



## FOR DEBATE AND GUIDANCE

### SECOND ITEM ON THE AGENDA

## Recurrent items for the International Labour Conference:

### Recurrent item report on social security (2011) – First discussion on content and structure

#### Context

1. At its 97th Session (2008), the International Labour Conference adopted the ILO Declaration on Social Justice for a Fair Globalization (Social Justice Declaration). The Social Justice Declaration recognizes that the ILO

- based on the mandate contained in the ILO Constitution, including the Declaration of Philadelphia (1944), which continues to be fully relevant ... has the solemn obligation to further among the nations of the world programmes which will achieve the objectives of full employment and the raising of standards of living, a minimum living wage and the extension of social security measures to provide a basic income to all in need, along with all the other objectives set out in the Declaration of Philadelphia.<sup>1</sup>

2. The follow-up to the Declaration, stipulates that:

The Organization will introduce a scheme of recurrent discussions by the International Labour Conference ... so as to:

- (i) understand better the diverse realities and needs of it with respect to each of the strategic objectives, respond more effectively to them, using all the means of action at its disposal, including standards related action, technical cooperation and the technical and research capacity of the Office, and adjust its priorities and programmes of action accordingly; and
- (ii) assess the results of the ILO's activities with a view to informing programme, budget and other governance decisions.<sup>2</sup>

<sup>1</sup> ILO Declaration on Social Justice for a Fair Globalization, Geneva, 2008, Preamble, p. 6.

<sup>2</sup> ILO: op. cit., Annex, II(B).

3. In March 2009, the Governing Body decided that in 2011 the second recurrent discussion would be on the strategic objective of social protection (social security).<sup>3</sup> This paper presents a tentative outline of the report for the referred discussion for consideration by the Committee.
4. The 2011 discussion has to be placed in the context of a number of key events in social security that have taken place at the ILO during the last decade. The starting point was the general discussion on social security at the 89th Session of the Conference in 2001. The Conference's resolution and conclusions renewed the commitment of the Organization to the extension of social security coverage and to the improvement of the governance, financing and administration of social security.<sup>4</sup> Subsequently, the Global Campaign on Social Security and Coverage for All (Global Campaign) was launched at the 91st Session of the Conference in 2003. Its activities, which have become the catalyst for ILO work in this area, were reviewed in a report to the Committee on Employment and Social policy in November 2008.<sup>5</sup>
5. The discussions of the Committee in November 2008 led to the realization that more time was needed for tripartite consultation " ... on the elements and possible form of an additional mechanism to guide improvements of social security coverage in member States ... ".<sup>6</sup> Following a request by the Committee, a "Tripartite Meeting of Experts on Strategies for the Extension of Social Security Coverage" was held in Geneva from 2 to 4 September 2009. As reported to the Governing Body in November 2009, the discussions at the Meeting "reflected a large measure of agreement concerning the ongoing importance of social security and its role not only in individual welfare, but also with regard to broad economic growth and development. There was a consensus on the universal right to, and need for, social security; and a reminder from all sides on the importance of social dialogue".<sup>7</sup> The Chairperson's summary explicitly endorsed the two-dimensional strategy that the Office developed to extend the coverage of social security. One dimension comprises the extension of some income security and access to health care, even if at a modest basic level, to the whole population. This dimension may be called "horizontal" extension. The second dimension seeks to provide higher levels of income security and health protection to preserve the standard of living of people even when faced with fundamental life contingencies such as unemployment, ill health, invalidity, loss of breadwinner and old age. This dimension may be called the "vertical" aspect of extension.
6. The horizontal dimension is conceptually complementary to the idea of the social protection floor developed by the United Nations System Chief Executives Board for Coordination (CEB), which promotes a set of social transfers and rights that allows individuals to purchase or access essential goods and services. The CEB has adopted the social protection floor as one of its joint crisis initiatives. The ILO, together with the World Health Organization (WHO), is leading this initiative. At its core is the building of a coalition of international collaborating agencies and donors that will support countries to plan and implement sustainable social transfer schemes and essential social services.

<sup>3</sup> See GB.304/PV, para. 52.

<sup>4</sup> ILO: Resolution concerning social security, International Labour Conference, 89th Session, Geneva, 2001, paras 16–19.

<sup>5</sup> GB.303/ESP/3.

<sup>6</sup> GB.303/ESP/3, para. 47(c).

<sup>7</sup> GB.306/17/2, para. 14.

7. The social protection floor approach was endorsed by the Global Jobs Pact adopted by the Conference in June 2009. It requests countries that do not yet have extensive social security to build “adequate social protection for all, drawing on a basic social protection floor” and urges “the international community to provide development assistance, including budgetary support, to build up a basic social protection floor on a national basis”.<sup>8</sup> By placing the social protection floor in the context of the Global Jobs Pact the Conference reaffirmed the principles of inseparability, interrelatedness, indivisibility and mutual supportiveness of ILO strategic objectives that were emphasized by the Social Justice Declaration<sup>9</sup> and that provide the analytical and conceptual framework for the 2011 recurrent item report.

## Proposed structure of the 2011 recurrent item report

8. The report should tentatively consist of an introduction and five substantive parts. The logical sequence is outlined in the following sections. Efforts will be made to keep the length of the document to about 100 pages (excluding annexes), taking into account the number of technical reports, policy papers,<sup>10</sup> and Governing Body papers on social security issued by the Office during the last ten years, the independent review currently underway, and the discussions related to social security that were held in the context of other general discussions<sup>11</sup> or standard-setting processes (such as the Maritime Session of the International Labour Conference in 2006, and the first discussion on HIV/AIDS in 2009). The final form of the document will also be influenced by the experience of the recurrent discussion on employment in 2010.

## Introduction

9. The introduction would spell out the objective of the report and the recurrent discussion and would place the historical mandate of the Organization in the area of social security in the context of the ILO Constitution, the Declaration of Philadelphia, the Social Justice Declaration, the Global Jobs Pact and the Decent Work Agenda more in general as well as existing standards on social security, notably the Social Security (Minimum Standards) Convention, 1952 (No. 102).

<sup>8</sup> See ILO: *Recovering from the crisis: A Global Jobs Pact*, Geneva, 2009, paras 12(1)(ii) and 22(9).

<sup>9</sup> See ILO Declaration on Social Justice for a Fair Globalization, para. 7.

<sup>10</sup> See ILO: Social Security Policy Briefing series. Published in 2008: No. 1. *Social health protection*, No. 2. *Setting social security standards in a global society*, No. 3. *Can low income countries afford basic social security?*, No. 4. *Reunión regional tripartita sobre el futuro de la protección social en América Latina*, No. 5. *Report of the interregional Tripartite Meeting on the Future of Social Security in Arab States*, No. 6. *Asia–Pacific regional high-level Meeting on socially-inclusive strategies to extend social security coverage*; in 2009: No. 7. *Social security for all: Investing in social justice and economic development; World Social Security Report 2010: Providing coverage in the times of crisis and beyond* (forthcoming); and *Extending social security to all: A review of challenges and a guide to practice and strategic options*, 2010.

<sup>11</sup> See ILO: Conclusions concerning decent work and the informal economy, 2002; Conclusions on a fair deal for migrant workers in a global economy, 2004; Conclusions concerning the promotion of sustainable enterprises, 2007; Conclusions on promoting rural employment for poverty reduction, 2008; ILO Declaration on Social Justice for a Fair Globalization, 2008; *Recovering from the crisis: A Global Jobs Pact*, 2009.

## **Section 1: The global state of social security and the dimension of the policy challenge**

10. This section would start with a clear definition of social security and discuss the right to, and the need for, social security as well as its pivotal role in achieving a fair globalization, on the basis of a review of the historical development patterns of national social security systems. The core of the section would be a concise diagnosis of the present state of coverage and performance of systems in different regions, within regions, and within countries at different stages of economic development that would largely be based on a summary of the facts and figures in the *World Social Security Report 2010*.<sup>12</sup>
11. In addition to coverage gaps and performance deficits, it would identify a number of success stories in different regional and historical contexts. Such stories would focus in particular on the successes of a number of developing and emerging countries during the first decade of the twenty-first century. The main finding would be that the history of social security was determined by progress in Europe during the first half of the twentieth century, while innovations seem to originate in developing countries at the beginning of the twenty-first century.
12. The section would conclude that the core challenge remains that 75–80 per cent of the world's population has no access to adequate social security and is exposed to contingencies, compounded by additional risks of the crisis, without adequate protection. Lack of access or inadequate access is gender-biased and remains a serious problem for particular groups that either face high social risks or have special protection requirements, such as migrant workers and their families, workers and families affected by HIV/AIDS, ethnic minorities and people in the informal economy. Due to the global economic and employment crisis ever larger numbers of people are affected by poverty and unemployment.

## **Section 2: Main issues of the present social security policy debate**

13. After determining the size of the policy challenges that member States face in the different regions, at different levels of economic development, this section would summarize the main issues of the global social security policy debate and thus prepare the ground for the Conference to assess the adequacy of the support that the Office has rendered so far but also the development of guidance for policy developments in member States by the Organization as a whole. The three main interrelated issues in the current global social security debate are outlined below.
  - (a) ***Social security as a pivotal tool to maintain social justice in a globalizing world***
14. Social security programmes in the European Union and in most countries that are members of the Organisation for Economic Co-operation and Development (OECD) have, for decades, been effective in their main target: to compress income inequality and reduce poverty. The rapidly growing interconnectedness of global financial, product and labour markets pose new challenges for the maintenance or enhancement of social justice. In a world where financial and economic crises in any part are highly contagious and their effects on labour markets and social welfare spread rapidly, the capacity of individuals to

<sup>12</sup> ILO: *World Social Security Report 2010: Providing coverage in the times of crisis and beyond*, Geneva, 2010 (forthcoming).

cope alone with economic risks is less effective than before. The global social risks associated with pandemics and the expected effects of climate change have a similar impact on the levels of individual social security. To neutralize additional systemic global risks national social security systems need to be stronger than ever. Effective social security is needed for a genuine acceptance of the risks and opportunities of globalization.

15. The international debate on social security, in part as a result of the current crisis, seems to approach a new understanding of the combined balance of the social and economic benefits in relation to the fiscal and economic cost of national social security systems. The debate is now shifting from the need for social security at early stages of economic development to the deliverability of social security benefits in developing country contexts and to actual national capacities to commence and sustain the financing of a core set of meaningful benefits that reflect the state of social and economic development and the fiscal capacity of a country.

**(b) *Fiscal affordability and sustainability***

16. The first priority today is to provide the 75–80 per cent of the excluded population with some form of social security that allows them to live without permanent existential angst. ILO studies have shown that it is possible to finance all or some of the basic elements of the social protection floor even in low-income countries at early stages of economic development. This is corroborated by the fact that more than 30 developing countries have already successfully taken measures to introduce elements of national social protection floors in the form of cash transfer programmes. The main challenge for the near future will be to develop, through national dialogue processes, strategies to extend the fiscal space.
17. The challenge to maintain the fiscal space, but also to determine optimal overall expenditure levels, persists as economies develop and have to find the best balance between social and other competing public spending areas. This remains topical even for countries at a high rate of economic development. The need to finance extensive stimulus packages will create additional pressure for social spending in the near future.

**(c) *The role of social security systems in managing crises and facilitating economic development and structural change***

18. Social security systems are an economic necessity. In 2007 the Conference stated “Sustainable tax-based or other national models of universal social security ... are key to improving productivity and fostering transitions to the formal economy”.<sup>13</sup> The understanding of the importance of social security as a prerequisite rather than a burden to growth was taking root in the development policy debate before the current crisis hit the global economy.
19. However, the crisis acted as an accelerator of change in the social security policy discourse. Most governments acknowledge the role of social security schemes as automatic social and economic stabilizers. Countries, including low-income ones, that have introduced social security systems are in a much better position to cope with the social fall-out of the crisis. Cash transfers and other social security measures have been used as an important response mechanism that can protect and empower workers and contribute to boost the domestic demand.

<sup>13</sup> See ILO: Conclusions concerning the promotion of sustainable enterprises, Geneva, 2007, para. 11(16).

20. That does not mean that social security schemes around the world do not face systemic structural challenges. The financial challenge in industrialized countries that regularly attracts most attention is the changing demographic environment. It is obvious that a greater number of older persons will drive up expenditure on pensions and health care in the decades to come. However, given the expenditure consolidation measures that many countries deployed during the last two decades, they need not pose a major threat to the financial equilibrium of national social protection systems or the fiscal balance of government budgets. Ageing will pose a management problem, but not an insurmountable one.
21. Social security systems can also facilitate adjustment and structural change in the economy and society. If properly designed and adequately combined with labour market policies, social security benefits can reduce the fear of change and increase its pace, thus enhancing overall levels of productive employment. Better integration of social security measures with labour market policies, in particular those enhancing employability, remains a major challenge everywhere. Social security mechanisms can be more widely used as effective tools to address labour market informality.
22. Future adaptation processes will result from the interdependencies and changing nature of global production processes on global markets but will also stem from the necessary retooling of economies as production processes and labour market structures become greener. Well designed social protection schemes could also play an important role in mitigating the vulnerability of poor workers and their families that will be increasingly exposed to climate change-related shocks and stresses.

### **Section 3: ILO responses to the global need for social security**

23. This section would address the ILO responses to the global need for social security from the early years of the Global Campaign onwards. As the Global Campaign has become the major catalyst for the Organization's activities in social security, the report would focus on its four major areas of activities, which were developed in response to the needs expressed by constituents and within the dynamics of the global development policy debate: the generation, management and sharing of knowledge; policy development; technical cooperation; and capacity building.
24. Strengthening these four areas in order to pursue the mandate to extend social security "to all in need of such protection"<sup>14</sup> is far too big a portfolio for one organization. Hence, partnerships were built at the national and international levels. Flagship activities include: the coalition for the Social Protection Floor Initiative, participation in the One UN process, co-sponsorship of the Joint United Nations Programme on HIV/AIDS (UNAIDS), intensified collaboration with the European Union in the context of technical cooperation and with the International Health Partnership, close relationship with the International Social Security Association (ISSA) and a number of strategic alliances with universities in all continents as well as with prominent non-governmental organizations.

<sup>14</sup> See Declaration of Philadelphia, para. III(f).

## Section 4: Future policy orientation for the Organization

25. Based on the analysis of historical development patterns, rights and mandates, the global social security debate, and the ILO response, this section would outline the emerging ILO policy perspective.

### (a) *Strategies to extend social security coverage*

26. As indicated in paragraph 5 above, the two-dimensional strategy for the Global Campaign was endorsed by the Meeting of Experts in September 2009. To prepare for that meeting, the Office conducted a consultation process in the regions that involved organizing tripartite meetings in Latin America in December 2007, in Asia and the Pacific in May 2008, and in the Arab States in May 2008.<sup>15</sup>

27. The horizontal dimension of the strategy aims at a situation in which all residents in a country, when in need, have access to a basic set of four essential social security guarantees (elements of the social protection floor): (1) access to a nationally-defined set of essential health care-services; (2) income security for children through family/child benefits aimed at facilitating access to nutrition, health and education; (3) income security combined with employment guarantees and employability-enhancing policies for those in active age groups who are unable to earn sufficient income on the labour market; and (4) income security for all residents in old age and with disabilities<sup>16</sup> through specific pensions. The majority of people to benefit from a social protection floor would be workers in the informal economy and their families. The report would also discuss options for designing a social protection floor that would provide effective mechanisms to accelerate formalization.

28. The vertical dimension is based on the idea that, as countries achieve higher levels of economic development and gain fiscal room for manoeuvre, it is to be expected that steps will be taken, within the framework of ILO Conventions,<sup>17</sup> to put in place higher levels of income security and health protection. This would be done through solidarity-based social security systems that link social security contributions to the payment of taxes and result in higher levels of individual contributions. The objective would be to reach a higher level, and with wider perspectives, than simply the basic floor.

### (b) *Strengthening the role of social security systems as social and economic stabilizers and facilitators of change through ILO standards*

29. In an ageing world with changing social structures and needs, which has to cope with a number of complex and often interacting financial, fiscal, economic, political and environmental crises, national social security systems will face increasing demand for their services. At the same time, crises usually limit the perceived fiscal space for social security

<sup>15</sup> African aspects of the policy were discerned from the conclusions of the Tenth African Regional Meeting in Addis Ababa in 2007. A meeting of experts on social security is planned for April 2010.

<sup>16</sup> This means a degree of disability that excludes them from the labour market.

<sup>17</sup> Social Security (Minimum Standards) Convention, 1952 (No. 102), and subsequent Conventions setting out stronger levels of protection in relation to various contingencies.

benefits. In addition, competitive pressures in the global economy can exercise pressure on overall social expenditure. Means have to be found to avoid a downward spiral and defend the necessary fiscal space in order to ensure that social security systems can continue to perform their role as economic and social stabilizers.

- 30.** One way to create or maintain the policy space for social security expenditure in as many countries as possible is through renewed and enhanced efforts to extend the level of ratification and the application of relevant ILO Conventions, notably the ratification of Convention No. 102. Recent ratifications by Brazil, Bulgaria and Romania show that such efforts can be successful. The 2010 General Survey concerning social security instruments<sup>18</sup> will provide substantial insights into their potential effectiveness. The results of this survey will be the subject of a separate report to the Conference by the Committee of Experts on the Application of Conventions and Recommendations and will be discussed by the Conference Committee on the Application of Standards. The findings of the report of the Committee of Experts will be reflected in the recurrent item report and the results of the Conference Committee on the Application of Standards will be taken into account in the Conference discussions on the recurrent item in 2011.
- 31.** Furthermore, effective and efficient governance and management of social security schemes are required to ensure their sustainability. The means to ensure good governance, notably through social dialogue and tripartite management, will be explored. A clear determination of the role and central responsibility of the State and social partners as well as the safeguarding of the power of the State to effectively exercise its responsibility remain essential, as the economic and financial crisis has shown.

**(c) *Ensuring coherence and synergies with all strategic and operational objectives of the Decent Work Agenda***

- 32.** At the national level, where the Office has to provide policy and technical advice, social security policies can never be stand-alone policies. They are seen as elements and tools in national social and economic development policies and have an obvious impact on fiscal policies. In the ILO technical cooperation and advisory context, social security activities are embedded in Decent Work Country Programmes. They have an obvious complementary and supportive role in achieving better working conditions, the protection of migrant workers and the protection of people living with HIV/AIDS and their families. National social security systems also have to support the other challenges identified in section 1. One of the main challenges is facilitating labour market adjustments in view of the changing demographic environment, the changing nature of employment, as well as changing production patterns resulting from the global interconnectedness of markets and production chains as well as from environmental and climate change.

<sup>18</sup> The General Survey report form covers Convention No. 102; the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168); the Hours of Work and Rest Periods (Road Transport) Convention, 1939 (No. 67); and the Certification of Ships' Cooks Convention, 1946 (No. 69). Convention No. 102 establishes minimum standards in social security and basic principles on which all subsequent instruments were built. Convention No. 168 has established the principle of coordination between social security and employment policy, which links the General Survey and the recurrent item report on employment with the recurrent item report on social security. Recommendations Nos 67 and 69 establish the principles of universal coverage of the population through a combination of social insurance, social assistance and public services and provide a larger legal and institutional framework than Convention No. 102. They were adopted in 1944 in parallel with the Declaration of Philadelphia and provided a blueprint for implementing the objective of the Declaration to extend social security.

33. The key instrument to develop coherent social and economic policies at the national level, reflecting all the strategic dimensions of the Decent Work Agenda, is intensified social dialogue on the role, nature and design of national social security systems within broader economic and social policies. In this regard, the first step is to build the social security expertise of the social partners. A global product to kick-start such an initiative has been suggested for the biennium 2010–11.

## **Section 5: Guidance for further ILO work on social security**

34. The final section would deal with the issues where guidance based on the analysis of the worldwide policy debate and emerging ILO policy responses is needed from the Conference. Issues discussed would refer to the four areas of action of the Global Campaign. It would suggest focusing on a number of priorities, streamlining activities and improving linkages with other operational and strategic objectives. A major focus would be support for national policy development through ILO guidance (see below).

## **The core of the follow-up debate**

35. As it emerged from the Meeting of Experts in September 2009, the core of the policy debate at the Conference will probably be the concrete strategy for the extension of social security. There was virtually unanimous support for the concept of a rights-based two-dimensional strategy to extend social security in countries where coverage is deficient.<sup>19</sup> There was also widespread consensus to use the promotion of the ratification and application of up to date Conventions as a catalyst for the vertical extension of social security. The recurrent item report could thus suggest that the Conference might set targets for the ratification of the up to date Conventions.
36. There was also consensus that the ILO would need to complement its present set of up to date Conventions and Recommendations by a mechanism that promotes the social protection floor as a means to achieve horizontal extension of coverage and guides countries in building and developing their social security systems in such a way that basic social security for all in need is provided as a matter of priority.
37. There was, however, no unanimity yet among the different groups as to what form such mechanism should take. The views amongst the group of participating governments covered a relatively wide spectrum. Some countries stressed the value of a possible new standard to guide work on the social security component of the social protection floor. The same view was held by the Workers' group, while the Employers' group expressed preference for consideration of a non-binding mechanism that would provide guidance through codification of best practice. The different options were also explored in an earlier ILO document.<sup>20</sup>
38. While the form of the most appropriate mechanism would have to emerge from the deliberations of the Conference Committee and its recommendations for follow-up, the report could, however, elaborate on the elements of a possible new mechanism that would

<sup>19</sup> See GB.306/17/2, appendix, paras 7–14.

<sup>20</sup> ILO: *Setting social security standards in a global society. An analysis of present state and practice and of future options for global social security standard setting in the International Labour Organization*, Social Security Policy Briefings, Paper 2, Geneva, 2008.

help to prioritize effectively the implementation of the social protection floor without prejudice to its legal form. These elements should be based on the principle of universality of access to income security and health care – as spelled out in the Constitution of the ILO and reaffirmed by the Social Justice Declaration, and included in Recommendations Nos 67 and 69 – and its progressive implementation.

Geneva, 10 February 2010.

*Submitted for debate and guidance.*