

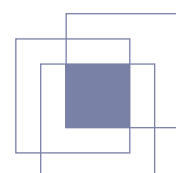
Extension of Social Protection



Elderly street vendors, Moscow, Russian Federation.

8.1 EXTENDING SOCIAL SECURITY COVERAGE TO THE INFORMAL ECONOMY

■ This brief examines the diversity of social security schemes and the factors behind their lack of coverage in the informal economy. Policy instruments need to take into account the diversity within the informal economy with regard to the degree of formalization, the status of employment, the revenues, the level of coverage and the ability to pay of different groups within the informal economy. While this diversity makes uniform solutions unrealistic, a basic social security floor combining different instruments can not only make a major contribution to the transition to formality but also have a dramatic effect on poverty reduction.



KEY CHALLENGES

- **Social security and informality**
- **Exclusion from universal schemes**
- **Categorical social assistance schemes**
- **Labour-based social insurance**

■ **Social security and informality.** Despite their greater exposure to risk and income insecurity, the vast majority of informal economy workers are deprived of social security coverage¹. Lack of social protection is a major contributor to social exclusion and poverty. But its impacts are also felt in the formal economy since workers and enterprises in the formal economy are obliged to carry the full burden of funding the social security system through taxes or social insurance.

Understanding the determinants behind the lack of social protection in the informal economy is essential to develop policy solutions to extend coverage. Firstly there is a great diversity in the conditions of access to social security benefits (social transfers²). The recipients of social transfers may be in a position to receive such transfers from a specific social security scheme because:

- they have contributed to such a scheme (contributory scheme), or
 - because they are residents (universal schemes for all residents), or
 - they fulfil specific age criteria (categorical schemes), or
 - they experience specific resource conditions (social assistance schemes)
- or
- because they fulfil several of these conditions at the same time.
 - In addition, some schemes require that beneficiaries accomplish specific tasks (workfare schemes for example) or
 - that they adopt specific behaviours (conditional cash transfers for example).

In any given country, several of these schemes may co-exist and may provide benefits for similar contingencies for different population groups.

Most of the categories of schemes referred above do not consider the employment situation when defining eligibility. For example many countries, including in the developing world, have adopted a universal scheme for all residents to guarantee access to health care. In some countries, a flat rate pension is delivered to all residents above a determined age.

What is social security?³

The notion of social security adopted here covers all measures providing benefits, whether in cash or in kind, to secure protection, inter alia, from:

- (a) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member;
- (b) lack of access or unaffordable access to health care;
- (c) insufficient family support, particularly for children and adult dependants;
- (d) general poverty and social exclusion.

Social security thus has two main (functional) dimensions, namely “income security” and “availability of medical care”, which are identified specifically in the *Income Security Recommendation, 1944 (No.67)* and the *Medical Care Recommendation, 1944 (No.69)*, respectively, as “essential elements of social security”. These Recommendations envisage that, firstly, “income security schemes should relieve want and prevent destitution by restoring, up to a reason-

1 For some, this lack of coverage is precisely the criteria utilized to define which job is informal and which job is not.

2 All social security benefits are income transfers, i.e. they transfer income in cash or in kind from one group of people to another. This transfer may be from the active to the old, the healthy to the sick, the affluent to the poor, et cetera

3 Extract from “Extending social security to all: A review of challenges, present practice and strategic options. Draft for discussion”. Tripartite meeting of experts on strategies for the extension of social security coverage. Social Security Department – ILO, Geneva, 2009.

able level, income which is lost by reason of inability to work (including old age) or to obtain remunerative work or by reason of the death of the breadwinner". Secondly, "a medical care service should meet the need of the individual for care by members of the medical and allied professions" and that the "medical care services should cover all members of the community". This duality is also reflected in the formulation of the Declaration of Philadelphia: "social security measures to provide a basic income to all in need of such protection and comprehensive medical care".

Access to social security is, in its essential nature, a public responsibility, and is typically provided through public institutions, financed either from contributions or taxes. However, the delivery of social security can be, and often is, mandated to private entities. Moreover, there exist many privately run institutions (of insurance, self-help, community-based or of a mutual character) which can assume a number of roles in social security, and important modalities of income security, including, in particular, occupational pension schemes, which complement, and may substitute in considerable measure, for elements of public social security schemes.

■ **Exclusion from universal schemes.** Exclusion may happen even when universal schemes are adopted for several reasons including lack of financing or delivery issues. The poor may face greater exclusion in access to health care than the better-off, notably because they have greater difficulties overcoming indirect costs associated with access. People in rural areas generally suffer higher exclusion than those living in urban settings because density and quality of health services is generally lower. Some countries have both universal schemes and employment based social insurance. In such cases, workers with formal jobs tend to be better covered than those with similar characteristics but with informal jobs⁴.

■ **Categorical social assistance schemes.** A growing number of developing countries have adopted categorical social assistance schemes. These provide benefits, under resource conditions, to certain population group such as the disabled, the elderly or the families with children below 15 years. People that belong to such categories and fulfil the resources conditions criteria can receive benefits whatever their occupational situation. The level of benefits provided by such schemes tend to be lower in principle to those provided through social insurance or universal tax-financed schemes. Examples of such schemes include conditional cash transfers or targeted "social pension" schemes. Exclusion from access to benefits even for those who meet the criteria is often a result of insufficient budget allocation.

■ **Labour-based social insurance.** While a diversity of schemes exist in many countries, labour-based social insurance, in most cases, remains the central pillar of social security systems⁵. Such schemes are based on an explicit contract in formal enterprises in the context of an identifiable employment relationship between a dependent worker and an employer. In developing countries, workers that are not in such position are generally not covered by law by labour-based social insurance. This is the case for the self-employed who represent a large proportion of informal economy actors who are not covered most of the time. The growing number of "dependant" workers where the employment relationship is unclear, ambiguous or hidden are another category excluded from social insurance coverage. (See also brief on the Employment Relationship) In addition, some labour laws and social security legislation do not cover enterprises numbers of employees under a certain threshold, thereby leaving these workers unprotected by statutory social insurance. In other cases even where the laws exist it may not be applied, excluding de facto workers from their labour rights. This is the case for example for wage workers without contract in formal enterprise (undeclared workers), who represent a relatively high share of total informal employment in middle income countries.

4 In the case of a dual system to guarantee access to health care, it would be wrong to assume that all workers with formal jobs and access to social insurance are better covered than all informal economy workers without access to social insurance. Other determinants have to be considered. For example, workers covered by social insurance and living in rural areas may experience in practice a lower access than informal economy workers living in urban areas, or the poorest among those covered by social insurance may suffer higher exclusion than those with informal jobs but higher income level.

5 At least when considering public expenditure in social protection

■ Factors influencing the exclusion from social security coverage to the informal economy.

In some developing countries, social security legislation extends social insurance coverage to some categories of informal economy workers, notably self-employed workers⁶, domestic workers and some occupational groups. Until recently, these attempts to reduce exclusion of informal economy workers have shown limited results in practice. Several reasons underlie this situation:

- **Many informal economy actors have too low and/or unstable income to pay** the contributions required from the social insurance. This is frequently the case for self-employed who are obliged in many countries to pay both the employer and worker contribution.
- **Even when informal economy workers have the capacity to pay they may lack willingness** to do so for a number of reasons including the lack of trust in social security institutions, the gap they perceive between the type of benefits provided and what they consider as their priority needs, the complexity (and time) of the procedures to register and to receive benefits.
- In addition, the **long period of contribution required** to be entitled to some benefits, notably pensions, may discourage many informal economy workers who often have insecure jobs and unpredictable employment paths.

While, as indicated above, there are a variety of schemes that do not consider the employment situation, in practice such schemes are scarce and of a limited coverage in developing countries. In most of these countries, social security systems are organized around labour-based social insurance and other statutory schemes that do not cover informal economy workers and entrepreneurs. While exclusion is also evident within the formal economy, informal economy actors tend to suffer the highest level of exclusion. This lack of social security coverage is often associated with a particularly high exposure to risk. Informal economy actors, and in particular women, often work in the most hazardous jobs, conditions and circumstances. Preventive measures to reduce risks at work often do not reach the informal economy..

Although not everyone in the informal economy is poor, a significant proportion of the poor are in the informal economy and, because they are poor, a larger proportion of them than of the overall population tend to face risk-inducing factors such as poor-quality nutrition, low access to drinking water and sanitary facilities, low access to education and health services, precarious housing, etc. High exposure to risk combined with low social protection coverage places most informal economy workers in a very vulnerable situation.

It should be noted that in some countries, the coverage of social insurance is limited due to the inconsistencies of its operation, the inability of the state to enforce mandatory contributions and the lack of confidence in public institutions. A badly designed and implemented social insurance scheme may create an incentive for informalization. This is one of the reasons why efforts to improve the governance and efficiency of social insurance should be considered among the set of policies required to reduce informalization of employment and extend coverage.

● In most countries, social security systems are organised around labour-based insurance and other statutory schemes that do not cover informal economy workers and entrepreneurs

● Other factors which may limit coverage include inconsistencies in its operation, the inability of the state to enforce mandatory contribution and lack of confidence in public institutions

⁶ In that case, coverage of life cycle risks (old-age, maternity for example) is more frequent than coverage for occupational risk (unemployment, work injury for example).

Despite these challenges, extending social security to the informal economy is a major plank in supporting the transition to formality and reducing poverty, and, as the examples discussed below reveal, is within reach for countries with even very low levels of income.



Many small enterprises lack adequate social security protection. Small workshop, Argentina.

EMERGING APPROACHES AND GOOD PRACTICES

- A rights based approach
- Taking diversity into account
- Extending the coverage of labour based social insurance
- Setting up national health insurance
- Launching tax-finance non-contributory schemes
- Combining instruments within an integrated national social security strategy

● Social security is not only a basic human right but it is a fundamental means to reduce poverty, social exclusion as well as enhance social cohesion and economic productivity

■ **A rights based approach.** Social security is a basic human right, as affirmed by Article 22 of the Universal Declaration of Human Rights: “Everyone, as a member of society, has the right to social security.” This right constitutes the first source of legitimacy for the extension of social security coverage to all. But social security is also a fundamental means of reducing poverty and social exclusion and promoting social cohesion. A growing body of evidence in developing countries shows the important contribution of social security to improving access to health, education and productive economic opportunities, reducing child labour and facilitating the participation of the poorest members of society in the labour market⁷. The improved knowledge and understanding of the contribution of social security to the development agenda have incited many countries in the developing world to undertake initiatives to extend coverage to those excluded from existing schemes, and in particular to those in the informal economy. These efforts are both welcome and urgent; nevertheless, the transition from the informal economy to the mainstream remains a priority to reduce decent work deficits and extend the protective measures attached to formal employment to a larger share of the population.

● Contributions, benefits and operations of social insurance need to be adapted to the specificities of informal economy actors

■ **Taking diversity into account.** The informal economy includes workers with very different characteristics in terms of income (level, regularity, seasonality), status in employment (employees, employers, own-account workers, casual workers, etc.), sector of activities (trade, agriculture, industry, etc.) and needs. Extending coverage to such a heterogeneous set of workers requires the implementation of several (coordinated) instruments adapted to the specific characteristics of the different groups, to the contingencies to be covered and to the national context. It is not possible here to affect an analysis by group and contingency of current experiences in coverage extension. The different approaches that are briefly described below provide only a generic view of some ways of extending coverage. These are not “either-or” policies but rather, in most cases, complementary.

⁷ For more details see Resources section to access the following documents: ILO 2010 Effects of non-contributory social transfers in developing countries: A Compendium; Barrientos, A. and Scott J. 2008; Social transfers and Growth: A Review. BWPI Working paper; Brière, B and Rawlings L. 2006 Examining Conditional Cash Transfer Programs: A role for increased social inclusion? World Bank; Tabatabai, H. 2006 Eliminating Child Labour: the promise of conditional cash transfers, ILO; Williams, M. 2006 The Social and Economic impacts of South Africa's Child Support Grant; Posel et.al. 2004 Labour Migration and Households: a reconsideration of the effects of the social pension on labour supply in South Africa; Medeiros, M. et.al. 2008 Targeted Cash Transfer Programmes in Brazil, IPC.

■ **Extending the coverage of labour-based social insurance.** While social insurance schemes have been set initially for formal wage employment, legislators have extended their coverage at a later stage in a number of cases. In practice this extension, by bringing in successively smaller enterprises and/or including new categories of workers such as the self-employed, has not so far reached many more groups of the working population with the exception of a few countries.

● Extending coverage to the diverse realities in the informal economy requires the implementation of several (coordinated) instruments

Efforts to extend the coverage of social insurance have been successful when they included the adaptation of benefits, contributions and operations to the characteristics of some categories of informal economy workers. These may include:

- giving beneficiaries a choice whether to affiliate to all branches, according to their needs and contributory capacity;
- more flexible contribution payments to take into account income fluctuations or seasonal revenues (for workers in agriculture for example);
- introducing specific mechanisms to determine contribution levels for employees and self-employed workers where real incomes are difficult to assess (capitation or lump-sum payment based on size of economic activity, on area cultivated, etc.);
- reducing the costs of registration; and offering small-scale contributors “simplified schemes” in terms of both registration and compliance with tax obligations.

In South Africa, domestic workers were included under the Unemployment Insurance Fund (UIF) in 2003. The Fund provides unemployment, maternity and adoption benefits as well as benefits in case of illness or death and cover all domestic workers, including housekeepers, gardeners, domestic drivers and persons who take care of any person in the home. The employer must register their workers and provide contributions. Lack of compliance is a punishable offence. The employer must pay unemployment insurance contributions of 2% of the value of each worker’s pay per month. The employer and the worker each contribute 1%. The UIF has streamlined registration procedures and provided free online registration to minimise administrative hurdles for employers and workers. From 2003-2008 the Fund registered more than 633,000 domestic workers and more than 556,000 domestic employers have collected R395 million. By 2008 over 324,000 temporarily unemployed workers had received social security payments, the vast majority being women.

In South Africa, streamlined registration procedures, and free online registration has minimised administrative hurdles for employers and workers

Innovations in registration and collecting of contributions for independent workers in the informal economy – Monotributors in Uruguay

Monotributors is a particular social security collection method, but implemented as a tax category, for self-employed workers with a limited turnover and with small commercial activities in public communities and environments. It is strongly focused on boosting coverage in the informal economy.

Small businesses that fall into the category of Monotributors can choose between paying a single tax on revenue generated by their activities, named “monotributo”, instead of paying the special social security contributions and the existing national taxes, except in the case of export earnings. A fraction of the taxes collected through Monotributo scheme are then transferred by the tax authority to the Institute of Social Security to finance the social security coverage (except unemployment benefits).

Recent tax reforms on Monotributors scheme have led to the elimination of some restrictions to be considered “monotributistas” companies, including the abolition of the restriction related to the site where the activity takes place, the type of activities (including some production activities), the type of companies (coverage is extended to companies in fact, not registered), the conditions of sale (accepting companies that sell on credit), the maximum billing, and opens the possibility to sell (for some activities) not only to the final consumer, but also to other companies and to the government.

As a result of these reforms, in less than three years from the effective date of the new law (June, 2007), number of firms and workers covered previously in this category of coverage tripled. The more flexible design mechanisms for funding and collecting contributions have yielded very important impacts. This scheme is based on joint efforts between social security institutions and the authorities responsible for collecting taxes.

● Access to health care is one of the most important sources of security that vulnerable groups and informal actors look for

■ **Setting up national health insurance.** Social health protection, defined as guaranteeing effective access to affordable quality health care and financial protection in case of sickness, is essential from both a rights perspective and an economic efficiency perspective. Access to health is universally recognized as one of the most fundamental rights and a key factor in stimulating productivity and growth. Guaranteed access to health care is also in many circumstances the first security that poor and vulnerable people look for. The impact of health shocks on poverty is also quite severe and affects millions of people every year. Social health protection is increasingly perceived as a crucial component of policies and reforms aiming to improving health systems and access to quality health services.

Ghana, Rwanda and Philippines have launched national health insurance with a view to providing universal access to comprehensive benefit packages

While “classical” tax-funded universal health systems are common, several countries such as Ghana, Rwanda and Philippines have launched national health insurance with a view to providing universal access to comprehensive benefit packages⁸. Setting up and implementing national health insurance raises many challenges at the organizational, institutional and financial levels. The success of these schemes is also highly dependent on the existence of good provision of quality health care services. The ongoing schemes are too young for any conclusions to be drawn about their effectiveness and sustainability but, despite the hard challenges mentioned above, some are showing promising results. Other demand-side financing mechanisms have also been introduced in a number of countries, notably to improve targeting of equity subsidies, increase outputs and raise the productivity of the health systems. Reproductive health vouchers are one example of these mechanisms that have been adopted by countries such as Uganda⁹. Within each of these financing mechanisms lies a range of options for organizing arrangements for pooling funds and purchasing services, leading to a great diversity of systems¹⁰.

In Ghana¹¹ the National Health Insurance Scheme (NHIS) has the aim of ensuring universal access to quality health services without out-of-pocket payment being required at the point of service use. The Government provides direct financial support to the District Mutual Health Insurance schemes as part of its ongoing Poverty Reduction Strategy. Community-based District

8 National health insurances are insurance schemes targeting all citizens and financed both by tax revenues and contributions for those who can afford it.

9 During pregnancy, out-of-pocket fees and indirect costs (like transportation) required for maternal and obstetric services mean that access to appropriate care remains beyond the reach of many. Maternity care may not only be expensive for poor households but may also be a low priority in the use of scarce household resources. Without effective access to affordable quality health care and protection against related financial burdens, poor women and their families are often discouraged from seeking the care they need.

10 For more details see Resources section to access: ILO 2008 Social health protection: An ILO strategy towards universal access to healthcare?

11 For more details see Resources section to access: ILO 2009 Extending social security to all: A review of challenges, present practices and strategic options.

Mutual Health Insurance Schemes thus constitute the bedrock upon which the government is building its national health insurance programme. The NHIS premiums are generally based on participants' ability to pay. Community Insurance Committees identify and categorize residents into four social groups, namely the core poor, the poor, the middle class and the rich, and graduate their respective contributions accordingly. The core poor¹² (or the indigent), together with those aged 70 years or more are exempted from paying any premiums or contributions. While contributions vary slightly from district to district, members in the informal economy generally pay about ₵72,000 (or New GH₵7.2; about US\$5). For members in the formal economy, participating in the SSNIT, 2.5 per cent is deducted monthly as their health insurance contribution. Workers in the formal economy should thus become automatic members of the NHIS, but still have to register with their respective District Mutual Health Insurance Schemes. The Government has also introduced a 2.5 per cent sales levy to support the funding of the NHIS. For all contributors, coverage is extended to their children and dependants under 18 years of age. Data from Ghana NHIS headquarters in Accra indicate that in 2008 some 12.5 million Ghanaians, or 61 per cent of the total national population of 20.4 million, had registered with the NHIS¹³.

In Rwanda, a national policy on the development of mutual health organizations was developed in 2004. Mutual health organizations have been set up in 30 health districts and a section de mutuelle is present at the level of the health centre (there are 403 of these units). In 2006 the Government adopted a policy of compulsory health insurance for the entire Rwandan population. The membership rate of mutual health organizations has sharply risen over the last five years: from just 7% in 2003, it rose to 27% in 2004, 44.1% in 2005, 73% in 2006 and stood at 85% by the end of June 2008.

The premium for a primary healthcare package at the level of the health centre was set at FRW 1000 per person per year as from January 2007 with a 200 FRW co-payment due upon treatment. In addition to this package, beneficiaries have access to complementary benefits covering services and treatment at the hospital level. The 1000 FRW cost of this package is financed via district and national risk pools on behalf of the beneficiaries. Upon treatment a co-payment of 10% of the total bill is required at the district or reference hospital. The district-level risk pool is made up of contributions from the national risk pool, 10% of each 1000 FRW premium paid by beneficiaries for the primary package, and from donor subsidies. The national risk pool or "Solidarity Fund" is constituted mainly by contributions from the State, donor agencies and public and private sector workers.

Though the 1000 FRW premium for the primary healthcare package is kept low in relation to the real costs of health care, it remains out of reach for many Rwandans living in extreme poverty. The Global Fund to Fight Aids Tuberculosis and Malaria along with other NGOs (e.g. The Red Cross, Oxfam, Caritas) and government programmes (e.g. FARG) have therefore opted to finance health insurance premiums for the poorest Rwandans, orphans and people living with HIV/AIDS¹⁴.

12 The NHIS defines the core poor as "adults who are unemployed and do not receive any identifiable and constant support from elsewhere for survival" (Republic of Ghana NHIS Brochure n.d., 6; Ghana National Health Insurance Council, 2007).

13 NHIS. 2009. Operational Report as of 31 December 2008 (Accra).

14 For more information, see Resources section to access: GESS platform at <http://www.socialsecurityextension.org/gimi/gess/>

● Health micro-insurance have shown good potential for reaching groups excluded from statutory social insurance

■ **Promoting micro-insurance schemes.** Microinsurance schemes have proliferated over the last decade particularly in South Asia and Africa, often to extend health protection. These schemes are often initiated by civil society organizations and are delivered through a diversity of organizational settings. Health microinsurance have shown good potential for reaching groups excluded from statutory social insurance, mobilizing supplementary resources, contributing to participation in civil society and empowering socio-occupational groups including women. However, stand-alone, self-financed micro-insurance schemes have major limitations in terms of sustainability and efficiency in reaching large segments of excluded populations. Their impact should be increased notably by developing functional linkages with extended and expanded national or social insurance systems, contributing in this way to better equity and efficiency in national social security policies.

■ **Launching tax-financed non-contributory schemes.** A promising way of extending social security in the area of income security is through non-contributory, tax-financed cash transfers delivered in various forms and ways:

- a universal social pension paid to all the elderly population;
- cash transfers to families with children, often conditional on school attendance or participation in preventive health programmes;
- benefits aimed at specific groups such as persons with disabilities, orphans and other vulnerable people; and targeted social assistance programmes.

During the last decade, more than 30 developing countries have developed schemes of this kind, some of them such as *Bolsa Família* in Brazil or the *National Rural Employment Guarantee Scheme* in India are covering several tens of millions of persons.

Bolsa Família (Brazil) - An emblematic conditional cash transfer scheme¹⁵

The *Bolsa Família* (family grant) programme merged four pre-existing cash transfer schemes and was launched in Brazil in 2003. It is the largest conditional cash transfer programme in the world. In 2008, it covered around 11.35 million families (47 million people), corresponding to a quarter of Brazil's population. The budget for 2008 was US\$ 5.5 billion¹⁶ which represents 0.3 percent of the GDP¹⁷. Coverage is expected to be extended to cover 12.4 million families by the end of 2009.

The programmes main objectives are to:

- reduce current poverty and inequality, by providing a minimum level of income for extremely poor families; and
- break the inter-generational transmission of poverty by conditioning these transfers on beneficiary compliance with human development requirements (school attendance, vaccines, pre-natal visits).

The programme is an integral part of Brazil's social policies which cover food and nutritional security, social assistance (psycho-social), cash transfer and basic social services. More recently, the PlanSeQ programme has been established to help beneficiary families obtain professional qualifications and prepare them for jobs in demand. Currently, some 211, 930 people are involved in PlanSeQ programmes.

15 For more details see Resources section to access: ILO 2009 Extending social security to all: A review of challenges, present practice and strategic options.

16 Ministério do Desenvolvimento Social e Combate à Fome. 2008 UN exchange rate for January 2009: US\$ = R\$ 2.3

17 Ministério do Desenvolvimento Social e Combate à Fome. 2009. Conditional Cash Transfer: Bolsa Familia Case. Presentation at ILO Governing Body. Geneva: Switzerland.

Only very poor households are entitled to the basic benefit of R\$ 62 and then the benefit varies depending on household income and composition¹⁸. Targeting of the grant is done 'through a combination of methods: geographic allocations and family assessments based on per capita income. The geographical targeting takes place at two levels: federal and local.

The families enrolled in the programme are committed to the fulfilling three main requirements:

- (i) prenatal and postnatal monitoring;
- (ii) nutrition and vaccination monitoring for children from 0 to 7 years old and
- (iii) at least of 85 percent school attendance for children aged 6 to 15 years old and 75 percent for teenagers from 16 to 17 years old.

A recent change to the *Bolsa Família* programme has been its integration with the Child Labour Eradication Programme (PETI). Approximately, 450,000 families have been earmarked as being in a child labour situation and in 2008 the programme reached some 875 000 children. As a consequence, their fulfilment of the school attendance conditionality has been more closely monitored. In fact, the programme helps illustrate that conditionalities are not necessarily punitive but the non-fulfilment can be an indicator of vulnerability. In this sense conditionality has a revealing power that can alert social services, therefore permitting a better understanding of familial needs in terms of the utilisation of services¹⁹.

Despite some evidence of leakage the delivery of *Bolsa Família* has been well targeted: 80 percent of the *Bolsa Família* reported incomes goes to families living below the poverty line (half of the minimum wage per capita).

Sources: Lindert et al 2007; Soares et al, 2006; Soares et al 2007; Ananias de Sousa, 2009, Ministério do Desenvolvimento Social e Combate à Fome. 2009. Conditional Cash Transfer: *Bolsa Família* Case. Presentation at ILO Governing Body. Geneva: Switzerland

The Indian National Rural Employment Guarantee Scheme

The Indian National Rural Employment Guarantee Scheme (NREGS) was established in 2005. It entitles rural households to demand up to 100 days of unskilled manual employment per year, with a provision reserving 1/3 of those employment opportunities for woman workers. The programme undertakes projects facilitating land and water resource management, together with infrastructure development projects such as road construction. In 2006-7, a total of 511,335 projects were completed. According to the law, the wages paid should be equal to the prevailing minimum wage for agricultural labourers in the area. The minimum wage per-day of work cannot be less than Rs 60. If work is not provided within the stipulated time, the applicant is entitled to receive an unemployment allowance.

NREGS is a universal scheme. In practice, it is designed in a manner which is self-targeting and demand-driven. The Panchayat Raj Institutions (PRIs), India's decentralized form of governance, are the primary agencies for the planning and implementation of the varying NREGS schemes. Unlike previous employment assurance schemes, NREGS originates from an Act of Parliament. As such there are inherent mechanisms within the Act to ensure transparency, accountability, provisions of penalty, grievance-reprisal, and social auditing.

The NREGS Act endeavors to reduce rural migration between States, create sustainable assets in rural areas, empower women through independent income earning opportunities, and encourage overall development of the rural economy and its cascading effects on the national economy. In 2008/2009, the number of households provided employment was more than 45 millions, with the average an average of 47 days worked per household. The allocation for the programme from the national budget for the financial year 2006-7 was around 0.3 per cent of GDP. Of the total cost of the project, 60% is reserved for wages of unskilled workers, while the remaining 40% is set aside for skilled and semi-skilled workers, and required materials for various schemes.

Sources: Tripartite Meeting of Experts on Strategies for the Extension of Social Security Coverage. Extending Social Security to All: A review of challenges, present practice and strategic options. 2-4 September 2009. ILO Geneva.

Ashok K. Pankaj. 2008. The National Rural Employment Guarantee Act. Guaranteeing the Right to Livelihood. India Social Development Report. Oxford.

18 Furthermore, very poor households can receive additional variable benefits for each child up to a maximum of three children (0-15), for adolescents (16-17) and if there are pregnant women. Very poor families can receive up to R\$182 per month. If households have a monthly income between R\$60 to R\$120 they can receive additional variable benefits depending on the number of children, adolescents and pregnant women. The transfer entitlement can be as much as R\$120. However, the latter are not entitled to the basic grant. Source: Ministério do Desenvolvimento Social e Combate à Fome. 2009. www.mds.gov.br/bolsafamilia/o_programa_bolsa_familia

19 Ananias de Sousa, 2009

● Social assistance programmes appear quite promising as a means of tackling extreme poverty

Among non contributory schemes, social assistance programmes have gained importance worldwide. Some have undergone considerable transformation, indicating an increasing willingness to go beyond their traditional redistributive role and emphasise stronger linkages with labour market policies and support to fostering social inclusion and human development. The development of social assistance programmes appears quite promising as a means of tackling extreme poverty. Existing opportunities for extremely poor people are severely constrained due to mismatches between the structure of opportunities available and the complex set of constraints they face. It is now accepted that mainstream development approaches, especially microfinance, skills development, cooperative promotion or access to basic social services, largely bypass this population group. One of the reasons is that they are engaged in daily survival to respond to their immediate needs and are thus in no position to engage any spare resources (including time) or capacities in activities that do not provide an immediate return or where that return is seen as uncertain. New social assistance programmes seek to respond to such difficulties by using approaches that combine transfers to overcome the immediate and fundamental needs of the most poor²⁰ with active support to strengthen their access to economic opportunities and basic social services.

Reaching the ultra-poor: TUP programme in Bangladesh

The “Challenging the Frontiers of Poverty Reduction - Targeting the Ultra Poor” (TUP) programme of the Bangladesh NGO BRAC. This programme was launched in 2002, following BRAC staff’s conclusion that their existing interventions – while valuable to many Bangladeshis living in poverty – were not reaching or helping the very poorest people in rural Bangladesh.

The TUP programme combines asset/income transfers linked to livelihood skills training, health promotion and other social programmes with potentially empowerment and transformative aspects. An example of the latter is legal advice on issues such as marriage and domestic violence law – particularly relevant as many of the ‘ultra poor’ are women. Again, the development of capabilities is built in to the programme as a whole, with an aim of enabling participants to eventually join a BRAC micro credit programme.

BRAC’s evaluation²¹ found that, on average, by 2005 participants’ incomes had grown beyond those who were ‘not quite poor enough’ to be selected for the programme in 2002, but that they were still poor. This is perhaps not surprising in a relatively short period of time. The participants made progress in several key areas related to vulnerability (notably livelihood assets, savings and health), and appeared more confident in their ability to withstand serious shocks or livelihoods ‘crises’, such as the serious illness of an income earner.

Source: ILO 2008 Promotion of rural employment for poverty reduction, Report IV, International Labour Conference 97th session 2008 Geneva http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_091721.pdf

While non-contributory programmes are developing quickly in middle-income countries, they are still scarce in low-income countries. Nevertheless, they are gaining considerable interest from governments and international agencies. For example, social pension schemes are being implemented in a growing number of African countries and some of them, such as Cape Verde, have recently increased their coverage and level of benefits. The 2006 Livingstone Call for Action resulting from a conference organized jointly by the African Union and the Government of Zambia illustrates the growing interest in tax-financed cash transfers in the continent.

20 Particularly cash and food transfers

21 Rabbani, M., Prakash, V. and Sulaiman, M. (2006) Impact Assessment of CFPR/TUP: A Descriptive Analysis Based on 2002-2005 Panel Data, CFPR/TUP Working Paper Series No. 12, Dhaka, BRAC.

■ **Combining policy instruments the context of an integrated national social security strategy.** Several policy instruments may logically coexist in one country because they seek to provide coverage for different contingencies and for groups with different characteristics. The mix of policy instruments used should be adapted both to the specific characteristics and needs of the groups to be covered and to the national environment. To be efficient, as stated in 2001 by the 89th International Labour Conference, the different “policies and initiatives on the extension of coverage should be taken within the context of an integrated national social security strategy”. Improving policy coordination and coherence between the various social security mechanisms remains an important task in most developing countries to maximize the utilization of resources, avoid the exclusion of groups of the population and promote the formalization of employment.

● Policy coordination and coherence between the various social security mechanisms is needed to maximize the use of resources, avoid exclusion and support the move out of informality

Thailand: A pluralistic system to deliver social health protection

In 2001, Thailand took a radical step towards achieving full population coverage in health care by introducing a universal health care scheme, now popularly called the “UC scheme” (earlier known as the “30 Baht” scheme). The scheme offers any Thai citizen, who is not affiliated either to the Social Security Health Insurance (SSO) or the Civil Servant Medical Benefit Scheme (CSMBS), access to health services provided by designated district based networks of providers (consisting of health centers, district hospitals and cooperating provincial hospitals). Individuals are able to access a comprehensive range of health services, in principle without co-payments or user fees, including ambulatory (“outpatient”) services, inpatient services and maternity care, furnished by public and private providers, within a framework which emphasizes preventive and rehabilitative aspects.

As of 2006/2007, the overall legal coverage for health in Thailand reached almost 98 per cent of the population. Thailand’s pluralistic approach has therefore succeeded in achieving near-universal coverage in a relatively short period of time. The role of the UC scheme has been crucial in providing social health protection to the very poorest, especially informal economy workers whose health care needs inspired the development of this scheme. However, an unresolved issue is that out-of-pocket payments continue to represent a significant proportion of total health expenditure (28.7 per cent in 2007, comprising 74.8 per cent of private health expenditure).²²

The pluralistic development of both targeted and universal schemes, on a coordinated basis, is a particular feature of Thailand’s approach to social health protection. A range of revenue sources has been mobilised, including general government revenue and earmarked taxes together with contributions and premiums, hence accelerating progress in increasing coverage, especially of the poor. The main areas of cooperation between schemes include management of the information system, standards of health services and health facilities, and the claim and audit system²³.

India has adopted a specific law to support the coverage of the informal economy (unorganised sector) through a combination of instruments. The 2008 Unorganised Workers’ Social Security Act provides legislative support for a series of pre-existing social security and welfare schemes. Those included under the scheme include home-based workers, self-employed workers, wage workers (including migrant workers) in the unorganised sector, as well those not covered in the organised sector.

In India the 2008 Unorganised Workers’ Social Security Act provides legislative support for a series of pre-existing social security and welfare schemes

22 For more details see Resources section to access: ILO 2008. Social health protection: An ILO strategy towards universal access to health care? Social Security Policy Briefings, Paper 1 (Geneva).

23 Sakunphanit, T. 2008. Universal Health Care Coverage through Pluralistic Approaches: Experience from Thailand. Series: Social security extension initiatives in East Asia (Bangkok, ILO Subregional Office for East Asia).

The Central Government is responsible for formulating suitable welfare schemes for unorganized workers in matters relating (a) life and disability cover; (b) health and maternity benefits; (c) old age protection; and (d) any other benefit as may be determined by the Central Government. At the State level, unorganized workers are able to participate in welfare schemes including (a) provident funds, (b) employment injury benefits, (c) housing, (d) educational schemes for children, and (e) skills upgrading for workers.

The new law outlines the responsibilities, provisions and structure for the creation of a National and State Social Security Boards, empowered to take decisions on essential social security measures for all unorganized workers. As 94% of the workforce is in the unorganised sector, this Act strives to pave the way towards a nation-wide social security system²⁴.

● Evidence has grown that social security is possible from the earliest stages of development and that social security can play a key role in economic development

■ **Affordability of social security in developing countries.** For decades, social security has been viewed by many as only applicable in high income countries. These views have declined as evidence has grown that social security is possible from the earliest stages of development and that social security can play a key role in economic development. More than 30 developing countries have been able to significantly extend their coverage through a variety of programmes.

Modelling work on affordability is helping policy dialogue move beyond anecdotal evidence and assumptions about the financial burden of long-term social security programmes. This work shows that providing a basic set of social security benefits is affordable in most of the middle-income countries²⁵. In some poor countries, significant long-term aid will be required until non-contributory social benefits can be funded solely from tax revenues.

In practice, any increase in domestic revenues allocated to basic social security is determined by both fiscal space and the political will to increase the share of public expenditures dedicated to this policy field. Capacity to create a fiscal space should be considered in the context of a comprehensive government expenditure framework in the medium term. Capacity to mobilize additional revenue by increasing the tax base, improving the efficiency of expenditure by strengthening public institutions, and adequate policies to sustain productivity remain the key factors in creating fiscal space in poor countries. The decision to increase the share of public expenditure dedicated to basic social security will depend on the political will to do so and on how much of the government budget is already committed. To support the decision-making process, overall feasibility, both financial and administrative, should be assessed and the projected outcomes of providing basic social security estimated.

■ **The ILO approach and the social protection floor.** The ILO promotes a two-dimensional approach to extend social security coverage. The first dimension (horizontal) comprises the extension of income security and access to health care, even if at a modest basic level, to the entire population. In the second dimension (vertical), the objective is to provide higher levels of income security and access to better-quality health care as countries achieve higher levels of economic development – and gain fiscal space.

24 For more details see Resources section to access: The Unorganised Workers' Social Security Act, 2008. No. 33 of 2008.

25 Pal, K.; Behrendt, C.; Léger, F.; Cichon, M. and Hagemeyer, K. (2005), Can Low Income Countries Afford Basic Social Protection? First Results of a Modelling Exercise, Issues in Social Protection Discussion Paper 13. ILO, Geneva

The UN Chief Executives' Board for Coordination, reinforced by the ILO's Global Jobs Pact, has pointed to a new strategic approach to the first dimension, the horizontal one, by promoting a set of basic social security guarantees within the framework of a wider social protection floor. This floor is conceived as consisting of two main elements that help to realize human rights:

- **Essential public services:** geographical and financial access to essential services (such as water and sanitation, health and education).
- **Social transfers:** a basic set of essential social transfers, in cash and in kind, paid to the poor and vulnerable to provide a minimum income security and access to essential health care.

The social transfer component of the social protection floor comprises a basic set of essential social guarantees realized through transfers in cash and in kind, typically ensuring:

- universal access to essential health services;
- income (or subsistence) security for all children through child benefits;
- income support combined with employment guarantees and/or other labour market policies for those of active age able (and willing) to work, who cannot earn sufficient income on the labour market;
- income security through basic tax-financed pensions for older people, persons with disabilities and those who have lost the main family breadwinner.

The term “guarantees” leaves open the question whether all or some of these transfers are (i) granted on a universal basis to all inhabitants of a country; or (ii) arranged through compulsory, contributory, broad-based social insurance schemes, or (iii) provided only in the case of assessed need, or (iv) based on certain behavioural conditions. The key determinant is that all citizens have access to essential health services and the means of securing a minimum level of income.

● Basic social security guarantees within a wider social protection floor include both essential public services and social transfers

Recommendation 202 concerning national floors for social protection

In 2012, the International Labour Conference adopted an instrument on national social protection floors. These are nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion. The Recommendation makes explicit reference to people in the informal economy, acknowledging that social security is an important tool to prevent and reduce poverty and support the transition from informal to formal employment.

For more details see http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_183326.pdf



Homeless man, Brazil.

RESOURCES

This section provides a list of resources which can enable the reader to delve deeper into the issue. Details of the good practices cited above can be accessed here. The section comprises international instruments, International Labour Conference conclusions, relevant publications and training tools. A bibliography of references in the text is further below. There may be some overlap between the two.

ILO instruments and Conference Conclusions

<http://www.ilo.org/ilolex/english/convdisp1.htm>

The Social Security (Minimum Standards) Convention 1952 (No.102)
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The Maintenance of Social Security Rights Convention, 1982 (No. 157)
Maintenance of Social Security Rights Recommendation, 1983 (No. 167)
The Maternity Protection Convention, 2000, (No. 183)
The Maternity Protection Recommendation, 2000 (No. 191)
The Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128)
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Ghana, National Health Insurance Ghana National Health Insurance
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India, The National Rural Employment Guarantee Act
<http://nrega.nic.in/netnrega/home.aspx>

South Africa, Unemployed Insurance Fund
<http://www.labour.gov.za/legislation/acts/basic-guides/basic-guide-to-uif-registration>

Thailand, Universal Health Insurance
<http://www.nhso.go.th>

Uruguay, Monotributors programme
<http://www.bps.gub.uy/ProcesosReforma/ReformaTributaria/Monotributo.aspx?menu=reformaTributaria>

Electronic Platforms

<http://www.ciaris.org/>
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