Evidence from Argentina, Brazil, Chile, Costa Rica and Uruguay", in *International Social Security Review* (Geneva, ILO), 57(4), pp. 3-18.

[7] See: K. Pal, C. Behrendt, F. Léger, M. Cichon, K. Hagemejer: *Can low-income countries afford basic social protection? First results of a modelling exercise*, Issues in social protection series, Discussion paper 13, ILO Social Security Department (Geneva, 2005).

[8] See: F. Gassmann, C. Behrendt: *Cash benefits in low-income countries: Simulating the effects on poverty reduction for Tanzania and Senegal*, Issues in social protection series, Discussion paper 15, ILO Social Security Department (Geneva, 2006).

The recent tsunami in Asia and hurricanes in northern America have shown how important public social services are – including not only easily accessible health care but also social security cash transfers in case of death, disability or unemployment – in coping with consequences of such mass natural disasters. Victims suffer badly if these transfers are not in place. These events have shown once again that social security is also an important foundation of social cohesion. If systems fail in such situations, the trust people may have in the institutions is undermined – and the ability of the society to cope with other crises deteriorates significantly.

Social security is by no means a marginal need of people. Human beings are by nature risk-averse and highly desire safety and security. "People desperately want security – at work, in the family and in their neighbourhoods. They hate unemployment, family break-up and crime in the streets. But the individual cannot, entirely on his own, determine whether he loses his job, his spouse or his wallet. It depends in part on external forces beyond his control." [9] Feeling secure is strongly related to the trust people have in other people, in their community, in their society and in its institutions.

An important dimension of overall human security is economic security – and one of the main aspects of economic security is income security. Income security is about living in a situation in which basic needs, such as food, housing, health care and education, can be secured in an uninterrupted way. This not only requires having both an adequate and regular source of income; it also requires being assured that if something unexpected happens to the regular source of income – such as the loss of a job or livelihood due to sickness, disability, unemployment or natural disaster, or if unexpected needs arise on account of death, sickness or other family-related or natural events – which are impossible to cover with the regular source of income, there are mechanisms in place. These mechanisms should be able to provide income replacement to close the emerging income gap and/or to guarantee access to goods and services necessary to meet those unexpected needs.

Even in countries with a strongly entrenched market economy, there is overwhelming support for national social security systems. When Europeans in 30 countries were asked in the Eurobarometer survey [10] in May-June 2005 to name what they considered the most positive economic concepts, "social security" ranked first (72 per cent approval), closely followed by the terms "company" (71 per cent), "free trade" (70 per cent), and "competitiveness" (69 per cent); the most negatively rated terms were "monopoly" (18 per cent approval) and "protectionism" (33 per cent approval). Most interestingly, "globalization" had a 37 per cent approval rate. Although people overwhelmingly support market economies, they seem to have a pragmatic understanding that market economies require a strong social security system. In the United States, two-thirds of the public favours keeping the social security programme as "close as possible" to the current system. [11] In developing countries, people believe in public support in the event of certain contingencies. In South Africa, for example, about two-thirds of the population believe in

[9] R. Layard: *Happiness: Lessons from a new science* (London, Allen Lane, 2005), p. 7.

[10] European Commission: *Eurobarometer 63. Public opinion in the European Union* (Brussels, 2005).

[11] AARP/RTV and Joint Centre for Political and Economic Studies: *Public attitudes toward social security and private accounts* (Washington, 2005).

full public support in the case of old age, invalidity, ill health and unemployment. Similar figures apply to Ethiopia, Gujarat in India and to a slightly lesser extent Indonesia. [12]

The following questions may then be raised: why is the reduction or containment of social expenditure a predominant preoccupation of policy-makers in many countries around the world? Why then do the majority of people in the world have no access to even basic social security? Why are many of those who provide advice to poor countries reluctant to support major transfer programmes? Why is there not enough support within the countries themselves? The answers seem to lie in an economic paradigm that has been taking hold since the late 1970s or early 1980s and the academic debate on the economic effects of the welfare state since that time.

[12] ILO: *Economic security for a better world* (Geneva, 2004).

3. Social security and economic performance

Social security, if properly managed, enhances productivity by providing health care, income security and social services. In conjunction with a growing economy and active labour market policies, it is an instrument for sustainable social and economic development. It facilitates structural and technological changes which require an adaptable and mobile labour force. It is noted that while social security is a cost for enterprises, it is also an investment in, or support for, people. With globalization and structural adjustment policies, social security becomes more necessary than ever.

(International Labour Conference, 2001)

National social protection systems and their perceived effects on economic performance have been subject to intense policy debates in many countries over recent decades. There are experts who claim that social systems redistributing up to 35 per cent of countries' GDPs are no longer affordable. Social protection expenditure at and beyond this level is seen as an impediment to growth, with negative effects in both the short and the long term. Others hold an opposite view and consider social protection – if well managed – to be a genuine productive factor. A team of ILO writers concluded recently: [13] "Once all the arguments are on the table, the outcome of the theoretical debate on the potential positive versus negative economic effects of the welfare state appears to be a draw …".

For the policy analyst and the decision-maker an inconclusive debate is of limited help. Social transfers may well have a direct positive impact on growth; but the key issue is to recognize that substantial levels of social expenditure and economic growth can coexist [14] and that such transfers are the tool to make the economic growth equitable, thus strengthening its sustainability.

The substantial global economic growth rates in many countries over recent years have not translated into an equally fast decline in poverty or social insecurity. Indeed, social insecurity has been increasing in many countries alongside cuts in social protection. About the middle of the 1970s many countries entered a period of welfare state containment. Nevertheless, major welfare States such as Austria, France, Germany, the Netherlands and others broadly maintained their social expenditure, as measured by the percentage allocation of GDP, at the levels reached in the mid-1970s.

In fact, all social expenditure containment measures reflect the new paradigm of economic policy, that has been increasingly dominating political and socio-economic discussions and analyses over the last 20 to 25 years; according to this way of thinking, low European growth rates have come about mainly as a result of social protection provisions which are too high and wrongly designed. It is not clear yet whether this "new paradigm" will lead to even further reductions in social spending. All that can be observed at present is that social expenditure in the OECD countries (measured in percentage of GDP) has stabilized at long-run levels – and this applies equally to low and to high growth economies. It is evident that policies of this kind have not brought about higher economic growth. Economic growth rates have generally declined to moderate levels since the mid-1970s. With regard to social protection, governments of major countries have, over the

[13] M. Cichon, W. Scholz, et al.: *Financing social protection* (Geneva, ILO, 2004), p. 121.

[14] P. Lundert: *Growing public: Social spending and economic growth since the eighteenth century*, Vols. I and II (New York, Cambridge University Press, 2004).

past 30 years, taken measures repeatedly to maintain social protection spending at country-specific constant levels, alongside the general decline in GDP growth rates over the same period.

Nevertheless, countries continue to implement policies designed to contain public social expenditure. The reasons quoted for so doing usually concern the affordability of social security systems. It is stressed that poor countries simply cannot afford any major transfer programme. They need, it is argued, to keep their taxes and public spending at low levels to allow them to be competitive in the global economy (low social security contributions and low taxes in general will help bring in foreign investments and maintain cheap exports) as well as to keep work incentives high. The same arguments are put forward in the developed countries. Additional fears are triggered by the expected consequences of ageing societies on the level of taxes and contributions.

Some believe that too much security, particularly income security, undermines people's incentives to engage more in economic activities and to be inventive and productive. But the truth is likely to be exactly the opposite: the less secure we feel, the more averse we are to take risks. Studies reveal that poor people are risk-averse. Rational risk-averse individuals will only take a risk if the potential loss is relatively small compared to their wealth. The poor are usually not eager to risk even small amounts as this threatens their very survival. Wealth provides security, and more can be risked. For many people, social security substitutes wealth. Those who have no access to relevant protection mechanisms against numerous social risks will avoid taking any additional economic risks, as they have to focus on protecting themselves.

Social protection, however, is not only about risk management. Providing income security to the poor is one of the important mechanisms to provide greater equality of opportunity, income and wealth than that at present experienced in the world – and that likely to be produced by market forces, if left to themselves. More equity is required so that the poor might share in the outcomes of economic growth – which, in turn, might increase the acceptance of globalization.

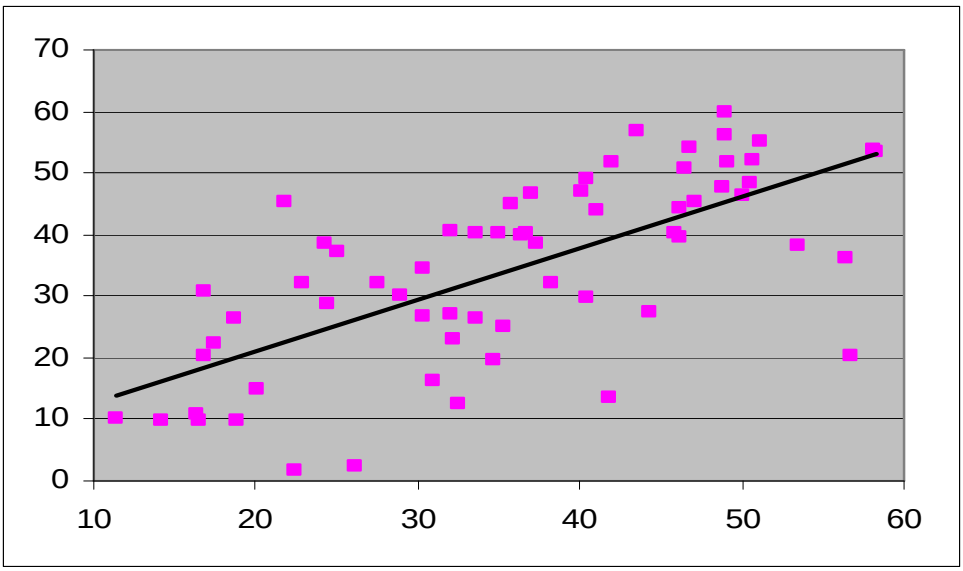
Social transfers are usually expected to result in a distribution of income in society that differs from the one brought about by market forces. No private market mechanisms can redistribute income in this way. Income redistribution has to be provided mainly through public social security interventions (along with the tax systems) and cannot be delegated to private arrangements – either market ones or even traditional ones based on extended family or community income sharing. The latter mechanism is unlikely to achieve the desired direction and degree of redistribution. Extended families or small local communities are usually relatively homogenous with respect to income levels. A redistribution of income within such groups does not significantly affect the redistribution within society and thus does not create much greater equality.

The importance of equitable growth is meanwhile recognized widely. A World Bank source states: "Others have suggested that greater equity comes at the expense of lower growth and that there is a trade off between growth and equity […]. A large number of recent empirical studies […] have found that there is not necessarily such a trade off and that equity in its various dimensions is growth enhancing"."… most developing countries will likely have substantial scope for enhancing the quality of growth […] through policies

aimed at improving income distribution." [15] That is precisely what a well-designed social security system does.

But how much social security is affordable? OECD countries spend between 10 and 30 per cent of GDP on social security – usually between one-third and one-half of total public expenditure. Countries at the same level of economic development differ significantly in how much they spend on social security, as shown clearly in figure 3.1.

Figure 3.1. Public social security expenditure: Relationship between size of the government's social security expenditure (vertical axis: expenditure on social security as percentage of total government outlays) and government total expenditure (horizontal axis: total government outlays as percentage of GDP)



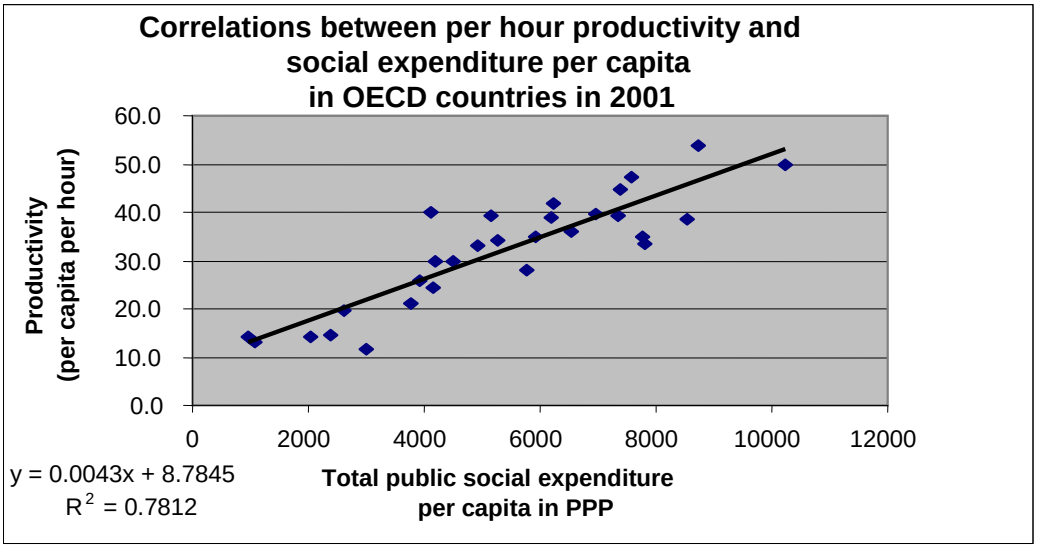
Source: ILO calculations based on data from the IMF Government Finance Statistics database. Data on general government outlays for 65 countries, 2000-03.

The size of the social security system is obviously shaped mainly by prevailing political attitudes towards redistribution rather than stringent "economic laws". Affordability is a function of the societal willingness to finance social transfers through taxes and contributions. Social security systems which perform in a way approved by the majority of the general public are usually also affordable. On the other hand, systems which perform badly from the point of view of the general public usually lose support and acceptance and may become unaffordable even if relatively small in fiscal terms.

Figure 3.2 shows that in the OECD region there is a strong positive correlation between social expenditure (per capita of the population) and labour productivity (GDP per hour worked). The correlation between "simple" per capita (per worker) productivity and social expenditure (per capita of the population) is also positive but less tight. While the nature of the actual causality behind this correlation may not yet have been fully researched, one conclusion is obvious: an extensive social security system is not incompatible with a highly productive economy.

[15] J. Kingman (ed.): *A sourcebook for poverty reduction strategies* (two volumes) (Washington, DC, World Bank, 2002), Vol. 2, Chap. 12 (Macroeconomic issues), sections 12.2.4 and 12.2.5.

Figure 3.2. Labour productivity and social expenditure



Source: ILO calculations based on OECD data.

A recent ILO study [16] shows that even in the poorest developing countries, basic social protection accessible to everybody is within their reach, taking into account their fiscal positions and donor involvements. From a political perspective, affordability depends, however, on domestic choices as to the allocation of available resources and – taking into account the high level of dependency of some of these countries on foreign aid – on donors' attitudes as to what should be priority spending patterns.

[16] K. Pal, et al., op. cit.

4. The main challenges to social security systems

The demographic, economic and societal environments, within which national social security systems are operating, are rapidly changing – and these changes obviously pose challenges for societies and their social transfer systems. Consequently, new macro trends in the structure of national social security systems have emerged during the last decade; these can at best be described as "centrifugal" and yet their causes are to some extent interconnected.

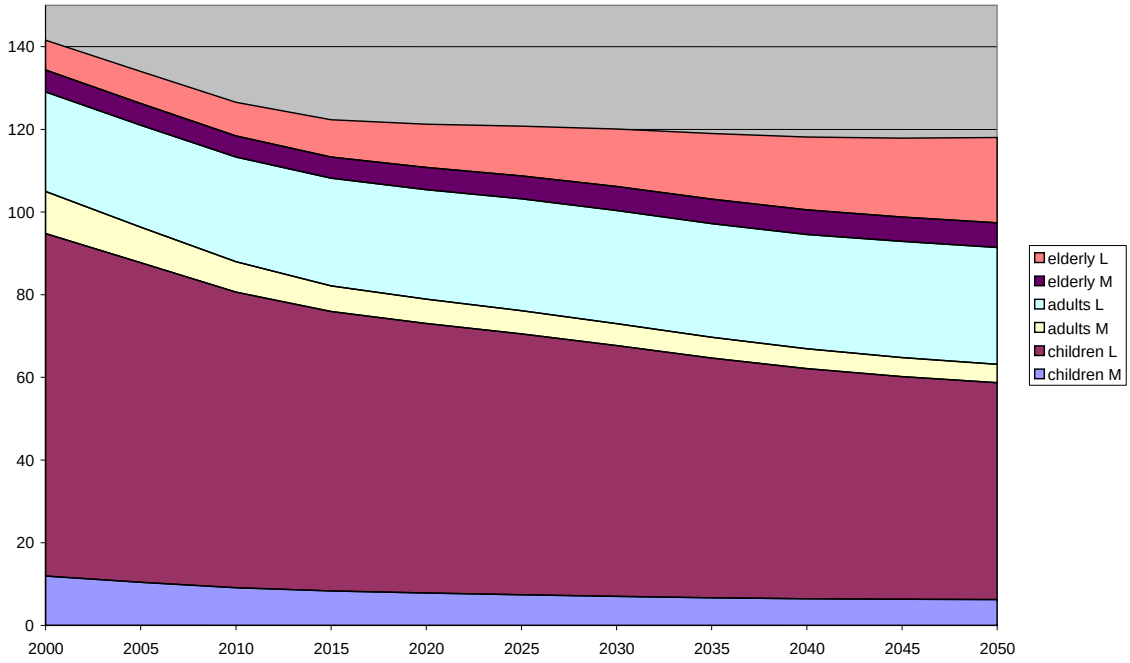
The global demographic transition

Dependency rates constitute the key indicators for the demographic stress on national social transfer systems. The demographic environment of a social protection system, which includes the morbidity structure of the population with which the health system has to cope, co-determines the system dependency ratio – that is to say, it influences the ratio of the number of beneficiaries (i.e. transfer recipients) in the system to the number of people financing these transfers or earning the national income out of which the transfers have to be financed. Demography is not the exclusive determining factor, as governance too has a marked impact on dependency. Biological factors (ageing as expressed in dropping fertility and mortality rates, morbidity and mortality) also determine to a large extent the potential number of beneficiaries and financiers of the national social protection system; in other words, they explain the pure demographic dependency ratio. Demographic factors, therefore, do not account for the full size of system dependency: the economy co-determines the number of unemployed while national law, which is a governance factor, co-determines the number of people who are retired and of those receiving education. This last number is influenced, for example, by legal provisions governing the minimum number of years of compulsory schooling or of studies required for the first university degree. Actual – "system" – dependency ratios in many social security schemes are also much higher than potential demographic ratios due to evasion and non-compliance in paying contributions and taxes financing those systems.

The other determinants – economic development and governance factors – being equal, ageing is the most important factor of influence on social transfers to elderly populations (both formal and informal) which are, in turn, the biggest expenditure items in developed national social protection systems. That impact is especially strong in mature systems in societies with a high proportion of elderly people covered by social security. However, while developed regions are substantially "older" than less developed ones, the pace of ageing is actually much faster in the developing world. The less developed countries in relative terms will face an even more serious ageing problem between 2000 and 2050 and have to build strong transfer systems well prepared to face this challenge.

Nonetheless, although pension schemes may face increased demographic dependency, the challenge appears to be much smaller for overall social security systems: the combined number of children, those of working age who are inactive and elderly per 100 economically active people is declining globally (see figure 4.1). This is largely due to a rapidly declining number of children in the developing world. The picture may again be to some extent misleading as – for the time being – a large proportion of the economically active belong themselves to the working poor. Thus the actual global transfer dependency may be higher than that indicated by the figure.

Figure 4.1. Global economic dependency ratios



L= less developed regions; M = more developed regions.

Source: ILO calculations based on the United Nations *World Population Prospects: The 2004 Revision Population Database.*

One of the most dramatic aspects of the demographic transition is rapidly dropping fertility rates. The global average fertility rates dropped within the three decades between 1970-75 and 2000-05 from 4.49 to 2.65, i.e. by about 40 per cent. This is by no means a phenomenon that only applies to developed countries.

The ageing problem of societies cannot be reduced to a pension problem. Overall and per capita GDP growth rates are at risk when the population ages and the employable labour force shrinks. The latest European Union publication, for example, submitted to the EU Summit in October 2005, conceded that ageing under status quo conditions may act as a brake to economic growth, bringing it down on average from between 2.0 and 2.5 per cent per annum to half that rate. [17] It is vital to achieve increased labour force participation rates for all ages over 18-20 years in order to maintain standards of living in ageing societies. Migration can help to maintain a stable dependency rate but will only provide partial relief or lead to exploding populations. The maintenance of a sufficiently big endogenous labour force remains crucial. [18] Creating suitable jobs for older workers remains the real challenge for ageing societies and is still one of the key policy tools for defusing the "ageing crisis".

[17] European Union*: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee on the Regions: European values in the globalized world* (Brussels, Oct. 2005, p. 11).

[18] M. Cichon, R. Knop, F. Léger: *White or prosperous: How much migration does the ageing European Union need to maintain its standard of living in the twenty-first century?*, paper presented at the 4th International Research Conference on Social Security, Antwerp, Belgium, May 2003.

The challenge posed by the global demographic transition to social transfer systems is manageable – as shown by the results of recent projections for 25 EU Member States of the costs of all age-related social transfers until 2050. [19] There are obvious problem cases but an average cost increase of less than four percentage points of GDP over a period of 45 years appears to be a rather benign scenario.

Should European and other OECD countries be able to manage their own demographic transition, they might even be in a position to free some fiscal space for the alleviation of demographically triggered poverty problems or health problems in other parts of the world (inter alia, in regions with a high prevalence of HIV/AIDS).

Changes in health, society and the labour market

Public health issues

New public health threats constitute another factor that may rapidly change the demographic environment in which some national social protection systems operate – in particular in developing countries. Among infectious diseases expected to become a pandemic, HIV/AIDS is the most acute. The projected extent of the HIV/AIDS pandemic has been accounted for in the above global dependency figures – but nonetheless it will create substantial problems in a number of regions. In some regions of Africa, the infection rate is estimated to have reached almost 40 per cent. This implies, in all probability, that within the next five to ten years at the latest, 40 people out of every 100 alive today will have died, unless there is spectacular medical progress and – maybe even more importantly for Africa – the cost of drug treatments does not go down. A crisis of this magnitude must have a dramatic effect on the cost of any national social protection scheme. It is probably fair to say that HIV/AIDS will wipe out all the financial and fiscal room for improvement in social protection that growth in Africa might have produced under normal conditions. But it should not be forgotten that malaria, although less prominent and confined to the poorest regions of the world, has an even more dramatic effect on population structures and morbidity structures – and developing country health systems, unlike those in developed countries, have to cope with this problem.

Employment and globalization

Domestic and export markets in almost all countries that participate in the global economy are experiencing increasingly tough global competition. One reason is that, since the early 1990s, the former Soviet Republics, the countries of Central and Eastern Europe, as well as large parts of China and India, have joined the global labour market with relatively low labour costs, effectively doubling its size. High technology communications, as well as fast and cheap means of transport, not only facilitate global production chains but also the movements of goods, services and people. [20] The result is that technologies, along with workplaces and skills, become obsolete at an ever-increasing pace. While the perceived effects on job security are significant, the direct measurable effect of workplace

[19] European Commission: *The impact of ageing on public expenditure: Projections for the EU 25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004-2050)*, report prepared by the Economic Policy Committee and the Directorate General for Economic and Social Affairs (DG ECOFIN), Report No. 1/2006 (Brussels, 2006).

[20] ILO: *Changing patterns in the world of work*, Report of the Director-General, ILC, 95th Session, Geneva, 2006, pp. 23-24.

migration is smaller than might have been expected (the unemployment rate in all OECD countries increased from 6.1 per cent in 1990 to about 6.9 per cent in 2004) and only an estimated number of about half a million jobs in developing countries are identifiably jobs that produce goods and services for consumption in the developed world. However, in the longer run, global competition will be much less about lower absolute labour costs than about productivity and institutional and social infrastructure that facilitate economic activity and boost productivity. Many studies have concluded that social security systems are indispensable elements of such infrastructure.

Migration and family composition

The ILO estimates that, at the beginning of the new century, about 175 million people worldwide were living outside their country of birth or citizenship, [21] among which about 90 million were migrant workers. At the same time, there has been a movement of people from rural to urban areas. From 1995 to 2005, the share of rural employment in total world employment fell by three percentage points, or around 90 million workers, to about 40 per cent. Together with migrating dependents, the total number of persons moving from rural to urban areas might be in the order of 200 million people within decades. There are obvious signs that figures will increase dramatically due to rural-urban migration in China. Internal and external migration is triggered by a variety of reasons ranging from national or international conflicts and natural disasters to unemployment and poverty.

In many cases, however, only one family member migrates to seek security or a better-paid job in urban areas or in other countries. This compounds the disruptive effects of HIV/AIDS and other diseases on family units and structures. Not infrequently, migrants remain excluded from mainstream societies – with all the associated risks for their own health and well-being this brings in its wake; receiving societies are also vulnerable. Including migrants in national social security systems is one way of helping them integrate into their new countries or the cities in which they choose to live. A recent ILO report stressed that it was important for migrant workers to: (1) have the same access to coverage and entitlement to benefits as nationals; (2) maintain acquired rights when leaving the country (including the export of benefits); and (3) benefit from the accumulation of rights acquired in different countries. [22]

In addition, the remittances of migrant workers have become the major source of income for many families in a large number of countries. These financial flows might help to finance more income security in the "labour-exporting" countries and regions.

Informalization of labour markets and economies

The Director General's Report to the International Labour Conference in 2006 [23] refers to the expectations nurtured by the "dual economy " model that assumed – drawing on the experience of the early industrializing countries – that most agricultural workers would move from rural into urban areas into higher productivity manufacturing jobs. This assumption simply no longer holds true. Manufacturing has ceased to be a major sector of employment growth in many regions and the rural-to-urban movement of labour is largely

[21] ibid., p. 26.

[22] ILO: *Towards a fair deal for migrant workers in the global economy*, Report VI, ILC, 92nd Session, Geneva, pp. 77-78.

[23] *Changing patterns in the world of work*, op. cit., p. 28.

absorbed by trade, in particular informal petty trade. Hence the expectations that there would be a gradual movement towards the formalization of the largely informal agricultural labour force have also not been met. The ILO has estimated that, at the end of the 1990s, the share of informal employment in non-agricultural employment was 48 per cent in North Africa, 72 per cent in sub-Saharan Africa, 51 per cent in Latin America and 65 per cent in Asia. [24]

Globalization and the new uncertainty

The increased economic integration during the last decades of the twentieth century coincided with rising income inequality in some countries – and increasing unemployment among the low skilled, mainly on the European continent. What matters in this context, however, is – in addition to the impact of internationalization on wages and employment, which reduces the national tax base – the extent to which it affects the capacity of national governments to set their own targets with respect to social protection. Critics of the "welfare state" have argued that increased international openness creates difficulties in raising sufficient revenues, and therefore requires a downsizing of the "welfare state". There is some evidence that countries are currently engaged in tax competition – although the effects seem to be much smaller than might be expected. In the case of tax competition triggered by globalization, we would expect to observe declining capital tax rates and rising labour and consumption tax rates. In a number of OECD countries, average tax rates on labour are indeed seen to have increased, although this is at least partly explained by the need to compensate for the shrinking tax base.

According to the economic paradigm of the 1980s and the 1990s, expenditure cuts, even in the face of new social security needs triggered by the need for adjustments in the face of globalization, seemed to be the logical way to reduce fiscal pressure on national tax bases. Consequently, while it is only gradually extending in developing countries, the level of social security in industrialized market economies is declining. The cost containment policies of the last decades are taking their toll. Health-care systems are excluding services and increasing out-of-pocket outlays; benefit levels in unemployment and other cash benefit systems are also declining.

Paradigmatic pension reforms changed established systems from defined benefit schemes to at least partially defined contribution or notional defined contribution schemes. Parametric reforms changed benefit formulae, reduced pension adjustments and increased retirement ages. Both types of reforms directly or indirectly sought to "offload" some of the fiscal burden for financing income security in old age, disability and in the event of the loss of the breadwinner from public or quasi-public budgets to private pockets.

There was a strong belief in some quarters that the reforms converting widespread defined-benefit pension schemes, financed on a pay-as-you-go basis into pre-funded defined contribution schemes, would help to ensure the availability and affordability of pension schemes. On the one hand, there was a hope that such reforms would prevent contribution rates and other costs of the pension systems growing as a result of ageing populations: unless people contributed longer and retired later, benefits would go down, keeping the overall costs of pensions more or less constant. On the other, there was also a strong belief that such reformed systems, closely linking amounts contributed with future benefits and relegating redistributive components to social assistance schemes, would provide very strong incentives to contribute, even on a voluntary basis. Such systems were thus seen as a major instrument to increase the coverage of all those uncovered,

[24] ibid., p. 28.

particularly the self-employed. Privatization of the management of the funds was supposed to strengthen these incentives – by providing higher rates of return and also by gaining higher public confidence than allegedly bankrupt public schemes.

The Chilean pension reform, introduced already at the beginning of the 1980s, was the first attempt to implement policies following this new paradigm. The World Bank's publication, *Averting the old-age crisis* (1994), announced this new pension policy paradigm as relevant globally. Over the past few years, the ILO has undertaken numerous studies of the reformed pension systems, particularly of those in Latin America [25] and of the transition countries in Central and Eastern Europe. [26] These studies confirm that outcomes of the reformed pension schemes may: reduce the income security of those covered when they become old; reduce the actual effective coverage of those previously covered; and fail to meet expectations with respect to the increased coverage of those not previously covered and the expectations with respect to increases of national savings rates. ILO concerns have in the meantime been echoed by the World Bank's own Independent Evaluation Group (IEG). The Group's report on the evaluation of the World Bank's assistance to pension reforms [27] concluded, inter alia: "There is little evidence that privately funded pillars have succeeded in increasing national savings or in developing capital markets …" and "… the Bank's preoccupation with fiscal sustainability tended to

[25] *Prospectiva de la previsión social: valuación financiera actuarial del Sistema Integrado de Jubilaciones y Pensiones 2005-2050*, Serie de publicaciones de la secretaria de Seguridad Social, AÑOF, Ministerio de Trabajo, Empleo y Seguridad Social y Servicio de Actividades Financieras, Actuariales y Estadísticas de la OIT (Buenos Aires, 2005); *Argentina: Valuación actuarial del Sistema Integrado de Jubilaciones y Pensione sal 31 de diciembre de 2001*, Organización Internacional del Trabajo, Ginebra, Servicio de Actividades Financieras, Actuariales y Estadísticas, Programa InFocus sobre Respuesta a la Crisis y Reconstrucción, Oficina de la OIT en Argentina, 2004; F.M. Bertranou (ed.): *Cobertura previsional en Argentina, Brasil y Chile* (Santiago, ILO, 2001); F.M. Bertranou, C. Solorio, W. van Ginneken (eds.): *Pensiones no contributivas y asistenciales Argentina, Brasil y Chile, Costa Rica y Uruguay* (Santiago, ILO, 2002); A. Arenas de Mesa and P. Benavides Salazar: *Protección social en Chile – Financiamiento, cobertura y desempeño 1990-2000* (Santiago and Geneva, ILO, 2003); F.M. Bertranou and A. Arenas de Mesa (eds.): *Protección social, pensiones y género en Argentina, Brasil y Chile* (ILO, 2003); *El sistema de pensiones en Chile en el contexto mundial y de América Latina: Evaluación y desafíos, Ponencias del Seminario Internacional, Oficina Internacional del Trabajo, Ministerio del Trabajo y Seguridad, Social Fundación Chile 21* (Santiago, 2004); M. Nitsch and H. Schwarzer: *Recent development in financing social security in Latin America*, Issues in social protection series, Discussion paper 1, (Geneva, ILO, 1996).

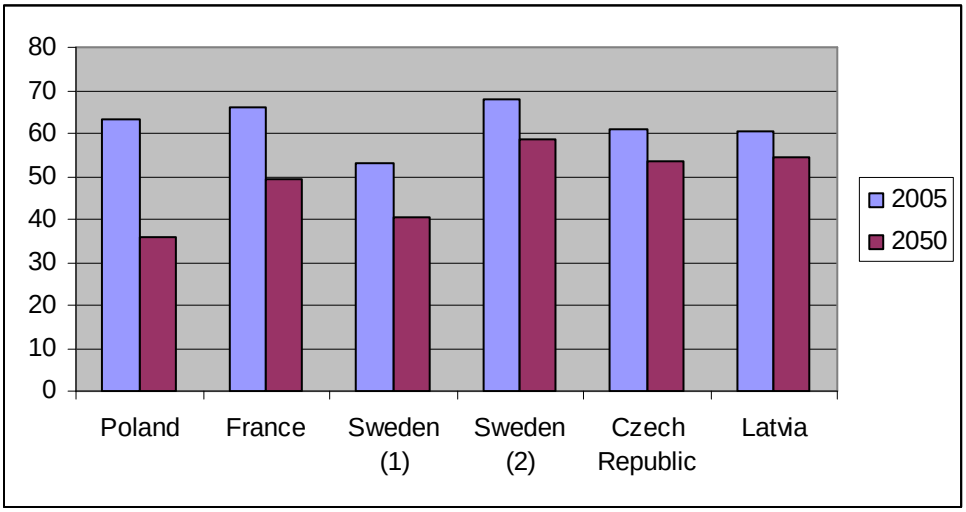
[26] E. Fultz: "Pension reform in the EU accession countries: Challenges, achievements and pitfalls, in *International Social Security Review*, Geneva, Vol. 57, No. 2, Apr. 2004, pp. 3-24; *The gender dimension of social security reform in Central and Eastern Europe: Case studies of the Czech Republic, Hungary and Poland*, collection of papers by various authors edited by E. Fultz, M. Ruck, S. Steinhilber (Budapest, ILO, 2003); *Pension reform in Central and Eastern Europe*, Vol. 1 *(Restructuring with privatization – Case studies of Poland and Hungary)*, and Vol. 2 *(Restructuring of public pension schemes – Case studies of Czech Republic and Slovenia)*, collection of papers by various authors edited by E. Fultz (Budapest, ILO, 2002); E. Fultz and M. Ruck: *Pension reform in Central and Eastern Europe: An update on the restructuring of national pension schemes in selected countries* (Budapest, ILO, 2000); K. Hagemejer: "The transformation of social security in Central and Eastern Europe", in K. Müller, A. Ryll, H.-J. Wagener: *Transformation of social security: Pensions in Central-Eastern Europe* (Heidelberg-New York, Physica-Verlag, 1999); M. Cichon, K. Hagemejer and M. Ruck: *Social protection and pension systems in Central and Eastern Europe* (Budapest, ILO, 1998).

[27] World Bank: *Pension reforms and the development of pension systems: An evaluation of World Bank assistance* (Washington, DC, 2005) pp. xvi and xvii.

obscure the broader goal of pension policy, that is, to reduce poverty and improve retirement income adequacy within a fiscal constraint."

Some countries in Europe have introduced – or are considering introducing – reforms similar to those in Latin America, aimed mainly at reducing future costs of pensions to the public budgets in the hope that such systems will encourage later retirement. ILO studies, quoted above, also point to high and long-lasting transitional costs, high administrative costs and expected low replacement rates, especially for women or other persons with short, broken careers and lower incomes (or those who – like the self-employed – obligatorily contribute only a certain low minimum amount). Figures 4.2 and 4.3 show expected theoretical replacement rates for selected EU Member States as reported in their national pension strategy reports. From these graphs it is obvious that not only countries that embarked on so-called paradigmatic reforms will see replacement rates going down – unless people contribute significantly longer and retire much later. From the examples of France and the Czech Republic, it may be seen that even so-called parametric reforms may reduce future replacement rates quite considerably.

Figure 4.2. Theoretical gross replacement rates in selected European Union Member States: Average earnings, 40 years of contributions, retirement at 65

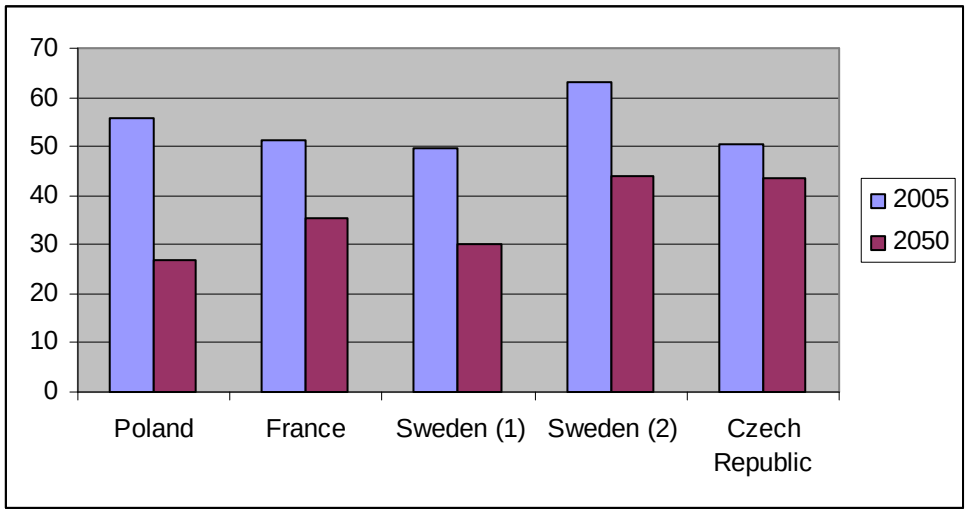


Sweden (1): national pension system only; Sweden (2): including occupational pensions.

Source: Own comparative analysis of data included in national pension strategy reports as available on http://europa.eu.int/comm/employment_social/social_protection/pensions_en.htm.

Figure 4.3 encapsulates the emerging new uncertainty. The general vehicle to accommodate revenue reductions is cuts in benefit levels. These cuts often result in added uncertainty for those hardest hit by global and national adjustment processes. The expected turbulences on national labour markets – with respect to changing patterns of work sharing in an increasingly globalizing labour market – coupled with the global adjustment processes, may lead to "broken" careers for many people. Such careers may be dotted with spells of unemployment or periods of retraining required by new labour market conditions. Figure 4.3 demonstrates that people with broken careers (i.e. with longer spells of unemployment due, inter alia, to increasing labour market volatility) will in future most likely face replacement rates that may no longer meet the requirements of ILO Conventions.

Figure 4.3. Theoretical gross replacement rates in selected European Union Member States: Average earnings, 30 years of contributions (broken careers)



Sweden (1): national pension system only; Sweden (2): including occupational pensions.

Source: Own comparative analysis of data included in national pension strategy reports as available on http://europa.eu.int/comm/employment_social/social_protection/pensions_en.htm.

Between universalism and pluralism: The changing pattern of solidarity

In contrast to the demographic challenge, the possible detrimental effects of global tax competition on the level of social security in some countries are less easily manageable. What is required is international recognition – and corresponding agreements – that the extension of social security coverage and the ensuing eradication of poverty would be an investment; this would avoid the resentment that creates national social unrest and potential global security problems. Such a stand would emphasize the importance of long-term stable increases in welfare for all over short-term economic gains. But the tools to achieve that situation are simply missing. Finding them remains a central challenge for the global society.

The past few years have witnessed new developments in this area. There seems to be increasing recognition of the role of social security as an investment in poverty alleviation. There is growing support for a new social security developmental paradigm based on the introduction of basic universal benefits. Following the "new consensus" on social security reached by the International Labour Conference in 2001 and the launching by the ILO in 2003 of the Global Campaign on Social Security and Coverage for All, the World Commission on the Social Dimension of Globalization promoted the idea of a socio-economic floor for the global economy and indicated that social security and wider social protection had to become an important component of such a set of minimum social standards.

Box 4.1
Socio-economic floor

A minimum level of social protection for individuals and families needs to be accepted unequivocally as part of the socio-economic "floor" of the global economy. Donors and financial institutions should contribute to the strengthening of social protection systems in developing countries. [1]

In his Report to the International Labour Conference in 2004, the Director-General identified four major areas in which the ILO had found positive experiences. He considered that they could make a major contribution to developing the concept of a socio-economic floor:

First, *community-based health insurance*. The demand for health insurance is strong, particularly among those without any form of protection. One option for workers and families in low-income countries is community-based social security schemes. The ILO has acquired experience and knowledge on the strengths and weaknesses of such funds. Their financial viability is often called into question if one considers these funds in isolation. However, innovative modalities have been introduced in some cases, combining local contributions, public expenditure and international assistance. Linking local initiatives with national insurance schemes is another method that merits further exploration.

Second, *minimum pension schemes*. A number of countries have shown that minimum pension schemes financed from tax revenues for poor elderly persons, disabled people, single mothers and orphaned families affected by the HIV/AIDS pandemic are affordable. The manifold benefits of these schemes – from gender equality to family cohesion and school attendance – are well documented. The ILO could consider extending assistance to demonstrate the viability of these programmes in other countries and develop guidelines. Where fiscal constraints currently prevent such an option, proposals for international financial assistance should be elaborated.

Third, *cash grants for primary education*. Scores of millions of children are unable to go to school or complete basic education because of family poverty. Most of them are driven into some form of child labour. A few countries, most notably Brazil and South Africa, are considering or experimenting with schemes for cash grants to poor families tied to school attendance for their children. The ILO's International Programme on the Elimination of Child Labour (IPEC) has gained considerable experience with schemes that combat child labour by combining family support for education and other essential needs. There is scope for scaling up these successful initiatives to national levels and extending them to other countries facing similar problems. A combination of national efforts with generous international assistance is required.

Fourth, *reorienting public expenditure for expanding basic coverage*. Statutory social security systems, even with modest coverage, are faced with severe constraints of overall governance, technical and administrative capacity and financial viability. Although higher social expenditure can be financed through faster economic growth, the costs are often perceived to exceed fiscal capacity in the short term. In many countries, the first objective is not to increase spending but to reorient present expenditure towards basic coverage. There is sufficient knowledge and experience worldwide to enable social security systems to achieve long-term financial and administrative viability. The ILO can assist in making such expertise available when and where required. A code of good practice or basic principles in the management of social security schemes could be considered.[2]

Notes: [1] World Commission on the Social Dimension of Globalization: *A fair globalization: Creating opportunities for all* (Geneva, ILO, 2004) p. xiii. [2] ILO: *A fair globalization. The role of the ILO*, Report of the Director-General on the World Commission on the Social Dimension of Globalization (ILC, 92nd Session, Geneva, 2004), pp. 36-37.

A recent report of the Commission for Africa [28] echoes the concerns expressed by the ILO in its 2005 report. It puts forward, inter alia, the following recommendations that clearly suggest that there should be a shared responsibility of the African governments and the donor community in extending social protection coverage:

- African governments should invest in rebuilding systems to deliver public health services. Donors should provide US$7 billion over five years for this, behind the Health Strategy and Initial Programme of Action of the African Union's NEPAD Programme.

[28] The Commission for Africa: *Our common interest* (London, 2005) pp. 215-217; http://www.commissionforafrica.org/english/report/introduction.html.

- Donors and African governments should urgently invest in training and retention to ensure there are an additional 1 million health workers by 2015.
- African governments should meet their commitment to allocate 15 per cent of annual budgets to health and put in place strategies for the effective delivery of health services. Donors should increase their funding to support these strategies, making up the shortfall, from an additional US$10 billion annually immediately and rising to US$20 billion annually by 2015. The assistance should go predominantly through national budgets.
- African governments should develop social protection strategies for orphans and vulnerable children, by supporting their extended families and communities. Donors should commit to long-term, predictable funding of these strategies with US$2 billion a year immediately, rising to US$5-6 billion a year by 2015.

[…]

- Donors should support the African Union's NEPAD Programme to develop a rights and inclusion framework and support countries to develop social protection strategies by 2007.
- Donors and African governments should endorse and implement the United Nations Framework for the Protection, Care and Support of the Orphans and Vulnerable Children.
- Donors and African governments should provide direct budgetary support to pan-African organisations to support their work in protecting women and children's rights."

Almost unnoticed, the global community has already assumed more responsibility for the provision of basic services in a number of developing countries. In Ghana and the United Republic of Tanzania, for example, direct budget support from donors already accounts for substantial proportions (i.e. 40 per cent and 50 per cent, respectively) of the national health budget. A "White Paper" on international development, entitled "Making governance work for the poor" and published by the Government of the United Kingdom in 2006, commits "at least half of all future UK direct support for developing countries to public services, to get children into school, improve health care, fight HIV and AIDS, provide more clean water and sanitation, and offer social protection". [29]

In March 2006, the Government of Zambia and the African Union held an intergovernmental conference on social protection in Livingstone, Zambia, that brought together ministers and senior representatives from 13 African countries. The delegates at the conference called for: [30]

– greater cooperation between African and other countries in the sharing and exchange of information, as well as experiences and action on social protection and cash transfers;

– social transfer programmes, including the social pension and social transfers to vulnerable children, older persons and people with disabilities and households to be a more frequently utilized policy option in African countries;

[29] Department for International Development (DFID): *Eliminating world poverty: Making governance work for the poor*, White Paper on International Development (London, 2006).

[30] Government of Zambia and the African Union: *A transformative agenda for the 21st century: Examining the case for basic social protection in Africa*, Intergovernmental Regional Conference, Livingstone, Zambia, 20-23 March 2006 at http://www.helpage.org/News/Latestnews/@27954/main_content/Livingstone_call_for_action_March_2006.pdf., accessed on 20 Aug. 2006.

– national and international commitment to social protection, and to the building of consensus within different ministries and institutional coordination in order to agree national plans;

– African governments to put together costed national social transfer plans within two-three years that are integrated within national development plans and within national budgets, and that development partners can supplement;

– increased investment in institutional and human resource capacity and accountability systems;

– reliable long-term funding for social protection, both from national budgets and development partners;

– the institutionalization of a biannual conference on social protection under the auspices of the African Union.

At the same time, the question of the responsibility of the State in providing basic benefits is once again central to the debate taking place in countries which undertook a partial "privatization" of their social security systems in the 1980s and 1990s .

Some say that the acceptance of the concept of solidarity is deteriorating as many social protection schemes are broken down into smaller and smaller risk pools (right down to the financing of risks by individual accounts). Others observe that the commonly accepted notion of solidarity is simply changing, now focusing more on the attainment of basic security for more people rather than equal security for a few. In any case, social security systems are becoming more pluralistic. Pension schemes are turning into systems in which the basic public provision of income security mechanisms is topped up by social insurance or privatized savings arrangements with benefits that have a much closer link to earned insured income – which in turn are topped up by voluntary or mandated arrangements. The consequence is a wide range of different income levels at retirement between varying population groups.

In health care – the second biggest expenditure block in overall national social expenditure of developed countries and the biggest in developing countries – pluralistic health systems are emerging in which the provision of basic services through the State is complemented by social health insurance schemes and community-based schemes. The World Health Assembly in May 2005 explicitly acknowledged the role of social health insurance schemes in national health systems:

> [The World Health Assembly] recognizing the important role of State legislative and executive bodies in further reform of health-financing systems with a view to achieving universal coverage,
>
> 1. URGES Member States:
>
> (1) to ensure that health-financing systems include a method for prepayment of financial contributions for health care, with a view to sharing risk among the population and avoiding catastrophic health-care expenditure and impoverishment of individuals as a result of seeking care;
>
> (2) to ensure adequate and equitable distribution of good-quality health-care infrastructures and human resources for health so that the insurees will receive equitable and good-quality health services according to the benefits package;
>
> (3) to ensure that external funds for specific health programmes or activities are managed and organized in a way that contributes to the development of sustainable financing mechanisms for the health system as a whole;

(4) to plan the transition to universal coverage of their citizens so as to contribute to meeting the needs of the population for health care and improving its quality, to reducing poverty, to attaining internationally agreed development goals, including those contained in the United Nations Millennium Declaration, and to achieving health for all;

(5) to recognize that, when managing the transition to universal coverage, each option will need to be developed within the particular macroeconomic, socio-cultural and political context of each country;

(6) to take advantage, where appropriate, of opportunities that exist for collaboration between public and private providers and health-financing organizations, under strong overall government stewardship;

(7) to share experiences on different methods of health financing, including the development of social health-insurance schemes, and private, public, and mixed schemes, with particular reference to the institutional mechanisms that are established to address the principal functions of the health-financing system. [31]

Community-based schemes are springing up everywhere in the developing world, most frequently in Africa and parts of Asia. At present, the global coverage of such mutual schemes is estimated to be about 40 million persons. There is certainly room for further growth and qualitative improvements in governance of these schemes. They cannot constitute or substitute a universal basic layer of security based on national solidarity. However, these insurance schemes can create an efficiency and quality enhancing payer-provider relationship in the health sector. In addition, financial links (subsidies for the poor and underwriting of bad risks) have to be created with a central national or international agency to ensure their long-term viability. The new Health Insurance Law in Ghana is the first instance of which we are aware where this principle has been given legal force. Community-based schemes have the potential to increase the overall resource base, at the national level, for social security. They also provide a means to compel at least some contribution from the informal economy towards the State's financing needs. The development of these schemes represents a first step forward to the "formalization" of the informal economy. Informal workers may thus participate in some form of national solidarity. Community-based schemes may further play an even more important role in a handful of countries where nation States fail.

[31] World Health Organization (WHO): *Sustainable health financing, universal coverage and social health insurance*, Resolution WHA58.33, adopted at the World Health Assembly, 48th Session, Geneva, 2005.

5. A policy vision: Establishing the appropriate paradigm

A comprehensive policy response is needed to address the above challenges – and this has to be developed by actors at the community, regional, national and international levels. A change in attitude towards social security is a prerequisite to this response. It also requires a developmental vision of social security that may be applied to countries at different stages of development.

Changing attitudes: From social cost to investment in people

The ILO has always maintained, as confirmed at the International Labour Conference in 2001, that "social security, if properly managed, enhances productivity by providing health care, income security and social services. […] it is an instrument for social and economic development […]. It is noted that while social security is a cost to enterprises, it is also an investment in, or support for, people. With globalization and structural adjustment policies, social security becomes more necessary than ever." Social security, or in a larger sense social protection (including social transfers but also safe and fair conditions of work, private social safety nets, etc.) is one of the main pillars of the decent work concept.

It is obvious that the adaptation of national labour markets to the challenges of demographic transition, new health hazards, global migration, changing family structures, changing values and globalization cannot proceed without investments in well-designed social transfers that:

– maintain the productivity of workforces (notably ageing workforces) through investments in health care that, inter alia, combat new global health risks;

– make adjustments in employment by, for instance, providing training, retraining and job search arrangements, as well as by facilitating the integration of migrants;

– achieve a fair distribution of the proceeds of globalization, hence increasing acceptance of the process of global change;

– help to maintain social peace and global security that are necessary for stable long-term economic growth, thereby creating the material basis for enhanced welfare for all.

All these measures, however, presuppose sound and properly managed social security institutions. Some people may not want to believe that social security is a prerequisite for growth because it is impossible to demonstrate the exact logical causality. This is regrettable – but a leap of faith is not needed. The evidence, simply, that economic performance and solid social security can and do coexist is compelling. [32] These schemes undeniably reduce poverty and inequality and help people adapt to changing circumstances in their own lives and in the life cycles of their societies. In the final analysis, what matters is people – and people are better off with social security. Many European and non-European OECD countries would not have experienced such great economic and

[32] P. Lindert, op. cit.

social development as they did during the post-war period had they not introduced such comprehensive social security programmes.

Seeing social security expenditure only as an additional cost that may negatively affect economic performance is short-sighted. Social security responds to the basic needs and clearly expressed preferences of societies, a public good that people are willing to pay for in terms of taxes and contributions – provided these are well spent. Social security transfers are the only direct means to overcome poverty and social insecurity in the short term. If people agree to the redistribution of income brought about by such mechanisms and the ensuing change in income distribution generated by market forces based on social values, there is no reason to believe that social transfers will have negative economic effects – provided they do not constitute microeconomic incentives to withhold labour from the labour market. No democratic society can ignore that preference for long.

The view of social security as a powerful tool to abolish poverty, as well as an investment in the long-term welfare and security of nations and the global community, requires a redefinition of the roles of individuals, communities, social partners, civil society as a whole, nations and the global society as agents of change.

The role of the agents of change

The role of individuals and communities

Each society must determine how best to ensure income security and access to health care. These choices will reflect their social and cultural values, their history, their institutions and their level of economic development.

(International Labour Conference, 2001).

Many social insurance schemes provide income-replacement payments in the event of certain contingencies. The replacement rates of these benefits are inevitably lower than unity, i.e. there is no perfect income smoothing in times of unemployment, sickness, maternity, invalidity or old age. A 100 per cent income replacement is unrealistic and would most likely provide adverse incentives. Income replacement beyond a certain level therefore has to be provided for by individuals through secondary and tertiary security systems or the accumulation of assets that may be turned into income streams when such contingencies strike. While the ultimate responsibility of the State is indispensable, paternalism that restricts individual responsibility is highly unlikely to be compatible with modern societies. Community-based initiatives – where the top-down approach through the nation State is not forthcoming and particularly when the State is failing – might be a first step towards developing national social security systems through a bottom-up approach, potentially paving the way for a gradual development of governance ethics and good practices. All members of a society are not only responsible for themselves and their families but also share a responsibility for larger communities and society as a whole. This wider responsibility is usually expressed through full compliance in paying contributions and taxes due.

The role for social partners and civil society

In order to be effective, initiatives to establish or extend social security require social dialogue.

(International Labour Conference, 2001)

There is clearly a new challenge for social partners and civil society as a whole to ensure that the vast power base emerging in financial markets is being used to ensure that investments: take proper account of national economic needs (inter alia, the need for development capital of small and medium-sized enterprises); cause no long-term damage to the environment or public health; and are conducive to securing and expanding the national formal sector employment base. At the same time, community-based civil society organizations need to develop the necessary skills to develop good governance practices from bottom-up in order to substitute effectively for a deficient functioning of the nation State – or for tasks not carried out by the State for a variety of reasons. As financial markets are interacting globally, civil society similarly has to embark on a global learning process.

The social partners, implying all associations of employers, workers and protected persons, are the guardians of the good and democratic governance of social security programmes and the overall national social security system. With this role also come responsibilities. In many countries, employers' organizations and trade unions are already strongly involved in actions aimed at improved compliance in registering establishments and workers and paying contributions to social security schemes – actions which are effective ways to enhance actual coverage.

Reconfirming the responsibility of the nation State

The State has a priority role in the facilitation, promotion and extension of coverage of social security.

(International Labour Conference, 2001)

While private schemes and arrangements can improve the level of income replacement in the event of certain contingencies for various groups in a society, basic social security, i.e. a fair distribution of income even in times of economic distress, can only be underwritten by societies at large. The backbone of social security thus has to remain overall societal solidarity, in its local, national and nowadays global dimensions. Income security requires social protection in the form of public social security interventions. Indeed, core security remains a task for the State – which is also the only institution that can formulate an overall national social security development plan.

Private insurance fails to deal adequately with social risks: not only are many such risks simply uninsurable in full or in part, by reason of problems of moral hazard or adverse selection, but – crucially – the poorer sections of the population are excluded by the fact that the premiums theoretically chargeable are generally far beyond their ability to pay.

It is also not enough to rely on informal, traditional social protection arrangements to provide basic security through extended family and community networks. Not only are these traditional arrangements slowly disappearing on account of urbanization and industrialization but they very often provide security at a high cost and are not usually based on altruism. Support often comes together with humiliation, restriction of freedom and an obligation to reward the protection much beyond its actual worth. A participatory poverty assessment study carried out in the United Republic of Tanzania revealed that

traditional family and community structures were weakening and did not provide effective social protection to all.

In addition, mutual support by families and communities tends to be distributed in a very unequal way. In other words, poor people can usually only expect support from their almost-as-poor families and communities; providing support (e.g. in the case of catastrophic health costs) may, in fact, force entire families and communities into lasting distress. Only if larger systems of redistribution are sought can these mechanisms be sustainable and lead to the desired redistribution of resources. In this way, families and communities would be strengthened and able to function in a better way.

Public social protection thus provides mechanisms to help the vulnerable "live" with the risks of life. It presupposes public interventions reducing risk, such as preventive health-care services, basic education and prevention in the area of occupational safety and health; interventions mitigating risks, like those of social security schemes for health, sickness, maternity, employment injury, old age, disability, death, family and children; and last-resort interventions to help individuals and families cope when prevention or mitigation programmes fail to work. Those interventions include all forms of social assistance providing cash and in-kind conditional transfers.

To finance programmes providing these "interventions", governments require fiscal space opened up by the ability to collect taxes and contributions from all citizens and enterprises. Government spending and fiscal policies are important dimensions of the world of work. On the one hand, decent work requires a State of a certain size (size measured in terms of public expenditure as percentage of GDP). It is simply not feasible to implement appropriate programmes and establish the necessary institutions to secure decent work in countries where governments are not able to collect the taxes or contributions needed to provide for basic public and social services and basic infrastructure. On the other hand, citizens must not only have the capacity to pay those taxes and contributions (if they have a sufficient level of income) but – maybe more importantly – they have to be willing to pay them. Such willingness is closely tied to – among other things – confidence in the government, and this can only be built in a democratic environment.

An emerging global responsibility for social security

Social security is a human right enshrined in the Universal Declaration of Human Rights that has been given specific form in ILO Conventions and Recommendations, most prominently in the Social Security (Minimum Standards) Convention, 1952 (No. 102). Social security is necessary to lead a dignified human life. It gives freedom to individuals and their families – freedom from the fear about their future subsistence but also freedom from being dependent on patriarchs of the extended families, village chiefs and others.

If globalization were to lead to tax competition limiting the fiscal space for social transfers, then a "decent globalization" would require global measures to prevent that competition. To finance public social expenditure, governments need to collect taxes and contributions from workers and employers – from citizens. Government spending and fiscal policies are important dimensions of the world of work. And this is not just because taxes and contributions affect incomes and the economic decisions of workers and employers, but – which is at least equally important – because public spending and effective fiscal policies are major elements defining the room for manoeuvre of national governments.

If the global community embraces globalization on the one hand and sets global goals in the social sphere on the other, it has to organize the global economy and the global society in such a way as to enable nation States to achieve nationally and internationally

defined policy objectives. One way of tackling this would be to study how the traditionally open smaller economies in Europe, that were always exposed to competitive pressures, have maintained their fiscal space for social transfers and to see whether their strategies could be emulated. But most likely, it would mean searching for ways in which the global community might protect the fiscal space of the nation State. This could be done in two complementary ways.

First, the global community could increase the fiscal space of national governments through the global subsidization of sound anti-poverty policies. The global community has just begun to accept that responsibility. PRSPs, debt relief, ODA through budget support – all signal a new beginning, but more needs to be done. Second, agreeing on minimum national tax levels and social expenditure levels would, in the future, make many of these international transfers superfluous. Perceiving social security not just as "repair" expenses in market economies, but rather as an investment in long-term growth likely to result in diminishing long-term needs for global transfers, would help to create worldwide acceptance of such levels.

The nature of rights derived from ILO and other international instruments

ILO activities in social security should be anchored in the Declaration of Philadelphia, the decent work concept and relevant ILO social security standards.

(International Labour Conference, 2001)

Member States of the United Nations or the ILO have, by virtue of having accepted the ILO Constitution and the Universal Declaration of Human Rights, the obligation to provide some degree of social security to all their citizens. But the exact nature of that level of protection is not clearly defined in binding instruments. Although Convention No. 102 covers the full range of social security benefits, it allows that only a prescribed minimum percentage of all residents is covered within a selected (at least three) prescribed types of benefits (branches of social security). The Income Security Recommendation, 1944 (No. 67), and the Medical Care Recommendation, 1944 (No. 69), nonetheless advise member States to provide the full range of social security benefits to all residents (i.e. cash benefits in the event of sickness, maternity, invalidity, old age, death of breadwinner, unemployment, emergency expenses, employment injury, general neediness and benefits in kind in case of the need for medical care). These benefits may be provided through a combination of social insurance, social assistance, universal benefits and public services. Almost 60 years after these instruments had been adopted, the conclusions of the general discussion on social security at the 89th Session of the Conference in 2001 confirmed that "each country should determine a national strategy for working towards social security for all" and that "a major campaign should be launched in order to promote the extension of coverage of social security". These recommendations and conclusions – admittedly weaker and non-ratifiable instruments – are still a declaration of intent of the International Labour Conference (consisting of tripartite delegations from 170 member States) and commit the ILO to pursue the universal scope and coverage of social security. In addition, the Social Policy (Basic Aims and Standards) Convention, 1962 (No. 117), requires member States to develop progressively "broad systems of education, vocational training and apprenticeship".

However, the above instruments say very little on the actual levels of protection and the order of priority by which they should be pursued, thus leaving room for discretion to the ILO and member States.

The ILO interprets the entirety of the above instruments as a mandate to define a basic minimum protection package (that could also be described as a "minimum social floor") to fulfil the international recommendations, notably the requirements of article 22 of the Universal Declaration of Human Rights. The floor should, in fact, consist of a hierarchy of floors that has to be reached at different levels of development.

Setting global floors for social rights and social transfers may halt "the race to the bottom" – when it comes to curbing social rights and social spending – at an acceptable decent level. ILO social security standards with a support of core labour standards can be seen as a tool in the global process to protect the fiscal space of social security systems. New and wider instruments might have to follow.

Building a policy vision: Development approach to social security – towards universal coverage

There is no single right model of social security. It grows and evolves over time. There are schemes of social assistance, universal schemes, social insurance and public or private provisions. Each society must determine how best to ensure income security and access to health care. These choices will reflect their social and cultural values, their history, their institutions and their level of economic development.

(International Labour Conference, 2001)

The ILO policy development vision focuses on building country-specific effective and efficient national social security systems, affordable to countries at different levels of development. Such an approach has thus to be:

(a) flexible, to accommodate to national circumstances;

(b) progressive, i.e. it has to permit a gradual build-up of more comprehensive systems as societies mature (in an economic sense); and

(c) normative, i.e. it has to accept the benefit levels and entitlements defined by the ILO's minimum standards (for example, Convention No. 102) as an ultimate minimum desired level of protection.

The principal objectives of the social security development approach are:

– the fastest possible achievement of universal access to basic benefits to combat poverty;

– the reduction of income insecurity to the extent possible (and in line with Convention No. 102) and compatible with economic performance;

– the reduction of inequality (of access to opportunities);

– the provision of benefits as of right;

– ensuring the absence of discrimination on the basis of nationality, ethnicity or gender; and

– ensuring fiscal affordability, efficiency and sustainability.

Such a basic social protection package would have a major impact on the reduction of poverty and the improvement of living standards. Access to basic social services, notably health care and education, undoubtedly has marked effects on increasing productivity and

reducing poverty in the short and long run. In addition, cash transfers can play a major role in providing basic income security to those who do not have any earnings capacity, as shown in a GTZ-sponsored pilot project in the Kalomo district of Zambia. [33] Recent ILO micro-simulations reveal, in the case of the United Republic of Tanzania, that the combination of basic universal old-age pensions and child benefits to school children and orphans under the age of 14 would reduce overall poverty rates by about one-third. [34]

Stepping up efforts to provide basic social protection is a viable way of reducing poverty and insecurity in countries in sub-Saharan Africa, also with a view to achieving the first Millennium Development Goal by 2015. The results of recent ILO research have shown that this can be both affordable and effective. This is a commitment which each individual nation needs to make, and some African countries have already undertaken to enhance social protection in their national poverty reduction strategies. Nevertheless, many countries cannot achieve this without external support for at least some time to come.

As countries mature economically, higher levels of protection can gradually be achieved. The possible path of extending the scope of social security coverage with the level of economic development is drawn in tabular form in Annex 1, table 1.

The key objective is universality. That is the core mandate of the ILO global campaign on social security and coverage for all. As mentioned above, The International Labour Conference in 2001 unanimously entrusted the ILO with conducting that campaign.

Universality does not mean uniformity. It is not realistic to believe that all societies can – left to their own devices – achieve the same level of social protection irrespective of their level of economic development. National social security systems inevitably have to grow with the fiscal space that is made available through growing economies. What is critical, however, is that systems are in a rational way progressive, i.e. they address priority needs in a logical order and are built in such a way that the level of security can be increased as economic development progresses. Within an overall national resource envelope, at different stages of development, contributions and taxes allocated to social security priority expenditures have to be defined. In developing countries social expenditures should be prioritized with respect to their contribution to achieve an acceptable level of health, their contribution to poverty reduction and their contribution to the reduction of social insecurity.

“Universality” may refer to the various dimensions of social security. Here, the main emphasis is on universality of access of individuals to formal systems of social protection. The notion of a universal benefit, payable without distinction to all qualified members of a scheme, on the other hand, fits well into the concept of a rights-based scheme, but may in practice have to tempered by some form of targeting of resources, when these are limited.

Attention should first be focused on building up benefits with a strong investment character. These might include: child benefits facilitating access to basic education to help break the poverty cycle; access to health care as a means to help families remain above the poverty line by relieving them of the financial burden of medical care; housing which stabilizes populations and their health; and, finally, income support that avoids poverty and creates the security people need to live a dignified life.

[33] See, B. Schubert: *Social cash transfers – reaching the poorest. A contribution to the international debate based on experience in Zambia* (Eschborn, GTZ, 2004).

[34] See, F. Gassmann, C. Behrendt, op. cit.

We thus believe that social security in the poorest countries can gradually start with basic elements such as:

– access to basic health care through pluralistic national systems that consist of public tax-financed components, social and private insurance components, equity funds and community-based components that are linked to a strong central system;

– a system of family benefits that helps to combat child labour and permits children to attend school;

– a system of targeted basic cash transfers programmes of social assistance associated with public work programmes and similar labour market policies (like cash for work programmes) that helps to overcome abject poverty for the able bodied; and

– a system of basic universal pensions for old age, invalidity and survivorship that in effect support whole families.

From that basis, national social security systems may grow and provide progressively higher levels of income security and access to better health care as countries develop and national fiscal space grows accordingly. A typical pattern of such growth that might be taken as a benchmark for a developmental pattern is shown in Annex 1.

Extending access to health care, if necessary supported by additional donor financing, should undoubtedly be a priority everywhere – but particularly in countries affected by mass diseases like malaria and the HIV/AIDS pandemic.

The provision of free or affordable access to basic health services should, in the first place, be extended to children, the disabled and the elderly.

Extending access to affordable health care should also be linked to employment and income policies, as well as to occupational safety and health policies, with a particular stress on providing security in the event of an employment-related sickness, injury or accident. This applies both to employees and the self-employed. With respect to the first category, awareness should be raised about the employers' existing legal obligations to provide insurance in the event of employment injury; furthermore, employees should be supported so that they might obtain better legal protection, as well as increased enforcement of this statutory provision, and encouraged to organize mutual insurance, community-based schemes providing such protection. As regards the self-employed, the focus should also be on awareness raising and the creation of mutual insurance schemes.

Family/children cash benefits (conditional or not on school attendance and/or participation in preventive health programmes) will be effective only if combined with an attempt to make the health and education human and physical infrastructure available – not only hospitals and schools but also doctors and teachers. These services must also be accessible and affordable. All these factors together may be a major input of social protection to policies aimed at eradicating or preventing child labour.

Expanding social protection/social security systems is always tantamount to integrating those in the informal economy into more formal structures. Alongside this "formalization" and subsequent economic development, social protection may gradually extend beyond the minimum package described above: labour market policies may not only involve job placement but training and retraining; cash benefits for the unemployed may be put in place; and earnings-related old-age, disability and survivors' programmes topping-up the basic minimum benefits may cover growing shares of the labour force.

As stressed by the International Labour Conference in 2001, social security should promote and be based on the principle of gender equality:

> … this implies not only equal treatment for men and women in the same or similar situations, but also measures to ensure equitable outcomes for women. Society derives great benefit from the unpaid care which women in particular provide to children, parents and infirm family members. Women should not be systemically disadvantaged later in life because they made this contribution during their working years. … Social security and social services should be designed on the basis of equality of men and women. Measures which facilitate the access of women to employment will support the trend towards granting women social security benefits in their own right, rather than as dependants. The nature of survivors' benefits needs to be kept under review and, in the event of reform, appropriate transitional provisions must be made to protect women whose life course and expectations have been based on the patterns of the past. … In most societies, continued inequalities in earnings between men and women tend to affect women's social security entitlements. This underlines the need for continued efforts to combat wage discrimination and to consider the desirability of introducing a minimum wage, where it does not already exist. Where either parent provides care for children, social security benefits for childcare purposes should be made available to the caregiver. Furthermore, each society should consider introducing positive discrimination in favour of women where systemic discrimination is faced.

Technical cooperation principles

The ILO's technical cooperation with governments and the social partners should include a wide range of measures, in particular:

- *extending and improving social security coverage;*
- *developing innovative approaches in the area of social security to help people to move from the informal economy to the formal economy;*
- *improving the governance, financing and administration of social security schemes;*
- *supporting and training the social partners to participate in policy development and to serve effectively on joint or tripartite governing bodies of social security institutions;*
- *improving and adapting social security systems in response to changing social, demographic and economic conditions;*
- *introducing means to overcome discrimination in outcomes in social security*.

(International Labour Conference, 2001)

ILO technical cooperation activities are aiming to achieve the above-described paradigm in a realistic framework, as guided by the conclusions of the International Labour Conference in 2001. This can be summarized as having two main objectives: extending social protection coverage and improving governance.

Extending coverage guarantees increasing access and good governance ensures the logistical and fiscal sustainability of systems. The prime vehicle for the promotion of the ILO model is the global campaign on social security and coverage for all. The main tools are country-based social security actions plans that have to be developed in the context of decent work country programmes (DWCPs), the United Nations Development Assistance Framework (UNDAF), Common Country Assessment (CCA) exercises, as well as PRSPs. National social security action plans have to be developed through a process of national dialogue supported by ILO methodology – for example through social protection expenditure and performance reviews (SPER) and social budgeting. A detailed technical cooperation strategy is spelled out in a separate paper.

Extending coverage means concretely that social security priorities are identified in countries (for example, lack of affordable access to basic health-care services, high-income insecurity of certain groups of the population such as the disabled, elderly, orphans, etc.); a coverage map is then drawn up that identifies which population groups – and their location – have no systematic access to that commodity. Specific measures may subsequently be developed to close successively the "white areas" – i.e. the gaps – in that map. In the case of housing, a public housing programme might be designed, as might specific programmes for special groups – such as time-bound programmes for soldiers returning from conflict. In the case of health care, it might be established how a health insurance scheme, which covers employees in the formal economy, could be extended to reach a much wider segment of the population. The remaining share of the population could then be covered by a tax-financed system, such as that existing in Thailand, or by a subsidized community-based national health insurance system, as is planned for Ghana. At each stage of the developmental plan, a "reality check" by way of fiscal affordability and potential resource mobilization strategies has to be developed. One of the key outcomes of the process is to convince national governments that some level of effective social protection is feasible and affordable at any stage of the plan and to convince the international community that it is worth spending global development assistance resources to subsidize well-designed and responsibly managed social security schemes.

Many countries in Africa – but also in some other regions – are generally characterized by the following: economic features, comprising limited productivity, persistently high-inflation rates, high and increasing informal economy employment, skewed income distributions; demographic characteristics, including uneven population densities, low life expectancies, high birth rates; and issues of governance, relating to weak subsystems of administration. In short, there is a lack of medium- and long-term planning and goal-setting. The different country systems are essentially diverse, with many of the systems still in an underdeveloped state, while the social security arrangements within a country are characterized by fragmentation and the lack of a clear vision. Although there is a great need for social security in Africa, factors such as HIV/AIDS, limited and declining formal economy employment and high rates of inflation make meeting this need, even partially, particularly difficult. The low productivity limits the necessary fiscal space – and weak and undeveloped systems of governance pose enormous challenges to efficient delivery and administration. The coverage of targeted populations tends to be narrow, leaving the most vulnerable, in particular those in rural areas, without any form of social protection. There is therefore a very limited capacity to provide adequate social protection. High levels of unemployment and underemployment, as well as the inadequacy of current labour and social protection standards, hamper the delivery of social protection in these countries.

In order to tackle the above problems, a strategy should be adopted that starts with:

– advocacy, above all with regard to the extension of social security;

– capacity building at all levels of the administration but also of the social partners and non-governmental organizations;

– building or strengthening organizations of various stakeholders and building links between them;

– support of innovative schemes with a high potential for coverage; and

– improving and strengthening systems of governance in order to improve service delivery and regain trust and appreciation of existing schemes.

Although some countries in other regions – such as North Africa and the Arab States – have quite well-developed and established social security systems, these systems face major challenges. These countries are young in demographic terms, with high youth unemployment and a high number of migrant workers. The major concerns in these countries should be: extending coverage to migrant workers; gender equality in employment and social security; the extension of social security to rural workers; the extension of the scope of social security to ensure a much broader access to health care; and the development of effective labour market policies integrating training, employment creation and job placement, with various forms of income security for the unemployed.

6. Conclusions

Social security systems are powerful tools to combat poverty and social insecurity and to achieve greater levels of income equality. People need and want social security. Social security systems foster long-term economic performance, social peace and international security. In themselves, national systems are changing with respect to the differential in protection levels for different subgroups and overall benefit levels. Social insecurity is increasing at least in some parts of the world. There seems to be a simultaneous development towards more universal coverage of basic systems and a more differentiated coverage in secondary and tertiary schemes. At the same time, the more fragmented national systems are acquiring a vast new power base in domestic and global capital markets.

There is a need to arrive at a new consensus on the responsibilities of the global society, the nation State, communities, social partners, civil society and individuals. Clearly, global minimum social standards and global financial transfers are to some extent substitutes. The key role of the national State needs reconfirmation. The complementary and supporting role of the global community has to be defined. The wider the implementation of minimum social standards at the national level – enabled by sufficient fiscal space – the less international transfers are needed to combat poverty. It is evident that social security investments based on principles of socially and economically responsible investment may also substitute for some of the lost fiscal space of national governments. If global minimum standards – defending or reserving fiscal space for social transfers – are accepted, then the challenges of ageing, HIV/AIDS, other infectious diseases and other national adjustment processes lose much of their threat.

The ILO global tripartite structure is optimal for initiating a global debate with a view to reaching a necessary consensus on the new roles and the potential new instruments. It is also the ideal place to empower the different players in social security with knowledge and skills that might contribute to sound national and global governance of social security.

But first and foremost the ILO seeks a comprehensive vision of a national and global social security: a system that is flexible to adapt to the state of economic development and yet pursues the key objectives of universality, poverty alleviation, the containment of social insecurity through social rights, the promotion of long-term growth and national and international security and a fair distribution of income and non-discrimination. The discussion at the International Labour Conference in 2001 was a step in that direction. This paper follows up on the conclusions of that debate by defining policy priorities and identifying concrete measures that would help to reduce social insecurity, poverty and unfair inequality of access to opportunities in this globalizing world. We are convinced that, in this prospering world, poverty and the worst forms of social insecurity can be stamped out and that national social security systems can make a major contribution to the achievement of the Millennium Development Goals, as well as to the improvement of working and living conditions of all people.

Annex 1

Development approach of social security

Table 1. Social security at different stages of economic development

Low-income countries	**GNI per capita (2005), less than US$900**			**Possible range of public social spending as % of GDP**
	Children/adolescents	**Active age population**	**Old age**	**Total 7-12**
Access to health care	Universal access based on pluralistic financing structures; if necessary supported by international financing, separate subsystems for formal and informal sector possible			3-5
Access to education/ training	Universal access, supported by cash transfers	Access to employment services		2-4
Income security	Orphans benefits; child/family benefits, universal or conditional on school attendance	Maternity protection; universal invalidity and survivor provisions; self-targeted public employment schemes assisted by targeted cash transfers if feasible	Universal basic pensions with national and international financing; additional social insurance for formal sector if possible	2-3
Middle-income countries	**GNI per capita (2005), US$900-11 000**			**Possible range of public social spending as % of GDP**
	Children/adolescents	**Active age population**	**Old age**	**Total 10-15**
Access to health care	Universal access based on pluralistic financing structures			4-6
Access to education/ training	Universal access	Access to lifelong learning to improve employability and facilitate structural change		3-4
Income security	Universal child benefits	Maternity protection; universal access to invalidity and survivor provisions; labour market policies including income support for unemployed; social assistance	Universal access to old-age pensions with reliable income replacement levels	3-5
High-income countries	**GNI per capita (2005), more than US$11 000**			**Possible range of public social spending as % of GDP**
	Children/adolescents	**Active age population**	**Old age**	**Total 15+**
Access to health care	Universal access based on pluralistic financing structures			5-10
			Access to long-term care	
Access to education/ training	Universal access	Access to lifelong learning to improve employability and facilitate structural change	Access to services maintaining working capacity if desired	5-8
Income security	Universal child benefits	Maternity protection; universal access to invalidity and survivor provisions; full range of labour market policies, including unemployment benefits, social assistance	Universal access to old-age pensions with reliable income replacement levels	5-10

Table 2. Selected international legal instruments to support development of social security

2.A. Instruments related to access to health care

Access to health care	Children/adolescents	Active age population	Old age
Selected relevant ILO Conventions	Social Security (Minimum Standards) Convention, 1952 (No. 102)		
	Medical Care and Sickness Benefits Convention, 1969 (No. 130)		
		Employment Injury Benefits Convention, 1964 [Schedule I amended in 1980] (No. 121)	
		Occupational Health Services Convention, 1985 (No. 161)	
Selected relevant ILO Recommendations		Employment Injury Benefits Recommendation, 1964 (No. 121)	
	Medical Care and Sickness Benefits Recommendation, 1969 (No. 134)		
Other relevant instruments	Universal Declaration of Human Rights, 1948		
	Convention on the Rights of the Child, 1989		

2.B. Instruments related to access to education/training

Access to health care	Children/adolescents	Active age population	Old age
Selected relevant ILO Conventions	Social Policy (Basic Aims and Standards) Convention, 1962 (No. 117)		
		Human Resources Development Convention, 1975 (No. 142)	
		Labour Administration Convention, 1978 (No. 150)	
		Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159)	
		Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168)	
Selected relevant ILO Recommendations		Vocational Rehabilitation and Employment (Disabled Persons) Recommendation, 1983 (No. 168)	
		Employment Promotion and Protection against Unemployment Recommendation, 1988 (No. 176)	
		Human Resources Development Recommendation, 2004 (No. 195)	
Other relevant instruments	Universal Declaration of Human Rights, 1948		
	Convention on the Rights of the Child, 1989		

2.C. Instruments related to income security and social security in general

Income security and access to social security in general	Children/adolescents	Active age population	Old age
Selected relevant ILO Conventions	Social Security (Minimum Standards) Convention, 1952 (No. 102)		
	Employment Injury Benefits Convention, 1964 [Schedule I amended in 1980] (No. 121)		
	Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128)		
	Employment Injury Benefits Convention, 1964 [Schedule I amended in 1980] (No. 121)		
		Employment Policy Convention, 1964 (No. 122)	
		Labour Administration Convention, 1978 (No. 150)	
		Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168)	
	Maternity Protection Convention, 2000 (No. 183)		
	Minimum Age Convention, 1973 (No. 138)		
	Worst Forms of Child Labour Convention, 1999 (No. 182)		
	Equality of Treatment (Social Security) Convention, 1962 (No. 118)		
	Maintenance of Social Security Rights Convention, 1982 (No. 157)		
Selected relevant ILO Recommendations	Income Security Recommendation, 1944 (No. 67)		
		Workers' Housing Recommendation, 1961 (No. 115)	
	Employment Injury Benefits Recommendation, 1964 (No. 121)		
	Invalidity, Old-Age and Survivors' Benefits Recommendation, 1967 (No. 131)		
	Maintenance of Social Security Rights Recommendation, 1983 (No. 167)		
		Employment Promotion and Protection against Unemployment Recommendation, 1988 (No. 176)	
	Maternity Protection Recommendation, 2000 (No. 191)		
	Minimum Age Recommendation, 1973 (No. 146)		
	Worst Forms of Child Labour Recommendation, 1999 (No. 190)		
Other relevant instruments	Universal Declaration of Human Rights, 1948		
	Convention on the Rights of the Child, 1989		

Annex 2

Conclusions concerning social security, International Labour Conference, 89th Session, 2001

1. In 1944, the Conference recognized "the solemn obligation of the International Labour Organization to further among the nations of the world programmes which will achieve … the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care". It is time for a renewed campaign by the ILO to improve and extend social security coverage to all those in need of such protection. The Director-General is invited to address the conclusions set out below with the seriousness and urgency they deserve in order to overcome a fundamental social injustice affecting hundreds of millions in member States.

2. Social security is very important for the well-being of workers, their families and the entire community. It is a basic human right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of government social policy and an important tool to prevent and alleviate poverty. It can, through national solidarity and fair burden sharing, contribute to human dignity, equity and social justice. It is also important for political inclusion, empowerment and the development of democracy.

3. Social security, if properly managed, enhances productivity by providing health care, income security and social services. In conjunction with a growing economy and active labour market policies, it is an instrument for sustainable social and economic development. It facilitates structural and technological changes which require an adaptable and mobile labour force. It is noted that while social security is a cost for enterprises, it is also an investment in, or support for, people. With globalization and structural adjustment policies, social security becomes more necessary than ever.

4. There is no single right model of social security. It grows and evolves over time. There are schemes of social assistance, universal schemes, social insurance and public or private provisions. Each society must determine how best to ensure income security and access to health care. These choices will reflect their social and cultural values, their history, their institutions and their level of economic development. The State has a priority role in the facilitation, promotion and extension of coverage of social security. All systems should conform to certain basic principles. In particular, benefits should be secure and non-discriminatory; schemes should be managed in a sound and transparent manner, with administrative costs as low as practicable and a strong role for the social partners. Public confidence in social security systems is a key factor for their success. For confidence to exist, good governance is essential.

5. Of highest priority are policies and initiatives which can bring social security to those who are not covered by existing systems. In many countries these include employees in small workplaces, the self-employed, migrant workers, and people – many of them women – active in the informal economy. When coverage cannot be immediately provided to these groups, insurance – where appropriate on a voluntary basis – or other measures such as social assistance could be introduced and extended and integrated into the social security system at a later stage when the value of the benefits has been demonstrated and it is economically sustainable to do so. Certain groups have different needs and some have very low contributory capacity. The successful extension of social security requires that these differences be taken into account. The potential of microinsurance should also be rigorously explored: even if it cannot be the basis of a comprehensive social security system, it could be a useful first step, particularly in responding to people's urgent need for improved access to health care. Policies and initiatives on the extension of coverage should be taken within the context of an integrated national social security strategy.

6. The fundamental challenge posed by the informal economy is how to integrate it into the formal economy. This is a matter of equity and social solidarity. Policies must encourage movement away from the informal economy. Support for vulnerable groups in the informal economy should be financed by society as a whole.

7. For persons of working age, the best way to provide a secure income is through decent work. The provision of cash benefits to the unemployed should therefore be closely coordinated with training and retraining and other assistance they may require in order to find employment. With the growth of economies in the future, education and skills of the workforce will be increasingly important. Education should be made available to all children to achieve adequate life skills, literacy and numeracy, and to facilitate personal growth and entry into the workforce. Lifelong learning is vital

to maintain employability in today's economy. Unemployment benefits should be designed so that they do not create dependency or barriers to employment. Measures to make work financially more attractive than being in receipt of social security have been found effective. However benefits must be adequate. Where it is not deemed feasible to establish a system of unemployment benefits, efforts should be made to provide employment in labour-intensive public works and other projects, as is successfully done in a number of developing countries.

8. Social security should promote and be based on the principle of gender equality. However, this implies not only equal treatment for men and women in the same or similar situations, but also measures to ensure equitable outcomes for women. Society derives great benefit from the unpaid care which women in particular provide to children, parents and infirm family members. Women should not be systemically disadvantaged later in life because they made this contribution during their working years.

9. As a result of the vastly increased participation of women in the labour force and the changing roles of men and women, social security systems originally based on the male breadwinner model correspond less and less to the needs of many societies. Social security and social services should be designed on the basis of equality of men and women. Measures which facilitate the access of women to employment will support the trend towards granting women social security benefits in their own right, rather than as dependants. The nature of survivors' benefits needs to be kept under review and, in the event of reform, appropriate transitional provisions must be made to protect women whose life course and expectations have been based on the patterns of the past.

10. In most societies, continued inequalities in earnings between men and women tend to affect women's social security entitlements. This underlines the need for continued efforts to combat wage discrimination and to consider the desirability of introducing a minimum wage, where it does not already exist. Where either parent provides care for children, social security benefits for childcare purposes should be made available to the caregiver. Furthermore, each society should consider introducing positive discrimination in favour of women where systemic discrimination is faced.

11. The ageing of the population in many societies is a phenomenon which is having a significant effect on both advance-funded and pay-as-you-go pension systems and on the cost of health care. This is transparent in pay-as-you-go systems where a direct transfer takes place from contributors to pensioners. It is, however, just as real in advance-funded systems, where financial assets are sold to pay for pensions and purchased by the working generation. Solutions must be sought above all through measures to increase employment rates, notably of women, older workers, youth and persons with disabilities. Ways must also be found to achieve higher levels of sustainable economic growth leading to additional numbers in productive employment.

12. In many developing countries, particularly in sub-Saharan Africa, the HIV/AIDS pandemic is having a catastrophic effect on every aspect of society. Its impact on the financial base of their social security systems is particularly acute, as the victims are concentrated among the working age population. This crisis calls for a much more urgent response through research and technical assistance by the ILO.

13. In pay-as-you-go defined benefit pension systems, risk is borne collectively. In systems of individual savings accounts, on the other hand, risk is borne by the individual. While this is an option which exists, it should not weaken solidarity systems which spread risks throughout the whole of the scheme membership. Statutory pension schemes must guarantee adequate benefit levels and ensure national solidarity. Supplementary and other negotiated pension schemes tailored more to the circumstances and contributory capacity of different groups in the labour force can be a valued addition to, but in most cases not a substitute for, statutory pension schemes. The social partners have an important role to play with regard to supplementary and other negotiated schemes, while the State's role is to provide an effective regulatory framework, and supervisory and enforcement mechanisms. Governments should consider that any support or tax incentives for these schemes should be targeted towards low- or medium-income earners. It is for each society to determine the appropriate mix of schemes, taking account of the conclusions of this general discussion and relevant ILO social security standards.

14. To be sustainable, the financial viability of pension systems must be guaranteed over the long term. It is therefore necessary to conduct regular actuarial projections and to implement the necessary adjustments sooner rather than later. It is essential to make a full actuarial evaluation of any proposed reform before adopting new legislation. There is a need for social dialogue on the assumptions to be used in the evaluation and on the development of policy options to address any financial imbalance.

15. Social security covers health care and family benefits and provides income security in the event of such contingencies as sickness, unemployment, old age, invalidity, employment injury, maternity or loss of a breadwinner. It is not always necessary, nor even in some cases feasible, to have the same range of social security provisions for all categories of people. However, social security systems evolve over time and can become more comprehensive in regard to categories of people and range of provisions as national circumstances permit. Where there is limited capacity to finance social security, either from general tax revenues or contributions – and particularly where there is no employer to pay a share of the contribution – priority should be given in the first instance to needs which are most pressing in the view of the groups concerned.

16. Within the framework of the basic principles set out earlier, each country should determine a national strategy for working towards social security for all. This should be closely linked to its employment strategy and to its other social policies. Targeted social assistance programmes could be one means to commence the introduction of social security for excluded groups. As government resources are limited in developing countries, there may be a need to broaden the sources of funding for social security through, for example, tripartite financing. Where possible, government support might cover initial start-up costs, in-kind support in the form of facilities and equipment, or support for low-income groups. In order to be effective, initiatives to establish or extend social security require social dialogue. Any changes to established social security systems should be introduced with adequate protection for existing beneficiaries. Innovative pilot schemes are to be encouraged. Well-designed and cost-effective research is necessary in order to provide objective evaluations of pilot schemes. Research and technical assistance are necessary to improve governance of systems.

17. ILO activities in social security should be anchored in the Declaration of Philadelphia, the decent work concept and relevant ILO social security standards. Social security is not available to the majority of the world's people. This is a major challenge which needs to be addressed in the coming years. In that regard the Conference proposes that:

    – a major campaign should be launched in order to promote the extension of coverage of social security;

    – the ILO should call on governments to give the issue of social security a higher priority and offer technical assistance in appropriate cases;

    – the ILO should advise governments and the social partners on the formulation of a national social security strategy and ways to implement it;

    – the ILO should collect and disseminate examples of best practice.

    Constituents should be encouraged to approach the ILO for special assistance to achieve outcomes which significantly improve the application of social security coverage to groups which are currently excluded. The programme is to be undertaken as soon as practicable and be subject to regular reports to the Governing Body.

18. The main areas identified for future social security research and meetings of experts are:

    – the extension of coverage of social security;

    – HIV/AIDS and its impact on social security;

    – governance and administration of social security systems;

    – equality, with an emphasis on gender and disability;

    – ageing and its impact on social security;

    – financing of social security;

    – sharing of good practice.

    These activities should form the basis for the further development of the ILO policy framework on social security and should be clearly linked to the further work programme, technical assistance priorities and activities of the ILO in this area.

19. The ILO's technical cooperation with governments and the social partners should include a wide range of measures, in particular:

    – extending and improving social security coverage;

    – developing innovative approaches in the area of social security to help people to move from the informal economy to the formal economy;

– improving the governance, financing and administration of social security schemes;

– supporting and training the social partners to participate in policy development and to serve effectively on joint or tripartite governing bodies of social security institutions;

– improving and adapting social security systems in response to changing social, demographic and economic conditions;

– introducing means to overcome discrimination in outcomes in social security.

20. The ILO should complete the programme of work as recommended above and must report regularly to the Governing Body on the results of that work, thereby enabling the Governing Body to monitor progress and decide how to proceed further.

21. The ILO should continue to develop interagency cooperation in the social security field, including with the International Social Security Association. The ILO should invite the IMF and the World Bank to support the conclusions adopted by the Conference and to join with the ILO in promoting social justice and social solidarity through the extension of comprehensive social security.