

Social Security for All

**Investing in social justice
and economic development**

The Social Security Department of the International Labour Office (ILO) is the unit through which the ILO provides technical assistance and advice to its member countries in the area of social security policy and governance; develops policies to support the extension of social security to all and social inclusion; promotes international social security standards and develops and disseminates tools to support the effective governance of social security schemes.

In 2001, the International Labour Conference (ILC) reached a consensus that high priority should be given to policies and initiatives to extend social security to those who are not presently covered. Accordingly, the ILC directed the ILO to launch a major campaign to promote the extension of social security coverage. The Social Security Policy Briefings series is produced in the framework of the Campaign; it aims to set out the views of the Social Security Department in areas of particular importance, and so provide guidance to ILO member countries in the formulation of their social security policies.

It thus complements the existing Issues in Social Protection Discussion papers series and the Extension of Social Security series published by the Social Security Department by making available a comprehensive set of information tools.

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SOCIAL SECURITY POLICY BRIEFINGS

Paper 7

Social Security for All

**Investing in social justice
and economic development**

Global Campaign on Social Security and Coverage for All

**Social Security Department
International Labour Office**

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Preface and acknowledgements

This publication is a contribution to the assignment bestowed by the International Labour Conference on the International Labour Office in 2001, to launch a major campaign for the extension of social security to all. The Global Campaign to extend social security to all was launched, accordingly, in 2003. The mandate for the Campaign is rooted in Articles 22 and 25 of the United Nations Declaration of Human Rights and in the Declaration of Philadelphia of 1944, which forms part of the ILO's Constitution and sets forth the Organization's solemn obligation "*...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...*". The principles enshrined therein have now been reinforced and strengthened by the new Declaration on Social Justice for a Fair Globalization, adopted by the 97th Session of the International Labour Conference in 2008.

This paper sets out the policy vision of the Office that underpins its activities in the context of the Campaign.

The objective of this policy briefing is to contribute to the global debate between social security stakeholders, researchers, practitioners and decision-makers as to how to provide a meaningful form of social security to the majority of the world's population and to ensure that the human right to social security can be made a reality in the shortest possible time. The basic approach that underpins our thinking is, firstly, one which is firmly rights-based, and secondly, progressive, in that while we advocate universal access to social security we envisage that this can be achieved by incremental improvements. We believe that this approach is flexible and open enough to help achieve a wide consensus, keeping firmly in mind the two central objectives of social security: the alleviation of poverty and the granting to all people of the opportunity to live their lives in the absence of debilitating material insecurity.

Many individuals have 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 herein. 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 García; Wouter van Ginneken; Victoria Giroud-Castiella; Fabio Durán Valverde; Germaine Guisse; Alesandro Guliano; Krzysztof Hagemeyer; Ken Hirose; Aidi Hu; Christian Jacquier; Stephen Kidd; Ursula Kulke; Florian Leger; Olivier Louis dit Guerin; Philippe Marcadent; Ana María Méndez; Sokhna Ndiaye; Tharcisse Nkanagu; Karuna Pal; Vinicius Pinheiro; Emmanuel Reynaud; Carol Rodríguez 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 Villacorta; Valeria Von Blumenthal; John Woodall; Veronika

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Special thanks are due to Arthur van de Meerendonk for his contribution to the technical preparation of this second version of the paper.

In August 2006 the ILO circulated a preliminary version of this paper (ILO, 2006a) for consultation among constituents. A number of individuals and institutions have responded to the invitation to submit comments, including Mr. Peter Bakvis (I-TUC), Mr. Brent Wilton (IOE), Mr. J-F. Retournard (ILO ACT/EMP), Ms. Carol Beaumont (NZCTU) and Mr. Chiel Renique (VNO/NCW); comments have been received from officials representing the governments of Burkina Faso, Finland, France, Gabon, Greece, India, Lebanon, Mauritius, Mexico, Morocco, the Netherlands, Saudi Arabia, Switzerland, Tunisia and the United Kingdom as well as social partners in Finland, Greece and India. In addition, we sought feedback on the overall approach within the framework of a series of regional, tripartite social security meetings held in, respectively, Latin America, the Arab States and Asia during 2007 and early 2008. Moreover, the policy visions expressed in the paper have already been reflected in the conclusions of the Regional ILO Meeting in Africa in 2007. Annex 2 provides a summary of the comments thus received.

We have done our best to reflect most, if not all, of these comments in this updated version. However, it must be stressed that this paper focuses on a new social security policy vision for the Campaign. In developing that vision, we touch on a wide range of issues, including the interaction between social security and the economy, the role of social security in development and the concrete activities of the Global Campaign. All these topics have been explored in depth in a number of recent or forthcoming ILO publications or Governing Body papers and will therefore not be discussed again in detail in the present paper.

We are looking forward to reactions from many more interested people and to a lively debate. After all, it is through such debate and constructive discourse that we shall find the way forward.

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Director

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Policy Coordinator

Social Security Department
International Labour Office
Geneva, 2008

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1. Introduction and summary

This paper seeks to explore the framework within which the International Labour Organization (ILO) may develop and promote in the medium-term future an approach to social security policy that is at once principled, practical and responsive as well as being firmly grounded in the Organization's constitutional mandate, its international standards and the policy conclusions of its Governing Body and the International Labour Conference. The most important points of reference are, firstly, the Conclusions of the 89th Session of the International Labour Conference in 2001 (see Annex 1), when the mandate for the Global Campaign to extend social security to all was articulated (see ILO, 2001), and, secondly, the Declaration on Social Justice for a Fair Globalization, adopted by the International Labour Conference at its 97th Session in Geneva in June 2008 (ILO, 2008a). In keeping with the multidimensional nature of the issue, these conclusions touch upon a range of aspects of social security and its place in the broader picture of social issues. These include the character of social security as a basic human right, the manner in which social security contributes to the Decent Work Agenda, the current and future challenges – both economic and demographic – that social security needs to address, and the linkages between social security and economic performance.

The basic message of this policy briefing is straightforward. Social security – broadly, a system of social transfer benefits – represents one of the most effective tools to combat poverty and vulnerability that any society has at its disposal. It should also be seen as an instrumental investment in the social peace that is an indispensable condition for sustainable economic development and, furthermore, as one that is essential to unlocking the full productive capacity of individuals. Social security is a social and economic necessity.

We will also show that some form of social security is affordable at virtually any stage or of economic development. No society – or hardly any – is too poor to share. The Global Campaign and its mandate thus have an unquestionable moral dimension, reflected in the status of social security as a human right.

In this paper, we will therefore make the case for social security in moral, social and economic terms. In addition, we shall counter vigorously the argument that it is not affordable.

The best estimates indicate that at present no less than 80 per cent of the global population lack adequate social security. Realistically, extending social security to all is an enormous task and can only be undertaken step by step. The starting point must be the development of basic, affordable security benefit packages as a platform for reaching out to whole populations and forming the foundation on which to build progressively higher levels of protection.

This paper makes the case for a development paradigm that first promotes the establishment of a set of basic social security guarantees; these then form the basis for more extensive security systems that each country can afford to introduce as economies develop further and the fiscal space for social transfers widens. We present the image of a staircase, starting at a solid ground floor (the basic social security package for all) and leading progressively to higher levels of social security, using the fruits of economic development to provide coverage for as many as possible as fast as possible, ultimately for all.

The primary focus throughout must be on social outcomes and efficient use of resources – in other words, enabling individuals and their families to enjoy the social protection they

need – rather than issues of organization or specific financing patterns, as long as resources are not wasted in the process.

2. The need 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 vast majority (about 80 per cent¹) of the global population live in conditions of social insecurity, that is, they have little or 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.

The first of the United Nations Millennium Development Goals (MDGs) is to halve the global rate of poor households between 2000 and 2015. More than half of the time span to achieve this now lies behind us and it seems that, globally, we are not on track. Worse, the recent increases in food prices, followed now by the gathering financial crisis, have had a dramatic impact that has hit the world's poorest most severely. In view of these developments, even the most recent statistics on the numbers of poor have become outdated. For example, 2007 and 2008 have seen some of the sharpest rises in food prices ever, with the speed of change accelerating through 2008.² These price rises represent the response not so much to climate-related events, for example harvest failures, as to demand factors, such as higher demand from emerging economies – with populations in China and India becoming wealthier – and an increased demand in the industrial countries to fuel their alternative energy programmes. The situation has been further aggravated by market behaviour – for example speculative behaviour (*The Economist*, 2008, p. 30). In the most recent weeks, this crisis has been greatly exacerbated by the turmoil in financial markets, which has caused many people in the worst-affected countries to lose their homes and their savings and brought a large number of countries to the brink of recession, with the potential for many millions to become unemployed.³

The Economist puts the matter thus: “Famine traditionally means mass starvation. The measures of today’s crisis are misery and malnutrition. The middle classes in poor countries are giving up health care and cutting out meat so they can eat three meals a day. The middling poor, those on \$2 a day, are pulling children from school and are cutting back on vegetables so they can still afford rice. Those on \$1 a day are cutting back on meat, vegetables and one or two meals, so they can afford one bowl. The desperate – those on 50 cents a day – face disaster” (ibid, p. 11).⁴

¹ The ILO’s own estimate here corresponds closely to the estimate of, for example, the World Bank: “Less than a quarter of the world’s population has access to formal social protection programs, and less than 5 per cent can rely on private interventions that assist individuals, households, and assets to manage risk” (IBRD/World Bank, 2001).

² *The Economist* (2008, p. 30) quotes rice prices alone as having soared 141 per cent in the first four months of 2008.

³ An initial, rough estimate made by the ILO suggests that the scale of job losses globally is likely to exceed 20 million before the end of 2009 (ILO Press Release of 20 October 2008).

⁴ Quoting a statement by the head of the World Food Programme.

If the food crisis alone leads to a 20 per cent rise in costs of food, this will push around 100 million people back below the \$1 per day income threshold. In a number of countries this would undo all the gains in poverty reduction that have been made during the past decade of economic growth. The attention is now focused on easing the most urgent problems, which is understandable. However, it has also been observed that a more structured approach is required, one that distributes cash, not food, but above all – in the context of the multifaceted crisis now facing so much of the world, an approach that ensures support to existing social security schemes or establishes new ones where necessary (ibid., p. 11).

It is often suggested, simplistically, that decent employment represents the best form of protection against poverty. However, not all forms of employment guarantee an escape from poverty, and, indeed, having a job certainly does not mean that one cannot be poor. Thus the need for effective programmes of social protection has by no means diminished. It is not easy to quantify the proportion of the “working poor” (people who are poor despite having a job), either in absolute or comparative terms, in part because of difficulties in interpreting one or more poverty lines in each country. However, it is clear that the proportions of working poor in low- and middle-income countries, while varying, have been and remain high. Estimates for 2005 suggest that the proportion of working poor at the level of US\$1 per day stood at 9 per cent for Latin America and the Caribbean, 11 per cent for East Asia, 15 per cent for South-East Asia and the Pacific, 37 per cent for South Asia and as high as 55 per cent for Sub-Saharan Africa (ILO, 2007c)⁵; preliminary estimates for 2006 suggest modest reductions in each of these figures. For individual countries, the figures may range beyond 95 per cent (for example Nigeria (2003)). Moreover, it should be borne in mind that these figures fail to represent the greater number of the vulnerable – those at imminent risk of falling into poverty if hit by ill health, disability or unemployment.

Others have argued that the benefits of globalization and economic growth will “trickle down” to the poorest in these countries. However, recent studies have provided persuasive evidence that the poorest have in fact gained little or nothing by means of such a putative mechanism – even before the advent of the recent crises. For example, in its *World Development Report 2006* the World Bank considered the opening up of countries to international trade and, after reviewing the literature on the subject, identified and listed a range of studies that have concluded that the predominant effect is one of increasing inequality. The same report also refers to empirical data from East and South-East Asia, including China, India and the Russian Federation, indicating that income inequality rose dramatically during the 1990s (IBRD/World Bank, 2005)⁶ with – as in the case of China, for example – little benefit accruing to the poor from external trade. Moreover, Chinese provinces where income inequality was relatively high saw the least impact from economic growth on poverty (Chen et al., 2007). New policies to redistribute some of the gains from the winners to the losers are called for (Topalova, 2005). In discussing the social implications of economic growth for China and India, a joint IBRD/World Bank report (Winters and Yusuf, 2007) argues that inequalities that inhibit the access of the poor to economic resources and lead to corruption and social exclusion pose a risk for economic growth in the near future. Concerning Africa, it has been observed that the growth rate required to reduce the number of poor in sub-Saharan Africa by 50 per cent would be 28

⁵ Figures from (ILO, 2007c) derived from World bank PovcalNet (see <http://go.worldbank.org/NT2A1XUWP0>)

⁶ The *World Development Report 2006* points to studies that have found that the growth elasticity of poverty reduction is inversely related to initial income inequality. This means that countries with a high initial income inequality – such as Brazil and South Africa, both with GINI coefficients close to 0.6 – would find no effect from higher economic growth in terms of a lower number of households below the poverty line.

times the historic average GDP growth rate for that region (Besley and Burgess, 2003). The problem may even be worse than official statistics suggest. Research conducted at UNDP/IPC Brasilia has revealed that growth was beneficial to the poor in less than half of the investigated growth spells (237 growth spells for 80 countries in the data set) (Son and Kakwani, 2006).

It is sometimes argued that formal social security transfer schemes merely substitute informal arrangements. In this line of thinking, some form of “social security” (family- or community-based, perhaps) will be provided in cases where public arrangements are not in place, and that there is a need to avoid “crowding out” effects. However, most studies show that large numbers of individuals or households suffer when formal schemes are non-existent or insufficient. Studies conducted in southern China, for example, show that the poorest among rural households are unable to insure themselves against adverse shocks through informal arrangements. Jalan and Ravallion (1999) argue that public action is essential to implement insurance or other effective provision in underdeveloped rural economies and elsewhere. Moreover, the literature supports the view that where public schemes are designed to target specific individuals and groups, they show by far the greatest efficiency in targeting and can avoid the lock-in effects that characterize informal arrangements. For example, it has been found that the absence of an unemployment insurance (UI) scheme has an impact on household formation in South Africa. Individuals without a job tend to delay setting up a household of their own – sometimes for decades. The household provides an alternative access to resources for those who cannot draw from a public UI benefit. The non-existence of formal insurance has a lock-in effect: people are diverted from urban areas where the chances of finding a job are best. As Klasen and Woolard (2000) conclude, this is not only socially but also economically inefficient.

Hence there is an urgent need for formal social security for those who are not yet covered. We consider examples across the globe, although of course care is needed to recognize the individual characteristics of every country, and in particular the differing impact of issues on less developed countries as compared with more developed ones. Of particular importance is the need to recognize the way in which in a whole range of countries the formal systems of social security tend to fail women workers.

The need to extend coverage applies first and foremost to developing countries, where formal coverage rates are low. To begin with, pension schemes in such countries tend to cover a restricted proportion of the workforce. For example, in Brazil tax revenue (35 per cent of GDP) and social spending (more than two-thirds of revenues is spent on social transfers) are in line with OECD countries. Despite this, income inequality in Brazil is among the highest in the world. This reflects the fact that redistribution occurs within, not between, income groups (Barrientos and Lloyd-Sherlock, 2002; Giambiagi and de Mello, 2006; Immervol et al., 2006).

However, incomplete coverage is a widespread phenomenon that is seen also in industrialized countries. Given the fact that a large proportion of pension schemes provide benefits on an earnings-related basis, some groups with incomplete past work records tend to fall behind. Notably hard-hit groups include women (who are often unable, by reason of long-term family and care duties, to accrue entitlements at the same rate as men), low-skilled workers and ethnic minorities.⁷

Trends in formal social health protection coverage amongst countries suggest a positive correlation between general income levels and the use of powerful health financing

⁷ Baskakova and Baskakov (2001), for example, find that the transition towards a multi-level state pension in the Russian Federation has apparently put female retirees in a disadvantaged position due to their shorter work track records; ILO studies confirm this finding.

mechanisms based on risk pooling and “third party payment” arrangements. In low-income countries, studies consistently find that the major source of health care financing is out-of-pocket payment (OOP) by individuals – up to and beyond 80 per cent in some countries. In these countries the formal social health insurance coverage – including community-based schemes – can be as low as 5 per cent or less. Despite this, there are significant differences even between various low-income countries, as illustrated by a number of African countries with similar GDP per capita levels but diverging levels of coverage. This suggests that in many low-income countries there is considerable scope to extend health insurance coverage when the political priorities are set in the right direction (ILO, 2007a).

Social transfer programmes are effective in reaching their main target, namely reducing poverty and, perhaps, compressing income inequality. In industrialized countries, it is abundantly clear that higher social expenditure is strongly correlated with lower poverty rates. Income inequality in the Scandinavian EU countries and the Netherlands (with GINI coefficients ranging between 0.225 and 0.261) is much lower than in countries such as Ireland, the United Kingdom and the United States (where GINI coefficients are well above 0.3). Moreover, in recent years the percentage of poor within the total population has remained at around 5 per cent in the Scandinavian EU countries against 11 per cent in the United Kingdom and 15 per cent in Ireland. All these countries have high labour force participation rates, so such contrasts cannot be attributed to differences in the proportion of economically active persons. The percentage of children that grow up in poor households is around 3 per cent in the Nordic countries, whereas the corresponding figure is 16 per cent in Ireland and the United Kingdom and 22 per cent in the United States. The percentage of elderly living below the poverty line in the Netherlands is 1.6 per cent while in Ireland it stands at 35.5 per cent.⁸ When these figures are compared with the resources that these countries spend on social transfers – 24 per cent on average in the Scandinavian countries plus the Netherlands, against 17 per cent on average in the three Anglo-Saxon countries (Adema and Ladaïque, 2005)⁹ – one cannot but conclude that, if sufficiently endowed with resources, social protection is effective in regard to its main target, namely the reduction of poverty and income inequality. In fact, research has revealed (Smeeding, 2006) a significant statistical relationship between non-elderly poverty rates in a number of OECD countries and the share of cash social transfer expenditure in GDP.¹⁰

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, in general, the main driver of 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 that social health protection can effectively address health-related poverty if benefits are adequate and affordable (Scheil-Adlung et al., 2006).

⁸ These figures are from the OECD Social Indicators database. Figures from the Luxembourg Income Studies database provided by Smeeding (2006) point to the same differences between these countries.

⁹ The figures represent net direct public social expenditure. Apart from public schemes, some countries operate private social insurance schemes. This is the case, for example, in the Anglo-Saxon countries but also in the Netherlands. Differences between countries in terms of their total social expenditures are therefore less than the public figures suggest. It appears however, from the listed figures in the main text that represent the macro social impact (in terms of poverty reduction) that these private schemes do not target as well as the public schemes do.

¹⁰ With $R^2 = 0.6099$.

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 give a role to this often 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. (see HelpAge International, 2004). Strong evidence of positive experience comes from a number of countries, including Brazil, Mauritius, Namibia, Nepal, South Africa and Zambia.¹¹ It is calculated that such a benefit in most countries would cost between 1 and 2 per cent of GDP or between 5 and 10 per cent of national budgets (see Pal et al., 2005). For many countries, implementing this benefit would be 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 countries such as Senegal and the United Republic of Tanzania by more than 20 per cent (see Gassmann and Behrendt, 2006).

The 2004 tsunami in Asia and more recently the hurricanes in northern America have demonstrated the importance of public social security – 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 any 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 place a high value on 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” (Layard, 2005, p. 7). 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 requires not only having a source of income that is both adequate and regular but also being assured of the existence of income replacement mechanisms if something unexpected happens to the regular source of income (e.g., loss of a job or livelihood due to sickness, disability, unemployment or natural disaster) or if unexpected needs that are impossible to meet from any regular source of income, arise on account of death, sickness or other family-related or natural events. 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 established market economies there is overwhelming support for national social security systems. When Europeans in 30 countries were asked in the Eurobarometer survey (European Commission, 2005) 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

¹¹ See: Schwarzer and Querino (2002); Durán-Valverde (2002); Bertranou and Grushka (2002); Barrientos and Lloyd-Sherlock (2002); Schleberger (2002); Bertranou et al. (2004).

“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, AARP/RTV and Joint Centre for Political and Economic Studies (2005) found that two-thirds of the public favour keeping the social security programme as “close as possible” to the current system. In developing countries, people regard public support as essential in the event of certain contingencies. In South Africa, for example, about two-thirds of the population expressed approval of full public support in the case of old age, invalidity, ill health and unemployment. Similar figures have been registered in studies in Ethiopia, Gujarat in India and (to a slightly lesser extent) Indonesia (ILO, 2004).

3. The rights and principles underlying social security

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 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; and
- 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 being is entitled. This principle is laid down in, inter alia:

- Articles 22 and 25 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 the case, for instance, in Brazil, Germany and India.

The universal, regional and national perspectives certainly reflect the thinking, instruments and documents that have 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 International Labour 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". The core of that mandate has now been renewed by the Declaration on Social Justice for a Fair Globalization, adopted by the International Labour Conference at its 97th Session in June 2008. 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.

Within this broad framework of human rights, a number of principles may be distilled from the 2001 Conclusions to provide the foundation for the approach to the ILO's work in social security in the forthcoming years, as presented in this paper:

- coverage should be universal and benefits adequate;
- the State bears the ultimate and general responsibility to guarantee 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 national and international level.

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

- the principles enshrined in the ILO legal instruments;
- the further principles enshrined in the concept of Decent Work, the promotion of which will in addition ensure 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.

This set of principles and linkages – together with some considerations reflecting both common sense (e.g., the need to ensure the most efficient, effective and corruption-free use of social security funds) and the ILO's wider mandate (most importantly, the need to mainstream gender considerations) – provide the foundation for the more detailed presentation of issues in the following chapters.

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 addition, the ILO mandate clearly requires that the assessment of social security policies should be multi-dimensional, reflecting not only rights and standards-related aspects, but also those relating to finance and economics.

4. Resources are available: No society is too poor to share

In the foregoing chapters we have shown the universal need for social security provision and noted that social security is established as a basic human right. We now take up the question posed at the end of the Chapter 3:

One wonders: Why, then, are so few people covered?

It may seem that the available resources are perhaps insufficient; or, thus, that we first need economic growth before social security can be fully established. This is a misconception. In the next two chapters, our objective is to show, firstly, that resources can be more readily found than is often assumed and, secondly, that – far from being negatively correlated – countries can and do benefit in terms of productivity and economic growth in parallel with the provision and development of effective systems of social security.

With respect to developing countries it has been argued that labour standards in general, and public social protection schemes in particular, are unaffordable until a higher economic level has been attained. These countries may be advised, and perceive, that they gain a comparative advantage in the environment of global competition, which they do not then wish to sacrifice at too early a stage. The same arguments have been voiced in the industrialized countries. Competition from low labour cost countries allegedly precludes any advance, or even maintenance, of their labour and social standards (Sengenberger, 2005, p. 9). The findings of most recent studies, however, indicate that countries can reconcile sound macroeconomic performance with sustainable social models – open market policies could not be successful without adequate social arrangements that can accommodate the potentially adverse social consequences, for some, of these same market policies. Open economies tend to have more extensive welfare state arrangements. Globalization in itself does not force governments to cut back social expenditure.

The ILO has conducted a number of studies which indicate clearly that developing countries can afford to build a comprehensive, even if basic, social security package. It is calculated that an appropriate package of basic benefits may be provided in most countries, typically starting with a universal pension or social assistance scheme, at an estimated cost of between 1 and 2 per cent of annual GDP, or between 5 and 10 per cent of annual national budgets (see Pal et al., 2005). Implementing such a benefit package would be a rapid first step towards attacking chronic poverty in these countries. Another ILO simulation exercise shows that providing even a very modest universal pension, costing about 1 per cent of annual GDP, has the potential to reduce the poverty gap in countries such as Senegal and the United Republic of Tanzania by more than 20 per cent (see Gassmann and Behrendt, 2006). Likewise, a social cash transfer scheme (a means-tested social assistance programme) piloted in a number of districts in Zambia starting in 2003, has proved to benefit significantly the individuals and communities targeted.

Can developing countries afford to eliminate the social security deficit? Can they afford not to do so?

A recent ILO modelling exercise has demonstrated that basic social protection benefits are by no means out of reach for low-income countries in sub-Saharan Africa and Asia, even though some international assistance may be necessary for a transitory period in some (ILO, 2008b). The study covered seven African countries (Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal and the United Republic of Tanzania) and five Asian countries (Bangladesh, India, Nepal, Pakistan and Viet Nam). The cost of a basic social protection package was assessed, including a universal old-age and invalidity pension, universal access to basic health care and a universal child benefit. The main assumptions (for illustrative purposes) were:

- *Basic old age and invalidity pensions*

Benefit at the rate of 30 per cent of per capita GDP.

- *Child benefits*

Benefit at the rate of 15 per cent of per capita GDP for the first two children under age 14 in a household.

- *Social assistance*

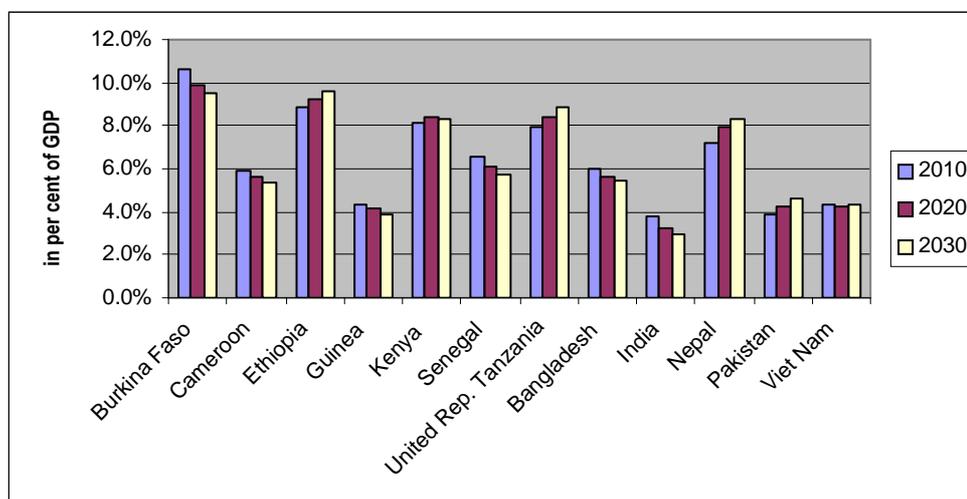
100 days guaranteed employment at a wage of 30 per cent of per capita GDP for a maximum of 10 per cent of all people of active age.

- *Essential health care*

Annual per capita costs based on the benchmark professional staffing ratio of 300 persons per one health professional (approximately the staffing ratio of Namibia and Thailand).

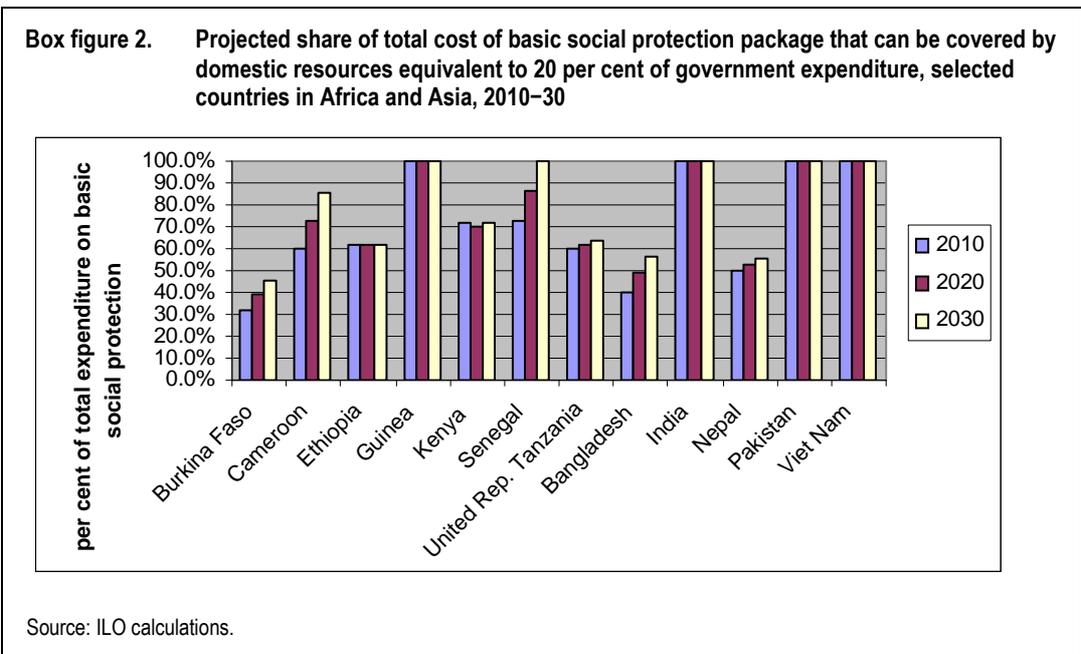
The results of the projection show that a modest basic social protection package or at least substantial parts thereof would be affordable for low- and middle-income countries. Expenditure on the basic benefit package could be kept at around 7 per cent of GDP in Nepal and below 5 per cent of GDP in Bangladesh, India, Pakistan and Viet Nam. The results show a generally lower level of relative cost in Asia as compared with Africa; this largely reflects lower demographic dependency rates in the Asian countries.

Box figure 1. Projected expenditure on basic social protection benefit package, selected countries in Africa and Asia, 2010–30



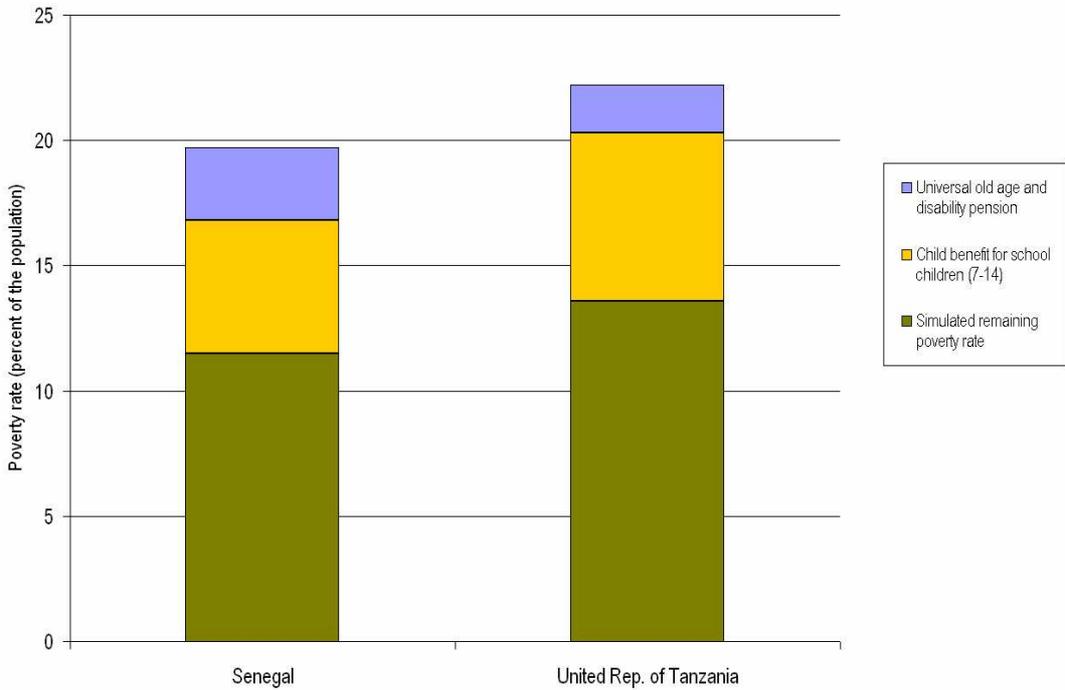
Source: ILO calculations.

If after some fiscal reforms the Asian countries were able to use about 20 per cent of their revenues to finance the basic benefit package, full domestic financing for the complete benefit package would be possible in two out of those five countries. In the other countries the financing gaps during the next two decades might necessitate a gradual introduction of the benefit package, some budget support from international donors or the increase of the resource base for the national social budget. The latter could, for example, be achieved through the introduction of a health insurance system with a broad population coverage.



The impact of such a basic benefit package in terms of poverty reduction may be dramatic. Figure 1, based on the results of a distributional analysis (Gassmann and Behrendt, 2006, pp. 47-49), shows that the combination of a modest cash benefit for children and a modest pension, which could be an “entry level” benefit package for poorer countries, could reduce the poverty head count by about 40 per cent – a major contribution to the achievement of the first MDG. The cost of this set of benefits would not be expected to exceed about 4 per cent of GDP.

Figure 1. Poverty-reducing effects of child benefits and pension benefits with regard to the food poverty level in Senegal and the United Republic of Tanzania



Source: Gassmann, F. and Behrendt, C., 2006.

The costing exercise described here uses a static economic and fiscal model (i.e., a simple assumption that “all other things remain equal”). It does not take into account the potential dynamic effects of a basic social protection package on the levels of national growth.

There are in fact reasons to expect that net cost of early investments in a basic set of social security benefits may be zero or even negative, with the direct costs being offset by positive economic returns. The potential may be illustrated by a few examples taken from actual, “real world” experience (see DFID, 2005, pp. 14, 17):

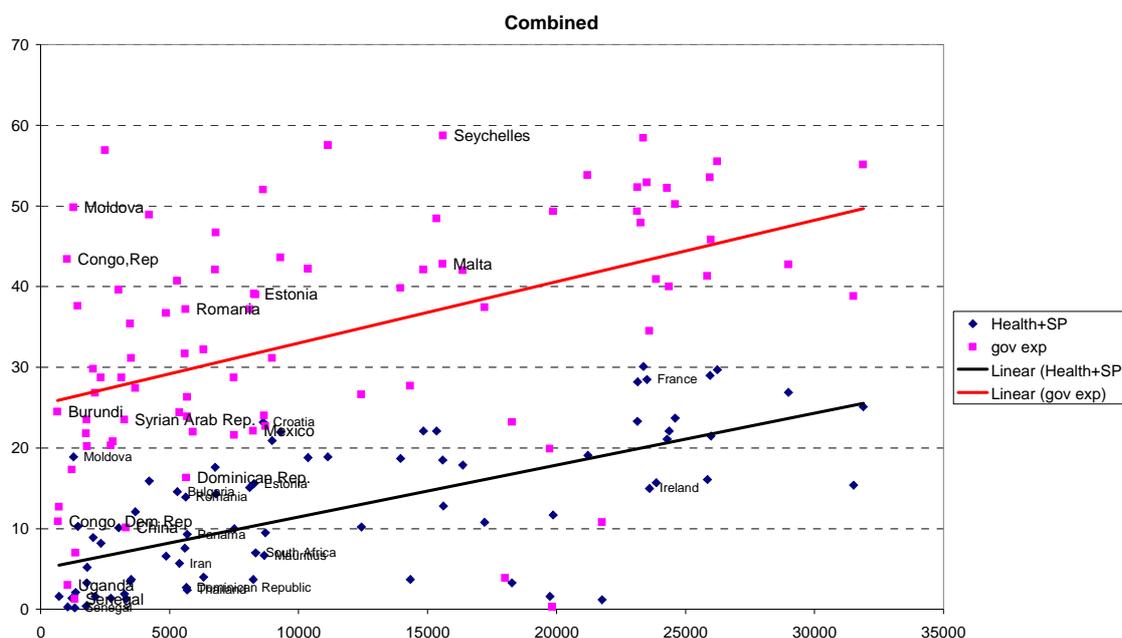
- The *Oportunidades* programme in Mexico, which provides basic conditional cash transfers, has been shown effectively to bring about a reduction in sickness days of adults by about 19 per cent, a major productivity push.
- In Bangladesh, the ongoing cash-for-education programme is expected to increase the potential lifetime earnings of beneficiaries by an estimated proportion of 25 per cent, again an indication of a major productivity gain.

If we assume conservatively that such productivity increases, linked to basic social security schemes, have no greater effect than an increase in overall levels of GDP by 10 per cent, then even the most modest schemes should quickly pay for themselves. In the long run, the resulting tax revenues may be expected to increase in line with growth, thus creating the fiscal space that is needed to finance the benefits. The key requirement is the political will to invest in social security, together perhaps with some modest reallocation of public expenditure, investments in improving the mechanisms for tax and contribution collection, and/or mobilizing some additional resources through new public finance mechanisms.

It will obviously not be feasible for every country to extend the fiscal space for social transfers easily in the very short run. Each case must be analyzed in detail. However, Figure 2 shows that “policy space” available for financial manoeuvre may be wider than often assumed. The figure graphs two statistics: (a) national public expenditure, and (b) public expenditure on social protection and health (in the IMF definition), in each case measured as a percentage share of GDP, against the GDP per capita figure, for a range of countries for years around the period 2000–05. The linear regression lines for these two statistics are shown and can be seen to be almost parallel. This is not surprising in itself; both types of expenditure are expected to increase in line with national GDP per capita. However, it is perhaps even more interesting to observe the cloud of expenditure levels around the regression lines.

The conclusion to be drawn from this analysis is that while countries may share similar levels of GDP per capita, they are in a position to exercise a substantial degree of discretion firstly with regard to the level of overall public expenditure and, secondly, within that envelope, to the share of public resources allocated to social expenditure.

Figure 2. Total public expenditure and social expenditure at different levels of GDP per capita, selected countries, around 2000–05



This in turn shows the significance of different political decisions in regard to the financing of social security systems, and the scope for negotiations between the various stakeholders in the public expenditure portfolio. Each country must find its own fiscal consensus. Table 1 sets out a fairly typical example, designed to illustrate in outline the framework in which this process takes place. The figures, derived from studies carried out for Nepal, relate to the proposed adoption of a basic social security benefit package (comprising newly introduced benefits for children, conditional on school attendance, and social assistance for the unemployed, together with the upgrading of existing schemes providing health services and the reduction of the retirement age of the universal tax financed pensions) and show that the package would require a total flow of resources representing about 4.1 per cent of annual GDP. The table shows how that additional resource requirement could be financed: it would require the reallocation of a part of the existing social expenditure towards a basic social security package, an increase in the taxes on goods and services by 2.6 percentage points, an increase in effectiveness of income tax collection by about 10 per cent, and the introduction of a health insurance contribution. There would remain a small additional deficit, on a scale which could be covered in principle by some degree of external, donor support.

Table 1. Financing a basic social protection package in Nepal – a tentative scenario

| Gross cost | In percent of GDP |
|--|--------------------------|
| Universal pensions | 0.8 |
| Basic health care | 1.5 |
| Social assistance | 0.6 |
| Child benefit | 1.4 |
| Administration cost | 0.4 |
| <i>Total cost</i> | 4.7 |
| <i>Potential domestic financing</i> | 4.1 |
| Existing basic social expenditure | 1.4 |
| Increase taxes on goods and services (2.6% points) | 1.0 |
| Increase collection of income tax | 0.2 |
| Health insurance contributions | 1.5 |
| <i>Deficit</i> | -0.6 |

Few countries in the world are poorer than Nepal, and studies provide convincing evidence that the resources necessary to finance a basic social security benefit package can be realized in most, if not all, national circumstances. All societies have some resources to redistribute to those most in need, and no society – or hardly any – is too poor to share.

The answer to the question with which we began this chapter seems, however, to lie in a prevailing economic paradigm which focuses on an assumed “trade-off” between equity and efficiency. Chapter 5 will discuss this issue in more detail.

5. Social security and economic performance

Undoubtedly, if any national system of social security is to be effective it must carry out, either directly or indirectly, the allocation of a significant proportion of the national GDP. The question is raised, therefore, as to whether the gain derived by the country from the existence of the system justifies what is perceived to be a substantial economic cost.¹² In times gone by, the assessment may well have been – at least in the more economically developed countries – that the gain in welfare terms self-evidently justified the financial costs. In more recent times, not only do such assumptions rarely escape challenge, but the measurable financial costs are increasing, not least in the light of the health and pension needs of ageing populations. Some have argued that extensive welfare state regimes have led to labour market rigidities, losses of economic welfare (due to microeconomic behavioural responses) and excessive administrative costs, while others have argued that too great a role for the “welfare state” may reduce the economic advantage of individual risk-taking enterprise, or hamper economic restructuring.

The framework in which social security policy is developed is therefore one in which policy-makers are challenged to assess social objectives simultaneously with economic ones. This may be addressed in a variety of ways. However, with the increasing availability of statistics in the past decade and a half, we are able with increasing confidence to make a judgment based on real evidence. Research – relating specifically to the EU countries to date – indicates that many countries, if not most, have succeeded in maintaining high-quality social security schemes and at the same time performing well in terms of economic growth.^{13, 14}

It is therefore warranted to conclude that in reality there need be no trade-off and that at least some countries can and do achieve sound economic performances while maintaining an effective social “model”. The analysis, however, takes us further: not only can countries reconcile sound macroeconomic performance with sustainable social models, but they must, indeed, implement adequate social arrangements, without which open market policies would be unable to absorb the adverse consequences of these same open market policies and in the long term could not be successful (Canoy and Smith, 2006).

In the absence of suitable statistical data, the picture in developing countries is less clear, but there is no reason to expect less favourable experience in the long term than that of the industrialized countries. Recent research in India, for example, has found evidence that

¹² There are a variety of ways in which we may seek to measure the achievement of societal goals against economic costs, actual or perceived. For example, a number of commentators have addressed the question in terms of a trade-off between *equity* (of relative incomes) and *economic efficiency*; such a debate was begun in academic terms, for example, by the publication of a paper entitled *Equity and efficiency: the big trade-off*, by Arthur Okun in 1975. A slightly different approach seeks to assess equity against economic *growth*. In this chapter, since the focus is on social security, we address the question in terms of the ability of a country to achieve welfare objectives simultaneously with, specifically, economic growth.

¹³ Cichon and Scholz (2006) and van de Meerendonk et al. (2007) review the literature of the past 15 years dealing with the impact of social protection (and social insurance schemes in particular) on economic performance.

¹⁴ Sapir (2005). More recently, Canoy and Smith (2006) have argued that one should not be too optimistic in expecting that EU countries can converge to the Nordic model. However, as the authors argue, it is possible for countries to modernize their welfare state institutions and to achieve more efficiency – without sacrificing social objectives – in their own manner.

overall expenditure on social protection – measured over a long period, 1973 to 1999 – had a significant and positive impact on economic growth (Justino, 2007).

Trust and social capital. Provided that they are well designed, social protection programmes have a direct “static” impact in terms of poverty reduction. However, in a more indirect “dynamic” sense, social protection programmes also benefit productivity in a variety of ways – for example, through reducing or preventing social exclusion, through relieving constraints that often prevent the development of small or individual enterprises and, most importantly, through helping to enhance human capital in the form of a healthy and educated workforce. Conversely, a range of studies in the past 15 or so years have looked into the “black box” of channels through which a *lack* of social protection impacts on economic performance.¹⁵ An important mechanism relates to capital market imperfections – specifically, credit or other constraints may prevent the poor from undertaking an efficient amount of investment. Such constraints may be financial in nature, but equally include issues of non-access to certain resources or provisions. Examples include restrictions on the exploitation of arable land, limited access to health facilities, and lack of access (for children, particularly in poor families) to education, which has been shown to have an adverse impact on future potential labour productivity and hence economic growth (Perotti, 1996).

Nevertheless, the notion has persisted that for most countries and in general, the cost of social security “must” have an adverse impact on economic performance, as measured by rates of economic growth, despite the failure of studies to find statistical evidence for this supposition.¹⁶

This does not mean that *more* social transfers are conducive to enhanced economic performance *all the time and under all circumstances*. Design matters, of course; benefit schemes (and, where relevant, the incidence of tax) can certainly have an impact on economic incentives.

What does this indicate for developing countries? Over the past decade an increasing number of initiatives have been taken and studies published, showing a variety of remarkable outcomes.

Most developing countries suffer from imperfect capital markets that inhibit or prevent borrowing by the poor. The absence of credit results in the need for inefficient and costly consumption smoothing mechanisms and restrains the poor from investing in productive personal development in the form of education and good health. Cash transfer programmes in Ethiopia, for example, have increased access to social services and led to higher circulation of cash, resulting in increased competition and local trade. In Brazil, the introduction of an unemployment insurance scheme has had a remarkable and crucial impact on the transition into self-employment – the income transfer provides the required capital, and instead of acting as a disincentive to work, these resources are used to start alternative economic activities (Cunningham, 2000). A similar picture emerges from the review of a number of social protection programmes in low-income countries, which finds little or no evidence to indicate any adverse impact of these social transfer programmes on

¹⁵ For example, Aghion and Bolton (1992), Galor and Zeira (1993), and Saint Paul and Verdier (1996).

¹⁶ In addition, many countries have combined sound labour market outcomes – such as high labour force participation and low unemployment rates – with high GDP shares of public social expenditure.

work incentives (Barrientos, 2006).¹⁷ Other recent studies support the accumulating evidence on the positive effects of income transfers in developing countries in terms of productivity and growth. In particular, with respect to increased school attendance and improvement in health conditions, there is solid evidence of the beneficial impact of cash transfer programmes in a range of different countries.¹⁸

A series of empirical studies on South Africa provide evidence that social assistance expenditure has promoted investment, economic growth and job creation, and that these expenditures have improved the trade balance. Low-income households spend relatively high proportions of their income on domestic goods and services, hence an increase in their income tends to favour domestic industries. Moreover, there is an evident impact on education, in particular on the school enrolment of girls. This leads in turn to an increasingly productive labour force and a higher GDP growth rate (Samson et al., 2004).

In summary, the experiences noted in this chapter have been distilled from an extensive ILO literature review of studies on the impact of social security schemes on economic performance. Detailed knowledge in this field has grown neither quickly nor uniformly across countries, reflecting in part the limitations of statistical data. We note that caution is needed in some aspects of the interpretation (van de Meerendonk et al., 2007), reflecting firstly the fact that social transfer schemes can have important *dynamic* and relatively complex effects on economic variables and, secondly, limitations as to the extent to which observations and conclusions regarding the welfare state debate in industrialized countries may be translated to the different economic and social context of the less developed countries. Nevertheless, a strong consensus is clearly emerging that well-designed social security systems and sound economic performance can and do coexist. In fact, it is increasingly evident that adequate social security is by no means the consequence of economic growth – it is a necessary condition therefore.

¹⁷ For example, the *Bono Solidario* programme in Bolivia lifts credit constraints for the poor and stimulates investments in agriculture. In Nicaragua, the *Red de Protección Social* prevents a steep asset fall for farmer households in times of unexpected drops in coffee prices.

¹⁸ Compiling a full list is beyond the scope of this paper. Of particular interest, however, are the studies done by Freije et al. (2005); Morley and Coady (2003); Rabbani et al. (2006); Schubert (2005); Chetty and Looney (2006); Samson et al. (2002, 2004); Adams and Kebede (2005).

6. Historical perspectives and new developments ¹⁹

Long experience in OECD countries has shown that social security is a powerful tool to alleviate poverty and inequality. It is estimated that the rates of poverty and inequality in many OECD countries are nearly halved, by comparison with the levels to be expected in the absence of such schemes. There is no successful industrialized country in Asia, Europe, Oceania or North America without a fairly extensive social security system. There has been widespread consensus in most industrialized countries that the social protection of their populations should be improved as societies grew more prosperous. Over a period of many decades and until recently that principle was, rightly, unquestioned. Many of the most successful economies in the world, such as Denmark, France, Germany, Norway, Sweden and the Netherlands, at the same time have the highest levels of social expenditure when measured as a percentage of GDP, generally amounting to between 25 and 30 per cent of their respective national incomes. These economies are also traditionally open economies, having been subject to international competition for many decades, if not centuries, and long before concerns became focused on the issue now described as globalization. They also share a common experience in that all of them started to introduce their social protection systems around the end of the nineteenth century – that is, at a time they were in fact poor. The provision of social security was and remains integral in every case to their respective national development paradigms.

The history of social security in the non-industrialized countries can also be traced back to its origins more than a century ago.

In retrospect, we can identify successive waves of progress. Formal social security had already taken root before the First World War in a number of so-called “pioneer countries”, mainly in the southern cone of South America. The first social security schemes on that continent were inspired by the Bismarckian approach. A second wave came in the 1940s and 1960s, when several countries in Asia and Africa, having gained independence, adopted social security systems reflecting those of the departing colonial powers. Many countries developed their social security systems using a combination of programmes that may be characterized as a “Bismarckian–Beveridge” synthesis. However, to date most developing countries have failed to achieve wide population coverage through their national schemes.

A third major wave of events began in Chile in the early 1980s, with a radical approach that focused on financial consolidation, individual accumulation – which effectively transferred a range of risks to the individual members – and the privatization of the management.²⁰ This development triggered a major and at times heated debate which, in hindsight, was actually necessary and important in that it played a significant part in carrying forward thinking as to the roles and financing of social security in the new millennium. The Chilean model was followed wholly or in part by ten countries in Latin America during the 1990s and later by 14 countries in Central and Eastern Europe.

¹⁹ This chapter is largely based on the background notes and papers for the regional social security meetings in Latin America, Asia and the Arab States (available in the regional pages of the ILO website www.ilo.org) together with material prepared for a new publication of the Social Security Department of the ILO (see Townsend, forthcoming).

²⁰ Most importantly, this change transferred to individual members the risks arising from any possible decline in investment asset values (a notable feature of the 2008 crisis). The corollary is effectively a restriction of the (real) value of the ultimate pensions payable to scheme members, perhaps deliberately – one line of economic thinking suggested that the previous (“defined benefit”) national pension scheme had over-promised benefits.

A further global wave of review and reform of schemes around the world seems now to be under way, and is probably the most important to date. Many governments, together with the other social partners – the stakeholders in social security schemes – are now reviewing and reconsidering the role of social security in national social development. In developing countries social security is perceived with increasing clarity as an effective means to combat poverty, invest in people, and as a means to facilitate and safeguard long-term economic growth. In many such countries the first priority must be to eliminate the coverage gap left behind by previous social security development patterns. The main tool for doing so is typically, and increasingly, the use of tax-financed cash transfer mechanisms.

Countries including Argentina, Brazil, Chile, India, Indonesia, Mexico, South Africa and Uruguay, to name but a few, are increasingly turning to tax-financed cash transfer programmes in order to address the problems of exclusion from social security. The objective is to reach and enrol those in the working population that have so far remained uncovered, and to provide “social” pensions for those now beyond working age but who could not build up enough credits through contributions for formal entitlement to benefits. There are convincing examples of success with modest universal social benefit systems in Africa, Latin America and Asia. In Botswana, Mauritius, Namibia and South Africa, for example, basic universal pensions have shown positive poverty alleviation effects. Valuable experience has been gained regarding the potential role of social transfers in combating poverty in countries such as Brazil and Mexico. In Asia, notable successes have been seen in the Republic of Korea, which achieved full population coverage for health care in less than 20 years, and Thailand, which achieved this in less than 15 years. Significant progress is being made currently in both India and China. All experience shows that implementing basic social security systems in low-income countries makes a critical contribution to attaining the first MDG of halving poverty by 2015.

Table 2 provides an analytical overview of the most notable amongst the diverse range of cash transfer programmes, both universal and conditional, currently being implemented around the world.

Table 2. Current, documented conditional and unconditional cash transfer programmes, around 2008

| Type of cash transfers | Countries | Number |
|---|--|--------|
| <i>Unconditional</i> | | |
| Household income support | Chile, China, Indonesia (till 2007), Mozambique, Pakistan, Zambia | 6 |
| Social pension | Argentina, Bolivia, Bangladesh, Brazil, Botswana, Chile, Costa Rica, India, Kiribati, Lesotho, Mauritius, Namibia, Nepal, Samoa, South Africa, Uruguay | 16 |
| Child/family benefits | Mozambique, South Africa | 2 |
| <i>Conditional</i> | | |
| Cash for work | Argentina, Ethiopia, India, Republic of Korea, Malawi, South Africa | 6 |
| Cash for human development | Bangladesh, Brazil, Colombia, Ecuador, Indonesia, Honduras, Jamaica, Mexico, Nicaragua | 9 |
| Total number of countries with at least one programme | | 30 |
| of which in Asia | | 8 |

Source: University of Sussex and ILO.

Thus around 30 middle and low income countries are known by now to have at least one cash transfer programme in operation. One of the most ambitious national programmes of implementation is that currently being developed in India. Following a national debate on

poverty and working and living conditions in the informal economy (or, in the usual Indian terminology, the unorganized sector) the Government appointed a National Commission for Enterprises in the Unorganized Sector. The commission's report, issued in May 2006, contains, inter alia, recommendations for the introduction of a set of basic social security provisions for the informal economy, to be provided through a (subsidized) social insurance scheme or schemes providing for basic health care, maternity protection and disability and old-age pensions. A framework bill (to be supplemented in due course by regulations which should set out detailed parameters for the schemes) has been placed before Parliament and is awaiting discussion and adoption. The potential population coverage of the new schemes could be between 300 and 360 million people – a major step forward. In 2008, the Government completed the progressive “roll-out” across the country of the National Rural Employment Guarantee Act, which guarantees 100 days of work paid at the minimum wage level to all poor rural households, having been planned with an expected outreach of between 80 and 100 million people. In modern terminology this scheme would qualify as a conditional cash transfer; in more traditional terms it could be described as a form of *social assistance*. While commentators have pointed to a range of limitations of these new initiatives, and even in combination these schemes can hardly be expected to reduce significantly the gap between formal and informal economy workers, the approach of the Indian Government in vigorously addressing the gaps in population coverage offers an impressive example. Similarly, the very recent implementation in the rural areas of China of a new social health insurance scheme, despite modest initial levels of payments, has brought into social protection coverage several hundred million new members.

It appears that within the OECD, particularly in the “older” countries, the debate regarding the updating of social security systems tends to get stalled, often due to disagreements of an ideological nature; meanwhile, real progress – even if by modest increments – is being made in developing countries that now seek to modify the old instruments to suit their national poverty and social development objectives.

7. Global challenges

Over the last two decades, many commentators have suggested that the traditional “welfare state” as represented in many countries has become generally “overstretched” and have considered the implications of this perception in terms of high and persistent unemployment and a deceleration of GDP growth. The debate continues to date – the previous chapters have covered the main issues. Two particular factors have, however, driven the discussion. The first is that of *globalization* – the opening up of national economies to international trade and financial flows. Intensified international competition – or its perceived demands – has led governments in both developing and industrialized countries to take a very cautious approach to the implementation of improved social provision. The previous chapters have shown that, at the national level, the provision of adequate social security may be expected to have far more positive impacts, both social and economic, than negative. At the level of individual employers and entrepreneurs, however, the fear that the implementation of progressive social standards will entail costs and harm actual competitiveness has been pervasive. The second factor is that of *demographic transition*, resulting in rapidly ageing populations with percentages of those living above the traditional pensionable ages rising in many cases to perhaps 15 or 20 per cent. One outcome, especially in the industrialized countries, has been a level of continuous pressure on governments to contain public expenditure and to scrutinize existing social transfer programmes. However, in some emerging economies, such as China, the design of existing social security schemes has not easily accommodated the extremely rapid demographic transition now taking place. In other countries, social security systems have experienced difficulty in meeting the severe challenges arising from the HIV/AIDS pandemic. We focus here on the particular challenges facing social security schemes and the latter’s ability to maintain adequate levels of provision in, specifically, their pension and health care branches, without forgetting that parallel challenges arise in relation to each of the contingencies with which schemes are designed to deal.

Internationalization and labour market insecurity

International trade and capital flows have intensified over the past decades. Trade, as a percentage of GDP, has multiplied between the 1970s and today. Countries that opened their borders for these flows of commodities, services and financial resources have experienced higher growth rates than ones that did not. This has been the topic of intensive research over the last decade and the statistical evidence seems to indicate that economic growth and international trade are correlated in a positive sense.²¹

Since virtually all countries participate at least to some extent in the globalization process, this has created a rapid pace of social and economic change. While the potential benefits of changes to social security systems may be large, not all individuals or families have benefited, and this has generated social tensions. People in many countries have sensed or even experienced that their employment and social security, and with it their general confidence with regard to their future, is being challenged. The public has thus often perceived international competition as a *race to the bottom* and this has aroused understandable resentment and resistance.

While for the industrialized part of the world a number of welfare gains due to the opening up of international borders for capital and labour flows can be identified, in the less advanced (from an economic perspective) parts of the world the economic proceeds of

²¹ See, for example, Dollar and Kraaj (2004) and Milanovic (2005).

globalization are much less visible. Despite their opening to globalization and despite sometimes high GDP growth rates, real wage and employment growth rates have fallen behind. In fact, in some cases the process of opening to international trade has caused entire industries to collapse. The textile and clothing industries in some African countries, for example, vanished in less than a decade, their decline accelerated by factors such as the use of these countries as dumping grounds for second-hand clothing from the North (IBRD/World Bank, 2005).

Globalization has triggered dramatic changes in labour markets. In the industrialized countries there has been a development towards *dual labour* markets. The upper segment is characterized by well-paid jobs with – at least on the surface – sound social protection against a wide range of contingencies and legal protection in the area of working hours and dismissal. Large numbers of people, however – in most cases less skilled, but also women and people from ethnic minorities – fall into another segment. In this lower segment jobs tend to be much less well paid, insecure, sometimes hazardous, without much legal protection against dismissal, and with variable and often long working hours. Workers in this lower segment are more exposed to international competition and its side effects. A similar type of segmentation is also seen in developing countries, where the informal economy could be regarded as the equivalent of the lower segment in the dual labour markets of the industrialized countries; the upper segment or formal economy tends, however, to be proportionately much smaller than in the industrialized countries. 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 (2006b, p. 28). In this informal segment working conditions tend to be precarious: workplaces are poorly defined, work conditions are unsafe and unhealthy, incomes are low and irregular, working hours are long and access to social protection and training facilities usually non-existent. Over the past few decades, areas of economic activity classified as “informal” have proportionately expanded rather than diminished. Informal enterprises often provide products and services in subcontracting arrangements with formal enterprises, not only for the domestic market but also for international export. Workers are hired not under formal contracts but rather as own-account workers. Growing informalization reduces the potential number of people that can be covered by traditional insurance-based social security systems. The establishment in some countries of export processing zones enjoying different (“relaxed”) labour protection provisions compared to the rest of the country can also be perceived as a sign of gradually diminishing levels of labour and social protection (Sengenberger, 2005).

The need to provide social protection for migrant workers, whether these are workers moving between locations within their home country (so-called internal migrants) or across international borders, presents special difficulties. The ILO has estimated that, around 2000, some 175 million people worldwide were living outside their country of birth or citizenship, among which about 90 million were migrant workers (2006b, p. 26). At the same time, there has been a movement of people from rural to urban areas. Between 1995 and 2005, the share of rural employment in total world employment fell by 3 percentage points, or around 90 million workers, to about 40 per cent. Together with migrating dependants, the total number of persons moving from rural to urban areas might reach a figure of around 200 million people within a very few decades. There are obvious signs that figures will increase dramatically due to rural–urban migration in China alone. The remittances of migrant workers have become the major source of income for many families in a large number of countries, while the extension of traditional social security coverage for the migrants and those left behind remains a major challenge.

Demographic transition

The driving factors behind global demographic transition are, firstly, steadily increasing life expectancies in most countries (lower mortality ratios) and, secondly, declining fertility rates. These factors have manifested themselves in the industrialized countries over the last 50 years or so, such that ageing now features high on their political agenda. However, similar trends are now emerging in the developing countries, reflecting the development of improved health facilities, enhanced access to clean water and sewerage facilities, together with public health programmes, and above all (with regard to falling fertility rates) girls' access to education. Some developing countries, such as Sri Lanka, are already close to completing this "demographic transition" and are experiencing a rapid ageing of their populations. In others, including India, the expected peak of the transition appears to be some decades in the future, so that the proportion of the population falling in the productive working age ranges is likely to increase sharply over the short term, thus providing at least temporary relief from the full force of increased relative costs of social protection, an effect sometimes described as a "demographic dividend" or "demographic gift". For most countries, population ageing – whether in the near or more distant future – will pose a major challenge in planning to establish sustainable pension and health care systems.

Ageing will certainly drive up expenditures on pensions and health care provision in the decades to come. Public old-age pension spending in the OECD area is expected to increase from an average 7.5 per cent of GDP around 2000 to 11 per cent in 2050 (Dang et al., 2001; European Commission, 2006). That seems manageable, and paints a much less dramatic picture than is often portrayed. There are, however, differences between individual countries. These disparities have less to do with the ageing process itself than with specific programme characteristics, such as the financing mix, eligibility and differences in general benefit levels (European Commission, 2006).

In this regard, it is useful to highlight the distinction between the *demographic* dependency ratio and the "system" dependency ratio. The latter ratio measures the number of pensioners (receiving a benefit from the pension scheme) in the numerator, against the number of contributors in the denominator. When the number of pensioners rises, this will *ceteris paribus* drive up pension expenditures. However, the contribution rate will rise only when the number of pension benefit receivers (times the average pension benefit) rises faster than the number of employed (times the average insured wage). The system dependency ratio takes into account the increase in the ratio of employment to population and hence reveals the change in the contribution or funding base. Most countries have experienced a faster increase in their "system dependency ratio" than in their "demographic dependency ratio".

However, countries can influence the system dependency ratio. When it is seen that the balance between outgo (benefits) and income (contributions) in a pension system becomes unsustainable, there are a number of instruments through which to remedy the situation: *reducing system dependency by extending working life*, lowering the pension benefit replacement rates, raising the contribution rates, broadening the tax base, and either raising taxes or allocating resources from elsewhere in the government budget. Countries will have to find their own mix of policy measures to allocate the increasing cost of financing the consumption needs of the elderly and no-longer-active between different population groups and different generations. The real or perceived need for the reform of pension financing has led to an intensive pension debate during the last three decades.

The majority of countries in the world operate a public pension pillar in some form, while a number of them allow (and generally encourage) the development of private and occupational pension schemes as a supplement to the public pillar. The difference lies primarily in the scope of the two pillars (the size of the one relative to the other). During

the 1990s academic scholars and some international organizations advocated a shift away from public to private schemes, from defined benefit to defined contribution schemes and from pay-as-you-go (PAYG) to funded schemes.²² An important aspect of this debate focused on the impact of various funding mechanisms on the fiscal base. There was a strong conviction that private pre-funded, and usually *defined contribution* schemes would be more sustainable, that public expenditure could be contained and that non-compliance would be reduced (due to a stronger link between contributions and accrued benefit entitlements). It was argued that private management of the funds would lead to higher rates of return. Last but not least, it was believed that this shift would increase overall coverage, including the coverage of the self-employed. In a system which relies on PAYG financing, ageing has an obvious impact on the contribution base. However, far less attention has been paid to the fact that it is equally true that in funded systems current purchasing power is transferred from working generations to elder retired generations; in this case the mediating mechanism is the sale of pension fund assets. Accumulated pension wealth is in effect (gradually) sold to the working generations as they themselves accumulate pension wealth. In these circumstances, asset prices can be expected to react to demographic shifts (Heller, 1998; Thompson, 1998). Hence, in funded schemes the contributors face the risk that their accumulated pension wealth will have less value at the time of retirement than anticipated. In recent years these risks have started to become apparent in the experience of those enrolled in defined contribution schemes in, for example, Chile, but will be brought into stark focus as the developing financial crisis undermines asset values.

Over the past few years, the ILO has undertaken a number of studies into reformed pension systems, particularly those in Latin America²³ and the transition countries in Central and

²² The 1994 IBRD/World Bank report, *Averting the Old Age Crisis*, was a milestone in this respect.

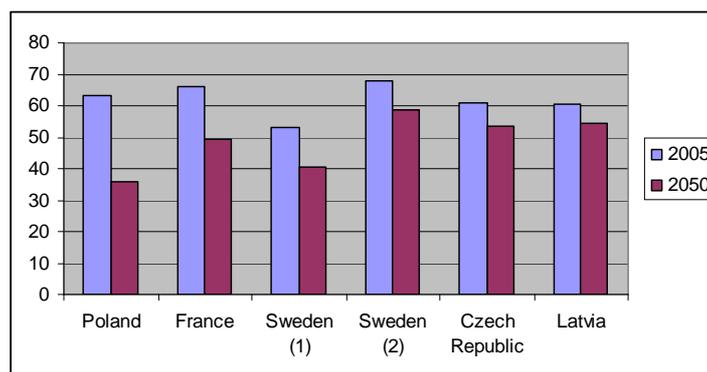
²³ Ministerio de Trabajo, Empleo y Seguridad Social: *Prospectiva de la previsión social: valuación financiera actuarial del Sistema Integrado de Jubilaciones y Pensiones 2005-2050*, Serie de publicaciones de la Secretaría de Seguridad Social, AÑOF, Ministerio de Trabajo, Empleo y Seguridad Social y Servicio de Actividades Financieras, Actuariales y Estadísticas de la OIT (Buenos Aires, 2005); OIT: *Argentina: Valuación actuarial del Sistema Integrado de Jubilaciones y Pensiones al 31 de diciembre de 2001*, OIT, Ginebra, Servicio de Actividades Financieras, Actuariales y Estadísticas, Programa InFocus sobre Respuesta a la Crisis y Reconstrucción, Oficina de la OIT en Argentina (Ginebra, 2004); F.M. Bertranou (ed.): *Cobertura previsional en Argentina, Brasil y Chile* (Santiago, OIT, 2001); F.M. Bertranou, C. Solorio, W. van Ginneken (eds.): *Pensiones no contributivas y asistenciales: Argentina, Brasil, Chile, Costa Rica y Uruguay* (Santiago, OIT, 2002); A. Arenas de Mesa y P. Benavides Salazar: *Protección social en Chile. Financiamiento, cobertura y desempeño 1990-2000* (Santiago, OIT, 2003); F.M. Bertranou y A. Arenas de Mesa (eds.): *Protección social, pensiones y género en Argentina, Brasil y Chile* (Santiago, OIT, 2003); OIT: *El sistema de pensiones en Chile en el contexto mundial y de América Latina: Evaluación y desafíos. Ponencias del Seminario Internacional* (Santiago, 2004); M. Nitsch and H. Schwarzer: *Recent developments in financing social security in Latin America*, Issues in Social Protection, Discussion paper 1 (Ginebra, OIT, 1996).

Eastern Europe.²⁴ These studies have revealed that the outcomes of the reform of pension schemes may in fact (i) reduce the income security of those covered when they become old, (ii) reduce the actual effective coverage of those previously covered, and (iii) fail to meet expectations with respect to the increased coverage of those not previously covered and the expectations with respect to increases in national savings rates. The ILO's concerns have recently received support from the Independent Evaluation Group (IEG) of the World Bank. The IEG report on the evaluation of the World Bank's assistance to pension reforms concluded, inter alia, that "[t]here is little evidence that privately funded pillars have succeeded in increasing national savings or in developing capital markets ...", and even stated that "... the Bank's preoccupation with fiscal sustainability tended to obscure the broader goal of pension policy, that is, to reduce poverty and improve retirement income adequacy within a fiscal constraint" (World Bank, 2005, pp. xvi, xvii).

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. The ILO studies cited 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 – are obliged to contribute only a certain low minimum amount). Figures 3 and 4 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 it is not only the countries that embarked on so-called paradigmatic reforms that will see replacement rates go down – unless people contribute significantly longer on average 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.

²⁴ E. Fultz: "Pension reform in the EU accession countries: Challenges, achievements and pitfalls", in *International Social Security Review*, ISSA, Geneva, Vol. 57, No. 2, Apr. 2004, pp. 3-24; E. Fultz, M. Ruck, S. Steinhilber (eds.): *The gender dimension of social security reform in Central and Eastern Europe: Case studies of the Czech Republic, Hungary and Poland* (Budapest, ILO, 2003); E. Fultz (ed.): *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 the Czech Republic and Slovenia* (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. Hagemeyer: "The transformation of social security in Central and Eastern Europe", in K. Müller, A. Ryll and H.-J. Wagener (eds.): *Transformation of social security: Pensions in Central-Eastern Europe* (Heidelberg-New York, Physica-Verlag, 1999); M. Cichon, K. Hagemeyer and M. Ruck: *Social protection and pension systems in Central and Eastern Europe* (Budapest, ILO, 1998).

Figure 3. Theoretical gross replacement rates in selected EU Member States: Average earnings, 40 years of contributions, retirement at 65

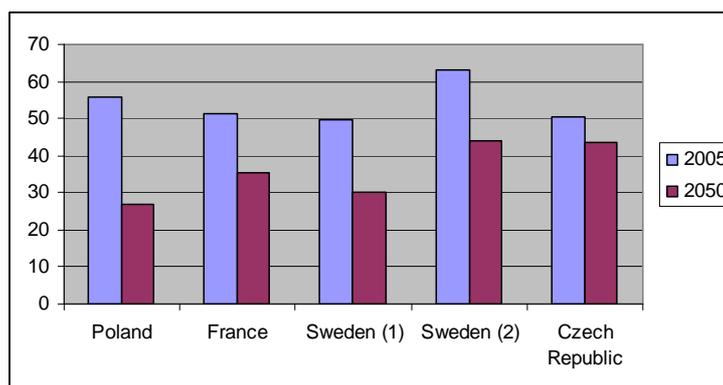


Sweden (1): national pension system only; Sweden (2): including occupational pensions.

Source: ILO/SECSOC 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 3 encapsulates the emerging new uncertainty. The general vehicle to accommodate revenue reductions consists in cuts in benefit levels, which often result in added uncertainty for those hardest hit by global and national adjustment processes. Analysts were already expecting turbulence in national labour markets – reflecting changing patterns of work distribution in an increasingly globalizing labour market – which, coupled with the global adjustment processes, would lead to “broken” careers for many people. Such careers may be marked by spells of unemployment or periods of retraining required by new labour market conditions. Figure 4 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. In the light of financial crisis conditions prevailing at present, it is to be expected that all of these challenges to social security systems will be exacerbated.

Figure 4. Theoretical gross replacement rates in selected EU Member States: Average earnings, 30 years of contributions (broken careers)



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

Source: ILO/SECSOC 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.

The main conclusion from the pension debate appears to be that (i) ageing will produce a higher benefit dependency ratio, (ii) the provision of benefits for ageing populations is subject to a range of risks, both financial and demographic, (iii) the risks are manageable, and adequate responses to these risks differ across pension systems. The practical issue

then is how to design sustainable pension systems, that is, systems in which the various risks are allocated amongst the various stakeholder groups – contributors (workers and employers), pensioners, the general public – in an appropriate and consensual manner.

Ultimately, the fundamental objective is to achieve optimal social outcomes; in the context of pension policy, this means the provision of the highest achievable level of income security in old age. Income security depends on predictable pension levels, which in turn depend on a realistic design of the systems. In this context, there are many examples around the world of schemes which have collapsed as a result of over-promising benefits (usually in a framework of PAYG financing), an outcome which is just as damaging to real income security as is (over-)dependence on the performance of the capital market in funded systems. In view of economic and labour market insecurity and the impending threat of increasing vulnerability or poverty, it appears essential to reinforce the first pillar of national pension systems, necessarily built on a broad foundation of societal solidarity, while the social effectiveness and economic efficiency of complementary (often voluntary) pillars must be improved in developing and developed countries alike.

Health care issues

Developments in the field of health have a range of impacts on social health insurance and other social security financing schemes. In addition, health care issues interact in diverse ways with other pension concerns. In this paper, we need only hint at the variety of issues of concern in developing overall policy directions; a separate paper sets out the specific policy vision of the ILO's Social Security Department in relation to health care (see ILO, 2008c).

One subject area to which we may, however, draw particular attention is that of gender; women workers have specific concerns, most obviously in relation to maternity protection but also because their societal role as mothers and carers makes it very difficult for many, if not most of them, to establish a full career record of contributory pension scheme membership. Social security provision should also recognize the specific health needs of children.

Newly identified 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. Amongst concerns identified within the most recent decades, HIV/AIDS is perhaps the most acute. Despite rapid progress in treatment enabling long-term survival, this condition impacts on social security systems not only through the direct health-care and medication needs of sufferers, but also by distorting the demographic profiles of the pension and broader social security schemes to which they may belong. It should not be forgotten, however, that an "old" disease such as malaria, although less fearsome and generally 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.

8. The policy vision: A staircase to social justice

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 framework within which we seek to develop an appropriate policy vision for the ILO's Global Campaign to extend social security to all embraces not only its fundamental *objectives* – to address persistent poverty and rising inequality – but also the *challenges* currently faced by social security systems worldwide in terms of demographic transition, contemporary social changes and now, in late 2008, the crises of global food supply and turmoil in national economies and investment markets, as well as the *opportunities* opened up as interest grows in testing the potential of social security systems founded on a first pillar in the form of a basic benefit package characterized by universal access.

At the same time, a wider development policy paradigm is emerging from the Office's experience in technical cooperation and the worldwide trends seen in social security and social transfers. That paradigm may be best described in terms of the process called by the Director General of the ILO "*Growing with equity*", and which rests on the understanding that a prerequisite for the potential of any country to develop in a sustainable way is a sufficient and early commitment to invest in social justice. Countries cannot unlock the full productive potential of their workforce and hence the full growth potential of their economies if people go hungry and if they are in poor health and poorly educated. Even in strictly economic terms, countries will not attract investments in conditions where blatant injustice, evidenced by inequality and poverty, creates societal instability and latent or open conflict.

Now, it appears that a real shift is taking place in the development policy debate. It seems that many national policies of the type which can be characterized as "grow first, distribute later" are being consigned to history. The importance of social transfers in development was recognized at the 2007 G8 Labour and Employment Ministers' Conference in Dresden.²⁵ In addition, the 2006 ECOSOC High Level Segment Ministerial Declaration noted explicitly "that countries need to devise policies that enable them to pursue both economic efficiency and social security and develop systems of social protection with broader and effective coverage" (ECOSOC, 2006, para. 19). The ILO took up this issue once more in the course of an informal meeting of the Ministers of Labour and Social Affairs during the 2007 International Labour Conference, where the Office tabled and presented a discussion paper (ILO, 2007b) setting out a possible approach to a new policy for balanced and inclusive growth.

Key characteristics of the new strategic baseline of the Campaign

Changing trends in the mainstream development paradigm have direct repercussions for the basic strategy of the ILO's Global Campaign. The campaign strategy anchored in the ILO's Constitution and the review of social security issues by the International Labour

²⁵ See G8 Labour and Employment Ministers' Conference: *Shaping the social dimensions of Globalisation*, Dresden, 7-8 May 2007, Chair's conclusions: (<http://old.tuac.org/statemen/communiq/G8EmplDresdenEval2007e.pdf>).

Conference in 2001 has four basic characteristics: *universality, progressiveness, pluralism and outcome focus*. For most countries that have not yet achieved universal or at least widespread coverage, the primary target should be to establish a modest, basic set of social security guarantees for all residents. Once that has been achieved, higher levels of protection, income security and equality can be pursued for particular groups or for the population as a whole.

Universality

Universality is the key objective. Indeed, as implied directly in the title of the ILO's Global Campaign, it is at the core of the Campaign's mandate.

The main emphasis is on universality of access for 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 have to be tempered in practice 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, and income support that avoids poverty and creates the security that people need in order to take risks and invest in their own productive capacity.

Based on research undertaken in recent years and needs assessments carried out in the course of its technical cooperation activities, the Social Security Department of the ILO has identified a minimum set of four essential basic social security guarantees (a basic benefit package) that could become an integral part of a wider socio-economic floor (see ILO, 2008d):

- All residents have access to basic/essential health care benefits, where the State accepts the general responsibility for ensuring the adequacy of the delivery system and financing of the scheme;
- all children enjoy income security at least at the poverty level: through family/child benefits aimed to facilitate access to nutrition, education and care;
- some targeted income support for the poor and unemployed in active age groups; All residents in old age and disability enjoy income security through pensions granted at least at the poverty-line level.

Progressiveness

Social security development does not stop at the ground floor. While it is suggested that countries may wish to accord a high priority to the implementation of a basic benefit package, this represents just the first step of an upward staircase – providing higher levels of security to as many people as possible, as and when continuing economies development permits.

Universality does not mean uniformity. It is not realistic to believe that – left to their own devices – all societies can achieve the same level of social protection irrespective of their level of economic development. National social security systems gain the opportunity to grow as increasing fiscal space is made available through economic growth. What is critical, however, is that systems be designed in a way which, while (financially) progressive, is at the same time rational, i.e., able to address priority needs in a logical

order and 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 the volume of contributions and taxes allocated to social security priorities must be determined on the basis of national consensus.

Pluralism

There are many ways in which a set of basic social security guarantees along the lines suggested above may be implemented as the first step of a national social security strategy. Some countries will seek to extend social insurance and combine it with social assistance, while others will facilitate access to social insurance coverage (possibly community-based) for the poor through subsidies, and still others may put in place tax-financed universal schemes. A virtually infinite range of choices exists as regards the set of financing instruments, the design of benefit entitlements and accumulations, and administrative requirements, including for example mechanisms to ensure compliance with contribution obligations and to minimize the incidence of moral hazard. Each approach has its advantages and its drawbacks, and each will be determined by past commitments and national values. The central objective, ultimately, is that all people enjoy the basic guarantees. It is the outcomes of national social security strategies that matter, not the ways and means through which countries set out to achieve those outcomes.

Worldwide experience and evidence show that there is no single “right” model for providing social security and health protection, or one single pathway towards achieving universal coverage. Social protection evolves over many years and often decades in the light of demographic and economic developments and socio-cultural preferences and traditions. However, the way in which a range of often inter-related scheme parameters are determined can have a major impact on the effectiveness of the scheme and the efficiency of its administration. While there is no single blueprint, many of the means to improve the effectiveness and efficiency of existing systems are well documented.

As a matter of general principle, the various stakeholders in a social security system should participate in its governance (being represented amongst the trustees or board members). With regard to financial arrangements, perhaps the most basic principle and one which is critical to enabling the board or trustees to exercise their supervisory responsibilities is that a social security fund (if comprising real assets) should be maintained and accounted for entirely separately from the (central) government budget. To the extent that funds may be subsidized from general revenue resources or, conversely, where funds may function as a “cheap” source of funds for the treasury, transparency of the finances is essential. The ILO has developed a range of tools needed for financial governance, through the assessment of these financial relationships and their sustainability against the background of future demographic and economic developments. These tools include, for example, standardized social protection expenditure and performance reviews (SPERs) and the technique of *social budgeting*.

Outcome focus

In carrying out technical advisory and capacity-building services in relation to social security, the approach followed – naturally within the mandate of the ILO as laid down in the Constitution and reflected in the Conventions and Recommendations – is meant to be essentially pragmatic, focusing on the quest for optimal social outcomes rather than engaging too deeply in academic debates as to the processes and methods for achieving these outcomes. A feature of the approach will be the promotion among ILO constituents of a number of benchmarks against which to measure progress, within the following outline:

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- (1) **Universal coverage of income security and health systems:** All (permanent and temporary) residents should have gender-fair access to an adequate level of basic benefits that lead to income security and comprehensive medical care.
 - (2) **Benefits and poverty protection as a right:** Entitlements to benefits should be specified in a precise manner so as to represent predictable rights of residents and/or contributors; benefits should protect people effectively against poverty; if based on contributions or earmarked taxes, minimum benefit levels should be in line with the Social Security (Minimum Standards) Convention, 1952 (No. 102), or more recent Conventions providing for higher levels of protection,²⁶ and the European Code of Social Security of the Council of Europe.
 - (3) **Actuarial equivalence of contributions and benefit levels:** The benefits to be received by scheme members should represent: a minimum benefit replacement rate and a minimum rate of return in case of savings schemes, which must adequately reflect the overall level of the contributions paid; such minimum levels should be effectively guaranteed, preferably by the State.
 - (4) **Sound financing:** Schemes should be financed in such a manner as to ensure to the furthest extent possible their long-term financial viability and sustainability, having regard to the maintenance of adequate fiscal space for the national social security systems as a whole and individual schemes in particular.
 - (5) **Responsibility for governance:** The State should remain the ultimate guarantor of social security rights, while the financiers/contributors and beneficiaries should participate in their governance.

Implementation strategy

It is envisaged that the Campaign will be carried forward in such a way as to implement the new policy paradigm through a three-dimensional strategy.

The first dimension: Generating, managing and sharing knowledge and evidence

National policies to promote a basic level of social security, and the assessment of alternatives and their implications – including those relating to gender – must in modern conditions be firmly evidence-based, and hence can be based only on a rigorous analysis and evaluation. The compilation and dissemination of relevant and appropriate knowledge, in the broadest sense, will be done through the web-based social security platforms that are currently under construction by the ILO Social Security Department and are expected to reinforce the capacity of the Department to provide efficient support to field operations. The Social Security Inquiry and database will be extended, made more widely available to constituents and researchers and used to monitor the effectiveness of social security policies, especially progress in poverty reduction, extension of coverage, equity, gender equality and efficiency of delivery.

²⁶ Employment Injury Benefits Convention, 1964 (No. 121); Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128); Medical Care and Sickness Benefits Convention, 1969 (No. 130); Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168); and Maternity Protection Convention, 2000 (No. 183).

The second dimension: Policy development

Based on sound evidence and knowledge, the Campaign will focus on measures to extend coverage and on policies reducing long-term dependency through transfers promoting employment, productivity and the individuals' capacity to generate income. Social dialogue will represent a key element in the development of programmes anchored in the wider mandate of the ILO. While the relevant Conventions and Recommendations continue to provide a blueprint for middle- and higher-income countries, a recent assessment by the Office has shown that a new instrument, whether binding or non-binding, is needed to promote the idea of a basic social security package as a development tool. The ILO will seek a mandate to explore the different options within the framework of a tripartite dialogue process; this consultation is expected to span a period of at least one biennium.

In preparing for this process, a number of options for social security standard setting have been assessed and set out in a recent ILO consultation paper (2008d). Convention No. 102 constitutes the core legal framework and is regarded as the point of departure for the alternative options. However, to date it has been ratified only by a limited number of countries, and for this reason has not served effectively to bring about the widespread implementation of the basic social security package that is the urgent requirement for those groups that live in poverty. Accordingly, the consultation paper discusses whether a new instrument would be required to serve the overall objectives of (i) alleviating poverty, and (ii) providing adequate income security and access to health services to all, taking into account national standards of living, values and affordability, and the issues of globalization. Such a new instrument should be designed to support a fair distribution of the proceeds of globalization and deter a "race to the bottom", through the establishment of appropriate minimum standards. The second objective in fact represents a higher level of ambition than simply the eradication of poverty as it seeks to ensure that the achievement by countries of progressively higher levels of economic development results directly in higher levels of social protection. While this objective can at present be pursued through the promotion of Convention No. 102 as a guideline for national policy development, the proposed dual approach should offer greatly enhanced scope to allow countries to attain higher levels of effective social protection on a progressive basis. Moreover, we know that the concept of a basic social security package finds resonance with a number of United Nations agencies in addition to the ILO itself (including UNDESA, UNICEF), major donors (GTZ, DFID) and key NGOs (including HelpAge), and thus envisage the possibility that the ILO may forge a coalition devoted to its promotion.

The third dimension: Capacity building, technical cooperation and communication

Only the techniques of good governance can ensure the translation of policies and strategies into the desired outcomes. While properly designed, adequately resourced, and effectively managed social security systems will foster the achievement of the MDGs, the key to good governance is the enhancement of national capacities. The ILO will accordingly further reinforce and extend its ongoing training activities, in collaboration in particular with the International Training Centre in Turin, for policy-makers, planners, managers and those of its constituents involved in developing, managing and supervising national social security systems.

The advisory services in the field of social security hitherto provided by the Office will be consolidated in the form of national social security development programmes that will be integrated into Decent Work Country Programmes. As before, the ILO will offer advice ranging from social, legal, financial, economic, and fiscal diagnoses of existing national social security systems to the planning of social security measures to extend coverage, but it will now make such advice available to member States' tripartite constituencies through

selected local media and, in particular, the web platforms. Efforts towards the modernization of the delivery of advisory services using the web-based learning and knowledge exchange platforms will be continued and strengthened.

The role of ILO constituents, communities and individuals

Promoting the understanding that social security is a part of a “growing with equity” development strategy calls for a redefinition of the roles of individuals, local communities, institutional agencies, governments and the international community.

Individuals and communities. In circumstances where formal institutional arrangements lack adequate outreach or any outreach at all, community-based initiatives may represent a first step towards universal coverage. Such initiatives can moreover pave the way for a gradual development of governance ethics and good practices. Participants become more aware that, as members of a society, they are not only responsible for themselves and their families but also share a responsibility for larger communities and society as a whole. A relevant expression of this wider responsibility may be seen in the form of full compliance in paying contributions and taxes due. In this way, such community-based initiatives can represent a stepping stone towards the establishment of more formal social security schemes on a national scale.

Social partners and civil society. These are the guardians of democratic governance of social security programmes and management in the public interest of the social security funds. This role too entails 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.

National government. Governments remain the ultimate guarantors of social security. Neither the private market nor informal arrangements can guarantee adequate levels and universal access to effective social security. 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. It is 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. However, it is necessary not only that citizens have the capacity to pay those taxes and contributions (in other words, a sufficient level of income) but also – perhaps more importantly – that they 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.

Global community. If the global community embraces globalization on the one hand and sets global goals in the social sphere on the other, the challenge is 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. This may mean, for example, searching for ways in which the global community might protect the fiscal space of the

nation State.²⁷ This could be done in two complementary ways. Firstly, 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. Poverty Reduction Strategy Papers (PRSPs), debt relief, official development assistance (ODA) through budget support – all signal a new beginning, but more needs to be done. Secondly, agreeing on minimum national tax levels and social expenditure levels would, in the future, render 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.

27 The ICFTU has studied the impact of tax competition, in particular corporate taxation on the tax base: see ICFTU (2006).

9. Conclusions

While admittedly focusing on those countries where people have only limited access to social security or no access to it at all, the previous chapters have argued that there is both a critical need and considerable scope for social security in all countries, regardless of their state of economic development. Moreover, social security is established as a basic human right. The opening of economies to international market competition in the past decades has not led, as optimists had hoped, to full and productive employment accessible to all women and men. While many have benefited, large groups have suffered declining incomes and severe losses in their social and economic security.

There is convincing evidence that social security arrangements are effective in reducing income inequality and poverty. Empirical evidence also indicates that economic growth alone, in contrast, is not sufficient to achieve this. Moreover, recent literature points out that, particularly in conditions of high prevailing levels of income inequality, the concept of “trickling down” of economic growth is wholly inadequate to the task of lifting poor households above the poverty threshold.

Social security is integral to economic development. It is not a coincidence that social security programmes were established in most of the OECD countries at just the time when industrialization accelerated. Industrial development and social security are, in effect, two sides of the same coin.

Social security reduces uncertainties and hence diminishes the transaction costs of necessary economic and labour market adjustment processes. The issue now is that a new balance needs to be sought – a new combination of labour market and social policies that pursues and facilitates simultaneously full, formal and productive employment and protects people against existing and emerging risks brought about by technological, organizational and internationalization trends, as well as meeting emerging social preferences – for example with respect to combining work and leisure, post-formal or continuing education (lifelong learning), and caring for parents or children. The ILO’s Decent Work approach epitomizes the concept of complementary labour market and social protection policies. It is a strategic concept that seeks to simultaneously and coherently achieve social and economic goals rather than focus on one single policy objective.

The strategy towards universal social security coverage, which has been the topic of the present document, fits into this more encompassing ILO approach. It offers a two-tier approach that establishes a solid, if modest, basis of social protection, while allowing for progressive additions according to the level of economic development.

This does not mean that the social protection systems of all countries should be expected to converge to one single model. Countries can and should pursue their own paths, and seek consensus around policies and institutional arrangements that fit their historic and cultural backgrounds. However, what matters in the end are social outcomes. Economic success is not an end in itself. Its true relevance lies in its potential to make lives decent. Its capacity to do so depends on the productive capacity of people. Without early investments in the capacity of people through basic social security transfers in cash or in kind the productive capacity of people cannot be unlocked. And in turn, without higher levels of social security – fair social dividends for the people – even the most spectacular levels of economic performance will provide no guarantee of decent lives for individuals and families.

Social security is a staircase to social justice.

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Annex 1

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;

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- 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.

Annex 2

Comments made during the consultation process on the first version of the paper

A first version of this paper, entitled *Social security for all: Investing in global social and economic development. A consultation*, was published in August 2006 as Discussion paper 16 in the Issues in Social Protection series of the Social Security Department. In 2007 it was circulated to governments and workers' and employers' organizations in a worldwide consultation process that sought to achieve widest possible consensus on the basic policy message.

The policy vision outlined in the preliminary paper was also subjected to a rehearsal in the context of a series of tripartite regional seminars on social security in Latin America, the Arab States and Asia, where it was agreed upon by the majority of ILO constituents. These meetings were co-hosted by the Ministries of Labour in the respective host countries and attended by more than 200 participants including representatives of Governments, Workers and Employers, observers from social security and other public institutions and international organizations involved in social security activities.

After a thorough review of all comments received in writing as well as during the regional tripartite seminars, the new version of the paper was prepared in 2008. The comments received are summarized in the following paragraphs. They are fully meaningful only for people who have read the first version of the paper but they may provide a useful insight into the nature of the consultation process also for others.

Some commentators have argued that the paper should be as specific as possible in its agenda and that it needed to devote more attention to implementation issues, that it should outline where the ILO's and other international organizations' competencies could complement each other and focus on the concrete form that the Global Campaign would take. More attention should be placed on the mutually reinforcing roles of social security, good governance and democratic decision-making procedures. Most submissions emphasized that social security and economic best practice can be reconciled. Some have suggested discussing in greater detail the outstanding examples of extensive welfare states with open economies; others have suggested that an ILO document should be less defensive when making the case for social security.

Most comments welcomed the conclusions of ILO research that social security is affordable. Most organizations would like to see the ILO describe more specifically how such schemes can be established, how the financing could be organized, i.e., who would contribute and how the collection would be arranged. In particular in developing countries where administrative capacities are often limited, organizational weaknesses could be a major obstacle to the implementations of policies. Where universal social security entails some redistribution between the current insiders and outsiders of the formal economy, vested interests of insiders and their willingness to subsidize some social security for outsiders can become a hot political issue that may impede the acceptance of the universalization of social security.

Some comments have stressed the issue of adverse economic incentives posed by the design of some benefit systems. Others have pointed to the fact that incentives for individuals, households and organizations in advanced industrialized countries may differ from incentives in transitional and developing countries and hence the transfer of experience from one region to another may not be tenable.

Most comments support the rights-based approach and acknowledge the important role for the ILO in this respect. However, some have argued that the resources need to be there before entitlements can be made effective. In general, most organizations support the pragmatic and pluralistic approach envisaged by the ILO. There have been some suggestions on how to render the document more gender sensitive, showing inter alia how social security can better contribute to correcting inequitable labour market outcomes for males and females. This includes various caring facilities and arrangements that compensate for the often shorter employment track records of women in social security entitlements. Some comments argued that more emphasis should be placed on establishing sustainable schemes. Some arguments with respect to privatized social security arrangements have been put forward – both for and against. What most would agree to is that privatized arrangements need strong public supervision structures and that public provisions that take care of those who are insufficiently secured in a market system must be maintained.
