WORLD SOCIAL SECURITY REPORT

International Labour Office

Providing coverage in times of crisis and *beyond*

2010•2011

Contents

Abbreviations

ADB	Asian Development Bank
ANSES	Administración Nacional de la Seguridad Social (Social Security Administration) (Argentina)
ASSEDIC	Association pour l'emploi dans l'industrie et le commerce (Association for Employment in Industry and Trade) (France)
CCT	conditional cash transfer
CIS	Commonwealth of Independent States
CLEEP	Comprehensive Livelihood and Emergency Employment Programme (Philippines)
COFOG	Classification of Functions of the Government (United Nations)
DB	defined benefit
DC	defined contribution
DWA	Decent Work Agenda (ILO)
DWI	Decent Work Indicators (ILO)
EAP	economically active population
ECLAC	Economic Commission for Latin America and the Caribbean
ESSPROS	European System of Integrated Social Protection Statistics
EU	European Union
EUROSTAT	Statistical Office of the European Communities
GDP	Gross Domestic Product
GESS	Global Extension of Social Security database (ILO)
GFS	Government Finance Statistics (IMF)
HBS	Household Budget Survey
HDI	Human Development Index (UNDP)
ICLS	International Conference of Labour Statisticians
ILC	International Labour Conference
ILFS	Integrated Labour Force Survey
IMF	International Monetary Fund

ISSA	International Social Security Association
KILM	Key Indicators of the Labour Market (ILO)
LABORSTA	Labour Statistics database (ILO)
LFS	Labour Force Survey
MDGs	Millennium Development Goals
NHIS	National Health Insurance Service (Ghana)
NREGA	National Rural Employment Guarantee Act (India)
OECD	Organisation for Economic Co-operation and Development
OMC	Open Method of Coordination (EU)
PAYG	Pay As You Go
PPL	paid parental leave
PPP	purchasing power parity
SME	small and medium-sized enterprise
SOCX	Social and Welfare Statistics: Social expenditure database (OECD)
SPC	Social Protection Committee (EU)
SPI	Social Protection Index (ADB)
SSA	Social Security Administration (United States)
SSI	Social Security Inquiry (ILO)
TME	Tripartite Meeting of Experts (ILO)
UNDP	United Nations Development Programme
WHO	World Health Organization
WHOSIS	WHO Statistical Information System

Executive summary

Objective and structure of the report

There is little hope that the Millennium Development Goals will be reached without a decisive global move towards introducing a national social protection floor of basic social security benefits in countries where no such scheme exists or where they have only limited coverage.

Sound social security policies have to be based on facts and figures. This report provides that factual basis to support the development of national social security policies. It is the first in a series of *World Social Security Reports* which will also help to monitor the global progress on social security coverage and thus support the ILO's campaign to extend coverage. It deals first with the scope, extent, levels and quality of coverage by various social security branches; it then examines the scale of countries' investments in social security, measured by the size and structure of social security expenditure and the sources of its financing; and finally presents the nature of social security responses to the crisis as a thematic focus. The main objective of the current report is to present the knowledge available on coverage by social security in different parts of the world, and to identify existing coverage gaps.

Main general findings

The notion of *social security* used here has two main (functional) dimensions, namely "income security" and "availability of medical care". Social security coverage can be directly measured only separately for each of the specific branches, such as health care, old age or unemployment; or even for a group of specific schemes within each branch. There is no universally accepted methodology to aggregate these branch-specific coverage indicators into one overall indicator. However, the report makes an effort to provide at least a technical synopsis of the individual dimensions of coverage and the size of national social protection expenditure.

Some level of protection by social security exists in nearly all countries, though only a minority of countries provide protection in all branches. There is no country in the world without any form of social security, but in many countries coverage is limited to a few branches only, and only a minority of the global population has – both legally and effectively – access to existing schemes. Only one-third of countries globally (inhabited by 28 per cent of the global population) have comprehensive social protection systems covering all branches of social security as defined in ILO Convention No. 102. Taking into account those who are not economically active, it is estimated that only about 20 per cent of the world's working-age population (and their families) have effective access to comprehensive social protection.

Social health protection coverage

Although a larger percentage of the world's population has access to health-care services than to various cash benefits, nearly one-third has no access to any health facilities or services at all. For many more, necessary

expenditure on health care may cause financial catastrophe for their household, because they have no adequate social health protection which would cover or refund such expenditure.

Coverage by social security pensions: Income security in old age

Coverage by old-age pension schemes around the world, apart from in the developed countries, is concentrated on formal sector employees, mainly in the civil service and larger enterprises. The highest coverage is found in North America and Europe, the lowest in Asia and Africa.

Worldwide, nearly 40 per cent of the population of working age is *legally* covered by contributory old-age pension schemes. In North America and Europe this number is nearly twice as high, while in Africa less than one-third of the working-age population is covered even by legislation. Effective coverage is significantly lower than legal coverage. With the exception of North America and to a lesser extent Western Europe, effective coverage is quite low in all regions. In sub-Saharan Africa only 5 per cent of the working-age population is effectively covered by contributory programmes, while this share is about 20 per cent in Asia, the Middle East and North Africa. In Asia some countries have made major efforts to extend coverage beyond the formal sector. At the same time, while in high-income countries 75 per cent of persons aged 65 or over are receiving some kind of pension, in low-income countries less than 20 per cent of the elderly receive pension benefits; the median in this group of countries is just over 7 per cent.

Coverage of income support systems for the unemployed

Present entitlements to unemployment benefits tend to be restricted to those in formal employment, and exist mostly in high- and middle-income countries. In a large part of the world where extreme poverty is high, the very concept of "unemployment" seems to be irrelevant, as everybody has to work in order to survive. Of 184 countries studied, statutory unemployment social security schemes exist in only 78 countries (42 per cent), often covering only a minority of their labour force. Coverage rates in terms of the proportion of unemployed who receive benefits are lowest in Africa, Asia and the Middle East (less than 10 per cent).

Coverage of minimum income support benefits and other social assistance

In most countries with developed social security systems a large part of the population is covered by social insurance schemes, while social assistance plays only a residual role, providing income support and other benefits to the minority who for some reason are not covered by mainstream social insurance.[1] In the European Union (plus Iceland, Norway and Switzerland), expenditure on means-tested benefits does not exceed 3 per cent of GDP on average, while total social protection expenditure is on average over 25 per cent. While there are countries in the European Union (such as Ireland, Malta and the United Kingdom) where a relatively high share of social security benefits is delivered through targeted social assistance, nowhere does total social assistance benefit expenditure exceed 5 per cent of GDP.

While in most of the developed countries (except Australia and New Zealand) social assistance-type schemes play an important although residual role in closing relatively small coverage gaps, in many middle- and low-income countries non-contributory income transfer schemes have been recently gaining importance. Particularly in countries with large informal economies and where only a minority are covered by social insurance schemes, non-contributory social security provides an opportunity not only to alleviate poverty but also – at least in some cases – to fill a large part of the sizeable existing coverage gaps shown in this report. In fact, the most promising innovations that can help to cover the global coverage gap are conditional or unconditional cash transfer schemes in a number of developing countries, i.e. tax-financed social assistance schemes, such as the Bolsa Família scheme in Brazil, the Oportunidades schemes in Mexico, the social grant system of South Africa, or universal basic pension schemes in countries such as Namibia and Nepal.

Coverage by other branches of social security

Most countries in the world offer some coverage for work-related accidents and diseases. Coverage is generally limited to those working in the formal economy, and even there effective coverage is low with only

[1] Australia and New Zealand are the most prominent exceptions among OECD members; in these countries income-tested benefits play a dominant role in the provision of social security.

a certain portion of accidents reported and compensated. In the informal economy prevailing in many low-income countries, conditions and safety of work are often dramatically bad, accidents and work-related diseases widespread and with no protection at all for their victims. Globally, estimated legal coverage represents less than 30 per cent of the working-age population, which is less than 40 per cent of the economically active.

Reducing maternal, neo-natal and under-5 mortality through social security maternity benefits is globally among the greatest challenges of social protection; it concerns 11 million children who die before the age of 5, and 500,000 mothers dying during maternity (WHO, 2005). Coverage of cash benefits before and after birth is limited to formal sector employees. Differences in access to health care in the context of maternity protections between countries at different income levels and within countries are striking. In low-income countries no more than 35 per cent of all women in rural areas have access to professional health services, while in urban areas the access rate amounts to an average of about 70 per cent, which is still more than 20 percentage points lower than the access in high-income countries (where it is nearly complete).

Investments in social security and a tentative summary

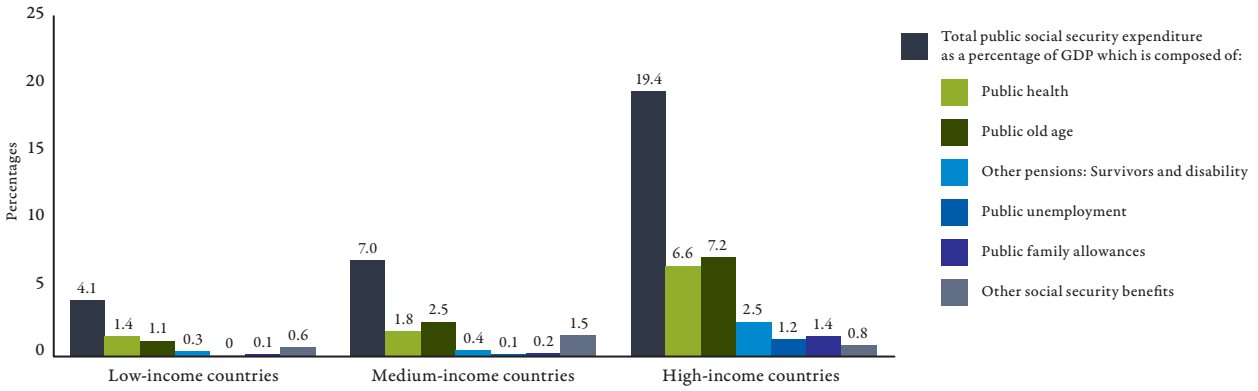
On average, 17.2 per cent of global GDP is allocated to social security. However, these expenditures tend to be concentrated in higher-income countries as shown in figure S.1, and so this average does not reflect the situation for the majority of the world's population, who live in lower-income countries where much less is invested in social security.

Although this prevailing pattern shows a strong correlation between income levels and amounts of resources allocated to social security, it cannot be concluded there is no fiscal or policy space for lower-income countries to decide on the size of their social security system. Countries with a similar level of GDP per capita may take very different decisions as to the size of the public sector. And at any size of government, countries have some choice as to what portion of public resources to invest in social security.

Despite methodological difficulties we attempted to build a first approximation of a typology of situations in different countries, i.e. of factors that ensure success in terms of social security coverage. The typology uses two input factors (legal foundations built, sustained level of resources committed), and a proxy for effective and good quality coverage as an output measure.

Not all the theoretically possible combinations of different factors occur in reality: not even the widest legal foundations can ever result in adequate coverage outcomes if they are not enforced and not backed by sufficient resources. But strong legal foundations are a necessary condition for securing higher resources; there are no national situations where generous resources are available despite the lack of a legal basis. In 29 per cent of 146 countries that were analysed, a comprehensive legal basis and high levels of resources coincided with high levels of good quality coverage.

Figure S.1. Social security expenditure by income level and branch, weighted by population, latest available year (percentage of GDP)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15128

Note: The number of countries for which detailed social security data on expenditure by branch are available is smaller than the number of countries covered for the calculation of total expenditure as presented in figure 8.2. This explains some differences in the results for total expenditure.

Source: ESSPROS (European Commission, 2009a). See also ILO, GESS (ILO, 2009d).

Thematic focus: Social security in times of crisis

In addition to providing income replacement for those who lose their jobs, thus safeguarding them from poverty, social security benefits also have major economic impacts through stabilizing aggregate demand. And, contrary to earlier beliefs, no negative effects on economic growth of increased social spending during and after crises have been found. On the contrary, well-designed unemployment schemes and social assistance and public works programmes effectively prevent long-term unemployment and help shorten economic recessions.

In those countries reviewed that have at least elements of comprehensive social security responses in areas such as pensions, health schemes or family benefits, the main crisis responses are usually automatic increases in number of beneficiaries and expenditure as well as expansions in coverage and in benefit levels of existing schemes, except for a limited number of countries which have been forced by circumstances to actually decrease benefits or to narrow coverage.

Measures expanding benefits and coverage can be found everywhere – in high-, medium- and low-income countries. Where they exist, unemployment insurance schemes are the branch of social security that bears the brunt of costs of income replacement for employees who have lost their jobs. But unemployment insurance schemes are in place in only 64 of the 184 countries for which information is available. Social assistance, public works and similar programmes also have very limited coverage globally. In the economic crises of past decades which affected countries such as those in Asia and Latin America where social security schemes were absent, it proved to be difficult – if not impossible – to introduce new schemes or ad hoc measures quickly enough to cushion the impact of the crisis. But countries which had introduced unemployment schemes before the onset of the crisis, such as the Republic of Korea, could relatively easily scale up these measures to respond in an appropriate and timely way.

In 46 high-, medium- and low-income countries analysed, government responses are found in all the three groups of countries providing income support to the unemployed. The most common responses in high-income countries are modifications of existing unemployment schemes. Since past recessions have led to higher structural unemployment in some Western European countries, in this crisis government strategy in a number of countries, such as France, Germany and the Netherlands, aims at the avoidance of full unemployment by expanding the application, eligibility and coverage of partial unemployment benefits. Partial unemployment benefits allow workers to stay in their employment relationship, but – for example – with reduced working hours. They aim at preventing the loss of skills and the discouragement of workers, both of which may occur when they become fully unemployed.

The most common form of response in middle-income countries is the extension of cash transfer schemes (for example, in Brazil) or public employment schemes (for example, in the Philippines). The latter often have an ad hoc character: they may be implemented more quickly than social security schemes, and discontinued once the crisis is over. The availability of measures for crisis response is clearly the most limited in low-income countries. Schemes providing income support in case of unemployment exist, but rarely. In addition, many of these countries, in particular in sub-Saharan Africa, were already facing mass poverty and underemployment well before the recent global economic crisis.

Corrections to pension schemes might also be required in all countries where schemes were reformed during the last three decades. The crisis and the consequential losses in pension reserves clearly demonstrated the vulnerability of pension levels, and hence old-age income security, to the performance of capital markets and other economic fluctuations. The unpredictability of pension levels may be reduced by introducing defined-benefit-type guarantees into defined-contribution schemes, or by guaranteeing rates of return in such a manner as would provide replacement rates on retirement at target levels.

There remains a risk that countries that followed an expansionary fiscal policy during the crisis will now face pressure for fiscal consolidation to cope with increased deficits and public debt. If and wherever it happens, this may result in future cuts of social security spending to even below pre-crisis levels. This may not only directly affect social security beneficiaries and consequently the standards of living of a large portion of the population but also, through aggregate demand effects, slow down or significantly delay a full economic recovery.

Conclusions

The current crisis has once more proved how important a role social security plays in society in times of crisis and adjustment. It works as an irreplaceable economic, social and political stabilizer in such hard times – both for individual lives and the life of society as a whole. Social security plays this role in addition to its other functions – providing mechanisms to alleviate and also to prevent poverty, to reduce income disparities to acceptable levels, and also to enhance human capital and productivity. Social security is thus one of the conditions for sustainable economic and social development. It is a factor in development. It is also an important factor in a modern democratic state and in society.

This report clearly shows that the majority of the world population still has no access to comprehensive social security systems. Thus, to prepare global society for future economic downturns and to achieve other global objectives such as the Millennium Development Goals, sustainable economic development and a fair globalization, a fundamental task is to develop comprehensive social security systems in countries where only rudimentary systems exist so far, starting with the provision of basic income security and affordable access to essential health care. The ILO is promoting the reshaping of national social security systems based on the principle of progressive universalism. Inter alia, the Global Jobs Pact, adopted by the International Labour Conference in June 2009, advocates ensuring a minimum set of social security benefits for all – a social protection floor. Based on that floor, higher levels of social security should then be sought as economies develop and the fiscal space for redistributive policies widens.

Introduction

Context, objectives, scope and structure of the report

Social security is a fundamental human right recognized in numerous international legal instruments, in particular the Declaration of Philadelphia (1944), which is an integral part of the Constitution of the International Labour Organization (ILO), and the Universal Declaration of Human Rights (1948) adopted by the General Assembly of the United Nations.

More recently, the ILO Declaration on Social Justice for a Fair Globalization was adopted by the International Labour Conference (ILC) at its 97th Session (2008). The Declaration recognizes that the ILO:

> based on the mandate contained in the ILO Constitution, including the Declaration of Philadelphia (1944), which continues to be fully relevant...has the solemn obligation to further among the nations of the world programmes which will achieve the objectives of full employment and the raising of standards of living, a minimum living wage and the extension of social security measures to provide a basic income to all in need, along with all the other objectives set out in the Declaration of Philadelphia. (ILO, 2008a, Annex, Part II, Section B)

In recent years ILO work on social security has been conducted within the framework of the Global Campaign on Social Security and Coverage for All, as mandated by the International Labour Conference of 2001. The Campaign focuses on the fact that there still remain many countries in the world where social security coverage is low, particularly among those with low- and middle-income levels. The ILO believes that the best strategy for progress is for these countries to put in place a set of basic social security guarantees for all residents as soon as possible, while planning to move towards higher levels of provision – as envisaged in the Social Security (Minimum Standards) Convention, 1952 (No. 102) – as their economies develop. At the same time such a strategy would significantly help countries to achieve their Millennium Development Goals.

Although social security is a human right, only a minority of the world's population actually enjoys that right, while the majority lacks comprehensive and adequate coverage. More than half lack any type of protection at all. In sub-Saharan Africa and South Asia, the number of people with access to even the most rudimentary protection is estimated to be less than 10 per cent. And people in these countries need social protection, in particular when facing additional demographic and labour force challenges due to the impact of HIV/AIDS.

In 2001 the International Labour Conference laid the foundation for a sustained ILO effort to address this challenge, by calling for a major campaign to promote the extension of social security coverage. The Global Campaign on Social Security and Coverage for All was officially launched at the 91st Session of the Conference in 2003 by ILO Director-General Juan Somavia, who said: "Social security systems contribute not only to human security, dignity, equity and social justice, but also provide a foundation for political inclusion, empowerment and the development of democracy. ... Well-designed social security systems improve

economic performance and thus contribute to the comparative advantage of countries on global markets. We have the will, and now must find the way, to provide more people with the social benefits needed to survive and prosper."

The enhancement of the coverage and effectiveness of social security for all is one of the four strategic objectives of the Decent Work Agenda that guides the programme of the ILO. The effective governance of social security schemes – in particular their effective financial governance – is an essential prerequisite for the enhancement and extension of coverage and the enhancement of the effectiveness of social security.

The recent global financial crisis has once more demonstrated how important it is for a country to have a comprehensive social security system. In times of crisis such a system not only cushions the impact of the economic downturn on workers and their families – thus contributing to social stability – but it works at the same time as an economic stabilizer supporting aggregate demand and facilitating recovery. In April 2009, as one of its joint Crisis Initiatives, the UN System Chief Executives Board for Coordination adopted the Social Protection Floor Initiative (UN, 2009a). The ILO, together with the World Health Organization (WHO) and a number of collaborating agencies, are leading this initiative. At its core is the building of a coalition of international agencies and donors, supporting countries in their efforts to plan and implement sustainable social transfer schemes and essential social services on the basis of the concept of a Social Protection Floor.

This concept was endorsed as a part of the Global Jobs Pact that the International Labour Conference adopted in June 2009. The Pact requests countries that do not yet have extensive social security to build "adequate social protection for all, drawing on a basic social protection floor including: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and the working poor", and urges "the international community to provide development assistance, including budgetary support, to build up a basic social protection floor on a national basis" (ILO, 2009a).

The *World Social Security Report 2010/11* is a factual report, not a policy document. Policy aspects of social security have been covered over the last years in a number of other ILO publications. In recent years the ILO has published a number of reports and other documents discussing the need for social security, and gathering evidence on its positive economic and social impacts and on the costs and affordability of providing at least basic social protection for all in need in the poorest countries.[1] In addition to the present report, the ILO is publishing a complementary guide to recent experience across the world and proposing strategies to extend social security to all those in need, as well as summarizing challenges and developing guidelines on practice and existing strategic options.[2]

This report aims to inform social security planners, researchers and decision-makers about the state of social security coverage. It provides the information that policy-makers need to benchmark their national policy decisions against international experience and the situation in countries with comparable demographics, social and economic conditions. The report is also a global monitoring instrument that supports the ILO's campaign to extend social security coverage.

The report is the first in a series of *World Social Security Reports* whose chief aim is to present the results of regular statistical monitoring of the state and developments of social security in the world. The *World Social Security Reports* will look at, first, the scope, extent, levels and quality of coverage by various social security branches; then at the scale of countries' investments in social security measured by size and structure of social security expenditure and sources of its financing; and finally at the effectiveness and efficiency of social security systems in reaching various national social policy objectives, as well as other impacts of the policies which may be of special interest. It is based to a large extent on information and statistics collected within the ILO Social Security Inquiry and in this respect it may be seen as a continuation of the reports produced over past decades (since the 1950s) by the ILO on the cost of social security, but with broader ambitions.

[1] See, among others, ILO, 2005: *Social protection as a productive factor*, Report to the Employment and Social Policy Committee of the Governing Body of the International Labour Organization (Geneva); ILO, 2008b: *Social health protection: An ILO strategy towards universal access to health care*, Social Security Policy Briefings, Paper 1 (Geneva); ILO, 2008c: *Setting social security standards in a global society: An analysis of present state and practice and of future options for global social security standard setting in the International Labour Organization*, Social Security Policy Briefings, Paper 2 (Geneva); ILO, 2008d: *Can low income countries afford basic social security?*, Social Security Policy Briefings, Paper 3 (Geneva); ILO, 2009b: *Social security for all: Investing in social justice and economic development*, Social Security Policy Briefings, Paper 7 (Geneva); see also the recently published book: Townsend (ed.), 2009: *Building decent societies: Rethinking the role of social security in development* (Geneva, ILO and London, Palgrave Macmillan). See also Dixon-Fyle and Mulanga, 2004: *Responding to HIV/AIDS in the world of work in Africa: The role of social protection* (Geneva, ILO).

[2] See ILO, 2010a: *Extending social security to all: A guide through challenges and options* (Geneva).

The main objective of the current report is to present the knowledge available on coverage by social security in different parts of the world, and to identify existing coverage gaps. The measurement of social security coverage in all its dimensions is still a subject of debate. In addition, the statistical information available – not only at the international but also at the national level – is far from complete. The report thus focuses on three elements: (1) mapping social security coverage globally and by region or other country grouping (such as level of income) using the various information and statistical sources available; (2) presenting various methods and approaches to assessing social security coverage; (3) identifying and indicating gaps in measurable statistical knowledge on social security coverage, costs and impacts, in order to raise awareness of the need for and importance of high-quality social security statistics.

Due to the data situation this first edition is biased towards assessing the extent of population coverage rather than aspects of scope and level of coverage. It is based on the available statistical data and other types of relevant information. In addition to data collected by the ILO within its Social Security Inquiry it makes extensive use of information on existing legal provisions designed to provide social security coverage, from the database Social Security Programs Throughout the World jointly developed and maintained by the US Social Security Administration (SSA) and International Social Security Association (ISSA) (SSA/ISSA, 2008, 2009). Data included in the ILO Social Security Inquiry (SSI) (ILO, 2009c) incorporates information from databases of other organizations: the Social expenditure database (SOCX) of the Organisation for Economic Co-operation and Development (OECD, 2009a); the Living Conditions and Welfare (social protection expenditure and receipts) database (ESSPROS) of EUROSTAT, the Statistical Office of the European Communities (European Commission, 2009a); data on expenditure and coverage by social protection programmes in Asia from the database used to calculate the Social Protection Index of the Asian Development Bank (ADB, 2006, 2008); and data on expenditure, financing and coverage for selected countries collected by ISSA (ISSA, 2009). The report also makes extensive use of data on government expenditure from the database Government Finance Statistics (GFS) of the International Monetary Fund (IMF, 2009); and data and estimates from the World Health Organization (WHO, 2009a) on health expenditure and national health accounts.

Despite the multiple sources available, there still exist many gaps which do not allow a full assessment of all the dimensions of coverage. It is to be hoped that thanks to the joint international effort presently under way, the picture presented in the next report will be more detailed and accurate.

The structure of the report is as follows:

- Part I presents the main concepts, definitions and measurement methodologies used in the report and global and regional estimates of multiple dimensions of social security coverage – both in general and in selected branches of social security.
- Part II discusses a special feature selected for this 2010–11 report: the role of social security in times of economic crisis.
- The Statistical Annex provides in tabular form the main characteristics of the demographic, labour market and economic environment of social security, as well as more detailed data on the scope, extent and levels of coverage by social security across the world. It provides basic information for researchers and policy-makers in social security. The data in the Statistical Annex tables, as well as the data used for most figures and tables in the body of the report, are also available in spreadsheet format in the ILO Social Security Department database Global Extension of Social Security (GESS) (ILO, 2009d), accessible at http://www.socialsecurityextension.org/gimi/gess/ShowTheme.do?tid=1985.

The report is the result of a joint effort by the ILO's Social Security Department research and statistical team led by Florence Bonnet and Krzysztof Hagemejer. The team was significantly aided in its preparation by the work of Axel Weber, Xenia Scheil-Adlung, Sylvie Renault and Elena Lanza. Parts of the content draw on earlier research as well as results of technical cooperation activities by staff of the Social Security Department and ILO social security specialists in the field. The authors are grateful for detailed and constructive comments from many colleagues, in particular Nomaan Majid of the ILO's Employment Sector, and from an anonymous external reviewer.

Part I
Monitoring the state of social security coverage

Definitions, standards and concepts

1

This chapter focuses on the basic concepts, definitions and methodology guiding the analytical work of the ILO on social security.

1.1 Basic definitions

The terms *social protection* and *social security* are used in various and not always consistent ways, differing widely across countries and international organizations, and also across time. It is not the purpose of this section to assert any universal definitions; it is rather simply to clarify terms and concepts as they are used in this report and in the ILO.

Social protection

The term *social protection* is used in institutions across the world with a wider variety of meanings than *social security*. It is often interpreted as having a broader character than social security (including, in particular, protection provided between members of the family or members of a local community),[1] but it is also used in some contexts with a narrower meaning (understood as comprising only measures addressed to the poorest, most vulnerable or excluded members of society). Thus, in many contexts the terminology "social security" and "social protection" may be largely interchangeable, and the ILO (following the European tradition) certainly uses both in discourse with its constituents and in the provision of relevant advice to them.[2]

In this report, accordingly, reference is made to "social protection" as having the following aspects: (1) interchangeable with "social security" or (2) as "protection" provided by social security in case of social risks and needs.

Social security

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

(a) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member;

(b) lack of access or unaffordable access to health care;

(c) insufficient family support, particularly for children and adult dependants;

(d) general poverty and social exclusion.

[1] This usage was reflected in ILO, 2000: *World Labour Report 2000: Income security and social protection in a changing world* (Geneva).

[2] It may be noted, however, that the ILO does use the institutional title "Social Protection Sector" which comprises a wider range of programmes than social security; the Sector deals with issues including safety at work, labour migration and aspects of working conditions such as hours of work, wages and others.

Box 1.1 Individual and societal need for protection by social security

Everybody needs protection from risks and the insecurity they cause. When this need for protection remains unmet for the individual and for households, numerous negative effects follow. A growing body of evidence indicates that unfulfilled protection results in increasing poverty, higher levels of exclusion from access to health and education, low access to productive activities, an increase in the prevalence of child labour, HIV/AIDS and so on. The need for protection depends to a large extent on several factors that exist at the individual and household level as well as the national level. These include income, sex, age, health status, occupation, employment status, the location of the residence and the workplace; and at the macro level they refer to factors such as political stability, economic trends, price trends and so on.

When considering these various factors, it is relatively easy to identify situations that increase vulnerability and the need for protection. For example, at the individual level these might include being chronically ill or having a hazardous occupation. At the macro level it could refer to a financial crisis or increases in food prices. The poor tend to amass several risk-laden situations simultaneously, so that they face increased insecurity: their low income means they are less able to save and accumulate assets. This in turn renders them less able to deal with a crisis when it strikes; they most often work in the informal economy – an unregulated environment with unsafe working conditions; they may lack basic education (illiteracy) and are often beyond the reach of prevention or health education programmes because they are unaware of their social entitlements. In addition, they may live in remote areas far away from public social services. For poor people, dealing successfully with the risks they face is often a matter of life or death. But risks affect not only the existing poor; they can also plunge the non-poor into poverty. For example, the World Health Organization (WHO) estimates that each year 100 million people fall into poverty as a result of the financial burden of health-related risks, or the need to pay for health-care services.

See also the wider discussion in *Extending social security to all: A guide through challenges and options* (ILO, 2010a).

Social security thus has two main (functional) dimensions, namely "income security" and "availability of medical care", which are specifically identified in the ILO Income Security Recommendation, 1944 (No. 67), and the Medical Care Recommendation, 1944 (No. 69), respectively, as "essential elements of social security". These Recommendations envisage that, firstly, "income security schemes should relieve want and prevent destitution by restoring, up to a reasonable level, income which is lost by reason of inability to work (including old age) or to obtain remunerative work or by reason of the death of the breadwinner" (No. 67, Guiding principles, Paragraph 1). Secondly, "a medical care service should meet the needs of the individual for care by members of the medical and allied professions" and "medical care services should cover all members of the community" (No. 69, Paragraphs 1 and 8). This duality is also reflected in the formulation of the Declaration of Philadelphia which speaks of "social security measures to provide a basic income to all in need of such protection and comprehensive medical care".

Access to social security is, in its essential nature, a public responsibility, and is typically provided through public institutions, financed either from *contributions* or *taxes*. However, the delivery of social security can be and often is mandated to private entities. Moreover, there exist many privately run institutions (of insurance, self-help, community-based or of a mutual character) which can partially assume selected roles usually played by social security, including in particular occupational pension schemes, which complement and may substitute in considerable measure for elements of public social security schemes. Entitlements to social security are conditional either on the payment of social security contributions for prescribed periods (i.e. *contributory schemes*, most often structured as *social insurance* arrangements) or on a requirement, sometimes described as "residency plus", under which benefits are provided to all residents of the country who also meet certain other criteria (i.e. *non-contributory schemes*). Other criteria may make benefit entitlements conditional on age, health, labour market, income or other determinants of social or economic status and/or even conformity to certain forms of behaviour. Means-tested *social assistance* is a special case, envisaged under the provisions of Recommendation No. 67 concerning income security.

What distinguishes social security from other social arrangements is that: (1) benefits are provided to beneficiaries without any simultaneous reciprocal obligation (thus it does not, for example, represent remuneration for work or other services delivered); and (2) that it is not based on an individual agreement between the protected person and provider (as, for example, a life insurance contract) but that the agreement applies to a wider group of people and so has a collective character.

Depending on the category of applicable conditions, a distinction is also made between *non-means-tested schemes* (where the conditions of benefit entitlement are not related to the total level of income or wealth of the beneficiary and his family) and *means-tested schemes* (where entitlement is granted only to those with income or wealth below a prescribed threshold).

A special category of "conditional" schemes includes those which, in addition to other conditions, require beneficiaries (and/or their relatives or families) to participate in prescribed public programmes (for example, specified health or educational programmes). In recent years, schemes of this type have become known as conditional cash transfer (CCT) schemes.

Social transfers

All social security benefits comprise *transfers*, either *in cash* or *in kind*, i.e. they represent a transfer of income or services (most often health-care services). This transfer may be from the active to the old, the healthy to the sick, or the affluent to the poor, among others. The recipients of such transfers may be in a position to receive them from a specific social security scheme because they have contributed to such a scheme (*contributory scheme*), or because they are residents (*universal schemes* for all residents), or they fulfil specific age criteria (*categorical schemes*), or they experience specific resource conditions *(social assistance schemes*) or because they fulfil several of these conditions at the same time. In addition, it is a requirement in some schemes that beneficiaries accomplish specific tasks (employment guarantee schemes, public works) or that they adopt specific behaviours (as in CCTs). In any given country, several schemes of different types generally coexist and may provide benefits for similar contingencies to different population groups. The more specific characteristics of these different schemes are outlined below.

In contributory schemes the contributions made by beneficiaries directly determine entitlement to benefits (acquired rights). The most common form of contributory social security scheme is of a statutory *social insurance* scheme for formal wage employment and, in some countries, for the self-employed. Other common types of contributory scheme, providing – in the absence of social insurance – a certain level of protection, include national provident funds that usually pay a lump sum to beneficiaries when particular contingencies occur (typically old age, invalidity or death). In the case of social insurance schemes for those in wage or salary employment, contributions are usually paid by both employees and employers (by and large, employment injury schemes are fully financed by employers). Contributory schemes can be wholly financed through contributions but often are partly financed from tax or other sources, either in the form of a subsidy to cover the deficit, or in the form of a general subsidy supplanting contributions altogether, or subsidizing only specific groups of contributors or beneficiaries (those not contributing because they are caring for children, studying, in military service, unemployed, or have too low a level of income to fully contribute, or receive benefits below the minimum because of low contributions in the past).

Insurance schemes, in the context of social security, refer to schemes that guarantee protection through an insurance mechanism. Insurance is based on: (1) the prior payment of premiums or contributions, i.e. before the occurrence of the insured contingency; (2) risk sharing or "pooling"; and (3) the notion of a guarantee. The premiums paid by (or for) insured persons are pooled together and the resulting fund is used to cover the expenses exclusively incurred by those persons affected by the occurrence of the relevant (clearly defined) contingency or contingencies. It is common that contributory schemes make use of an insurance vehicle (usually social insurance), but the reverse is not necessarily true (national provident funds, for example, do not generally feature risk-pooling). It should be noted that social insurance is distinguished in strict technical terms in that the risk-pooling is based on the principle of solidarity, as against insurance arrangements of a more familiar, commercial type, based on individually calculated risk premiums.

Many social security schemes of the contributory type are presented and described as "insurance" schemes (usually "social insurance schemes"), despite being in actual fact of mixed character, with some non-contributory elements in entitlements to benefits; this allows for a more equitable distribution of benefits, particularly for those with low incomes and short or broken work careers, among others. These non-contributory elements take various forms, being financed either by other contributors (redistribution within the scheme) or by the State.

Conversely, non-contributory schemes or social assistance schemes normally require no direct contribution from beneficiaries or their employers as a condition of entitlement to receive relevant benefits. Non-contributory schemes include a broad range of schemes including universal schemes for all residents and some categorical or means-tested schemes. Non-contributory

Box 1.2 An introduction to the terminology

Contingencies are events that might or might not occur (having an accident or winning the lottery, for example). *Hazards* (often mis-termed as risks) are contingencies that are perceived as having a negative effect on individuals, groups or societies or even more complex entities, such as the environment. Hazards include a broad range and variety of contingencies such as flood, earthquake, conflict, loss of job, the death of an income-earning household member or chronic illness. The term *risk* should describe exclusively the probability that a contingency or a hazard occurs. Unfortunately it is often used in literature as a synonym for hazard and at the same time as probability that a contingency occurs and that has a negative connotation.

You are *exposed* to a hazard or a contingency if a certain event can occur and affect you – for instance, living in an environment where a certain illness can be contracted. If you move to a country where that particular illness does not exist, you are no longer exposed. You are *vulnerable* to a certain hazard if you have no means of coping with the consequences of that hazard once it has occurred: for example, not being able to afford medical care that can help you regain your health. If you are vulnerable to a certain hazard then you are in need of a protecting mechanism that reduces your vulnerability. *Social security* makes you less vulnerable to the financial consequences of certain hazards if and when they materialize, i.e. it provides security or reduces insecurity. Apart from what can be done through accident or illness prevention, the direct contribution of social security to reducing exposure to hazards is of course limited.

Not all hazards are unforeseeable and beyond our control. For example, the probability of contracting a certain illness can be reduced by health-conscious behaviour, the hazard of unemployment by moving to a region where your skills are in greater demand, and your family's exposure by sending them out of a country that is beset by political unrest or poor health conditions. If you are paying insurance contributions that entitle you to a cash benefit should a certain contingency occur, this would help to mitigate the impact of that hazard. If your society provides you with social assistance benefits should you fall into poverty, these benefits – if adequate – may help you to cope with the hazard once it has occurred. The whole portfolio of strategies and arrangements, ranging from risk reduction, avoidance or prevention to hazard mitigation and coping, is called by the World Bank *social risk management* and should strictly be called *social hazard management*.

Source: Based on Cichon et al., 2004.

schemes are usually financed through tax or other state revenues.

Universal schemes for all residents provide benefits under the single condition of residence. Such schemes are mostly put in place to guarantee access to health care. They are generally tax-financed, but may require a co-payment by users of health services; sometimes with exemption for the poorest (typically the latter may receive vouchers).

Categorical schemes target specific groups (categories) of the population. The most frequent forms of categorical schemes are those that transfer income to the elderly above a certain age or children below a certain age. Some categorical schemes also target households with specific structures (one-parent households, for example) or occupational groups such as rural workers. Categorical schemes may also be grouped as universal if they cover all residents belonging to a certain category, or include resource conditions (as in social assistance schemes). They may also include other types of conditions such as performing or accomplishing certain tasks. Most categorical schemes are tax-financed.

Means-tested schemes target people whose means (usually their assets and income) fall below a certain threshold. Such targeted schemes are very diverse in their design and features. This diversity may manifest itself through the methods of targeting that are employed, the supplementary conditions required for beneficiaries to access benefits and the inclusion of other interventions that are delivered on top of the actual income transfer itself.

Conditional cash transfers (CCTs) are social assistance schemes that provide cash to families subject to the condition that they fulfil specific "behavioural" requirements. This may mean they must ensure their children attend school regularly (typically 85–90 per cent attendance) or that they utilize basic preventative nutrition and health-care services; CCTs are usually means-tested.

Employment guarantee schemes ensure access to a certain number of workdays a year to poor households, generally providing wages at a relatively low level (typically at the minimum wage level if this is adequately defined). Such programmes generally take the form of "public works" activity.

Social security schemes, programmes and measures should be seen as a distinct body of rules and, therefore, characterized by at least a certain degree of "formality", supported by one or more social security institutions

governing the provision of social security benefits and their financing. It should, in general, be possible to draw up a separate account of receipts and expenditure for each social security scheme. It is often the case that a social security scheme provides protection against a single risk or need, and covers a single specific group of beneficiaries. Typically, however, one institution will administer more than one benefit scheme.

All the social security schemes and institutions in a country are inevitably interlinked and complementary in their objectives, functions and financing, and thus form a national social security system. For reasons of effectiveness and efficiency (and the ILO will always recommend this to its constituents), it is essential that there is a close coordination within the system, and that – not least for coordination and planning purposes – the receipts and expenditure accounts of all the schemes are compiled into one social security budget for the country so that its future expenditure and financing of the schemes comprising the social security system are planned in an integrated way.

The social protection floor

The origin of this concept dates back a number of years. The idea of a "socio-economic floor" and its relationship to social protection was emphasized in the report of the World Commission on the Social Dimension of Globalization, which stated: "A minimum level of social protection for individuals and families needs to be accepted and undisputed as part of the socio-economic floor of the global economy" (WCSDG, 2004, p. 13). Since then, the term "social floor" or "social protection floor" has been used to mean a set of basic social rights, services and facilities that the global citizen should enjoy. The term "social floor" corresponds in many ways to the existing notion of "core obligations", to ensure the realization of, at the very least, minimum essential levels of rights embodied in human rights treaties.

The United Nations (2009a) suggests that a social protection floor could consist of two main elements that help to realize respective human rights:

- services: geographical and financial access to essential services such as water and sanitation, health, and education;
- transfers: a basic set of essential social transfers, in cash and in kind, as aid to the poor and vulnerable to provide minimum income security and access to essential services, including health care.

In the context of its campaign to extend social security to all, the ILO is promoting the social transfer component of the social protection floor, that is, the social security floor, a basic and modest set of essential social guarantees realized through transfers in cash and in kind that could ensure a minimum level of income security and access to health care for all in need. The goal of such a basic set of guarantees is a situation in which, in all countries:

- all residents have the necessary financial protection in order to be able to afford and have access to a nationally defined set of essential health-care services, whereby the State accepts the general responsibility for ensuring the adequacy of the (usually) pluralistic financing and delivery systems;
- all children have income security, at least at the nationally defined poverty level, through family or child benefits aimed at facilitating access to nutrition, education and care;
- all those in active age groups who are unable to earn sufficient income in the labour market should enjoy a minimum level of income security through social assistance or other social transfer schemes (such as transfer income schemes for women during the last weeks of pregnancy and the first weeks after delivery), combined with employment guarantees or other labour market policies;
- all residents in old age or with disabilities have income security, at least at the nationally defined poverty level, through pensions for old age and disability.

The level of benefits and scope of population covered (for example, age eligibility for old-age pensions) for each guarantee should be defined according to national conditions (potential fiscal space, demographic structure and trends, income distribution, poverty spread and gap, and so on), political choices, characteristics of groups to be covered and expected outcomes. In no circumstance should the level of benefit be below a minimum that ensures access to a basic basket of food and other essential goods and services.

1.2 The scope of social security as defined by ILO standards and by other international organizations

ILO Conventions, Recommendations and other guiding mechanisms

The ILO is a standard-setting organization. International labour standards take the form of either Conventions or Recommendations, which cover a broad range of subjects including fundamental rights at work (freedom of association and the right to collective bargaining, elimination of forced labour, abolition of child labour and elimination of discrimination in respect of employment and occupation),[3] the employment relationship and industrial relations, conditions of work (wages, hours of work, occupational safety and health), and social security as well as other related social policy areas. International labour standards are adopted on a tripartite basis by the International Labour Conference (ILC). While Conventions are open to ratification by member States and create legal obligations stemming from ratification, Recommendations cannot be ratified; they usually accompany Conventions and serve as non-binding guidelines for their application, but can also stand alone. A Convention enters into force when ratified by a specified number of governments and, from that moment, it is considered binding upon ratifying States. A Convention which has not been ratified by certain States should be regarded by those States as having the same status, legal force and effect as Recommendations.

Under the ILO Constitution, States have the obligation to report periodically on the application in national law and practice of the Conventions they have ratified. Such reports are then examined by the competent ILO supervisory bodies, the Committee on the Application of Conventions and Recommendations and the ILC Committee on the Application of Conventions and Recommendations, which sit on a yearly basis.

ILO Conventions and Recommendations in the area of social security are the main references when looking at social security coverage both globally and in specific countries and therefore will be used as such for the purpose of this report.

Since the establishment of the ILO in 1919, the ILC has adopted 31 Conventions and 23 Recommendations on social security.[4] The first international Convention on social security (maternity protection) (No. 3) was adopted at the First Session of the ILC in 1919, while the most recent, which revised earlier standards on maternity protection, was adopted in 2000. In 2002 the ILO Governing Body confirmed six out of these 31 Conventions as up-to-date social security Conventions. These are:

- Social Security (Minimum Standards) Convention, 1952 (No. 102);
- 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).

In addition, the Equality of Treatment (Social Security) Convention, 1962 (No. 118), makes provision for the equality of treatment between national and non-national workers with regard to coverage by the branches of social security, as well as provisions of benefits abroad and maintenance of rights in course of acquisition (see box 1.3). The Maintenance of Social Security Rights Convention, 1982 (No. 157), also covers the latter in a broader way. The Statistical Annex of this report includes tables presenting the level of ratifications of the ILO social security Conventions.

ILO Recommendations provide policy guidance issued by the International Labour Conference that all member States should seek to comply with but are not ratifiable in nature. Their scope is often wider and more conceptual than that of Conventions, which have direct relevance for national legislation.

The adoption of the Income Security Recommendation, 1944 (No. 67), and Medical Care Recommendation, 1944 (No. 69), by the ILC were important milestones in the development of international legal instruments in the field of social security. For the first time in history, guiding principles were established in a comprehensive way for eight social security contingencies and medical care, to be provided by social insurance complemented by social assistance. Universal coverage

[3] ILO Declaration on Fundamental Principles and Rights at Work, 1998.

[4] For a wider discussion see for example ILO, 2008c.

Box 1.3 Social security for migrant workers

In 2004 the 92nd Session of the International Labour Conference, in its resolution on a fair deal for migrant workers in the global economy, identified as an acute necessity the adoption of specific measures to protect the social security rights of migrant workers. Migrant workers – estimated globally at 105.5 million in 2010 – are often denied access to social security coverage in destination countries due, especially, to the insufficient duration of their periods of employment and residence. Restricting social security coverage to nationals or permanent residents is another constraint faced by migrant workers. Importantly, migrant workers in irregular situations and/or working in the informal economy are excluded from social security coverage. At the same time, these workers risk the loss of entitlement to social security benefits in their countries of origin due to their absence.

The barriers to social security coverage faced by migrant workers worldwide need to be reduced; this is particularly necessary in times of crisis. Migrant workers and their families are among the most vulnerable as they are often the first hit in case of economic crisis. In destination countries, migrant workers are employed for the most part in construction, hotels and restaurants, and manufacturing; three sectors that have suffered severe job cuts during the current economic downturn. The economic crisis affects not only the volume of employment in general but also its quality. In origin countries, as a result of the crisis, the significant drop in financial remittances is likely to have an impact on the protection they provide to families of migrant workers.

An international legal framework has been set up for the protection of migrant workers,[1] with specific instruments related to their social security. These instruments were designed to coordinate different national social security schemes and to safeguard migrant workers' social security rights by promoting equal treatment between nationals and non-nationals and maintenance of social security rights acquired and in course of acquisition.[2] The non-binding ILO Multilateral Framework on Labour Migration (2005)[3] calls for the conclusion of social security agreements. These are treaties which coordinate the social security schemes of two or more countries to ensure the portability of social security entitlements. There are also other mechanisms, such as the inclusion of social security provisions in temporary labour migration programmes, and voluntary insurance schemes offered by national social security systems of origin countries to their migrant workers abroad and to their family members.

[1] The Migration for Employment Convention (Revised), 1949 (No. 97); the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143); and the United Nations Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (1990). [2] The specific related instruments are the Equality of Treatment (Accident Compensation) Convention, 1925 (No. 19); the Equality of Treatment (Social Security) Convention, 1962 (No. 118); the Maintenance of Migrants' Pension Rights Convention, 1935 (No. 48) (shelved); and the Maintenance of Social Security Rights Convention, 1982 (No. 157) and its accompanying Recommendation, 1983 (No. 167). In addition, the Social Security (Minimum Standards) Convention, 1952 (No. 102), contains the obligation of equality of treatment of non-national residents for the social security branches included in the ratification process (Art. 68). [3] As part of its Decent Work Agenda, the ILO Multilateral Framework on Labour Migration provides principles and guidelines for a rights-based approach to labour migration.

of social security was pursued, and the classical limitation of the applicability of ILO instruments to workers in the formal sector was given up. This new approach was laid down in Recommendation No. 67 by establishing the main features of income security schemes. The Recommendation further expresses the objective to extend social security to all workers and their families, including rural populations and the self-employed. It also establishes the principles of social assistance, along the following lines:

- general measures of assistance to secure the well-being of dependent children;
- special maintenance allowances at prescribed rates for invalids, aged persons and widows if they are not compulsory insured;
- general assistance for all persons who are in want and do not require internment for corrective care.

Recommendation No. 69 is based on the principle that the availability of adequate medical care constitutes an essential element of social security. It indicates that medical care services may be provided in two ways: either through a social insurance service with supplementary provision by way of social assistance, or through a public medical care service. The medical care service should cover all members of the community, whether or not they are in paid employment.

In addition to Conventions and Recommendations, the ILO's Governing Body regularly develops policy-guiding frameworks on specific policy issues that are relevant for a number of member States and whose implementation depends mostly on national or bilateral action, as is the case of migrant workers described in box 1.3.

For any discussion on the scope of social security by the ILO, the point of reference is the *nine branches*

of social security as originally defined by the Social Security (Minimum Standards) Convention (No. 102) in 1952 and later in a similar way by the European Code of Social Security in 1964. In line with the definition adopted in section 1.1, we add here a tenth branch of general income support or general social assistance schemes, as defined in Recommendation No. 67. The latter play an important role in national strategies to close the coverage gap in developing and economically emerging countries. Leaving this dimension out would mean to neglect a number of recent important initiatives in these countries that first and foremost seek to alleviate poverty. It would also give a picture of the global state of development of social security which would be too focused on industrialized countries, particularly Europe.

The extended operational definition of social security that is relevant for the analysis in this report thus comprises ten elements:

(1–2) protection in *sickness*, including:

(1) medical care, as defined in Part II of Convention No. 102 and by Convention No. 130;

(2) income support in the form of cash sickness benefits, as defined in Part III of Convention No. 102 and by Convention No. 130;

(3) protection in *disability*, including income support but also medical care, rehabilitation and long-term care – income support invalidity benefit as defined in Part IX of Convention No. 102 and by Convention No. 128;

(4) protection in *old age*, including income support and long-term care – income support old-age benefit as defined in Part V of Convention No. 102 and by Convention No. 128;

(5) protection of *survivors* in case of death of a family member ("breadwinner") – income support benefit as defined in Part X of Convention No. 102 and by Convention No. 128;

(6) protection in *maternity*, including medical care and income support maternity benefit, as defined in Part VIII of Convention No. 102 and by Convention No. 183;

(7) protection in "responsibility for the maintenance of *children*", including the provision in kind to, or in respect of, children, of "food, clothing, housing, holidays or domestic help" and of cash income support family benefits as defined in Part VII of Convention No. 102;

(8) protection in *unemployment*, including income support in the form of unemployment benefits, and also other labour market policies promoting employment – income support benefits as defined in Part IV of Convention No. 102, and income support and other labour market policies as defined by Convention No. 168;

(9) protection in case of *employment injury*: medical care, rehabilitation and income support in the form of sickness, invalidity or survivors' benefit as defined in Part VI of Convention No. 102 and by Convention No. 121;

(10) general protection against *poverty* and *social exclusion* through social assistance that provides protection to all residents without sufficient other means of income from work and not covered (or not covered sufficiently) by social security branches listed above.

There are at least three other international classifications of the scope of social security that are fully captured by the above extended definition of social security.

European Commission

In its European System of Integrated Social Protection Statistics (ESSPROS), EUROSTAT defines eight *functions* of social protection (European Commission, 2008):

(1) sickness/health care;

(2) disability;

(3) old age;

(4) survivors;

(5) family/children;

(6) unemployment;

(7) housing;

(8) social exclusion not elsewhere classified.

This classification adds two functions not covered explicitly by ILO Conventions:

- The *housing* function includes three benefits in kind: (a) rent benefit, defined as a current means-tested transfer granted by a public authority to tenants, temporarily or on a long-term basis, to help with rent costs; (b) social housing provided on a means-tested basis on non-commercial terms (that

is, rents below the normal market price) by public bodies or private non-profit institutions that own low-cost or social housing; (c) a means-tested transfer by a public authority to owner-occupiers to alleviate their current housing costs: in practice this often means help with paying mortgages and/or interest.

- The *social exclusion not elsewhere classified* function includes all other benefits, mainly of the social assistance type, not referring to any clearly identifiable risks or needs covered by other functions but targeted at the "socially excluded" or "those at risk of social exclusion". General as this is, target groups may be identified as destitute people, migrants, refugees, drug or alcohol addicts, or victims of criminal violence, among others.

The specificity of the ILO mandate in social security and its historical evolution requires that social security in cases of "employment injury" and "maternity" are treated as distinct separate functions. In the European Commission approach these are however integrated into other functions: maternity income support under the *family/children* function; and in case of employment injury: employment injury sickness benefits under the *sickness* function, employment injury invalidity benefits under the *disability* function, and employment injury survivors' benefits under the *survivors* function.

Organisation for Economic Co-operation and Development (OECD)

For the purposes of its SOCX database (OECD, 2009a) and similar to the European Commission, the OECD has adopted the following classification of nine *policy areas* in social protection:

(1) old age;
(2) survivors;
(3) incapacity related;
(4) health;
(5) family;
(6) active labour market programmes;
(7) unemployment;
(8) housing;
(9) other social policy areas.

The main difference from the EU classification is that the OECD adds labour market programmes not covered by the core ESSPROS database (the *unemployment* function in ESSPROS covers only unemployment benefits and similar income support, severance payments and similar payments, pre-retirement benefits and other pensions awarded in case of early retirement for labour market reasons, and all refunding of training costs and of other employability-enhancing measures provided to the unemployed),[5] including indirect measures such as wage subsidies, into a separate policy area: *active labour market programmes*.

United Nations

The above two classifications are similar to the United Nations Classification of Functions of the Government (COFOG), adopted also by the IMF in its *Government Finance Statistics* manual of 2001. Under COFOG, however, what is covered by *social security* or *social protection* by the ILO, European Union and OECD is split into two separate main functions:

(1) health;
(2) social protection.

The *social protection* main function is then classified into nine categories:

(a) sickness and disability;
(b) old age;
(c) survivors;
(d) family and children;
(e) unemployment;
(f) housing;
(g) social exclusion not elsewhere classified;
(h) research and development in social protection;
(i) social protection not elsewhere classified.

So long as disaggregated data are available (at the individual benefit or at least scheme level) there are no problems in converting data sets from one classification to another.

[5] There exists however another database in EUROSTAT, the Labour Market Policies database, which covers all kinds of labour market programmes; this includes data on expenditure and on participants in these programmes.

1.3 Coverage concepts and measurements

Some more definitional clarifications are in order at this point. People enjoying the protection guaranteed by the ten elements presented in the ILO extended operational definition (p. 20) and at least at a minimum level of benefits as defined by the Social Security (Minimum Standards) Convention, 1952 (No. 102), are considered here to enjoy *comprehensive social security protection*. Those enjoying only a basic level of income security (guaranteeing income at the level of the poverty line) at all stages of the life cycle as well as access to essential health services are considered to benefit from *basic social protection* (the social protection floor). Those benefiting from coverage in some of the ten branches, not all of which provide comprehensive or basic coverage, are considered to enjoy only *partial basic or partial comprehensive coverage*. The ultimate objective of all ILO standards is to provide as many people as possible with comprehensive protection; the intermediate objective is to provide all people with at least a basic level of protection.

In each category of social security benefits, coverage is a multidimensional concept with at least three elements:

Scope. This is measured here by the range (number) and type of social security branches (see discussion above) to which the population of the country has access. Population groups with differing status in the labour market may enjoy different scopes of coverage, and this factor must be taken into account in assessing scope.

Extent. This usually refers to the percentage of persons covered (by gender, age, labour market status) within the whole population or the target group, by social security measures in each specific branch.

Level. This refers to the adequacy of coverage by a specific branch of social security: for example, it can be measured by the level of cash benefits provided, where measurements of benefit levels can be either absolute or relative to selected benchmark values such as previous incomes, average incomes, the poverty line, and so on. In social health protection it may measure the amount of health-care costs covered by existing financial protection mechanisms. The level of coverage can also be measured by the quality of services provided. Specific aspects of coverage in social health protection also relate to issues such as availability of services and drugs, taking into account the physical existence of health-care facilities, health work force, equipment and so on. These aspects will be discussed in more detail in Chapter 3. Measures of quality are usually relative and may be objective or subjective – for example, the satisfaction of beneficiaries measured against their expectations.

In measuring all the above three dimensions of coverage a distinction is made between *legal coverage* (or *statutory coverage*) and *effective coverage*. A population group can be identified as legally covered if there are existing legal provisions that such a group should be covered by social insurance for a given branch of social security, or will be entitled to specified benefits under certain circumstances – for instance, to an old-age state pension on reaching the age of 65, or to income support if income falls below a specified threshold, or to national health services when sick. On the other hand, effective coverage is measured, for example, by the number of people actually contributing to social insurance in a given branch, or the number of beneficiaries of any pension benefits among all residents over 65 years of age, or the number of beneficiaries of some kind of income support among all those unemployed or all below the poverty line. Effective coverage is usually different from legal coverage, and often lower, largely due to various governance problems in implementing the legal provisions and also to gaps in funding, for instance, in social health protection.

Legal coverage

Estimates of the *scope* of legal coverage usually measure the number of branches of social security by which – according to existing legislation – a population or its specific groups is covered. The list of the nine branches covered by ILO Convention No. 102 may be used as a comparator.

Estimates of the *extent* of legal coverage use both information on the groups covered by statutory schemes for a given branch in national legislation, and available statistical information quantifying the number of persons concerned at the national level. The legal extent of coverage rate for a given branch of social security is the ratio between the estimated number of people legally covered and – as appropriate – the total number of employees (that is, wage and salary workers), the total number of employed persons (including employees and the self-employed), the total number of economically active persons (including or not including their dependants), or the total population. For example, since Convention No. 102 allows a ratifying country to provide coverage either through social insurance or through

universal benefits or through means-tested benefits, it also formulates alternatives to minimum requirements for the extent of coverage, as follows: (a) prescribed classes of employees, constituting not less than 50 per cent of all employees; or (b) prescribed classes of the economically active population, constituting not less than 20 per cent of all residents; or (c) all residents whose means during the contingency do not exceed prescribed limits.

The legal *level* of coverage rates for specific branches of social security is usually measured (for cash benefits) by benefit ratios or replacement ratios calculated for specified categories of beneficiaries, using benefit formulas or benefit amounts specified in the legislation. For example, Convention No. 102 sets minimum replacement rates for cash benefits in seven of its nine branches. It specifies that such minimum rates should apply to a defined "standard" beneficiary meeting qualifying conditions, and be guaranteed at least to those with earnings up to a certain prescribed selected level.

Effective coverage

Measurements of effective coverage should reflect how in reality the legal provisions are implemented. Effective coverage is usually different from and lower than legal coverage because of non-compliance, problems with enforcement of the legal provisions, or other deviations of actual policies from the text of the legislation.

Measurements of effective *scope* of coverage in a country reveal the number of social security branches for which there is relevant legislation that is actually enforced: that is, whether in all such branches the majority of the population legally covered is also effectively covered (as measured by effective extent of coverage; see below).

Effective *extent* of coverage measurements should tell us the actual number of protected persons as a percentage of those expected to be protected according to the legislation – for example, the percentage of those actually contributing to social insurance as compared to the number of those who should be contributing according to the law; or the number of those who actually receive benefits as compared to the size of the target group (the percentage of unemployed receiving benefits, percentage of elderly persons receiving pensions, percentage of the poor receiving social assistance benefit, and so on).

Measurements of the effective *level* of coverage would identify levels of benefits (usually related to certain benchmark amounts) actually received by beneficiaries, such as unemployment benefits or pensions paid, compared to average earnings or to the minimum wage or the poverty line. In the case of contributory pension schemes, the effective level of coverage may also relate to future benefit levels. For example, if the self-employed are obliged to pay contributions based on declared income, and in practice they all contribute only at the level specified as a minimum contribution, the effective level of coverage can be measured by a ratio between declared income and estimates of the average actual income level.

When measuring effective extent of coverage a distinction also has to be made between coverage measured in terms of *protected persons* (those who have benefits guaranteed but are not necessarily currently recipients of such benefits – such as persons who actively contribute to social insurance and are thus guaranteed benefits for a specified contingency: for example, when they reach retirement age they will be entitled to an old-age pension) and coverage measured in terms of *actual beneficiaries*. In the first case, an adequate indicator of coverage is the percentage of those protected (such as active contributors) within a relevant reference group (such as employees, employed, or economically active population); an example is the percentage of employed persons contributing to a pension scheme. In the second case, the indicators show the percentage of beneficiaries within a target group (for old-age pensions this would be the percentage of all persons older than a certain age, such as the official retirement age) who actually receive benefit.

When assessing coverage and gaps in coverage, distinctions are to be made between coverage by (i) contributory social insurance, (ii) universal schemes covering all residents (or all residents in a given category), and (iii) means-tested schemes covering potentially all those who pass the required income or means test. In the case of social insurance it makes sense to look at the numbers of those who are actually members and contributors to such schemes and who thus potentially enjoy – sometimes with their dependants – coverage in case any of the contingencies covered by their social insurance actually happen. These people fall into a category of persons "protected" in case of a given contingency. The concept of *protected persons* may also apply where people are covered by universal or categorical programmes: if there is legislation specifying that all residents or all residents in a given (e.g. age) category are entitled to certain benefits or have free access to health or other social services, it can be said that all those

specified by law are "protected" in case of the given contingency. It is, however, rather difficult to specify who is in fact "potentially protected" in the case of income- or means-tested benefits or conditional cash transfers. If coverage is largely based on such programmes, the concept of protected persons cannot be applied; only measuring coverage in terms of actual beneficiaries makes sense, and must be related to the size of certain target groups such as children, the elderly, the unemployed or the poor.

The above measures of extent and level of coverage give partial indicators applying only to specific branches of social security (and sometimes even only to specific schemes or types of scheme). Of course, it is tempting to try to establish an aggregate indicator or index for a country which would reflect overall social security coverage in that country. One possibility is to use a set of partial indicators (quantitative and qualitative) to calculate such an index by applying statistical methods similar to those used in building the UNDP Human Development Index (UNDP, 2008). A compound coverage indicator has to be a function of the three types of partial indicators discussed above:

- *scope* of social security branches available, relative to all the branches needed;
- *extent* of coverage by percentage of the population protected for different contingencies and needs; and
- *level* of protection, measured by replacement rates and so on.

Such an index has been developed recently by the Asian Development Bank and calculated for all its member countries.[6]

When it is not possible from the data to construct the necessary partial indicators in all areas, the total amount of social security expenditure (measured as a ratio of GDP or of total public spending) may be used as a proxy aggregated indicator of coverage, as the aggregate social security expenditure in the country is also a function of all the three dimensions of coverage.

Since the identification of gaps in coverage, together with the reasons for their existence and ways of filling them, are the main objectives, the following questions need to be answered:

- Who are those not currently covered but in need of coverage?
- What are their needs?
- What risks do they face?
- What are the options for extension of coverage to them?
- What is their status regarding employment?
- What is their ability to contribute?
- What are the potential costs of increasing coverage?

The main sources of this information are: country legislation; data on protected persons, beneficiaries, benefits provided, costs and financing from the registers and accounts of the institutions administering the social security scheme; and, last but not least, household survey data from regular Labour Force Surveys (LFS) and Household Budget Surveys (HBS) or surveys of similar type, or from surveys specially designed to monitor coverage and impacts of social security.

To summarize, a number of issues have to be taken into account when measuring coverage:

1. Social security coverage can be directly measured only separately for each of the specific branches such as health care, old age or unemployment; or even for a group of specific schemes within each branch. Aggregate coverage measures such as the ADB Social Protection Index can be built only by aggregating the separate coverage indicators for all social security branches.

2. Coverage by social security schemes against specific social risks and contingencies can be understood in two ways: *potential* coverage, measured by the number of persons potentially protected if a given contingency occurs (for example, those covered by social insurance schemes, or contributors to such schemes), and *actual* coverage, measured by the number of beneficiaries actually receiving benefits or utilizing services. These two concepts are complementary to each other and should be assessed separately.

3. Legal versus effective coverage. Though people may be legally covered, enforcement of the legal provisions may be incomplete, so that effective coverage is usually lower than legal coverage.

4. In measuring the extent of coverage it is important to choose the right numerator and denominator. Ideally, the absolute number of persons covered for a specific risk is divided by the size of the population group that is targeted by the specific policy or benefit. For example: to measure the extent of actual coverage by old-age pensions, the number of

[6] See Chapter 7 of this report, and also ADB, 2006, 2008.

pensioners should be related to the total number of older persons where both numerator and denominator can be restricted to a given age bracket, such as 65+ (or above any other legal retirement age).

5. There is a trade-off between national circumstances (and relevance of the indicator at the national level regarding, for example, the retirement age) and international comparability.
6. Both administrative and survey data are necessary to a full assessment of coverage. Administrative data are needed to assess potential and actual effective coverage rates. However, the availability and quality of such data vary across countries, and across schemes within countries. Very often, administrative data trace certain administratively registered events (such as payment of contributions or benefits) rather than the persons behind such events. This leads to double counting, in particular when aggregating administrative data, as a person can be contributing to the same scheme from more than one job, or to more than one scheme covering the same contingency, or be receiving similar types of benefit from more than one source.
7. Household survey data are particularly important in assessing the level and quality of coverage and its impacts. Also, only household survey data can help to assess the nature of the coverage gap, the characteristics of population groups not covered, and in particular the consequences of their lack of coverage and their need for specific types of coverage. Unfortunately, many regular household surveys still either lack information relevant to assessing coverage, or the questions asked are so various that international comparisons are not possible. Special surveys, too, are rare and also not internationally standardized.

This chapter has presented a recommended approach to measuring coverage. Unfortunately the data available are still very limited, and so in the following chapters in Part I of this report, which assesses coverage using various indicators, it has proved impossible to follow the recommended approach fully. Instead, the present report is limited to a detailed assessment of coverage in selected branches of social security only, and does not fully measure all dimensions of coverage; moreover, data are available for too few countries for an assessment of the level and quality of coverage in most of the social security branches. This first report therefore presents regional estimates for selected indicators of coverage based on available data. These regional estimates are calculated only when data availability ensures that countries included represent at least two-thirds of the total population for a given region. Regional averages are weighted, depending on the indicator, by total population, the working-age population or the economically active population. Owing to the limitations in data availability most of these regional estimates are calculated for the latest available year, which is not necessarily the same for all the countries included. In the next editions, as data availability improves, so improvements in the accuracy of global and regional estimates may be expected.

Scope of social security coverage around the world: Context and overview

2

All social security systems are income transfer schemes that are fuelled by income generated by national economies, mainly by the formal economy. At the same time, the degree of formalization of the labour market co-determines how many people can be covered by the ten different branches of social security and how many of them contribute to the financing of social transfers through contributions and taxes. Tax-financed social assistance and universal benefits may reach people in informal employment. However, in a largely informal economy it may not be possible for a nation to maintain a tax and contribution base for comprehensive protection of the majority of the population with higher level benefits.

The functioning of global and national labour markets is thus an important determining context for the analysis of basic and comprehensive social protection coverage. This chapter provides an analysis of the global labour market structures and draws an initial conclusion on the levels of comprehensive coverage of the global population. The following chapters provide information on the level of partial coverage in the most important individual branches of social security.

2.1 The labour market context

Contributory social insurance and other statutory schemes in most countries cover only those who are employees (that is, those in formal wage or salary employment) and, sometimes, their dependants. Both legal and effective coverage by these schemes is thus strongly correlated with the percentage of employees among those employed. Globally (see table 2.1) slightly over a quarter of the world's adult population (one-third of adult men and one-fifth of adult women) is employed, whether formally or informally, as employees. If one looks only at those who have some kind of employment, less than half globally have the status of wage or salary workers. However, while in developed economies nearly 85 per cent of all employed are employees, the figure is not much more than 20 per cent in South Asia and sub-Saharan Africa, less than 40 per cent in South-East Asia and the Pacific, slightly more than 40 per cent in East Asia and about 60 per cent in North Africa, the Middle East and Latin America and the Caribbean (see figure 2.1) – but not all of them are in formal employment and thus have access to statutory social security benefits.

People without social security coverage in developing countries usually work in the informal rather than the formal economy. No access to social security coverage is usually part of the definition of informal employment. Even in developing countries with high economic growth, increasing numbers of workers – most often women – have less than secure employment, such as casual labour, home work and self-employment, lacking social security coverage. This has an enormous impact on their lives and on work itself. What little earning power the impoverished have is further suppressed by marginalization and lack of support systems – particularly when they are unable to work because of age, illness or disability. HIV/AIDS has amplified this impact,

Table 2.1 Employees (wage and salary workers) in the labour market worldwide, 2008 (percentages)

	Total		Men		Women	
	Employed = 100	Total working-age population = 100	Employed = 100	Total working-age population = 100	Employed = 100	Total working-age population = 100
South Asia	20.8	9.7	23.4	15.6	14.6	3.5
Sub-Saharan Africa	22.9	13.8	29.2	20.5	14.4	7.4
South-East Asia & the Pacific	38.8	21.9	41.5	28.6	35.0	15.1
East Asia	42.6	23.3	46.0	28.9	38.3	17.6
North Africa	58.3	24.4	58.8	38.5	56.7	10.5
Middle East	61.5	29.0	64.4	41.6	53.5	15.0
Latin America & the Caribbean	62.7	38.6	60.6	46.1	65.8	31.8
Central & South-Eastern Europe (non-EU) & CIS	76.6	41.5	75.4	48.0	78.0	35.7
Developed economies	84.3	46.6	81.7	51.8	87.5	41.6
WORLD	**46.9**	**26.5**	**47.4**	**33.0**	**46.0**	**20.1**

Note: Labour force surveys distinguish between those who are employees (employed in wage or salary employment) and those who are not and thus are either self-employed (employers and own-account workers) or unpaid helping family workers. The table shows percentages of those who are employees among (1) all employed; (2) all population of working age, i.e. between 15 and 64.

Source: ILO calculations, based on ILO, 2008e: *Key Indicators of the Labour Market (KILM)*, 5th edition, http://www.ilo.org/public/english/employment/strat/kilm/ (using 2006 estimates for indicator 3: status of employment and indicator 2: employment to population ratio). Country classification also from KILM.

especially for already vulnerable groups of workers such as women, migrants and those in the informal economy.

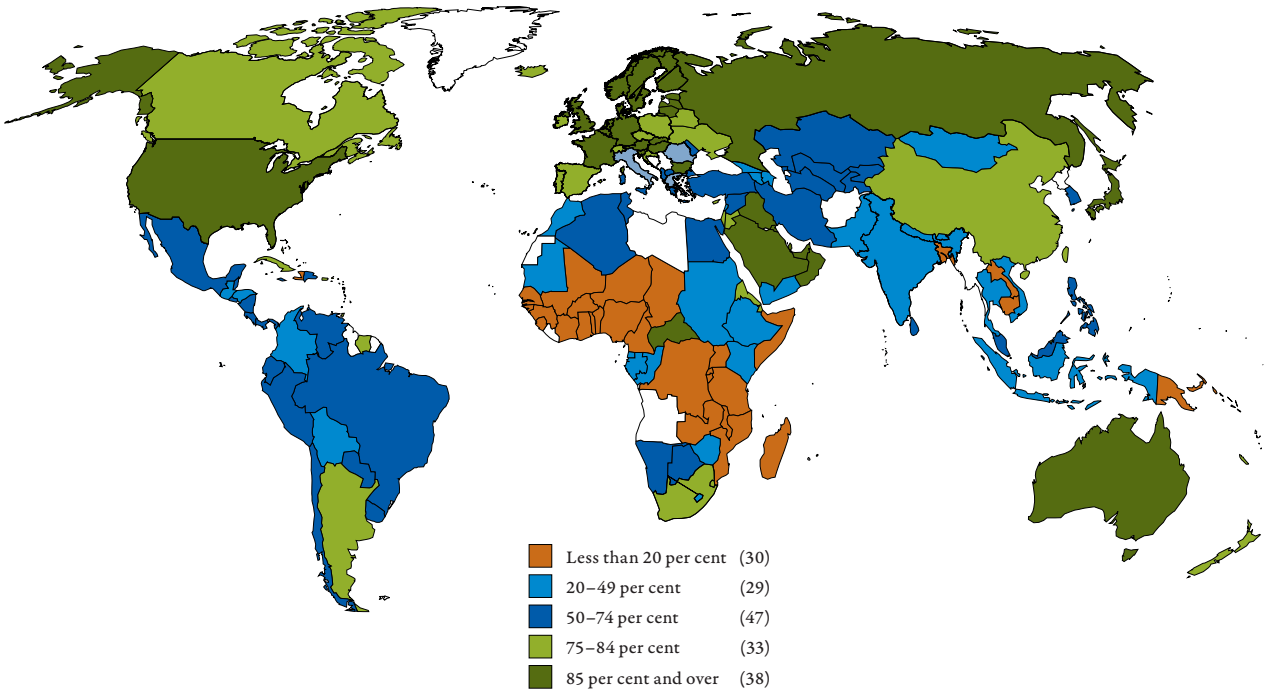
It was once assumed that an increasing proportion of the labour force in developing countries would end up in formal employment covered by social security. However, experience has shown that the growing incidence of informal work has led to stagnant or declining rates of coverage. The most vulnerable groups outside the labour force are women, persons with disabilities and older people who cannot count on family support and who have not been able to make provisions for their own pensions.

One reason for low coverage rates is the extent of self-employment. Most social insurance and other schemes include the formally employed population, but do not cover the self-employed except in some cases on a voluntary basis; this leads to some very limited coverage rates. The average figures on the legal coverage of a population therefore do not tell much about the gap in coverage of self-employed people.

The map in figure 2.1 gives a global overview of the percentage of employees in total employment. It can be seen that in large parts of Africa, Asia and Latin America a minority of employed people are employees. In many African and South-East Asian countries especially, less than 30 per cent of the employed work as wage workers. Even among these workers there is a deficit of social and employment protection, as the following examples from Latin America and Africa demonstrate.

The informal economy in Latin America constituted 64.1 per cent of non-agricultural employment in 2005 (Tokman, 2007). Seventy-eight per cent of informal workers are found in the informal economy, but a significant minority of such workers (22 per cent) are employed in the formal sector, that is, as unprotected workers in formal establishments. Access to protection usually depends on a formally recognized employment relationship, typically through a written labour contract. In 2005, estimates showed that 37.7 per cent of wage workers in Latin America were employed without a contract, a percentage that is concentrated in the informal economy (68 per cent of such workers), but also including 26 per cent of workers in formal establishments. Differences in social protection coverage (measured by the percentage of workers in each type of contractual situation that contributes to old-age pensions) for those workers with or without written contracts were substantial, independently of whether they were employed in the informal or formal economy. On average, 19 per cent of workers without contracts had access to social protection, compared with a proportion four times higher for workers with contracts. The proportion of workers without contracts in the informal economy enjoying social protection was only 10 per cent, while the proportion for such workers with contracts was five times greater. As shown in figure 2.2 overleaf, the type of contract also matters in determining access to social protection.

Figure 2.1 Employees (wage and salary workers) in total employment worldwide, latest available year (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15092

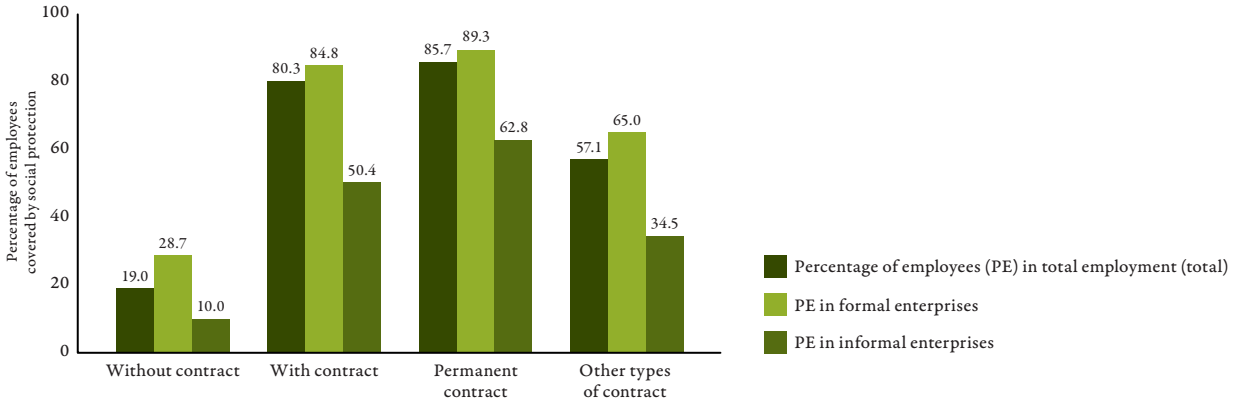
Note: For the majority of countries the latest available year is between 2005 and 2008. For further details see the Statistical Annex.

Sources: ILO, LABORSTA (ILO, 2009e) and KILM (ILO, 2008e); and national statistical offices. Numbers in brackets give the number of countries included in a data set for each group. See also ILO, GESS (ILO, 2009d).

Examples from Africa show the same pattern. Although Zambia (ILO, 2008f) has very specific social security arrangements for formal employees, by no means all are reached by existing social security provisions. One of the obstacles to achieving greater social security coverage may be that nearly half (49 per cent of the total, 54 per cent of women and 47 per cent of men) say either that they do not have a contract with their employer or that they do not know whether they have one. Accordingly, half of all employees (but only 19 per cent of public-sector employees) say their employers do not contribute to social security or that they do not know whether their employer contributes. Similarly, more than half of all employees (again 19 per cent of public-sector employees) indicate that they have no entitlement to paid leave or at least are not aware of this entitlement. The same situation could apply to other legal entitlements of employees regulated by the Employment Act, such as sick pay and paid maternity leave.

In the United Republic of Tanzania (ILO, 2008g), according to the 2005/2006 Integrated Labour Force Survey (ILFS), 8.6 per cent of all employed are in paid employment, with 39.1 per cent of paid employees (38 per cent of men and 42.2 per cent of women) working in the informal economy. Only 49 per cent of paid employees (with practically no gender difference) say they have a written contract (38.9 per cent on a permanent basis and 10.7 per cent a written contract of a casual nature). Amongst paid employees working in formal economy enterprises, 70 per cent have written contracts and 15 per cent oral contracts. The corresponding proportions among employees working in informal economy enterprises are reversed, with the majority, 61 per cent, having oral contracts and only 15 per cent written contracts, in most cases on a casual basis. As in Zambia, the majority, more than 63 per cent of all paid employees (but only 28 per cent of public-sector and other corporate organizations' employees, and 17 per cent of paid employees with a permanent written contract), say that their employers are not contributing to social security or that they do not know if the employer contributes. Only 5 per cent of paid employees working in the informal economy say that their employer contributes to any of the existing formal social security schemes; the corresponding proportion for paid employees working in the formal economy is naturally higher, at just over 56 per cent, but is still far from representing full coverage. HIV/AIDS has been shown to be highest in

Figure 2.2 Latin America: Social protection coverage among employees according to type of contract, 2005



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15208

Source: ECLAC on the basis of household surveys for 16 countries, in Tokman, 2007. See also ILO, GESS (ILO, 2009d).

the productive cohort, with a significant effect on population profile and mortality rates and a corresponding impact on effective coverage by social security schemes.

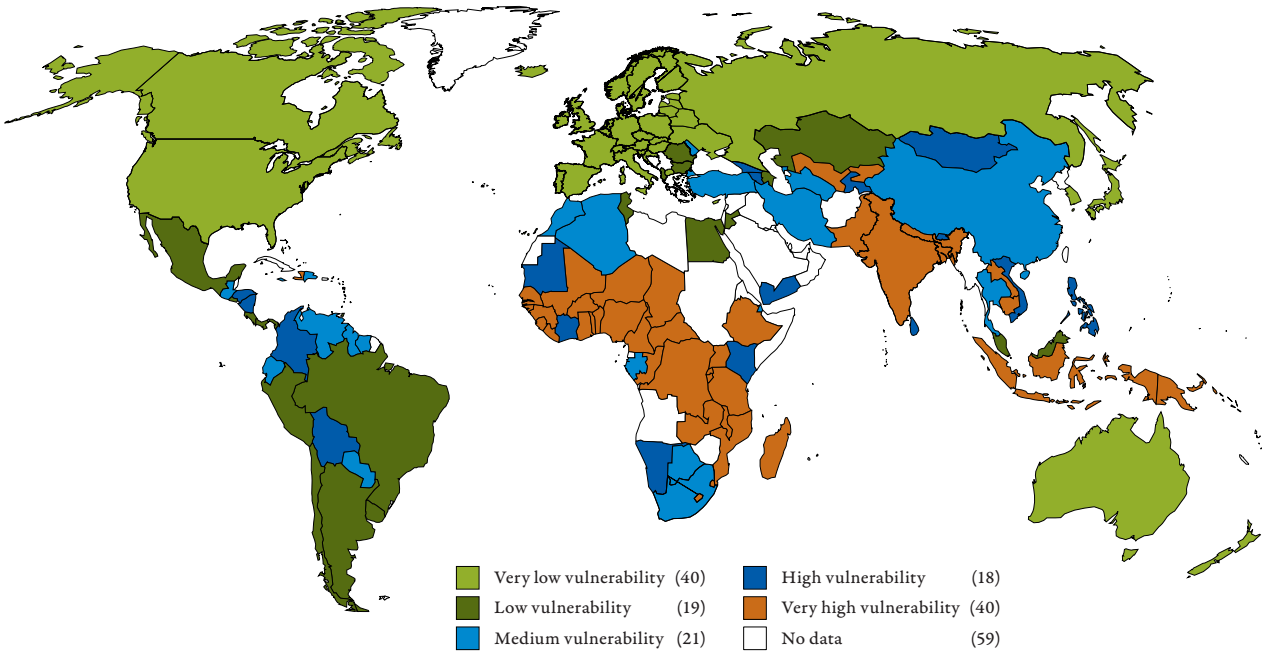
Despite the widespread lack of coverage, a number of middle-income countries have successfully expanded coverage of their social security systems in recent years. For example, Costa Rica has achieved full health coverage through a combination of health insurance and free access to public health services. India's National Old-Age Pension Scheme, financed by central and state resources, reaches one-fourth of all the elderly: about half of pensioners who live in poverty. And in Brazil, social assistance pensions lift about 14 million people out of extreme poverty. A newly introduced social security scheme helped the Republic of Korea to adjust more smoothly to the Asian financial crisis of the late 1990s. In particular, a newly introduced unemployment insurance programme helped the country cope with a quadrupling of the jobless rate.

One major challenge in social security worldwide is to help middle-income countries continue their progress while at the same time assisting the least-developed countries to determine what types of schemes are best suited to extend their coverage. The ILO tripartite constituents hope to initiate and sustain efforts to help countries develop and expand social security systems through a process of experimentation and social dialogue. The ILO is testing new approaches to opening up access, and is monitoring initiatives by its member States to extend coverage. Moreover, it is seeking to apply its long experience in promoting social dialogue and tripartite involvement to address the special challenges of expanding social security in countries where coverage is weak and participation in the informal economy is high.

To analyse global patterns of coverage it is useful to provide estimates for relatively homogeneous groups of countries. In this report such country groupings are: by geographical region, level of income measured by GDP per capita, level of Human Development Index (HDI), and prevailing poverty incidence. As international experience has shown, specific types of labour market structures associated with low shares of wage employment and high informality, together with the prevailing low and irregular household income levels which result in a high incidence of income poverty, make populations of countries particularly vulnerable to various life-cycle, social and economic risks and contingencies. While the need in such vulnerable societies for social security coverage is even higher than elsewhere, high effective coverage by statutory social insurance schemes is usually extremely difficult to achieve there, precisely because of the prevalence of non-wage employment status and of low and irregular incomes. In this report, then, countries are also grouped according to prevailing combined levels of both informality and incidence of income poverty, as shown in figure 2.3. The level of *vulnerability* is assessed here by two combined variables: poverty rate measured as a proportion of people living on less than US$2 PPP per day within a country, and the extent of informal employment, measured by, as proxy, a proportion of those who are not employees[1] (in wage/salary employment) in the total number of employed (see ILO, 2009f; Scheil-Adlung, Bonnet and Wiechers, 2010).

[1] Due to a lack of data, this is a broad approximation of informality which is an underestimate as it does not take into account the significant proportion of informal employment among employees in developing countries as well as developed countries. As presented earlier in this report (pp. 28–9), this could represent more than 50 per cent of employees.

Figure 2.3 Countries grouped by level of vulnerability, poverty and informality combined, latest available year



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15094

Note: For further details on the composition of groups by level of vulnerability, see table 12 in the Statistical Annex.

Sources: For informality (non-wage workers as a proportion of total employment as a proxy of informality level): ILO, LABORSTA (ILO, 2009e) and KILM (ILO, 2008e), and national statistical offices; for poverty incidence (below US$2 per day): World Bank, 2009a. Numbers in brackets give the number of countries included in each group. See also ILO, GESS (ILO, 2009d).

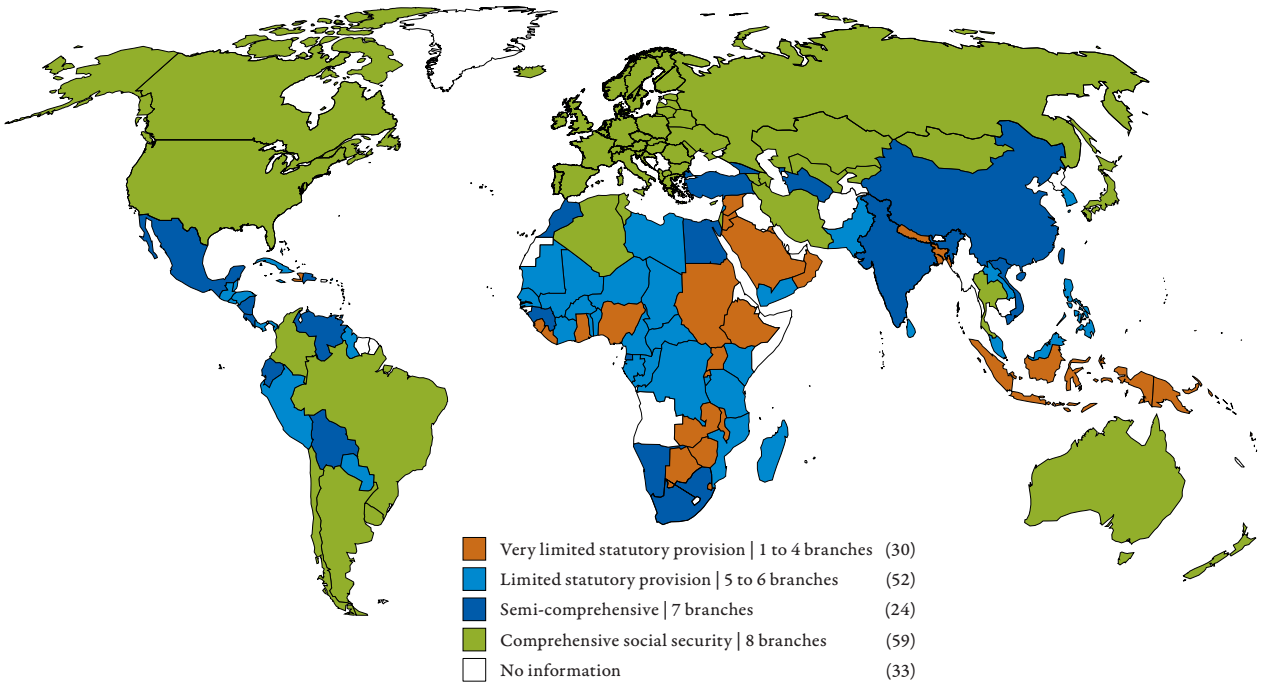
Figure 2.3 shows that 58 countries are experiencing high or very high vulnerability in terms of poverty and informality of the labour market; this corresponds roughly to one-third of all countries. The majority of the most vulnerable countries according to this definition are in Africa and Asia.

2.2 Scope of comprehensive coverage by statutory schemes

Some level of partial protection by social security exists in nearly all countries, though only a minority of countries provide protection in all branches (see figure 2.4). There is no country in the world without any form of social security, but in many countries coverage is limited to a few branches only, and only a minority of the population has – both legally and effectively – access to existing schemes. Every country has certain forms of social security provision for social health protection, thus facilitating access to at least a limited scope of health-care services. These include some public health-care services accessible at least nominally without fee, and other services through health insurance for at least certain population groups. Most countries have schemes designed to provide contributory old-age pensions, although in many coverage is limited only to a small formal economy or even only part of it. Many of these schemes are relatively new, so actual coverage measured in terms of the percentage of elderly persons receiving any benefit is very low. In most countries, formal economy employees are covered by some form of protection in case of employment injury, although often this coverage does not meet the requirements of Convention No. 102 with regard to the scope and type of benefits provided. In most countries at least certain groups of employees are entitled, either through the provision of the labour code or of collective agreements, to paid sick leave and paid maternity leave. However, the actual enforcement of these provisions is often low and thus effective coverage is equally low.

There is a large variety of approaches to social security around the world; levels of coverage through legislation, as well as degrees and types of implementation of social security, are significantly different. Figure 2.4 shows the scope of legal coverage through social security schemes around the world. It can be seen that especially in Asia, Africa and some parts of Latin America there

Figure 2.4 Branches of social security: Number covered by a statutory social security programme, 2008–09



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15095

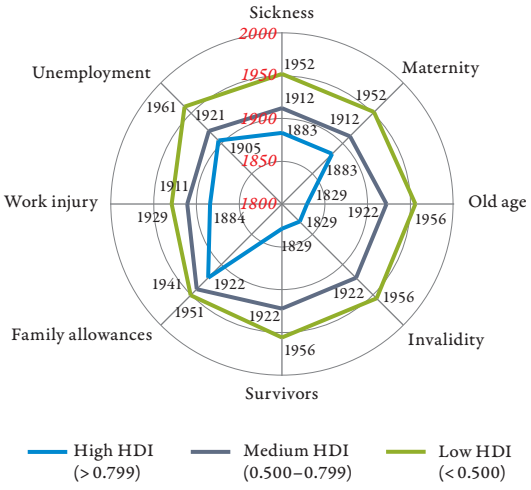
Sources: For identification of groups covered: SSA/ISSA, 2008 for Asia and Europe; 2009 for Africa and the Americas; quantification based on statistical databases: ILO, LABORSTA (ILO, 2009e) and KILM (ILO, 2008e); and national statistical offices. Numbers in brackets give the number of countries included in each group. See also ILO, GESS (ILO, 2009d). The nine branches of social security (Convention No. 102) are aggregated to eight through the merging of sickness and health benefits, It is furthermore assumed that countries that have all eight classical branches of social security in place also have functioning social assistance schemes in place.

are large gaps in the scope of social security schemes legally available to at least certain groups of workers.

Historically, the first countries to develop social security schemes were those now seen as the highly developed countries. These were followed by middle-income countries; it is only recently that schemes have emerged in developing countries. The first schemes to be developed were those concerning invalidity, work injury, old age and survivors; the last were those concerning family allowances and unemployment (see figure 2.5).

As we have seen, nearly all countries – including low-income ones – have a statutory programme or at least limited provisions included in the labour code concerning some form of compensation in case of employment injury; they also have at least one pension scheme. Of course, these provisions often cover effectively only a small proportion of the labour force, being limited only to those in public employment or only to those in the private formal sector, and so on. Some of them do not pay periodical benefits throughout the whole duration of a contingency, as required for example by Convention No. 102, but grant benefits only as lump-sum payments. Other contingencies are less

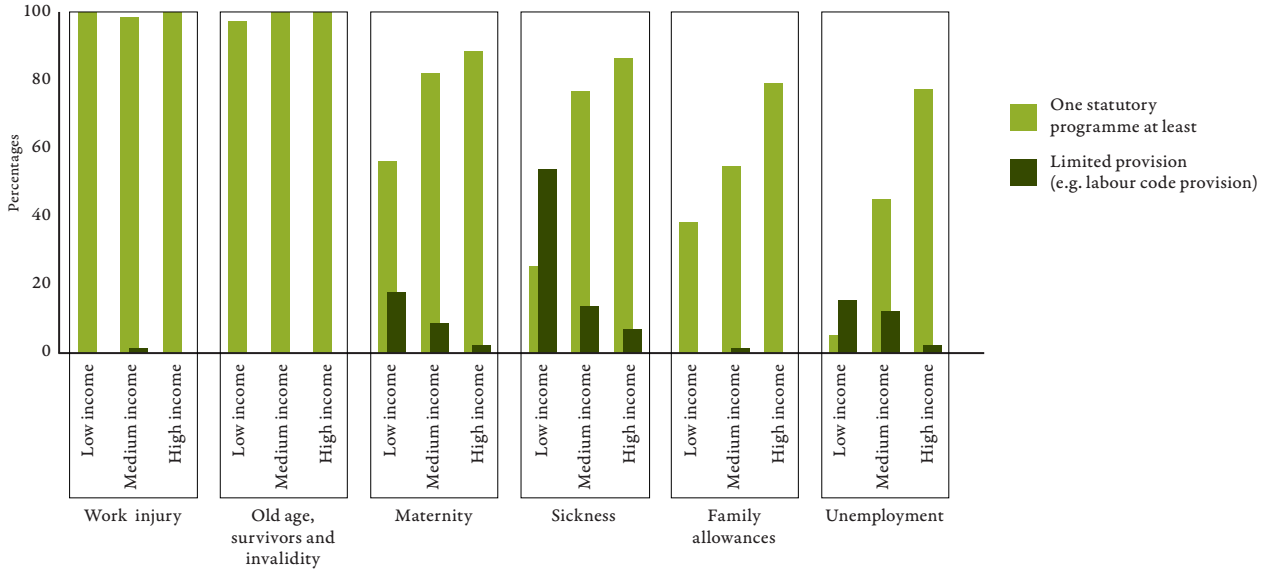
Figure 2.5 Date of the first law adopted for each contingency, countries grouped by Human Development Index (HDI), latest available year



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15096

Source: Legal information from SSA/ISSA, 2008 for Asia and Europe; 2009 for Africa and the Americas. See also ILO, GESS (ILO, 2009d).

Figure 2.6 Branches of social security: Countries with statutory programmes or limited provision, latest available year (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15097

Source: Legal information from SSA/ISSA, 2008 for Asia and Europe; 2009 for Africa and the Americas. See also ILO, GESS (ILO, 2009d).

often covered: paid maternity leave, paid sick leave, benefits for families with children and, most rarely, unemployment benefits. For the latter there exists provision in only about 10 per cent of low-income countries, about half of middle-income countries and less than 80 per cent of high-income countries (see figure 2.6).

2.3 Effective comprehensive population coverage

Only one-third of countries globally (inhabited by 28 per cent of the global population) have comprehensive social protection systems covering all branches of social security (plus social assistance) as defined in Convention No. 102 and Recommendation No. 67. However, most of these social security systems cover only those in formal employment as wage or salary workers. Such workers constitute less than half of the economically active population globally, but over 70 per cent in those countries with comprehensive social security systems. Taking into account those who are not economically active, it is estimated that only about 20 per cent of the world's working-age population (and their families) have effective access to such comprehensive social protection systems.

The share of the global population enjoying a level of protection commensurate with a social protection floor is probably higher than 20 per cent. The proportion can only be estimated by using a poverty proxy. We consider that people who fall under the international poverty line of US$2 per day have no effective basic social protection. According to the latest UN estimates, about 60 per cent of the global population live above this line and so can be said to enjoy a basic level of social protection.[2] This estimate constitutes a maximum since among the non-poor there will be a number of vulnerable people that have a sufficiently high level of income at a given point in time but may not have access to protection should a certain contingency materialize.

As the estimated level of comprehensive coverage is 20 per cent of the world's population, we can conclude that between 20 per cent and 60 per cent of the global population enjoys only basic social protection.

Improving this broad estimate remains a challenge for further research and can most likely only be done on a national basis for some time to come. The ILO is developing and testing indicators to measure the extent of coverage at the level of social protection floor, in the context of the Social Protection Floor Initiative of the UN Chief Executives Board.

[2] This is a rough estimate based on the figure published in the UN *Report on the World Social Situation 2010: Rethinking poverty*, New York, 2010, p. 14.

Social health protection coverage

3

Although a larger percentage of the world's population has access to health-care services than to various cash benefits, nearly one-third has no access to any health facilities or services at all. For many more, necessary expenditure on health care may cause financial catastrophe for their household, because they have no adequate social health protection which would cover or refund such expenditure (ILO, 2008b).

Health care is certainly the most complex of social security branches. From the point of view of the beneficiary it encompasses multiple benefits and measures, while on the supply side it is connected to an important sector of the economy involving interrelated financial mechanisms and economic interests.

3.1 Definition and measurement of social health protection

Social health protection is defined by the ILO as a series of public or publicly organized and mandated private measures against social distress and economic loss caused by the reduction of productivity, stoppage or reduction of earnings, or the cost of necessary treatment that can result from ill health. Some special features of social health protection are to be taken into account:

- Social health protection is closely linked to the functioning of a specific economic sector – the health sector. This requires an integrated approach towards demand and supply of health care, the availability of health infrastructure, and the sector's own health workforce, employment opportunities and administrative capacity. The situation on the supply side determines to a large extent potential access to quality health-care services in a country.
- Globally, a significant amount of funds for financing health care is paid directly, in the form of out-of-pocket payments to providers such as health facilities, doctors, nurses, pharmacies, and so on. In many countries, these payments occur despite the fact that nominally free health care is available. Against this background, social health protection needs to provide for effective coverage combining *financial protection with effective access to quality health care*.
  - *Financial protection* has to address risks of impoverishment due to catastrophic health events and the capacity to finance any kind of out-of-pocket payments: those to be paid directly to providers, for example user fees or co-payments required by health insurance arrangements, other direct payments for health services and goods, and related costs such as the transport necessary to reach health-care facilities, particularly in rural areas. It is further important that financial protection prevents people from falling into poverty as a result of loss of income due to sickness.
  - *Effective access* to health services, medicines and health-care commodities requires the physical availability of health-care infrastructure, workforce, medical goods and products, and the provision of affordable and adequate services.

In order to achieve the objectives of social health protection, *legal* universal coverage needs to lead to *effective* access to health services. This requires that at least an essential set of services and drugs is available, affordable and provided at a specified level of quality. Further, those in need should be informed about the services to be able to take them up. Finally, the utilization of health services should be linked to financial protection that includes income support such as paid sick leave. Specific indicators including the ILO Access Deficit Indicator (see ILO, 2008b) can best describe gaps in effective access to health services.

From an ILO viewpoint an essential benefit package should be at least in line with nationally and internationally agreed objectives such as the Millennium Development Goals (in particular those related to maternal and newborns' health), the requirements for the treatment of specific diseases such as HIV/AIDS or malaria, and the requirements of Convention No. 102. This Convention specifies the scope of medical care – general and specialized, inpatient and outpatient, including maternal benefits – which has to be available and accessible. The range of health-care services specified in the Convention (Article 10) has to be, in case of sickness, either provided free of charge or, if people are "required to share in the cost of the medical care...the rules concerning such cost-sharing shall be so designed as to avoid hardship".

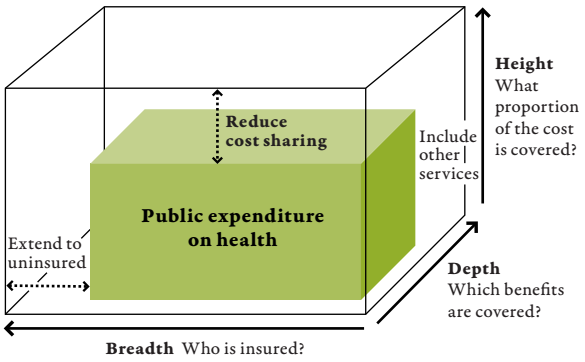
The ILO defines affordability of health care to households using four main criteria: (1) lack of financial barriers such as high user fees; (2) level of insurance contributions set in relation to the household's ability to pay; (3) no risk of catastrophic health expenditure that would exceed 40 per cent of household income net of subsistence expenditure; and (4) no risk of impoverishment due to ill health.

Notions of availability and quality refer to the existence of a sufficiently qualified health-care workforce and sufficient infrastructure to provide services in response to needs in a way that is gender-sensitive and inclusive (e.g. for indigenous people).

These ILO criteria of measuring health-care coverage – which will be discussed in more detail later – are based on the overall objective of ensuring that ill health does not lead to catastrophic loss of income and impoverishment. To meet this objective, health-care costs need to be pooled and financed through pre-payment mechanisms with a view to reducing out-of-pocket payments at the point of service delivery.

The ILO concept of measuring health-care coverage is thus multidimensional, like the concept of coverage in social security in general. The overall approach, of distinguishing several dimensions regarding coverage, is shared by other international organizations such as the World Bank (2000) and the World Health Organization (WHO), which is focusing on breadth, scope and depth of health services as illustrated in figure 3.1. However, these concepts do not take into account important social aspects, such as loss of income in case of sickness, or paid sick leave; these require a broader social protection approach to address such impacts of ill health.

Figure 3.1 WHO: Towards universal health coverage



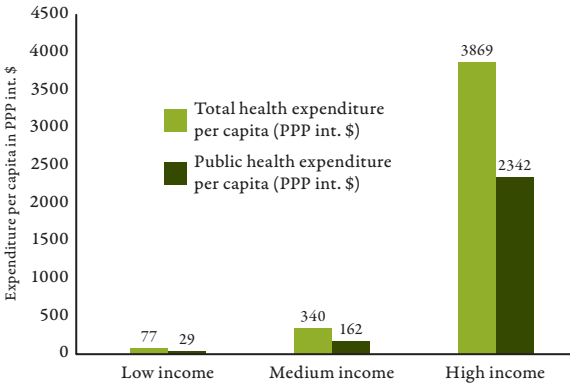
Source: WHO, 2008, p. 26.

3.2 Financing health care

It is obvious that all dimensions of effective access to health care depend strongly on the amount of resources which are made available. In this context, countries vulnerable (see Scheil-Adlung, Bonnet and Wiechers, 2010) in terms of high poverty rates and levels of informal economy are challenged by the need to generate sufficient funds from taxes and contributions. Before moving to a more detailed discussion of the different dimensions of coverage, it is thus important to examine global patterns in the levels of financing health-care coverage and access.

Figure 3.2 shows the enormous differences between countries in health expenditure per capita – both total (public and private taken together) and even more so public expenditure. Per capita public health expenditure amounted in 2007 in low-income countries to international $29 (PPP) as compared to international $162 in middle-income and international $2,342 in high-income countries. Lower-income countries have higher private health expenditure than public, but the

Figure 3.2 Health-care financing: Total and public per capita expenditure by national income level of countries, 2007



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15103

Source: ILO calculations based on WHOSIS (WHO, 2009a), 2006 data. See also ILO, GESS (ILO, 2009d).

ability to sufficiently cover necessary health expenditure from private sources is limited to the wealthier sections of their populations and thus cannot compensate for low public expenditure in coming closer to universal coverage. The impact of inadequate or low funding in poor countries is enormous, given that people not only lack access to health services but are also more likely to die from diseases that are curable in richer countries – for instance, respiratory infections, which account for 2.9 per cent of all deaths in low-income countries, but for relatively few deaths in high-income countries (Deaton, 2006).

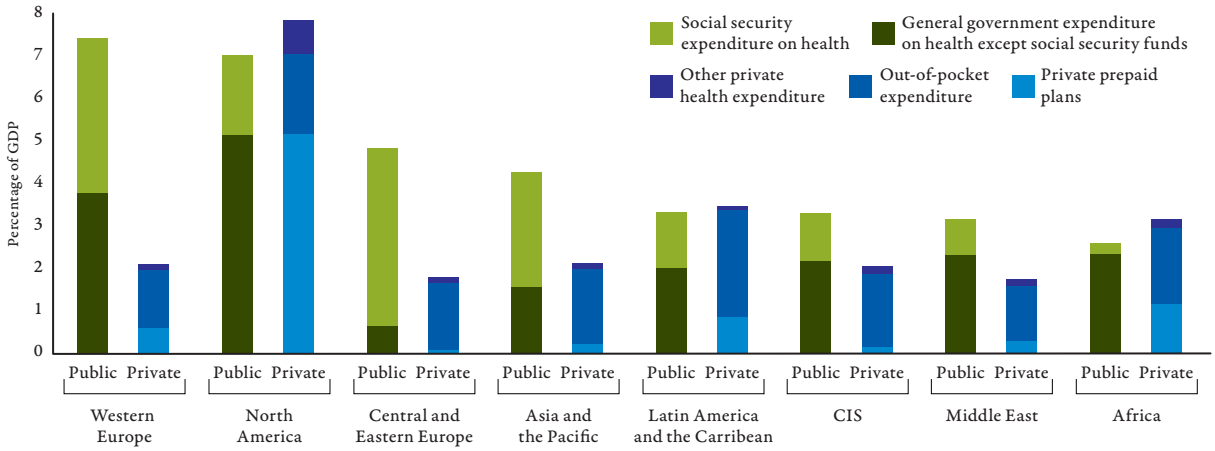
In order to finance health care, countries tend to draw on different sources simultaneously. Many low-income and vulnerable countries rely heavily on private un-pooled out-of-pocket payments and user fees to be paid at the point of delivery as a key financing mechanism for health care. This has to be seen as a deeply inefficient form of health-care financing which impacts significantly on the income situation of workers and their families. Also, the use of different financing sources often takes place in an uncoordinated way, which affects effectiveness and efficiency. Moreover, in many countries their impact on various groups of the population goes un-monitored, resulting in significant gaps in coverage and access to health care, and thus leading to impoverishment. Figure 3.3 shows that in 2006, while public sources dominated on average (as a percentage of GDP) in Europe, CIS, the Middle East and Asia, private expenditure dominated health-care financing in Africa, while in North America, Latin America and the Caribbean financing came from private and public sources in more or less equal parts. In Africa, North and Latin America, the Middle East and CIS public health-care financing comes mainly from general taxation, while in Asia and Central and Eastern Europe social insurance financing dominates. In Western Europe – again on average – health-care financing comes in nearly equal shares from social insurance contributions and general taxation. Private health insurance plays a major role mainly in North America (United States). Out-of-pocket spending everywhere is at the level of 1–2 per cent of GDP; however, while in some countries (such as in Europe) it forms only a small portion of overall health spending, in others (such as the low-income countries discussed below) it accounts for more than half or even up to 80 per cent of total health expenditure (ILO, 2008b). In some low-income countries, and in particular in sub-Saharan Africa, scarce domestic fiscal resources are significantly supplemented with foreign aid in order to ensure the availability of essential levels of health care.

Figure 3.4 again shows the composition of health-care financing sources, this time according to the level of "vulnerability" of countries (combined poverty and informality). It can be seen that there is a clear correlation between the level of vulnerability as so defined in a country or its population, and the roles of public and private financing, in particular out-of-pocket financing. The poorest and most vulnerable have to rely mostly on their own resources for health care because they have much less financial protection than the less vulnerable.

The *level* of financial protection provided by existing social health protection mechanisms refers to the proportion of health-care costs covered through pooling and pre-payment mechanisms either by general government (national health services, social health insurance) or by private health insurance. In other words, it is the proportion of costs *not* borne out of pocket at the point of service delivery. Therefore, gaps in financial protection are reflected by the level of out-of-pocket expenditure borne to cover individuals' health costs. Levels of coverage become lower when out-of-pocket payments increase; high out-of-pocket payment rates thus indicate gaps in financial coverage – insufficient financial protection provided by the existing social health protection mechanisms. However, it does not indicate other dimensions of coverage – those related to effective access to health services, such as whether the required services are available in terms of quantity and quality.

Making health-care services *affordable* to workers and their families in both the informal and formal

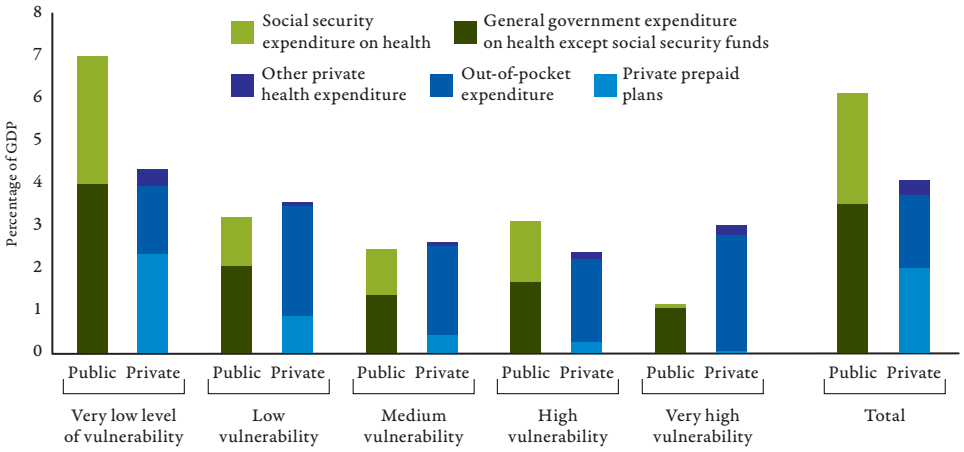
Figure 3.3 Health-care financing levels and sources of funds, 2006 (percentage of GDP)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15210

Source: ILO calculations based on WHOSIS (WHO, 2009a), 2006 data. See also ILO, GESS (ILO, 2009d).

Figure 3.4 Vulnerability of countries and sources of funds: Public and private health expenditure and composition of health expenditure by level of vulnerability at the country level, 2006 (percentage of GDP)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15212

Note: The grouping of countries by level of vulnerability is based on the combination of two criteria: employment and poverty level (for more details see Chapter 2 of this report, pp. 30–31, and the Statistical Annex).

Sources: ILO calculations based on WHOSIS (WHO, 2009a), 2006 data for health expenditure as a percentage of GDP; ILO, LABORSTA (ILO, 2009e) and *KILM* (ILO, 2008e); World Bank, 2009a; and national statistical offices for employment and poverty statistics regarding levels of vulnerability. See also ILO, GESS (ILO, 2009d).

economy is a major objective of social health protection. The affordability of health services can be defined as the absence of financial barriers to households in receiving health services when they need them. It aims at opening access to health-care services to all in need, at the same time preventing health-related poverty. Affordability can be assessed by looking at the share of out-of-pocket health-care expenditure made by a household of its total household income or expenditure, net of necessary subsistence expenditure (including – for example – food and basic housing costs), and comparing it with a selected threshold value. Setting the threshold value beyond which a household's out-of-pocket health expenditure would have a catastrophic impact on its financial situation requires research into actual household spending patterns. The level of threshold value is not only country-specific but may be different for households at various income levels: for many households simply nothing is left after deducting the amounts necessary for survival, for many incomes are below the

subsistence level. Still, it may be useful to set a threshold for catastrophic health expenditure[1] so long as account can be taken of the fact that it applies only to households living above the subsistence level. For example, Scheil-Adlung et al. (2007) consider health-care expenditure to be unaffordable if it amounts to more than 40 per cent of the household income remaining after subsistence needs have been met. That share of health-care expenditure is considered to be catastrophic for households above the subsistence level, while for households at or below the subsistence level all out-of-pocket health expenditure may have catastrophic impact. Universal coverage, including effective access to social health protection, is therefore necessarily associated with equity in financing, assuring that households are asked to contribute only in relation to their ability to pay.[2]

In the 1980s and 1990s many countries introduced user fees in an effort to infuse new resources into struggling services, often in a context of disengagement of the State and dwindling public resources for health. Most undertook these measures without anticipating the extent of the damage they would do. In many settings, dramatic declines in service use ensued, particularly among vulnerable groups, while the frequency of catastrophic expenditure increased. Some countries have since reconsidered their position and have started phasing out user fees and replacing the lost income from pooled funds (government subsidies or contracts, insurance or pre-payment schemes). This has resulted in substantial increases in the use of services, especially by the poor. In Uganda, for example, service use increased suddenly and dramatically and the increase was sustained after the elimination of user fees. Pre-payment and pooling institutionalizes solidarity between the rich and the less well-off, and between the healthy and the sick. It lifts barriers to the uptake of services and reduces the risk that people will incur catastrophic expenses when they are sick. Finally, it provides the means to re-invest in the availability, range and quality of services.

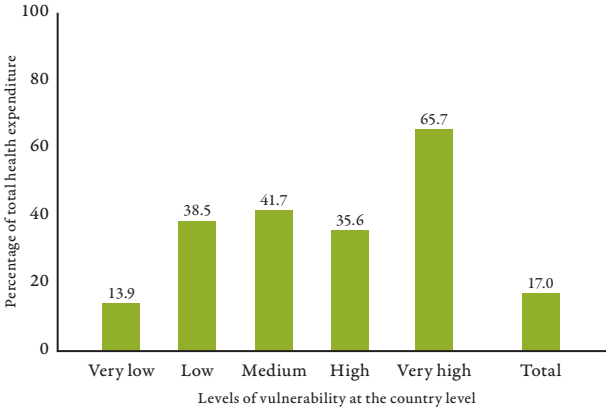
We use here data on out-of-pocket payments as one of the proxies for the size of the coverage gap in the context of a set of indicators with respect to the level of financial protection provided, assuming that the essential quantity and quality of services is available. It must be understood, however, that this indicator only takes into account costs that have actually occurred; it does not reflect situations where the existing financial barriers actually prevent the use of health-care services when needed owing to individual cost-sharing rates that are too high. If a sick person cannot afford a consultation with a doctor, treatment or medication, this is not taken into account by this indicator. Further, the only data available refer to out-of-pocket payments *at the point of service*. These figures therefore underestimate actual out-of-pocket payments, since costs such as transportation to get to the doctor or hospital are not taken into account. Such unaccounted out-of-pocket costs matter more in rural than in urban areas, since infrastructure is better in urban and semi-urban areas so that distances and the consequent cost of travel are on average higher in rural areas. Nor does this indicator take into account any indirect costs borne by individuals and households, such as loss of income due to sickness. Nevertheless, data on out-of-pocket payments, in the context of a set of other indicators measuring effective access, offer a comparatively deep insight into the financial burden on individuals and households caused by illness and other health-care-related events. High out-of-pocket payment rates correlate positively to reduced affordability of service and high risk of impoverishment due to catastrophic illness events.

Figure 3.5 shows the range of out-of-pocket payments by level of country vulnerability. More than 65 per cent of expenditure in the most vulnerable countries derives from private out-of-pocket funds; this indicates not only a significant gap in sharing the health financing burden but also related issues of equity, fairness in financing, and affordability. Many people in countries such as Cambodia, India and Pakistan, for example, shoulder up to 80 per cent of total health expenditures, with only a small portion of the population being covered by any form of social health protection mechanisms providing medical benefits such as tax-funded services or social, national or community-based insurances. The issues persist even in countries of medium and low vulnerability. The share of out-of-pocket payments is even higher in countries of medium vulnerability (42 per cent) than in those that are highly vulnerable (35 per cent). The reason is most likely that in countries of medium vulnerability there is a higher availability of services and infrastructure, as well as fewer extremely poor people who cannot afford any access to health care at all, than in countries of high vulnerability. At the same time, high poverty rates in the countries of highest vulnerability, together with the

[1] "Catastrophic health expenditure" is defined by WHO; see Scheil-Adlung et al., 2007.

[2] See ILO Convention No. 102 (Article 10) referred to above, as well as Article 71 of the same Convention which points out that financing of social security in general "should avoid hardship of persons of *small means*" (italics added).

Figure 3.5 Share of out-of-pocket expenditure as a percentage of total health expenditure by level of country vulnerability, latest available year

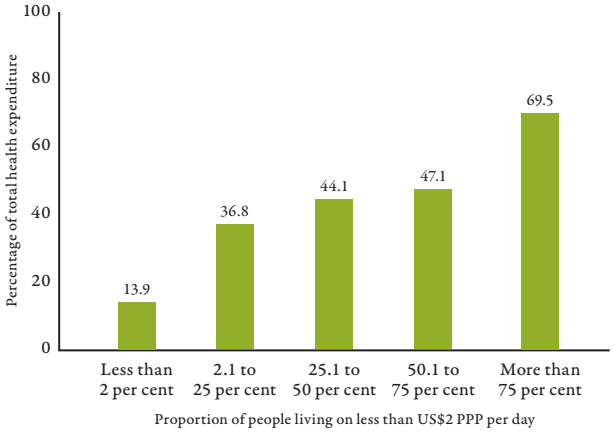


Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15107

Note: The grouping of countries by level of vulnerability is based on the combination of two criteria: employment and poverty level (for more details see Chapter 2 of this report, pp. 30–31 and the Statistical Annex).

Sources: ILO calculations based on WHOSIS (WHO, 2009a), 2006 data for out-of-pocket health expenditure as a percentage of total health expenditure; ILO, LABORSTA (ILO, 2009e) and KILM (ILO, 2008e); World Bank, 2009a; and national statistical offices for employment and poverty statistics regarding levels of vulnerability. See also ILO, GESS (ILO, 2009d).

Figure 3.6 Out-of-pocket expenditure as a percentage of total health expenditure by poverty incidence, 2006 (percentage of people living on less than US$2 PPP per day)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15108

Source: ILO calculations based on WHOSIS (WHO, 2009a), 2006 data. See also ILO, GESS (ILO, 2009d).

absence of any financial protection mechanisms, lead to extreme shares of out-of-pocket payments.

High out-of-pocket payments are a major cause of impoverishment, and so it is not accidental that there is a strong correlation between the shares of out-of-pocket expenditure in a country and poverty incidence there, as shown in figure 3.6.

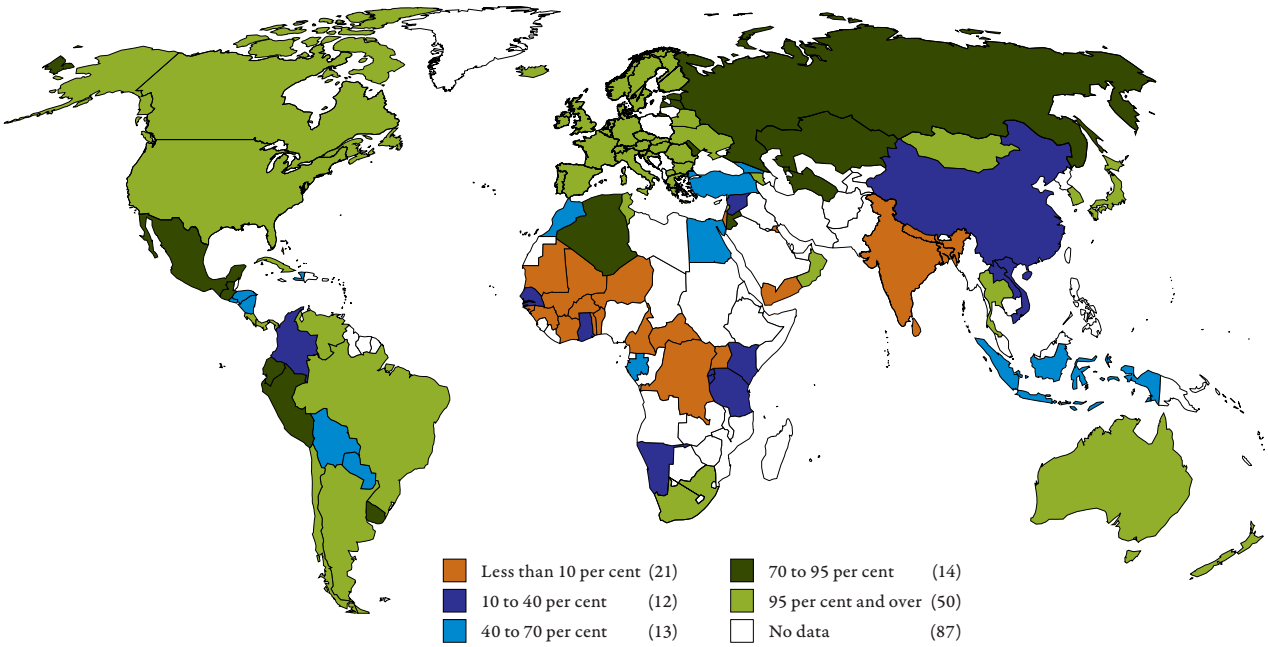
That high out-of-pocket payments are a major factor leading to, maintaining and sharpening poverty is clearly shown in figure 3.6. The figure differentiates between shares of out-of-pocket expenditure among country groups with different incidences of poverty (measured as the proportion of people living on less than US$2 a day). At the country level there is a strong correlation between the proportions of out-of-pocket payments and poverty incidence. In the 27 countries where less than 2 per cent falls below the US$2-poverty line, on average less than 15 per cent of total health expenditure has to be borne out of pocket (this is consistent with the overall share in high-income countries shown in figure 3.5). But in countries with poverty rates between 2 per cent and 75 per cent the rate of out-of-pocket expenditure is roughly 40 per cent, and it is considerably higher in those 27 countries in which more than 75 per cent of the population falls below the poverty line. Here, two-thirds of total health expenditure is paid out of pocket.

Out-of-pocket expenditure represents the major part of overall private expenditure in developing countries. For example, among all African countries, only in Botswana, Namibia and South Africa is the share of out-of-pocket payments in overall private expenditure less than 25 per cent. In the majority of African countries, the share reaches 80 per cent and even higher. At the same time, in many of these countries more than half of the total expenditure on health is borne privately. This interaction between high shares of out-of-pocket payments in private health expenditure and high rates of that expenditure underlines once more the lack of financial protection against health-care costs. In those countries with a small portion of public health expenditure per capita, the level of out-of-pocket expenditure is relatively high.

3.3 Gaps in health-care coverage and access deficits

The gap in affordability and financial protection coverage is of course closely connected to the existing gap in extent of coverage: legal and effective coverage by social health protection mechanisms. These mechanisms include a broad variety of institutionalized solutions such as public schemes, social insurance schemes, private insurance, and also the community-based schemes that are widespread in many developing countries. In some countries all people should by law have free access to health-care services (100 per cent legal coverage) – but

Figure 3.7 Health protection: Proportion of the population covered by law, latest available year (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15109

Source: National legislation, various dates. See ILO, GESS (ILO, 2009d).

in reality they do not have such access when they need it (effective coverage much, much lower). Figures 3.7 and 3.8 describe legal coverage by contributory health insurance mechanisms. As figure 3.7 shows, formal legal coverage by these mechanisms remains low in many countries and especially in Africa and Asia.

When countries are grouped by vulnerability level it can be shown that legal coverage is lowest in those countries with high levels of poverty and informality. This highlights the close connection between formal employment and coverage. Figure 3.8 shows legal coverage by country "vulnerability" groups. Nearly 90 per cent of people living in the most vulnerable countries are not covered formally by any scheme or system, as compared to less than 4 per cent in the least vulnerable countries.

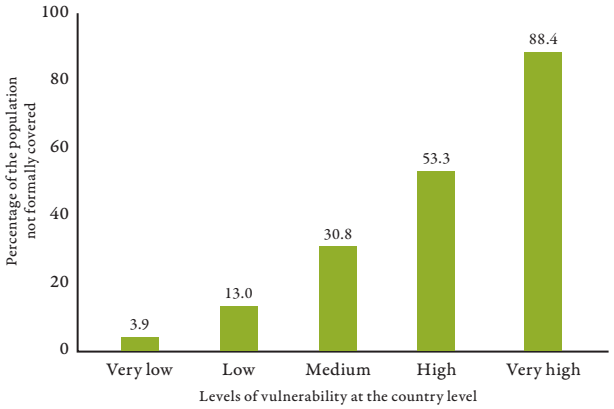
Indicators of legal coverage or "access" to social health-care protection mechanisms based on results are, however, insufficient. The ILO has developed an indicator which also reflects the supply side of access availability – in this case the availability of human resources at a level that guarantees at least basic, but universal, effective access to everybody. To estimate access to the services of skilled medical professionals, it uses as a proxy the relative difference between the density of health professionals in a given country and its median value in countries with a low level of vulnerability (population access to services of medical professionals in countries with low vulnerability is thus used as a benchmark for other countries). Figure 3.9 provides a global overview of this access deficit by income level of countries. It suggests that 30–36 per cent of the world's population has no access to the services of an adequate number of skilled medical professionals. Low-income countries in Africa and Asia show the highest levels of access deficits.

In health care, the triad between individuals/households, institutionalized health-care financing mechanisms, and the sector of health-care providers defines the field of social protection. Coverage thus means affordable access to (quality) health care by various public or private measures. Physical access to health-care providers, treatment and medication requires a sufficient health-care infrastructure and workforce as well as the provision of medical goods and services.

It is relatively easy to measure a formal coverage gap defined as the percentage of people not formally/legally covered by social health protection. But, as we have seen, measuring how many people are covered under legislation by social health protection does not reflect effective access to health services. A combination of various proxies is therefore used to sharpen the picture of coverage worldwide.

Data on effective coverage are very limited, at both the global and national levels. Despite the significant

Figure 3.8 Deficits in legal health protection coverage by vulnerability at the country level, latest available year (percentage of population not covered)

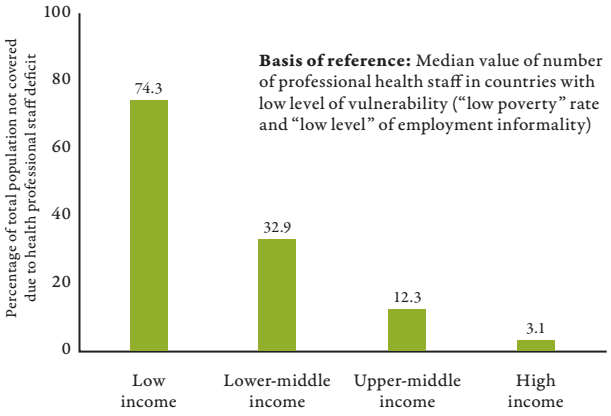


Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15110

Note: The grouping of countries by level of vulnerability is based on the combination of two criteria: employment and poverty level (for more details see Chapter 2 of this report, pp. 30–31, and the Statistical Annex).

Sources: ILO calculations based on WHOSIS (WHO, 2009a), 2006 data for health expenditure as a percentage of GDP; ILO, LABORSTA (ILO, 2009e) and KILM (ILO, 2008e); World Bank, 2009a; and national statistical offices for employment and poverty statistics regarding levels of vulnerability. See also ILO, GESS (ILO, 2009d).

Figure 3.9 ILO access deficit indicator, 2006 (shortfall of skilled medical professionals as a proxy)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15112

Note: The median used as a benchmark is just over 40 health professionals per 10,000 population. This value is above the minimum set by WHO for primary care delivery, which is 25 per 10,000. This indicator is presented in the Statistical Annex.

Source: ILO calculations based on WHOSIS (WHO, 2009a), 2006 data. See also ILO, GESS (ILO, 2009d).

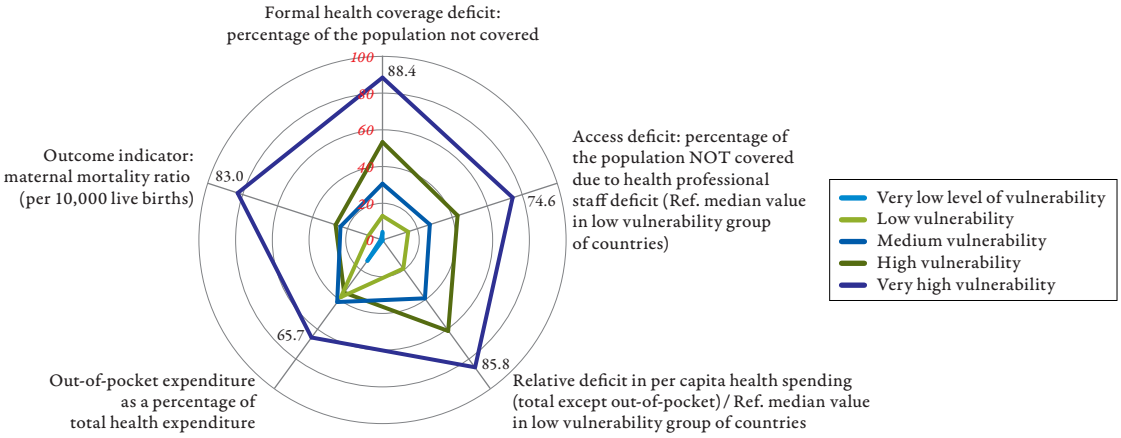
efforts of many national and international institutions to develop and provide data on access to health services, particularly by the poor, information gaps still exist. Often only very specific and non-comparable data are available at national and international levels; these do not allow assessments of effective coverage and access. Nevertheless, given the close link between access to health services and lack of coverage in social health protection, the availability of such data is vital when developing and advocating strategies for universal coverage.

To measure effective access one has to look at a number of interlinked dimensions: legal coverage by social health protection measures, affordability of health-care services to households, availability of services in terms of qualified health workforce, infrastructure, and so on. But what one is likely to have in available statistics is only partial indicators related to these different dimensions – percentage of persons covered by law, out-of-pocket expenditure as a percentage of the total, density of medical personnel of different skills and some infrastructure indicators, overall levels of health spending and, finally, information on the actual utilization of selected health-care services (percentage of births attended by skilled medical personnel, percentage of children vaccinated, and so on). Effective access to health care and levels of actual utilization certainly depend on all the above factors – the level of financial protection being determined both by legal coverage and effective coverage, as well as the availability of services – but at the same time there are other factors that influence access, including cultural ones.

Ideally, the most useful approach to measuring social health protection coverage in terms of effective access would be through a combination of key indicators reflecting the situation in a country, including the following:

- *Availability and financial protection*
  - Formal coverage gap: measured by percentage of people not formally/legally covered by social health protection;
  - Financial protection deficit: measured by proportion of out-of-pocket payments to total health expenditure.
- *Availability and quality of services*
  - Resources deficit: measured by proportion of actual total health expenditure per capita (less out-of-pocket expenditure) to a specific benchmark value (defined here as the median value for low-vulnerability countries);
  - Access deficit: measured by percentage of population not covered due to insufficient number of qualified medical personnel (using median density of medical personnel in low-vulnerability countries as the benchmark).

Figure 3.10 The global deficit in social health protection coverage and effective access to health services in 2006 (ILO methodology)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15113

Note: The multiple dimensions of health coverage are presented in the Statistical Annex.

Sources: ILO calculations based on WHOSIS (WHO, 2009a), 2006 data. See also ILO, GESS (ILO, 2009d).

Another important indicator of effective access to health services relates to health outcomes such as maternal mortality, reflecting all social strata including the extremely poor.

Figure 3.10 gives an example of the result of such an analysis, combining selected indicators of the types described above. Countries are grouped into five levels of "vulnerability" as defined by two criteria: (a) percentage of population below the poverty line of US$2 PPP per day, and (b) wage employment as a percentage of total employment. The highest vulnerability group includes countries with the highest poverty incidence and the lowest proportion of wage employment.

Figure 3.10 compares the selected set of coverage indicators. Until more reliable data become available, this set of indicators might serve as a proxy for estimating effective access to health care, even if they exhibit some inconsistencies. The simultaneous use of these proxy indicators opens up a range of relative values that might serve as a crude indicator for access or non-access to health services.

The figure reveals that in the most vulnerable group of countries represented in the outer line more than 80 per cent of the population have no legal coverage and no access to health services due to gaps in the health workforce, and experience significant gaps in financial protection and affordability of services, given the extreme values of out-of-pocket payments impacting on poverty. The deficit in per capita spending of 85 per cent based on the median value deepens the overall gap in financial protection. We also find in this group of countries the highest values for maternal mortality of 82 deaths per 10,000 live births.

In this multidimensional statistical picture no specific indicators have been included for the third main dimension of health-care coverage discussed in Chapter 1, namely the *scope* of health-care services provided: what benefit packages are in place and whether they are accessible to all in need. This aspect of coverage is even more difficult to measure – particularly on an internationally comparable basis. In the ILO methodology of measuring coverage defined as effective access to health care this dimension is for the time being taken care of by using the health outcomes indicator of maternal mortality rates. There is general agreement that *benefit packages* should be set with a view to maintaining, restoring or improving health, guaranteeing the ability to work and meeting personal health-care needs. Countries should define health protection benefit packages specifying the health services, medicines and commodities that are to be made available to the population covered. The determination of the corresponding "essential package" of benefits can play a key role here, provided the process is conducted appropriately. As discussed above, effective access and coverage need to reflect the scope of benefits actually provided. While there is no one-size-fits-all solution, Convention No. 102 provides guidance on the scope of benefit packages. In order to achieve its objectives, social health protection benefit packages must be neither too extensive nor limited to a minimum, but need to ensure that certain essential preconditions are met.

Coverage by social security pensions: Income security in old age

4

The main risk when one reaches old age is poverty or income insecurity owing to the loss of one's ability to earn income, whether partially or completely. This was the main justification for the first pension schemes, which emerged at first only in the highly developed countries but which have since spread across the whole world.

A pension scheme is an arrangement by which individuals are provided with an income (a regular periodical payment) when they have reached a certain age and are no longer earning a steady income from employment. Countries where social security is more developed usually have a number of different pension schemes either covering certain groups of the population or with various specific objectives. Some of the latter include the prevention of poverty through the provision of basic income, the replacement of pre-retirement employment income in order to "smooth" consumption (that is, to prevent a fall in living standards after retirement), and the supplementation of this partial replacement income with additional income at retirement. These different pension schemes may be contributory or non-contributory, defined-benefit or defined-contribution, mandatory or voluntary, publicly or privately managed, social insurance or occupational or personal, basic or supplementary. What is important is that all these different schemes are designed to play complementary roles in order to provide comprehensive coverage, reaching different groups of the population and meeting different objectives; as such they constitute a national pension system. The specific mix of components in the national pension system generally reflects national circumstances such as the country's policy stance and history of economic development.

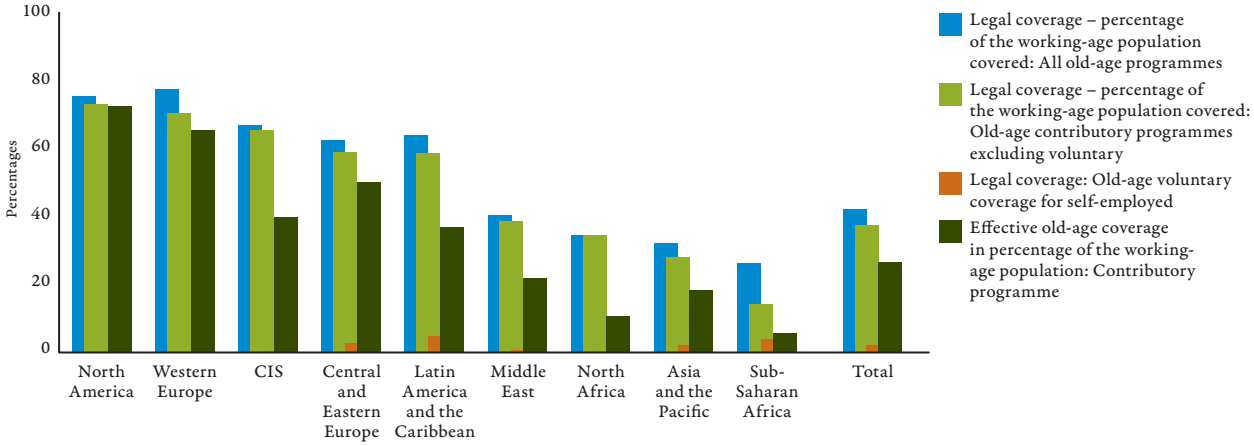
4.1 From legal to effective coverage by old-age pensions: An overview

In many OECD countries pension systems have proved effective in reducing income poverty and other forms of poverty among older people (OECD, 2009b, Part III). On the other hand, in developing countries the numbers of the older poor are increasing and older people are over-represented among the chronically poor. According to HelpAge, two-thirds of older people receive no regular income, while 100 million live on less than US$1 a day.

Coverage by old-age pension schemes around the world, apart from in the developed countries, is concentrated on formal sector employees, mainly in the civil service and large enterprises. Figure 4.1 shows the distribution of coverage measured in terms of persons protected around the world. It can be seen that the highest coverage is found in North America and Europe, the lowest in Asia and Africa. Existing legislation stating theoretical coverage may however differ significantly from effective coverage in terms of actual contributors to pension schemes.

Worldwide, nearly 40 per cent of the population of working age is *legally* covered by contributory old-age pension schemes. But the regional situation is very

Figure 4.1 Old-age pensions: Legal coverage and effective active contributors in the working-age population, by region, 2008–09 (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15143

Sources: ILO Social Security Department based on SSA/ISSA, 2008, 2009; ILO, LABORSTA (ILO, 2009e); national legislative texts; national statistical data for estimates of legal coverage; and compilation of national social security schemes data for effective coverage. See also ILO, GESS (ILO, 2009d). Country data are available in the Statistical Annex.

diverse. In North America and Europe this number is nearly twice as high, while in Africa less than one-third of the working-age population is covered even by legislation. The former communist countries, including the poorer countries in Central Asia, have inherited comprehensive pension schemes which provide much higher coverage than schemes in other countries of comparable GDP per capita. In all regions, the proportion of voluntary contributory programmes hardly reaches 4 per cent of the working-age population; this sheds light on the significance of mandatory contributory schemes.

As stated previously, effective coverage is significantly lower than legal coverage. With the exception of North America and to a lesser extent Western Europe, effective coverage is quite low in all regions, although it is still at nearly 50 per cent in Central and Eastern Europe. However, in sub-Saharan Africa only 5 per cent of the working-age population is effectively covered by contributory programmes, while this share is about 20 per cent in Asia, the Middle East and North Africa.

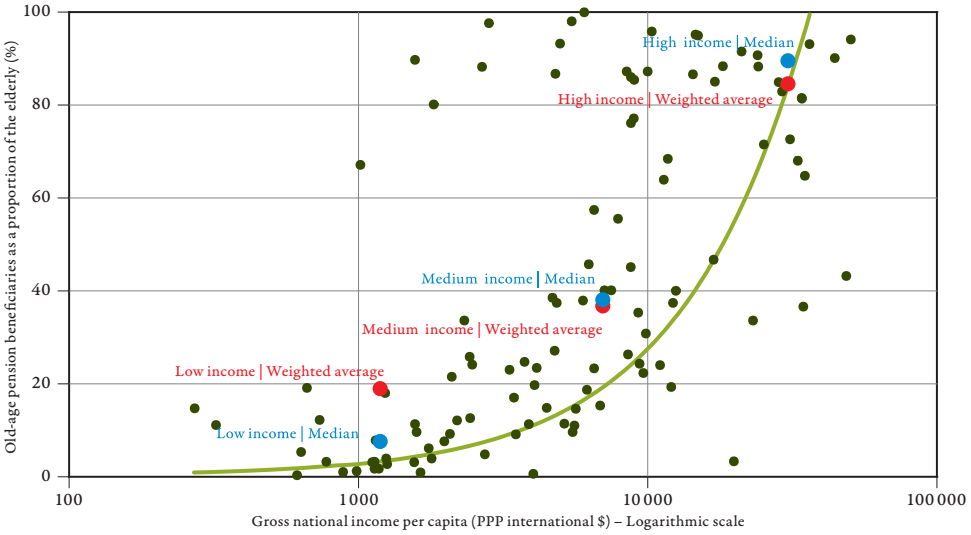
In Asia some countries have made major efforts to extend coverage beyond the formal sector. Sri Lanka, for example, has a scheme covering farmers and fishers which has achieved substantial coverage rates (57 per cent of the farmers and 42 per cent of the fishers). India too has made efforts to cover the informal sector through its new pension scheme. But other countries such as Cambodia or the Lao People's Democratic Republic have hardly any broad pension schemes. Nepal has introduced a basic non-contributory pension for all those in extreme age. Thailand implemented a similar allowance for all the elderly as a temporary anti-crisis measure, but is now debating whether to replace it by a permanent basic pension scheme.

At the same time, while in high-income countries 75 per cent of persons aged 65 or over are receiving some kind of pension, in low-income countries less than 20 per cent of the elderly receive pension benefits; the median in this group of countries is just over 7 per cent (see figure 4.2).

4.2 Coverage gaps and employment status of the elderly

The need to extend coverage applies thus first and foremost, and urgently, to developing countries where formal coverage rates are low (see figure 4.3). To begin with, pension schemes in these countries tend to cover a restricted proportion of the workforce, mainly those in formal wage employment as shown in figure 4.4. In high-income and an increasing number of middle-income countries universal pension coverage has been – or is being – achieved. But with increasing longevity and relatively short working lives, as well as increasing demands for long-term care of older people, social security systems are under growing financial stress. This often leads to reforms which will result in lower benefits for future generations of retirees.

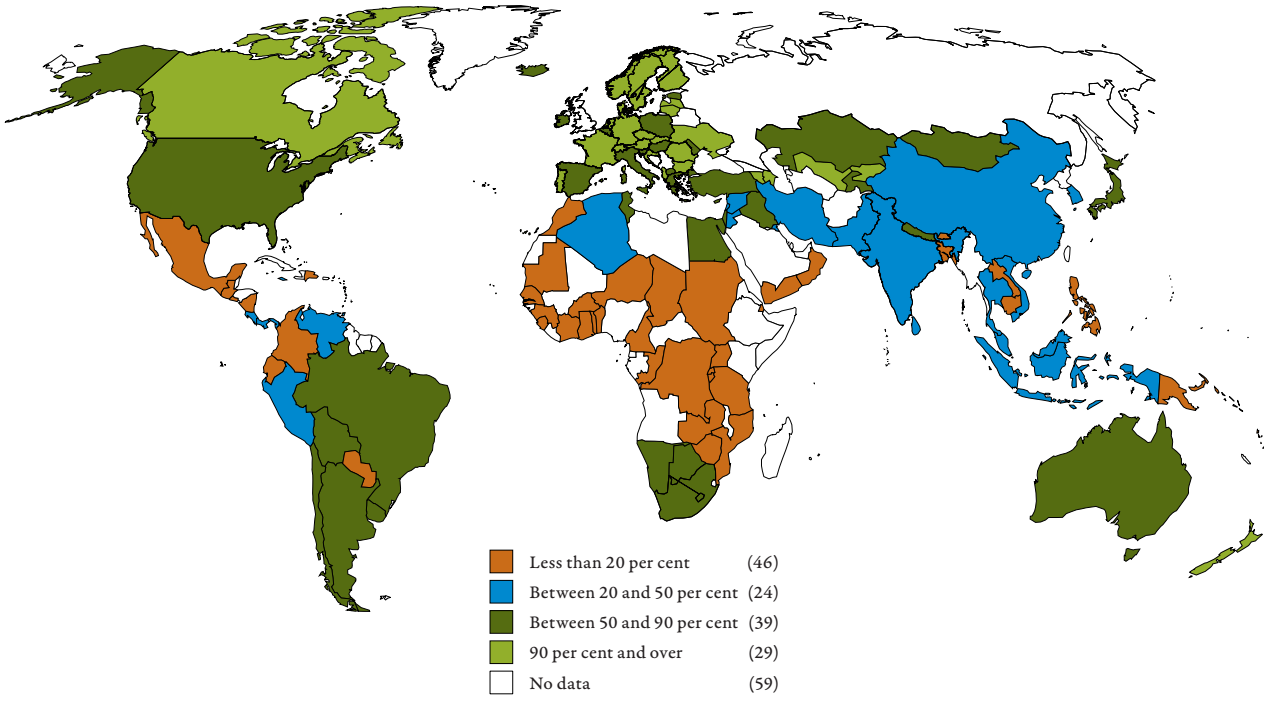
Figure 4.2 Old-age pension beneficiaries as a proportion of the elderly by income level, various countries, latest available year



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15144

Sources: ILO Social Security Department, compilation of available national data collected from national pension social security schemes; UN data. See also ILO, GESS (ILO, 2009d).

Figure 4.3 Old-age pension beneficiaries as a percentage of the population above retirement age, latest available year

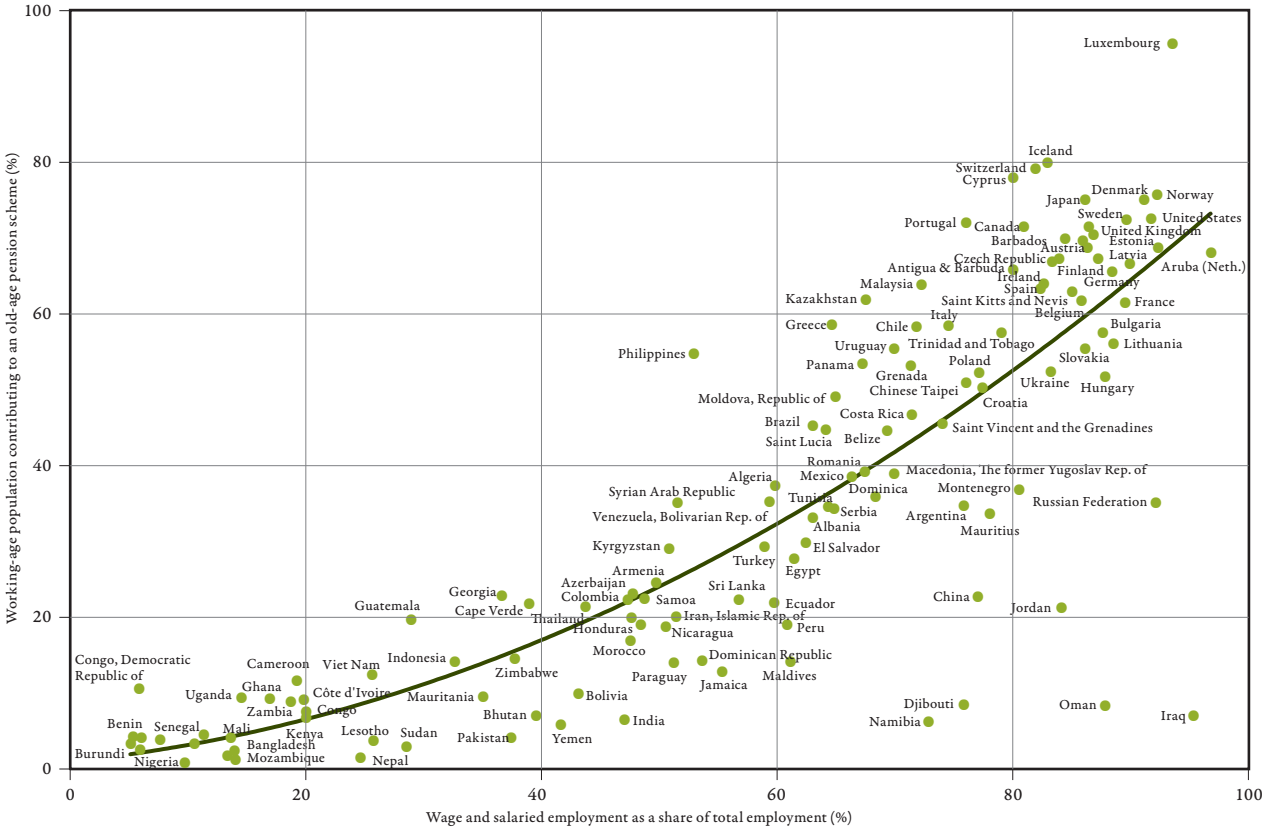


Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15145

Note: Latest available year: for country data with corresponding year see the Statistical Annex.

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; UN data. See also ILO, GESS (ILO, 2009d).

Figure 4.4 Old-age pensions: Effective active contributors as a percentage of the working-age population by the share of wage employment in total employment, latest available year (percentage of working-age population)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15146

Note: Latest available year: for country data with corresponding year see the Statistical Annex.

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; ILO, LABORSTA (ILO, 2009e), completed with national statistical data. See also ILO, GESS (ILO, 2009d).

At the same time, the majority of older people in the world – particularly in low-income countries – are obliged to continue working, mainly in the informal economy, because they are not entitled to pensions, or if these exist they are too low. Since most of these people have been working in the informal economy or in rural areas, they have not contributed to pension schemes during their working life. Moreover, in most lower-income countries they cannot benefit from non-contributory social assistance or universal pensions that could lift them out of poverty when they reach retirement, because such schemes are non-existent.

Levels of economic activity rates of the elderly and the extent of a decline in economic activity with advancing age can thus be treated as indicators of how many people are actually retiring – although it is still not known how many are forced to retire either because they are unable to work or because there is no employment for them. There are no data detailed enough to make it possible to calculate average ages of exit from the labour market in all countries. However, table 4.1 shows how labour force participation rates of those 65 and older compare with average economic activity rates for all those aged 15 years and over. Here again, it can be clearly seen that "retirement" from economic activity in old age, while widespread in developed parts of the world, is rare in developing countries. In sub-Saharan Africa men are able to reduce their economic activity rates only slightly – by up to 20 per cent – as they get older. It is striking that this situation had not changed in Africa between 1980 and 2005, differing from most other regions. South and East Asia are other regions where, apparently, an exit from economic activity in old age is less common than elsewhere. Women nearly everywhere reduce their economic activity as they reach old age more than men do; however, it is obvious that

very often they switch to occupations not seen by labour force surveys as "employment": caregiving and running the household for other members of their families.

Table 4.1 also shows life expectancy at age 65 for men and women in different parts of the world: while the large gap between developed and developing parts of the world for life expectancy at birth is well known, it appears that in old age the gap is much smaller. Even in the poorest countries people will live another ten years on average once they reach the age of 65 – the question is how dignified a life that will be, and what kind of income security can society provide.

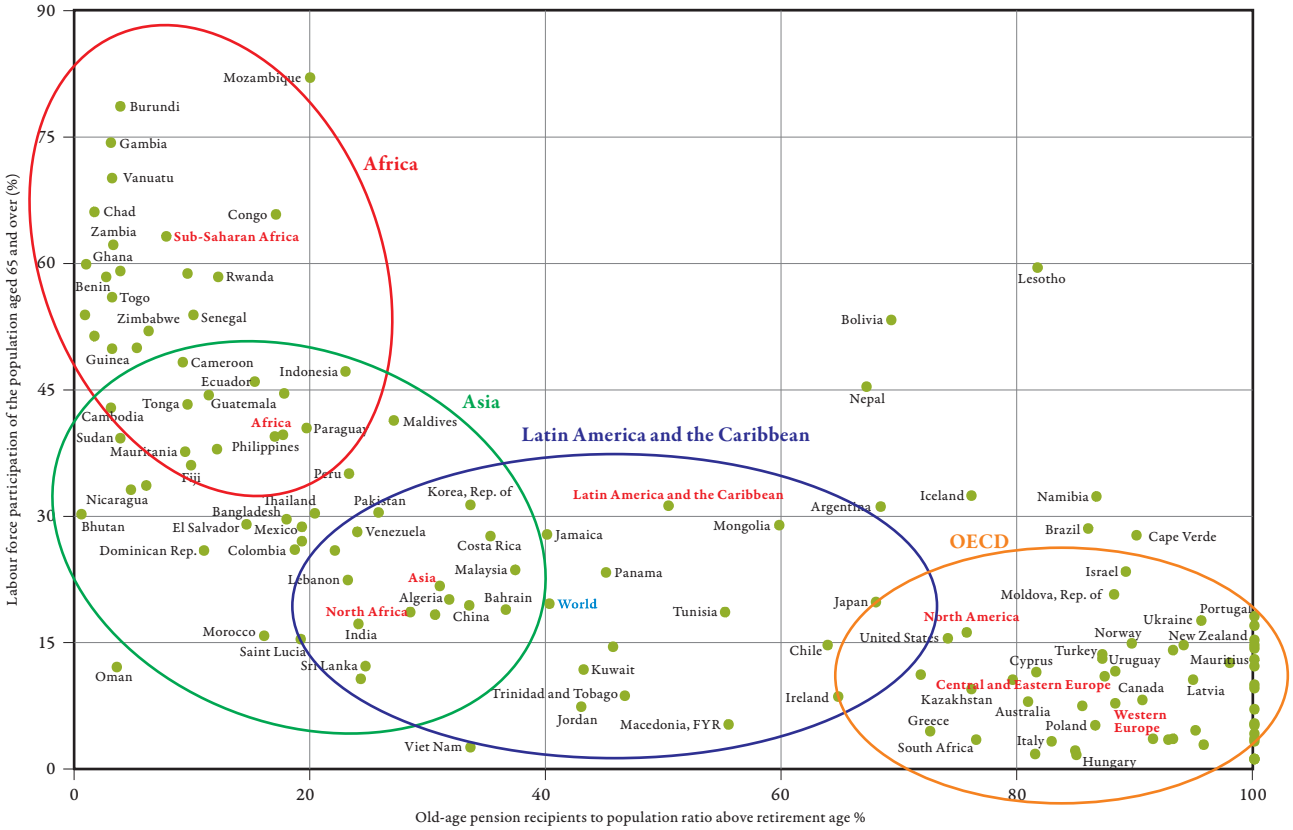
There is a strong link between old-age pension coverage and labour force participation in old age, as shown in figure 4.5. In Bolivia, for example, more than 50 per cent of those aged 65 years or older still work, despite the universal pension system that exists. This demonstrates the low amounts of pension payments per person on the one hand, and on the other hand draws attention to the gap between legal coverage of beneficiaries and actual beneficiaries: as figure 4.9 shows, only two-thirds of all elderly Bolivians actually receive pensions, although by law everyone is entitled to them. In Namibia in 2008, the flat rate amount of the old-age pension grant was 450 Namibian dollars a month. There is no statutory minimum wage law, but the mining, construction, security and agricultural sectors set basic levels of pay through collective bargaining. The level of the old-age grant is almost half the minimum wage (N$860 per month) for agricultural workers. In Mongolia, where a high level of coverage coexists with a high labour force participation rate among those aged 65 and over, the situation is different. According to the law on pension and benefits provided by the Social Insurance Fund, the minimum pension should be not less than 75 per cent of the minimum wage. In July 2007 the average pension

Table 4.1 Participation in the labour market of elderly (65+), and life expectancy at age 65, 1980–2005 (percentages)

	Labour force participation at age 65+ as a percentage of labour force participation at age 15+				Life expectancy at 65	
	Men		Women		2000–05	
	1980	2005	1980	2005	Men	Women
Middle Africa	84.4	85.0	55.1	56.5	10.96	12.38
Western Africa	81.4	82.3	58.7	56.3	11.36	12.50
Eastern Africa	82.7	81.5	62.5	59.1	11.31	13.00
South-Central Asia	68.5	60.2	39.3	43.8	13.36	14.58
South-Eastern Asia	62.0	57.9	38.4	32.7	13.36	15.33
Central America	73.6	56.6	53.4	34.0	16.24	18.16
South America	43.5	44.5	22.2	25.4	15.35	17.98
Northern Africa	59.9	42.9	61.5	22.3	12.81	14.58
Western Asia	46.2	42.7	35.7	40.5	13.16	15.14
Caribbean	47.3	38.2	29.1	17.0	15.30	17.67
Eastern Asia	38.3	33.5	10.8	16.9	14.81	17.53
Southern Africa	33.0	32.9	20.6	12.5	10.69	14.18
Australia and Oceania	19.1	19.9	10.4	9.9	16.49	19.86
Eastern Europe	20.2	15.4	8.7	10.7	11.56	15.27
Northern Europe	17.0	13.7	8.9	7.5	15.76	19.05
Southern Europe	20.3	12.8	15.7	9.7	16.12	19.75
Western Europe	10.1	5.7	7.3	3.2	16.06	20.01
WORLD	**40.6**	**38.2**	**18.4**	**21.5**	**14.39**	**16.95**
More developed regions	21.9	19.3	12.2	12.2	15.47	18.92
Less developed regions	54.2	48.5	24.9	27.8	13.80	15.64

Source: (1) Labour force participation: ILO calculations based on the ILO database Economically Active Population Estimates and Projections, 1980–2020 (ILO, 2009g); (2) Life expectancy: United Nations, 2007. Country groupings according to UN World Population Prospects (see http://esa.un.org/unpp/index.asp?panel=5).

Figure 4.5 Persons above retirement age receiving pensions, and labour force participation of the population aged 65 and over, latest available year (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15147

Note: Latest available year: for country data with corresponding year see the Statistical Annex.

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; ILO, LABORSTA (ILO, 2009e) for economically active population aged 65 and over. See also ILO, GESS (ILO, 2009d).

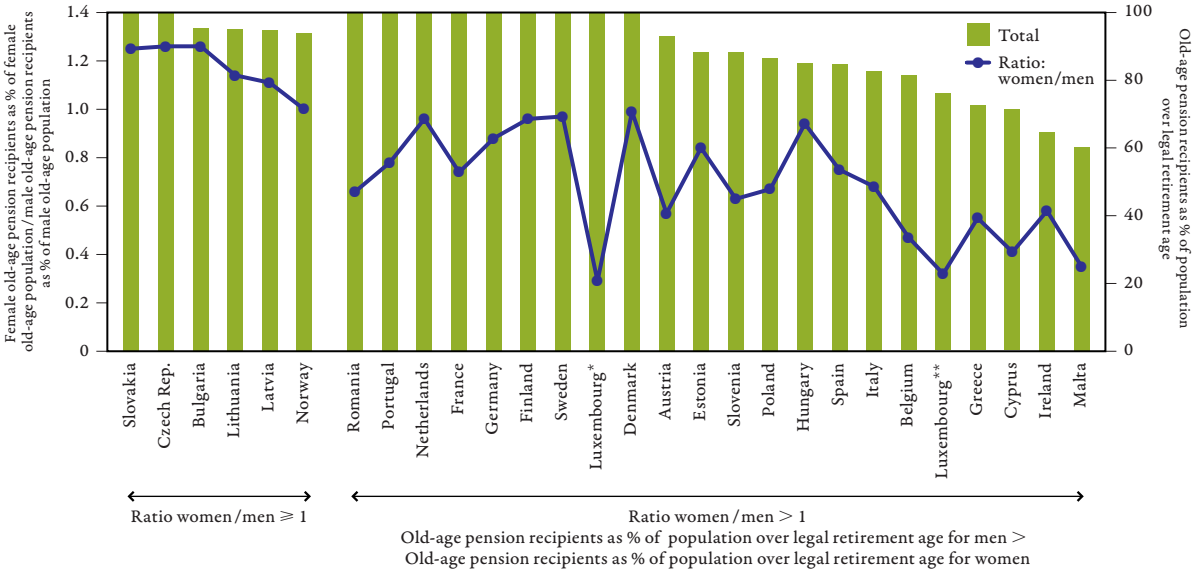
was 68,000 Mongolian tugrik (MNT) per month. The high labour force participation rate is probably linked to government policies: the Labour Law of Mongolia was revised in 1999 in order to promote the employment of elderly persons and to increase their income; this law enables the elderly to be employed in appropriate jobs. The majority of the elderly employed are self-employed; most of them are men, women being involved without payment in family businesses.

Higher beneficiary rates tend to correspond to lower proportions of elderly persons still working, and vice versa: in countries with relatively low coverage rates, the share of the elderly still working is comparatively higher. Japan, for example, has a coverage rate of around two-thirds of people older than 64, with one-fifth of this age group still working. This is the reason why the coverage rate in Japan is lower compared with other high-income countries.

4.3 Effective extent and level of coverage at the country level

For most of the OECD countries, the proportion of pension beneficiaries to the population over retirement age is close to 100 per cent or even higher. Among pensioners there are many younger than 60 years of age; besides, survivors' pensions need to be taken into account in addition to retirement pensions: many older women receive survivors' pensions awarded after the death of their spouse, either because they have no entitlements to an old-age pension in their own right, or because the spouse's pension entitlement was higher than their own. Figure 4.6 shows that in many European Union countries the ratio between the number of recipients of an old-age pension and the population over the retirement age is equal to or higher than 1. However, even in many of those countries for which figure 4.6 shows this ratio

Figure 4.6 European Union: Old-age pension recipients, ratio to population over the legal retirement age (excluding anticipated old-age pensions), 2006



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15152

Note: Luxembourg appears twice, depending on the retirement age: * statutory retirement age according to social security programmes throughout the world (SSA/ ISSA, 2008); ** standard retirement age as given in ESSPROS (European Commission, 2009a), pension beneficiaries. .

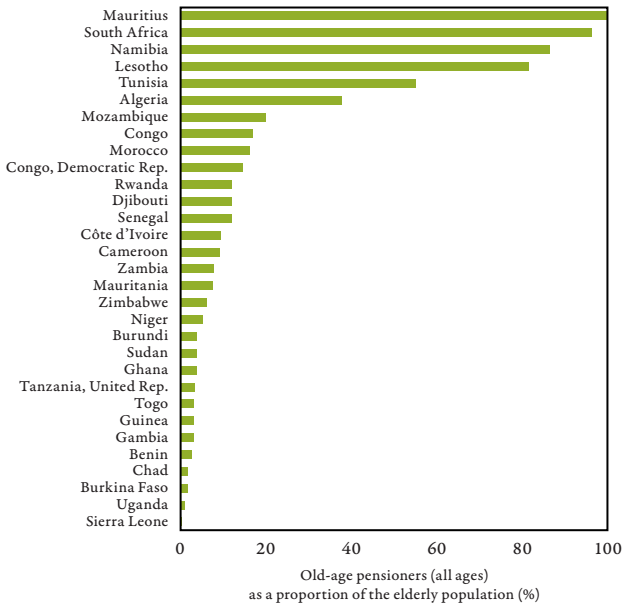
Source: ILO Social Security Department calculations based on ESSPROS (European Commission, 2009a): pension beneficiaries. See also ILO, GESS (ILO, 2009d).

to be below 1, the actual coverage is close to 100 per cent. In Poland, for example, many women over retirement age receive survivors' pensions rather than old-age pensions: the ratio of women to men among old-age pension beneficiaries is well below 1.

In the majority of countries outside the OECD only a minority of the elderly are receiving any pension at all from the formal social security system. The worst situation is in Africa, where 10 per cent of the elderly or fewer have any pension entitlement. Nor will the situation improve radically in the foreseeable future: although most of the African contributory pension schemes are young, and thus not many people have contributed long enough to develop entitlements to benefits, usually fewer than 10 per cent of all those in the labour force or in employment contribute to a pension scheme. The majority of people work in the informal economy and are thus not covered by any contributory social security scheme. In countries with a longer tradition in social security and a larger formal economy (such as Tunisia or Algeria, as shown in figure 4.7), the situation is significantly better

The highest coverage is in those African countries where, in addition to contributory schemes for those in the formal economy, universal pensions (Lesotho, Mauritius and Namibia) or social assistance pensions which

Figure 4.7 Africa: Old-age pensioners (all ages) as a proportion of the elderly population, latest available year (percentages)

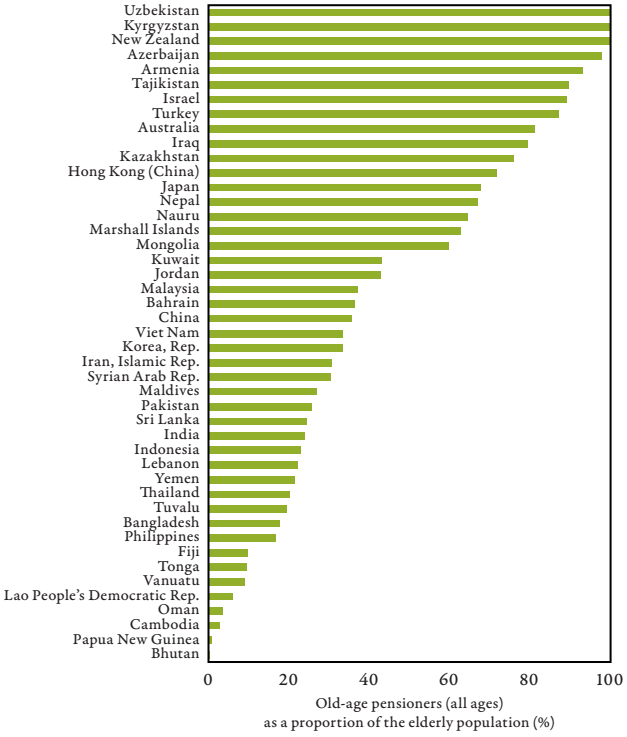


Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15149

Note: Population aged 60 and over, in some cases 65 and over, depending on the national legal retirement age. For further details, see the Statistical Annex.

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

Figure 4.8 Asia Pacific and the Middle East: Old-age pensioners (all ages) as a proportion of the elderly population, latest available year (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15150

Note: Population aged 60 and over, in some cases 65 and over, depending on the national legal retirement age. For further details see the Statistical Annex.

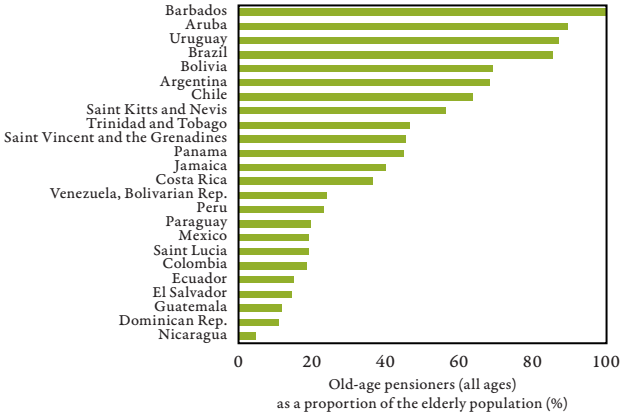
Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

reach a large section of the population (South Africa) have been introduced. Achieving high coverage requires resources to be invested: Mauritius and South Africa spend more than 5 per cent of their GDP on pension and other social security benefits, while the majority of the sub-Saharan African countries allocate not more than 1 per cent of GDP, and even this is used mostly to pay for civil service pensions.

In Asia relatively high coverage is enjoyed by the populations of Mongolia and countries of the former Soviet Union, but low social security expenditure in some of these countries as well as other evidence indicates that actual pensions paid are very low and often not sufficient to keep the elderly out of poverty. In Japan the indicator is only below 100 per cent because many Japanese retire much later than 60. For the rest of the Asian population, it seems that a minority still have effective coverage rates of between 20 and 40 per cent, with the exception of the South-East Asian countries where coverage is lower. Taking into account the policy reforms already under way, improvements in coverage may be expected in future in some countries (such as the current efforts in China to cover the rural population in some way), but the majority of countries are still faced with the challenge of how to effectively prevent widespread and deep poverty among rapidly ageing populations where a majority work in the informal economy and have no access to any contributory social security scheme (see figure 4.8).

In Latin America and the Caribbean, with its long history of social security, coverage in the majority of cases reflects the proportion of those working in the formal economy: 30–60 per cent with the exception of some Caribbean islands where the formalization of the economy is higher. In Brazil, contributory pensions combined with tax-financed rural and social pensions seem to allow for a majority of the population to receive some income support, although many are still not covered. Bolivia, which introduced small universal pensions several years ago, has also succeeded in covering a large section of the elderly population, but evidence shows that there are still many people who by law should be receiving benefits but who are not reached by the system (see figure 4.9). The reforms introduced recently in Argentina (Plan de Inclusión Previsional: 2006–2007) and in Chile (Pension Reform: 2008–2009) will soon allow these countries to reach levels of coverage comparable with Brazil and Uruguay.

Figure 4.9 Latin America and the Caribbean: Old-age pensioners (all ages) as a proportion of the elderly population, latest available year (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15151

Note: Population aged 60 and over, in some cases 65 and over, depending on the national legal retirement age. For further details see the Statistical Annex.

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

The above examples clearly show that only if efforts to gradually expand coverage through contributory schemes are coupled with the introduction of non-contributory pensions, which can immediately provide income support to those already in the old-age brackets, can coverage be expected to reach all (or at least the majority of) those in need.

Poverty in old age has a strong gender dimension. Life expectancy for women is higher than for men; therefore women may be in poverty for a longer period of their lives. A woman's chance of losing her partner is higher, and women are less likely to remarry than men. Women over 60 who have lost their partners greatly outnumber their male equivalents. In many countries women are obliged to maintain certain levels of activity to compensate for declining intra-family support and the absence of universal pension schemes. They not only face the threat of poverty in old age but, living longer, must assume this burden for longer periods. And further, since they are likely to outlive their husbands, in some societies they have to deal with exclusion due to the stigma of widowhood.

The worldwide pattern of pension *coverage* also has a strong gender dimension. In most countries of the world women are less represented in the formal economy than men are, and are therefore contributing relatively less to social insurance pensions. When women do receive social security pensions they will generally receive them on the same basis as men, according to their earnings and years of service. The gender bias here is that women are often employed in jobs with lower pay than that of men. In addition, women may have fewer years of service – either because they interrupt their careers to look after their children or for other care responsibilities, or because women are encouraged to leave the labour market earlier than men. If the pension scheme is based on individual savings, women may have comparatively lower pensions than men.

Another common scenario is that the husband contributes to a social security pension scheme, while his wife is dependent on his pensions. This is the classic model of the male breadwinner. In this situation women are entitled to derived pension rights which are typically lower than for men. In addition, these entitlements are often conditional on the continuation of the marriage, which leaves women in a potentially vulnerable position. How women will benefit during retirement depends on the intra-household decision-making process. After the possible death of her husband, the wife normally receives less of her husband's previous pensions. In case of a marriage break-up, there is generally no splitting of pension claims between husband and wife. In the best of cases, wives will then be eligible for lower-level tax-financed pension assistance benefits.

The most common worldwide scenario, however, is that neither husband nor wife is entitled to social security pensions, since they have worked in the informal economy. In that case, income security in old age depends on accumulated assets over life, such as savings, housing, livestock and land. Moreover, various family support mechanisms are likely to play an important role. All these aspects are naturally also important for people who do receive social security pension benefits. Where tax-financed pensions exist, relatively more women than men tend to benefit from such transfers. In most low- and middle-income countries contributory pensions tend to benefit mainly men, while tax-financed pensions benefit mainly women.

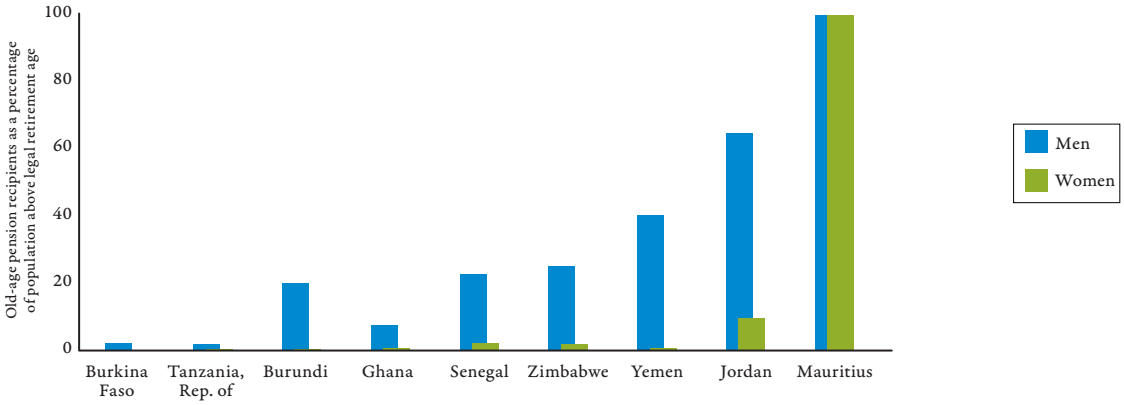
Although average indicators of coverage may be lower (as in Africa) or higher (as in Europe), a significant gender gap shows up everywhere: in nearly all countries elderly women are covered to a much lesser extent than elderly men (see figure 4.10). The key to gender equality in pensions is therefore the extension of such social security pension schemes as to enable the provision of pension rights to women through non-contributory and universal minimum guarantees, and through compensating disadvantages in the labour market such as shorter or broken careers, lower wages, or even total exclusion. Such provision cannot be provided by purely earnings- or contribution-related, "actuarially neutral" pension schemes; it requires clear, usually tax-financed redistribution mechanisms to be built into the pension systems. There is also a need for pension splitting rules, in case of a marriage or partnership break-up. Equal rights between men and women with regard to the inheritance of resources, such as savings, housing, livestock and land, are also most important in ensuring old-age income security for women.

Incomplete coverage is a widespread phenomenon; it is seen not only in developing countries but in industrialized countries too. 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 (as discussed above), low-skilled workers and ethnic minorities.

While there is a certain body of knowledge on the *extent* of old-age pension coverage, only for a very limited number of countries is there information which would permit an assessment of the *level* of coverage, that is, benefit amounts relative to national and international

Figure 4.10 Male and female old-age pensioners (all ages) as a proportion of male and female populations respectively, aged 60 and over, latest available year (percentages)

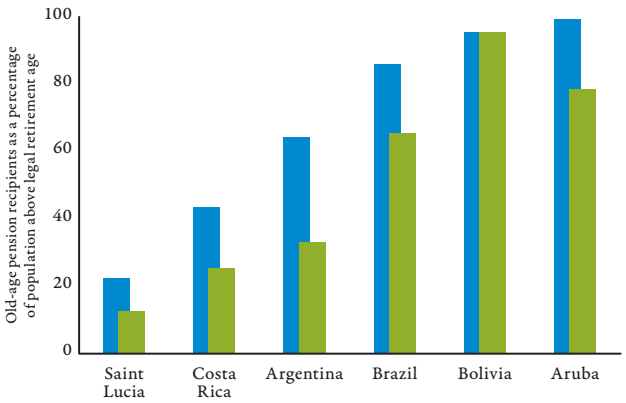
A. Africa



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15148

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

B. Latin America and the Caribbean



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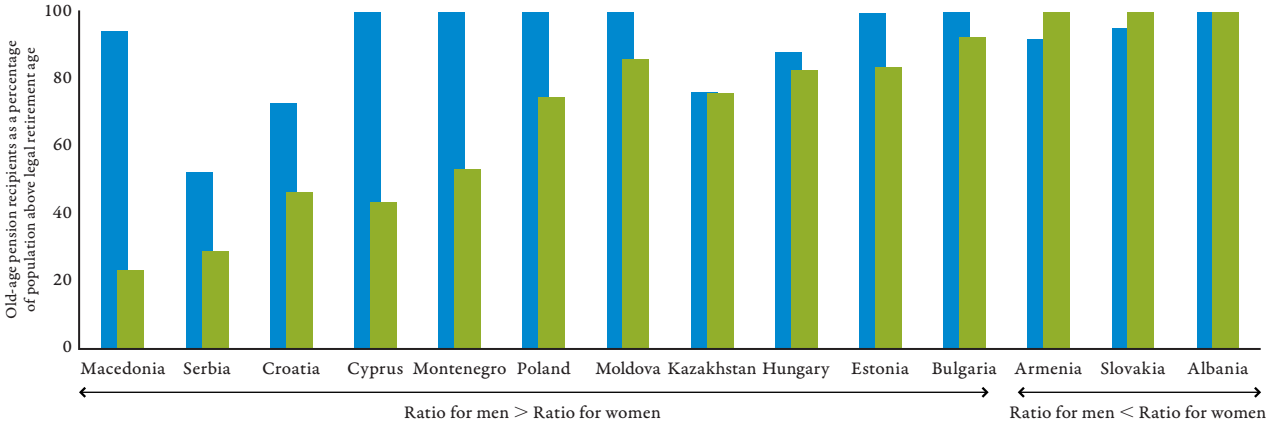
Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

C. Central, South-Eastern Europe and Commonwealth of Independent States



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15148

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

benchmarks. The OECD (2007, 2009c) has developed for its member States quite a wide number of indicators measuring benefit levels. These include estimates of legally guaranteed benefit levels – from measures of "theoretical" current and future legal replacement rates calculated for various categories of individuals, to measures of so-called "pension wealth" for selected types of individuals reflecting the present value of the future stream of pension payments resulting from existing legal provision and the age at which people become eligible to receive a pension, life expectancy and how pensions are adjusted after retirement to reflect growth in wages or prices. The European Commission (2006) has also produced studies comparing current legal replacement rates with replacement rates to be expected in the future as a result of recently implemented reforms. The OECD has published a special report on pensions in Asia (2009d) which also includes estimates of theoretical legal replacement rates and of "pension wealth" for a number of countries in the region. There is certainly a need for further research on existing pension legislation in other parts of the world so as to be able to estimate these "theoretical" legal replacement rates for more countries.

But even for OECD and EU countries there is very limited statistical information at the international level on amounts of benefits actually paid. Such information is more often available at the level of individual pension schemes. Since every country usually has a number of pension schemes, and even retired persons often receive pensions from more than one source, there are problems with calculating national averages for all beneficiaries in the country. To assess the relative income position of pensioners, the OECD studies (2007, 2009c) look at household budget survey data and compare incomes of pensioners (including the portions coming from the various pension schemes and from other income sources such as work or assets) with incomes of those at pre-retirement age. Unfortunately, outside the EU and OECD countries there are not often household surveys with questionnaires designed in a detailed and focused enough way to allow similar analyses.

Levels of benefit received from the social security pension system are of course dependent on resources invested. High-income countries spend on average 6.9 per cent of GDP on social security old-age pensions (slightly more than the average they spend on social health protection); middle-income countries only 2.1 per cent of GDP; and low-income countries 0.6 per cent. The size of national benefit expenditure is a function of both the number of beneficiaries and the level of benefits. Pension spending per person above retirement age in a country, expressed as a percentage of its GDP per capita, is an average of 56 per cent in high-income countries, 33.2 per cent in middle-income countries and 17.8 per cent in low-income countries.

The world is ageing. Table 4.2 shows that while men and women at age 65 and over now constitute 8 per

Table 4.2 Projected elderly population in 2010 and 2050 (percentages)

	Population 65+		Proportion of population 65+ in total population		Proportion of women among 65+	
	2010	2050	2010	2050	2010	2050
World	100	100	8	16	56	55
More developed regions	37	22	16	26	59	57
Less developed regions	63	78	6	15	54	55
Less developed regions, excluding China	41	56	5	13	55	55
Africa	7	9	3	7	56	54
Asia	54	62	7	18	54	55
China	21	22	8	24	52	54
India	12	16	5	14	53	54
Europe	22	12	16	28	61	58
Latin America and the Caribbean	8	10	7	19	56	57
North America	9	6	13	21	57	56
Oceania	1	1	11	19	54	55

Source: United Nations, 2007, medium variant. Country groupings according to UN World Population Prospects (see http://esa.un.org/unpp/index.asp?panel=5).

cent of world population, they will be 16 per cent of the population by 2050. Most of the elderly live in countries where only small minorities are covered by any form of pension scheme and where social security in general – including affordable access to essential healthcare services – is a luxury: over 60 per cent of the elderly now live in countries classified by the United Nations as "less developed". In 2050 the elderly in these countries – it is to be hoped, much "more developed" by then – will constitute nearly 80 per cent of the world's elderly population. Sixty per cent of them will be living in Asia, with over half in just two countries: China and India. These developing and ageing societies have to do something urgently to ensure the right to retirement in dignity and social security to their elderly members. Particularly dramatic is the situation of elderly women – the majority among this growing number of the elderly. In many countries women are excluded to a large extent from the labour market when they are still able to work, so that even if contributory pension schemes exist, many women have no opportunity to contribute and build their pension entitlements. Also, very often neither prevailing traditional societal rules nor more formal pension arrangements are providing them with even a minimum of security if they are abandoned or widowed by their male partners.

For these reasons the ILO believes that a guaranteed basic pension for all the elderly should be one of the components of the set of social security guarantees referred to as the social protection floor. A growing number of low- and middle-income countries have either already implemented a basic non-contributory pension scheme (whether universal or income-tested) or are currently discussing the possibilities. Examples from countries where such pensions have been put in place, and many studies from other countries, show that even in low-income countries the basic non-contributory pension is affordable, feasible and the most effective solution for closing the existing coverage gap quickly, thus reducing poverty among the elderly and also alleviating overall poverty in those households where older men and women live.

Income support to the unemployed

5

Involuntary unemployment is an economic contingency people may often face in market economies. Income support for the unemployed is thus one of the most important branches of social security. Unemployment benefit schemes provide income support, usually over a limited period, to those who face temporary unemployment. The objective is to provide at least partial income replacement, enabling the beneficiary to maintain a certain standard of living during the transition period until a new employment is available. Amounts of cash unemployment benefits are either related to the previous earnings of the beneficiary or paid at a flat rate. In a number of countries, if the beneficiary is still unemployed after entitlements to contributory unemployment insurance benefits expire, there exist specific unemployment assistance schemes which continue to pay certain benefits (sometimes means-tested) to those in long-term unemployment. Income support to the long-term unemployed and their families is often taken over by general means-tested social assistance schemes.

In addition to unemployment benefits, which are accompanied in some countries by family benefits for those who are eligible, schemes may also pay contributions to beneficiaries' health insurance and pension schemes on their behalf.

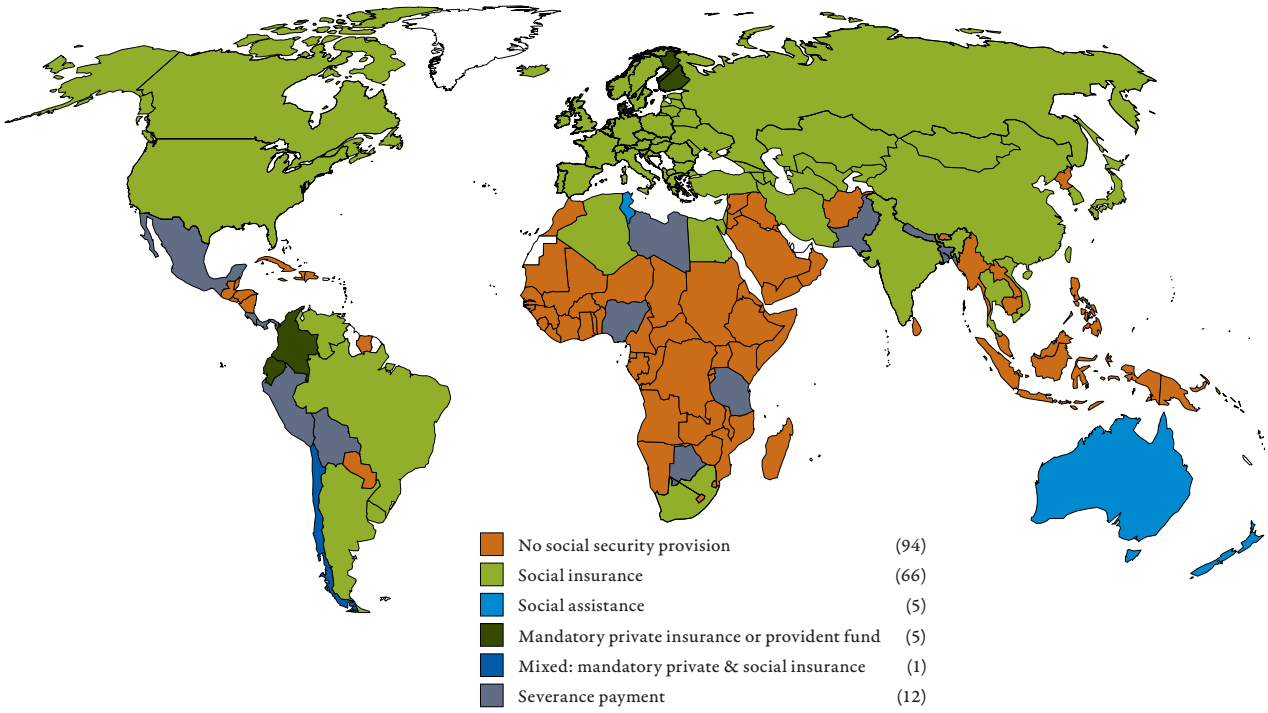
However, the effective provision of income support benefit to the unemployed always has to be complemented by employment services and employability-enhancing measures. These offer assistance in searching for new employment, providing those unemployed with counselling, training or retraining whenever necessary. There are also measures such as public works or other forms of employment guarantees which provide certain forms of paid employment to beneficiaries. Such beneficiaries may still, however, need income transfers in addition to what they earn from this usually very low-paid work; they also need linked benefits (access to other forms of social insurance such as health or pensions) and – since public works are temporary solutions – they need to be assisted with employability-enhancing measures as well. Mainly due to the data limitations, the analysis in this chapter is restricted to schemes providing income support to the unemployed and does not cover many other related and important programmes (such as public works, employment guarantee schemes, training and other employability-enhancing measures, and other "active" labour market policies).

Eligibility conditions for unemployment benefits, as well as benefit amounts and the duration of payment, are usually determined in national legislation. Entitlement criteria usually include:

- being in involuntary unemployment, searching for employment and ready to start employment soon.[1] Applicants for unemployment benefits are usually required to be registered as unemployed by the employment services and – within certain limits – are expected to accept offers of employment from these services as well as to undertake any training offered;

[1] Article 20 of ILO Convention No. 102 states: "The contingency covered shall include suspension of earnings, as defined by national laws or regulations, due to inability to obtain suitable employment in the case of a person protected who is capable of, and available for, work."

Figure 5.1 Existence of unemployment protection schemes by type of scheme, 2008–09



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Note: For detailed information by country, see the Statistical Annex.

Sources: ILO Social Security Department, based on SSA/ISSA, 2008, 2009; national legislative texts. See also ILO, GESS (ILO, 2009d).

- being below normal pensionable age;
- having completed a certain qualifying period of contributions or employment.[2]

Unemployment benefits are usually granted only for a limited period,[3] which may depend on the number of years worked previously. The amount may depend on the previous salary or may be a flat rate.[4]

5.1 Scope of coverage by statutory unemployment schemes

Present entitlements to unemployment benefits tend to be restricted to those in formal employment, and exist mostly in high- and middle-income countries (see figure 5.1). In a large part of the world where extreme poverty is high, the very concept of "unemployment" seems to be irrelevant, as everybody has to work in order to survive. The main issues in these countries are underemployment and the often extremely precarious character of existing employment opportunities for those in poverty. But even in low-income countries unemployment is a growing challenge, in particular in increasingly populated urban areas. Figure 5.1 provides an overview of the existence of unemployment benefit schemes across the world.

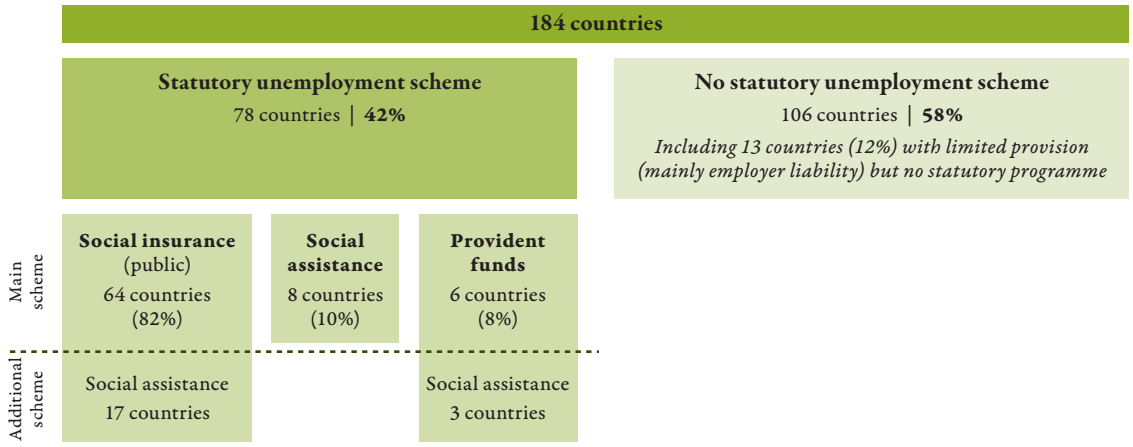
In some countries where there is no unemployment insurance or other statutory income support programmes for the unemployed, there exist legal provisions (usually included in the Labour Code or equivalent acts) obliging employers to pay a lump sum equivalent to several months' salary to workers who are laid off. The entitlements and amounts of such *severance pay* normally depend on past employment service with a given employer. In the Philippines, for example, employers are obliged to pay one month's salary for every year of previous employment. The problem is that very often these provisions of the labour law are not effectively enforced: potential beneficiaries are not informed about their entitlements, while

[2] Such a period should not be longer than "as may be considered necessary to preclude abuse", according to Convention No. 102 (Article 23).

[3] Convention No. 102 requires such a duration limit to be not less than 13 weeks within 12 months for earnings-related benefits, or 26 weeks within 12 months for means-tested benefits (Article 24).

[4] According to Convention No. 102, unemployment benefits, at least for all those with earnings below average earnings, should not be lower than 45 per cent of previous earnings (and in case of flat-rate benefit, not lower than 45 per cent of typical low earnings).

Figure 5.2 Unemployment protection schemes by type of scheme, 2008–09



Source: ILO Social Security Department, based on SSA/ISSA, 2008, 2009. See also ILO, GESS (ILO, 2009d).

employers – particularly those going through a difficult period of adjustment – may evade the law. Even if severance pay is effectively in place it is not a substitute for social security unemployment benefits, according to international standards: unemployment benefits should be periodical payments, not one-off payments, on the one hand; while on the other, the one-sided situation where the individual employer bears total liability, replacing the element of risk-pooling and solidarity inherent in social security, may lead to adverse selections in hiring decisions as well as evasion; both eroding actual coverage.

Contributory unemployment benefits cover mainly employees with formal employment status. In countries with well-developed social security there exist (although rarely) schemes for the self-employed and other categories of employed with more independent status than wage and salary workers (such as "*intermittent du spectacle*" in France). Discussions are under way in several countries with a view to introducing voluntary schemes paid for by workers only, which would also include informal-economy workers. The problem is so-called moral hazard (in that while employees will normally do everything they can to avoid losing a job, with voluntary insurance there may be a tendency for those with a higher risk of becoming unemployed to be over-represented) and thus vulnerability to fraud; such schemes would be difficult to monitor.

Of 184 countries studied (see figure 5.2), statutory unemployment social security schemes exist in only 78 countries (42 per cent), often covering only a minority of their labour force. A majority of countries (64) have contributory unemployment insurance schemes, while:

- 17 of the 64 have, in addition, employment-related social assistance that steps in when the unemployed are no longer eligible for unemployment insurance;
- 8 of the 78 countries have non-contributory, tax-financed social assistance, instead of insurance, as the main or only scheme expected to provide income security to the unemployed; and
- 6 of the 78 countries have only provident-fund-type provisions for those unemployed.

In the other 106 countries studied (58 per cent), even workers in the formal economy have no coverage in case of unemployment. In some of these countries there exist limited provisions in labour legislation obliging employers to provide severance payments to workers who are laid off. As shown in table 5.1, statutory unemployment protection programmes exist in 80 per cent of high-income countries, 54 per cent of upper-middle-income countries, 35 per cent of lower-middle-income countries, and in only 8 per cent of low-income countries.

The figures above take note only of the existence of certain types of unemployment benefit provisions but do not take into account how many of those in employment are legally covered by these provisions. Figures 5.3 and 5.4 show the extent of legal coverage in different countries and regions of the world, measured by the percentage of the economically active population (EAP) who – according to existing legislation – should be covered by one or another type of existing social security scheme aimed at providing income security to the unemployed.

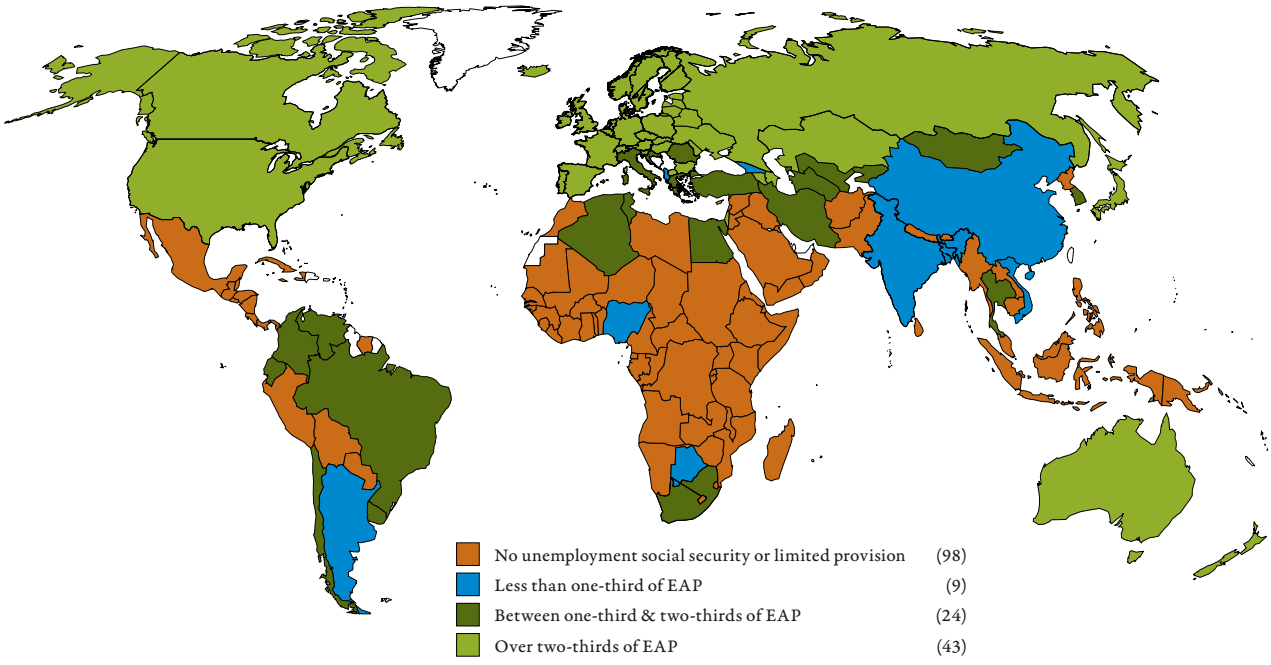
Patterns of the legal extent of coverage are quite similar to patterns of labour market structures

Table 5.1 Unemployment protection: Extent of legal and effective coverage, countries grouped by income level, latest available year

	Low income	Lower-middle income	Upper-middle income	High income	TOTAL
Legal coverage					
Existence of a statutory programme, number of countries (% of countries in parentheses)	5 (8%)	17 (35%)	20 (54%)	36 (80%)	**78 (42%)**
Contributory and non-contributory schemes (% of EAP)	2.9	18.1	38.4	69.2	**30.6**
Mandatory contributory schemes (% of EAP)	2.9	15.4	30.3	58.9	**25.7**
Effective coverage of unemployed (% of all unemployed)					
Total receiving benefits	1.3	3.6	10.4	38.8	**12.9**
Receiving benefits from contributory schemes	1.3	3.6	9.8	31.3	**10.9**
Receiving benefits from non-contributory schemes	0.0	0.0	0.6	7.6	**2.0**
Not receiving unemployment benefit	98.7	96.3	89.1	60.9	**86.9**

Sources: ILO Social Security Department, based on SSA/ISSA, 2008, 2009; national legislative texts; ILO, LABORSTA (ILO, 2009e) completed with national statistical data for the existence of social security provision in case of unemployment, legal coverage estimates; national social security unemployment schemes data on unemployed receiving unemployment benefits compiled in the ILO Social Security Inquiry database (ILO, 2009c).

Figure 5.3 Unemployment protection schemes: Legal extent of coverage worldwide as a percentage of the economically active population (EAP), latest available year



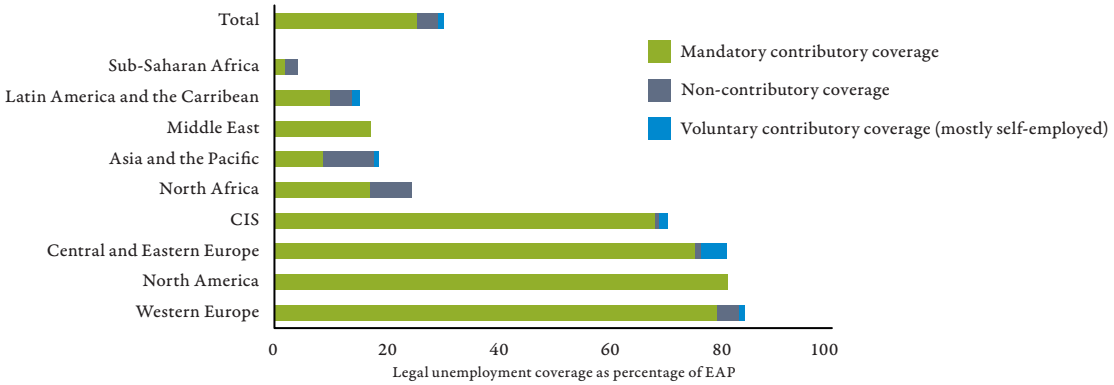
Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15156

Sources: ILO Social Security Department, based on SSA/ISSA, 2008, 2009; national legislative texts; ILO, LABORSTA (ILO, 2009e) completed with national statistical data for the quantification of the groups legally covered. See also ILO, GESS (ILO, 2009d).

(compare the map in figure 5.3 with figure 2.1 in Chapter 2 which shows percentages of wage employment worldwide). However, because unemployment benefits provision is much less widespread than other types of social security provision (such as old-age pensions), the legal extent of coverage is also much lower.

Figure 5.4 provides estimates of the legal extent of coverage by unemployment benefits for different regions of the world. Globally, less than 30 per cent of the economically active are covered by law for any form of income support benefit in case they become unemployed. Legal coverage is as high as 80 per cent or more in Western Europe, North America and Central and Eastern Europe and a bit less (70 per cent) in the Commonwealth of Independent States (CIS) countries, although effective coverage is dramatically lower

Figure 5.4 Unemployment protection schemes: Legal extent of coverage, regional estimates, as a percentage of the economically active population (EAP), latest available year



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15157

Note: Latest available year used for calculations of regional estimates. Regional estimates are weighted by the economically active population. For detailed information by country, see the Statistical Annex.

Sources: ILO Social Security Department, based on SSA/ISSA, 2008, 2009; national legislative texts; ILO, LABORSTA (ILO, 2009e) completed with national statistical data for the quantification of the groups legally covered. See also ILO, GESS (ILO, 2009d).

in the latter group. In the rest of the world only a small minority is legally covered: slightly over 20 per cent in North Africa, less than 20 per cent in Asia, Latin America and the Middle East, and just a few per cent of the economically active in sub-Saharan Africa.

When we look at countries grouped by income level we can see (table 5.1) that in high-income countries nearly 70 per cent of the labour force is covered by law for some type of unemployment protection scheme (contributory or non-contributory); the figures are less than 40 per cent in upper-middle-income countries, less than 20 per cent in lower-middle-income countries and less than 3 per cent in low-income countries.

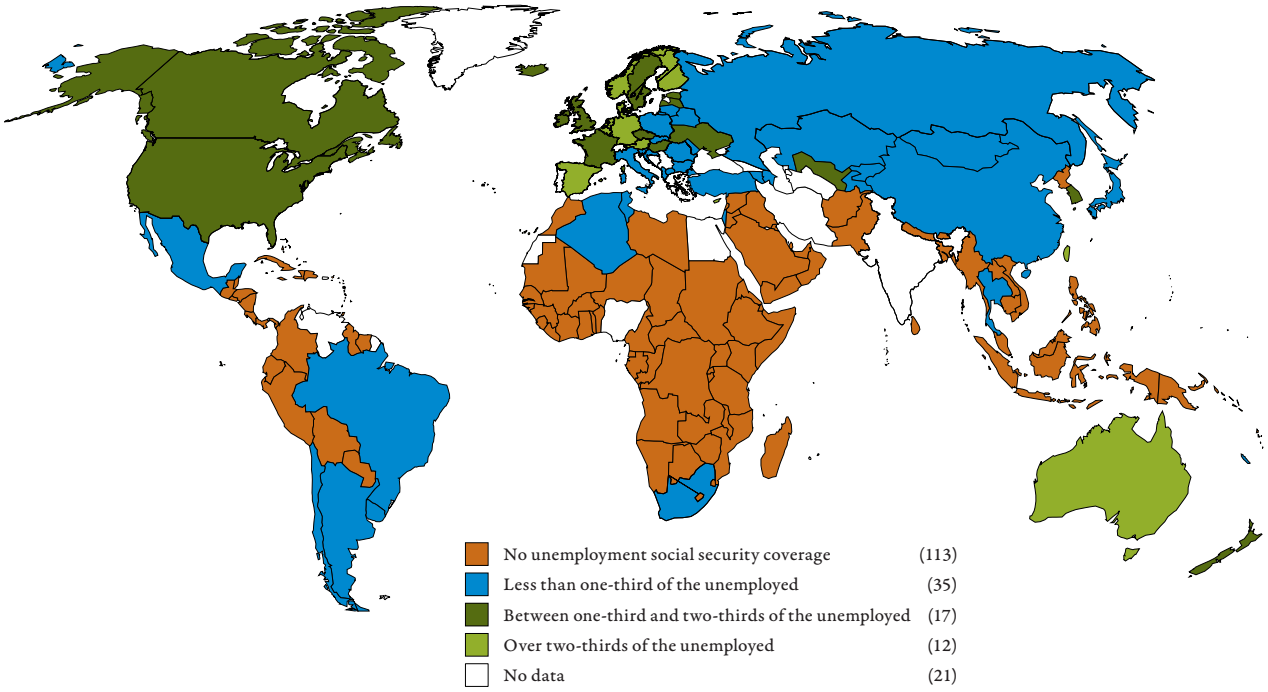
5.2 Effective extent and level of coverage

There are no sufficient data on the effective level of potential coverage by statutory social insurance programmes at the global or regional level – that is, how many of those legally covered are actually contributing and thus may receive income support if they become unemployed, but it is known from many country cases that effective coverage is often substantially lower than legal coverage. However, for most countries which have a statutory unemployment social security scheme, there exist some data showing effective coverage by unemployment protection schemes measured as a percentage of those among the unemployed who actually receive some kind of benefit.

Figure 5.5 maps such effective coverage across the world. Again, in the majority of countries there are no unemployment protection schemes. But even in countries where the legal coverage is high, only a minority of those classified by labour force surveys as unemployed are actually receiving benefits from statutory unemployment benefit schemes. For example (see table 5.1), less than 40 per cent of all unemployed receive statutory benefits in high-income countries. The reason is obvious – many of those unemployed are long-term unemployed whose entitlement (if they ever had one) to unemployment benefit schemes has expired. Among the unemployed are also new entrants to the labour market. In many countries the unemployed are migrant workers who may not be entitled to statutory unemployment benefits. This does not mean, however, that the entire 60 per cent of unemployed not receiving any statutory unemployment benefits are without any kind of income support. Many of them probably qualify in their countries for general social assistance benefits, whether means-tested or targeted to the poor. In many countries these social assistance schemes include the families of those unemployed as a main target group.

Unfortunately there are no regularly published data from a sufficient number of countries on the numbers and structure of general social assistance benefit recipients, and thus it is impossible to calculate global or regional estimates of the coverage numbers in question. Beyond the high-income OECD countries, effective coverage is dramatically lower. This is mainly due to the fact that in many of these countries there is no social security scheme for the unemployed: in

Figure 5.5 Unemployment: Effective coverage worldwide – unemployed who actually receive benefits, latest available year (percentages)

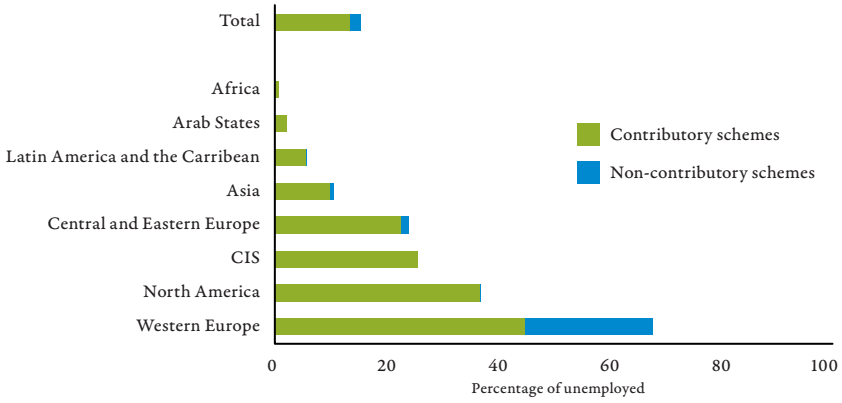


Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15158

Note: For detailed information by country see the Statistical Annex.

Sources: ILO Social Security Inquiry database (ILO, 2009c), compiled from data on unemployed receiving unemployment benefits collected from national social security unemployment schemes; ILO, LABORSTA (ILO, 2009e) for total unemployed used as the denominator. See also ILO, GESS (ILO, 2009d).

Figure 5.6 Unemployment: Effective coverage, regional estimates – unemployed who actually receive benefits, latest available year (percentages)



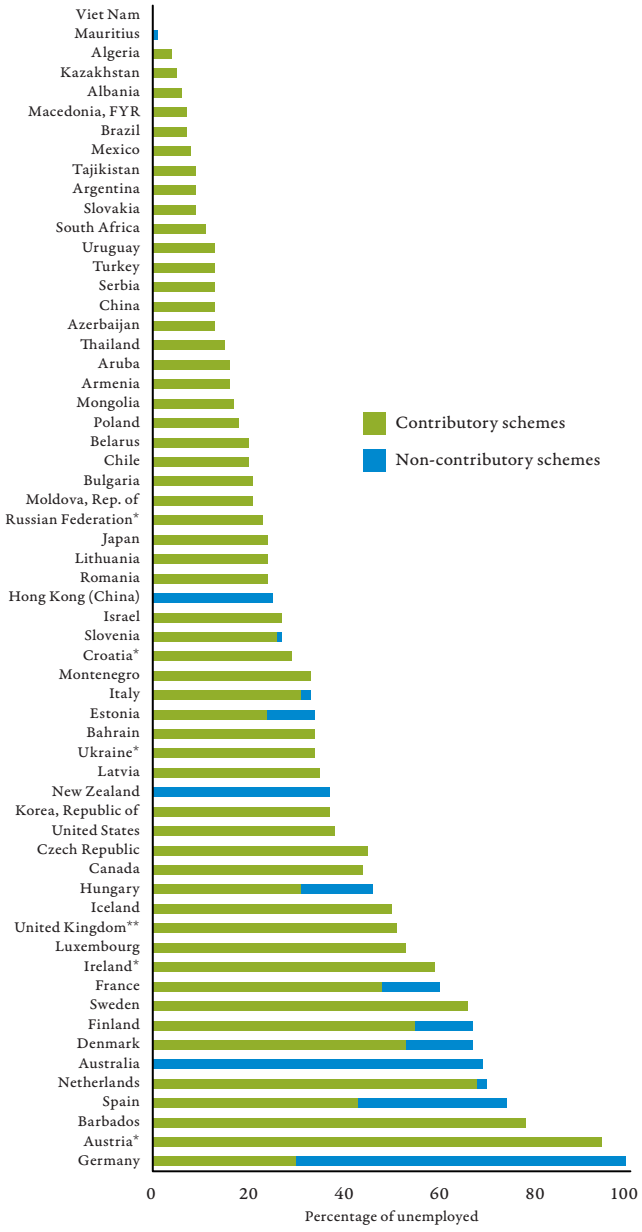
Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15159

Note: Regional estimates weighted by the economically active population.

Sources: ILO Social Security Inquiry database (ILO, 2009c), compiled from data on unemployed receiving unemployment benefits collected from national social security unemployment schemes; ILO, LABORSTA (ILO, 2009e) for total unemployed used as the denominator. See also ILO, GESS (ILO, 2009d).

upper-middle-income countries slightly over 10 per cent of the unemployed receive benefits, in lower-middle-income countries less than 4 per cent and in lower-income countries less than 2 per cent (which is probably within the range of the statistical error). In addition, in most lower-income countries there are still no large-scale social assistance schemes which would provide even a certain level of income support to the unemployed and their families. Figure 5.6 shows effective coverage by geographical region, and figure 5.7 by country,

Figure 5.7 Unemployed receiving unemployment benefits, selected countries, latest available year (percentage of total unemployed)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15160

Notes: * Data unavailable for recipients of unemployment assistance in case of ineligibility for unemployment insurance benefit or expiry of the right to it. The overall percentage of those covered is therefore underestimated for the following countries with assistance schemes: Austria: emergency assistance; Croatia: unemployment assistance; Ireland: jobseeker's allowance (means-tested); Russian Federation: unemployment assistance; Ukraine: unemployment assistance. **United Kingdom: includes jobseeker's allowance (social insurance and social assistance). Detailed information by country is available in the Statistical Annex.

Unemployed beneficiaries of *general* social assistance schemes are not included due to unavailability of data. Including them would increase coverage rates but only in countries where such schemes exist on a larger scale (high-income and some middle-income countries).

Sources: ILO Social Security Inquiry database (ILO, 2009c), compiled from data on unemployed receiving unemployment benefits collected from national social security unemployment schemes; ILO, LABORSTA (ILO, 2009e) for total unemployed used as the denominator. See also ILO, GESS (ILO, 2009d).

for the latest available year. In Western Europe, 50 per cent of the unemployed receive benefits from contributory schemes, while another 25 per cent benefit from non-contributory schemes. Similarly high coverage is found in Australia – achieved, however, solely by a non-contributory means-tested scheme. On average, the second largest extent of effective coverage is found in North America and in Central and Eastern Europe, where about one-third and one-quarter respectively of the unemployed receive payments from contributory schemes. In Latin America this proportion is just below 10 per cent, including the limited coverage in countries where there is some unemployment social security protection such as Argentina or Brazil, and countries where there is at present no statutory provision. Coverage rates are lowest in Africa, Asia and the Middle East, where social security schemes for unemployment are still under debate rather than actually implemented.

The main conclusion from this short statistical overview of coverage by unemployment benefit schemes is that globally coverage is low and concentrated in higher-income countries. One of the reasons for this is the prevailing informality of employment in lower-income countries, which makes traditional unemployment insurance schemes not a feasible solution there. Also, unemployment insurance schemes are designed mainly to protect those who have temporarily lost employment, often due to downturns in the economic cycle; they are also relevant in case of job losses due to the restructuring of an enterprise, an industry or the whole economy. In the latter case, particularly, unemployment benefits are necessary but far from sufficient: they need to be complemented by training and retraining and other labour market policies. In lower-income countries, with a wider informal economy and more informal employment, people also lose jobs as a result of economic downturns as well as restructuring of industries or enterprises and structural adjustments of the economy. However, the main source of widespread poverty in lower-income countries is not temporary, but structural, unemployment and underemployment. The long-term solution relies on sustainable employment-generating policies, but there is still a need for interventions that alleviate the current situation. These should include income support to the unemployed and underemployed (working poor) in the form of cash transfers, as well as certain forms of basic employment guarantees in the form of public works or similar. It is for this reason that both income support and employment guarantees are among the foundations of the social protection floor (as defined in Chapter 1) promoted by the ILO and the United Nations.

Coverage by other branches of social security

6

6.1 Employment injury

Most countries in the world offer some coverage for work-related accidents (see figure 2.6). Many also include "occupational disease": illness or disease related to employment. In fact, in most countries employment injury was the first contingency covered by social security; these schemes are often closely linked to occupational health and safety regulations. Many schemes also include preventive elements, aimed at improving workplace safety. However, coverage is limited to those working in the formal economy, and even there effective coverage is low with only a certain portion of accidents reported and compensated. In the informal economy prevailing in many low-income countries, conditions and safety of work are often dramatically bad, accidents and work-related diseases widespread and with no protection at all for their victims.

According to ILO Convention No. 102 (Article 32), the contingencies covered include the following accident-at-work or employment-related diseases:

(a) sickness ("morbid condition");

(b) temporary incapacity for work resulting from such a condition;

(c) total or partial loss of earning capacity, likely to be permanent; and

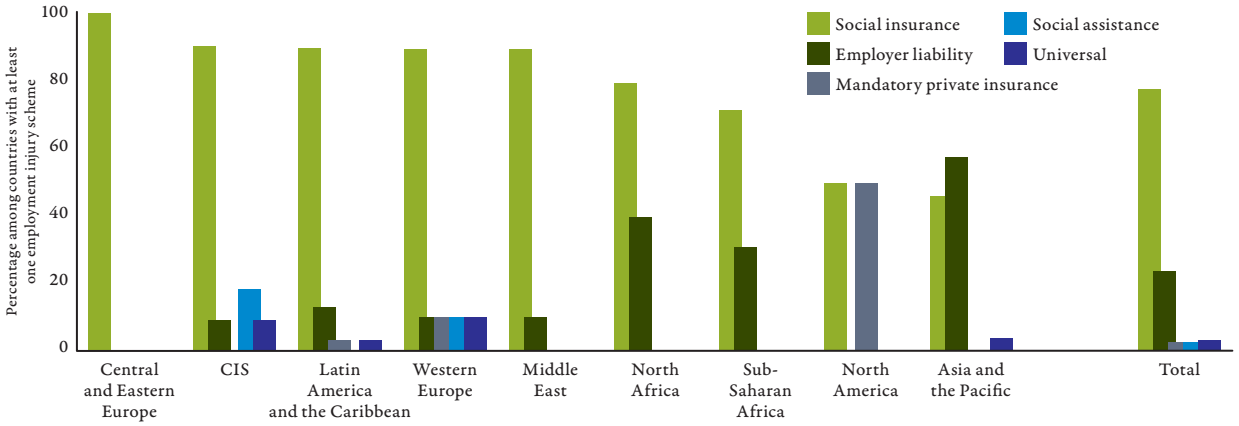
(d) the loss of support suffered by dependants as the result of the death of the breadwinner.

The range of benefits required by Convention No. 102 includes necessary medical care, sickness benefit for the period of incapacity for work, disability pension in case of loss of earning capacity, and survivors' pension in case of death of a breadwinner.

Employment injury schemes providing the above benefits are often organized on a contributory basis, sometimes constituting a separate fund, sometimes merged with other social security branches. Since it is intended to link risk at the workplace with prevention targets, most countries have decided to organize employment injury schemes separately. Because of this link between workplace risk and prevention, employment injury schemes in many countries are financed from employer contributions only, which are assessed according to the specific risks in the workplace. Contribution rates are often differentiated according to the level of risk of accident or disease in different types of economic activity; this is intended to provide an incentive to enterprises to invest in reducing the probability of accidents and in other preventive measures.

Figure 6.1 shows types of employment injury scheme by region and highlights the predominance of social insurance schemes. All countries where at least one employment injury scheme of any kind exists are included in the figure. Central and Eastern Europe is the only region where social insurance schemes represent the totality of employment injury coverage; in all other regions they are complemented by employer liability schemes, especially in Africa, Asia and the Pacific. In North America, Canada has a social insurance scheme, while in the United States private insurance is mandatory.

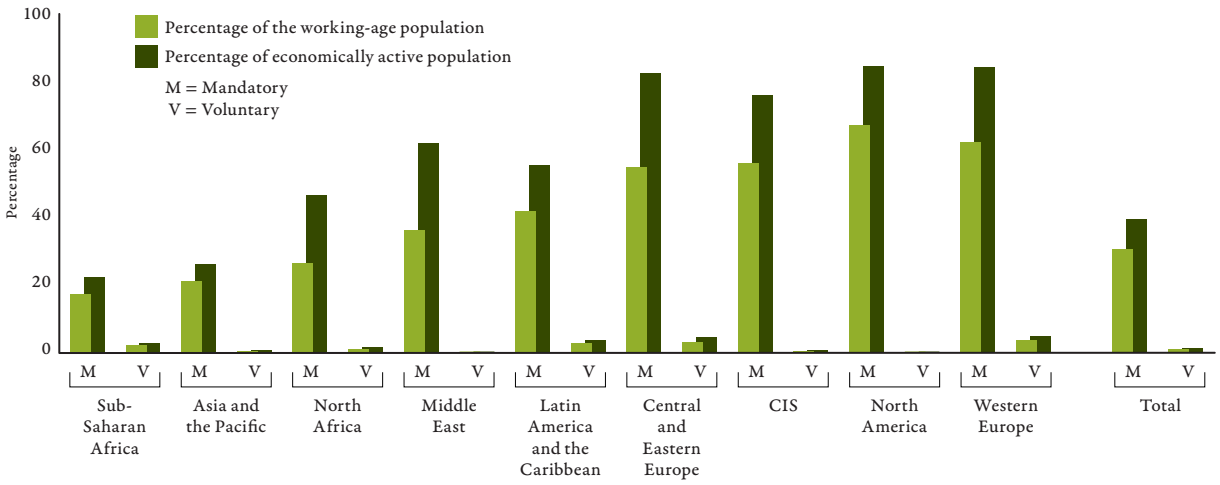
Figure 6.1 Types of scheme providing protection in case of employment injury, by region, 2008–09 (multiple responses)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15161

Source: ILO Social Security Department based on SSA/ISSA, 2008, 2009. See also ILO, GESS (ILO, 2009d).

Figure 6.2 Extent of legal coverage by employment injury scheme, 2008–09



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15244

Sources: ILO Social Security Department based on SSA/ISSA, 2008, 2009; ILO, LABORSTA (ILO, 2009e); national legislative texts; national statistical data for estimates of legal coverage. See also ILO, GESS (ILO, 2009d).

Globally, estimated legal coverage represents less than 30 per cent of the working-age population, which is less than 40 per cent of the economically active.

However, there are large regional differences in legal coverage (see figure 6.2). In Central, Eastern and Western Europe as well as the CIS region and North America, around three-quarters of the economically active population is covered by employment injury schemes, whereas in Africa and Asia only around 20 per cent of this target group is covered (mainly by employer liability schemes).

The group most concerned by work injuries and diseases, as well as occupational accidents, are migrants, both regular and irregular. In most of the receiving countries – be they high-, middle- or low-income – a majority of migrants work in the informal economy, which is globally the most important source of jobs for migrants. This situation pertains more in developing countries, such as in Egypt where some 70 per cent of all migrants start working in the informal economy; less in Europe, where irregular migrants are estimated to represent at least 1 per cent of the population (Romero-Ortuño, 2004).

Irregular migrants are vulnerable because they lack legal protection and face exclusion, very low incomes and exploitation. Work is most often in mining, construction, heavy manufacturing and agriculture, sectors with significant impacts on health; but among the most vulnerable are women working in private households.

The majority of these workers have no social protection in case of employment-related disease or accident, and they have no money to pay for any treatment they might need (Scheil-Adlung, 2009). According to the International Centre for Migration and Health,[1] in Europe the risk of occupational accidents for migrants is about two times higher than for the local workforce. Observations in African countries indicate a high incidence of occupational diseases due to chronic and unprotected exposure to pesticides and other chemical products. Unfortunately, data on effective coverage (including access to health services) exist only for selected countries – both in terms of numbers of employees effectively covered by contributions actually paid to various insurance schemes and in terms of beneficiaries of various benefits actually paid. Figure 6.3 presents the number of active contributors (or in some cases, of protected persons) as a percentage of total working-age population and total employment. Only for selected countries is there also information available on types of employment injury benefits paid – such as sickness benefit and disability and survivors' pensions – and their levels.

Still, existing data on occupational injuries can be used to some extent to assess the number of beneficiaries, since for many countries the sources of data are either labour inspections or employment injury schemes; these therefore include injuries compensated, with the relevant benefits. What is not available on a wider scale is information on unreported and uncompensated injuries. To assess this effective coverage one would need to rely more on information collected through specialized surveys.

The ILO statistical database LABORSTA (ILO, 2009e) contains national series on occupational injuries.[2] They represent the official statistics provided by the relevant national agencies to the ILO Department of Statistics, for publication in the annual ILO *Yearbook of Labour Statistics* (ILO, 2009i). The national agencies are requested to provide the data in conformity with the most up-to-date international statistical guidelines in this field, currently the Resolution concerning statistics of occupational injuries (resulting from occupational accidents) adopted by the Sixteenth International Conference of Labour Statisticians (ICLS) (Geneva, 1998). The Resolution contains the following definitions for statistical purposes:

(a) *occupational accident*: an unexpected and unplanned occurrence, including acts of violence, arising out of or in connection with work which results in one or more workers incurring a personal injury, disease or death;

as occupational accidents are to be considered travel, transport or road traffic accidents in which workers are injured and which arise out of or in the course of work, i.e. while engaged in an economic activity, or at work, or carrying on the business of the employer;

(b) *commuting accident*: an accident occurring on the habitual route, in either direction, between the place of work or work-related training and

(i) the worker's principal or secondary residence;
(ii) the place where the worker usually takes his or her meals; or
(iii) the place where he or she usually receives his or her remuneration;

which results in death or personal injury;

(c) *occupational injury*: any personal injury, disease or death resulting from an occupational accident; an occupational injury is therefore distinct from an occupational disease, which is a disease contracted as a result of an exposure over a period of time to risk factors arising from work activity;

(d) *case of occupational injury*: the case of one worker incurring an occupational injury as a result of one occupational accident;

(e) *incapacity for work*: inability of the victim, due to an occupational injury, to perform the normal duties of work in the job or post occupied at the time of the occupational accident.

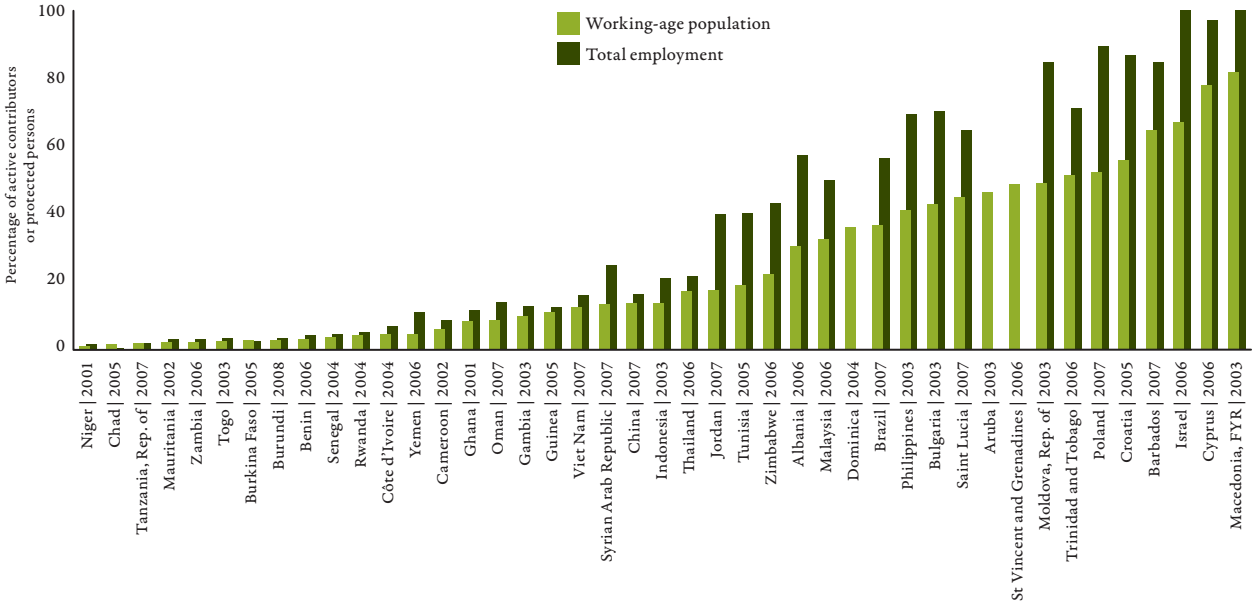
The Resolution also recommends that the statistics should cover all workers regardless of their status in employment (i.e. both employees and the self-employed, including employers and own-account workers), and the whole country, all branches of economic activity and all sectors of the economy.

The following are generally excluded: cases of occupational disease (an occupational disease is a disease contracted as a result of an exposure over a period of time to risk factors arising from work activity) and cases of injury due to commuting accidents. The Resolution suggests that "where it is practical and considered relevant to include injuries resulting from commuting accidents, the information relating to them should be compiled and disseminated separately".

[1] http://www.who.int/workforcealliance/knowledge/en/ (accessed in 2009).

[2] The following text is based on methodological explanations included in LABORSTA (http://laborsta.ilo.org).

Figure 6.3 Active contributors or protected persons as a percentage of working-age population and employment, latest available year



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15163

Sources: ILO Social Security Inquiry (ILO, 2009c); ILO, LABORSTA (ILO, 2009e) and KILM (ILO, 2009h) for total employment used as a denominator. See also ILO, GESS (ILO, 2009d).

The type of statistics shown for a particular country depends on the source used. Data on occupational injuries are most frequently obtained from occupational accident reporting systems (e.g. to a labour inspectorate) or employment injury benefit schemes, although surveys of establishments and of households are used in a few countries. The type of source determines the coverage of the statistics. In many countries, the coverage of reporting requirements or injury compensation, and thus the coverage of the statistics, is limited to certain types of workers (employees only in many cases), certain economic activities, cases of injury with more than a certain number of days of incapacity, and so on. The type of source is shown after the country name in the LABORSTA tables, followed by the type of injury covered (reported or compensated).

The statistics relate to cases of occupational injury due to occupational accidents that occurred during the calendar year indicated. Total days lost as a result of a case of injury are included in the statistics for the calendar year in which the occupational accident took place.

Care should be taken when using these data, particularly when making international comparisons. The sources, methods of data collection, coverage and classifications used differ between countries. For example, coverage may be limited to certain types of workers (employees, insured persons, full-time workers), certain economic activities, establishments employing more than a given number of workers, cases of injury losing more than a certain number of days of work, and so on.

The workers in the particular group under consideration and covered by the source of the statistics of occupational injuries (e.g. those of a specific sex or in a specific economic activity, occupation, region, age group, or any combination of these, or those covered by a particular compensation scheme) are known as the workers in the reference group. The number of workers in the reference group varies between countries and economic activities and from one period to another, because of differences or changes in the size and composition of employment and other factors. In order to make comparisons between countries, activities and over time, the differences in numbers need to be taken into account, e.g. by calculating comparative measures, such as frequency, incidence and severity rates.

It should be borne in mind that a rise or fall in the number of cases of occupational injury or in the rates of injury over a period of time may reflect not only changes in conditions of work and the work environment, but also modifications in reporting procedures or data collection methods, or revisions to laws or regulations governing the reporting or compensation of occupational injuries in the country concerned. Where possible, the data are classified according to economic activity and sex.

6.2 Maternity protection

Maternity protection was one of the first issues to be considered by the ILO in its first year, leading to the adoption of the Maternity Protection Convention, 1919 (No. 3). This Convention was revised in 1952 and became the Maternity Protection Convention (Revised) (No. 103) with an accompanying Recommendation (No. 95), the same year as the adoption of the Social Security (Minimum Standards) Convention (No. 102). Further revision took place in 2000 when the International Labour Conference adopted the Maternity Protection Convention, 2000 (No. 183), with its accompanying Recommendation (No. 191). This Convention and Recommendation are the most recent ILO standards.

Maternal health is also highlighted in the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), which states that benefits in case of pregnancy and confinement and their consequences shall include at least prenatal, confinement and postnatal care either by medical practitioners or by qualified midwives, and hospitalization where necessary.

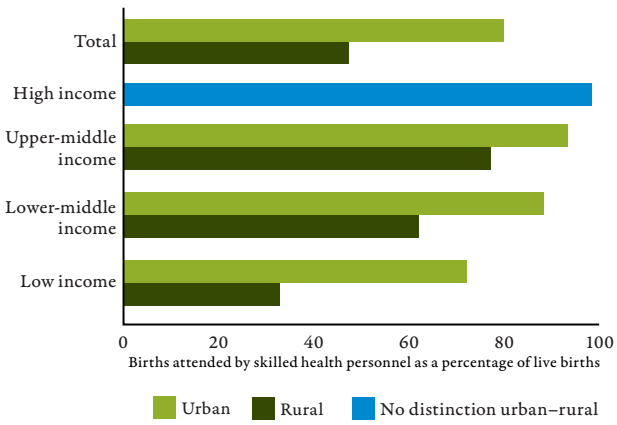
This is of high relevance, since women and young children are especially affected by a lack of access to adequate health care (UN, 2009f). Reducing maternal, neo-natal and under-5 mortality is globally among the greatest challenges of social health protection; it concerns 11 million children who die before the age of 5, and 500,000 mothers dying during maternity (WHO, 2005). The problem is exacerbated by the fact that in many poor households health care for men and boys is generally prioritized over health care for women and girls (Dercon and Krishnan, 2000; Kabir et al., 2000).

Most countries show significant inequities in access to maternal health care as a result of place of residence, as illustrated in Figure 6.4. It shows inequities between urban and rural areas in countries at different levels of income: in lower-income countries differences between rural and urban areas in access to maternal health services are much larger than in higher-income countries (a ratio of 3.3 as opposed to 1.7).

Gaps in financial protection and poor availability of quality services are among the core reasons for under-utilization of health services in developing countries. Figure 6.5 shows differences in access to maternal health services by wealth quintile in countries at different income levels: again, inequalities in access to maternal health services are greater in lower-income countries.

In addition, low levels of female literacy and subsequent poverty or unemployment create financial barriers for women to access health care independently of their families. In many countries, the female unemployment

Figure 6.4 Inequities in access to maternal health services* in rural and urban areas, latest available year (percentage of live births)

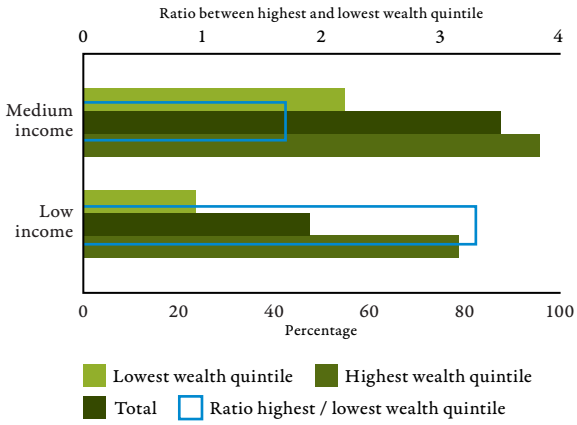


Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15526

Note: * Inequities in access to maternal health services are measured by births attended by skilled health personnel as a percentage of total live births in the same period. Detailed information by country is available in table 28 of the Statistical Annex.

Source: ILO calculations based on WHOSIS (WHO, 2009a), various years. See also ILO, GESS (ILO, 2009d).

Figure 6.5 Inequities in access to maternal health services* by wealth quintile by national income level of countries, latest available year



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15527

Note: * Inequities in access to maternal health services are measured by births attended by skilled health personnel as a percentage of total live births in the same period by wealth quintiles. Detailed available information by country is available in table 28 of the Statistical Annex.

Source: ILO calculations based on WHOSIS (WHO, 2009a), various years. See also ILO, GESS (ILO, 2009d).

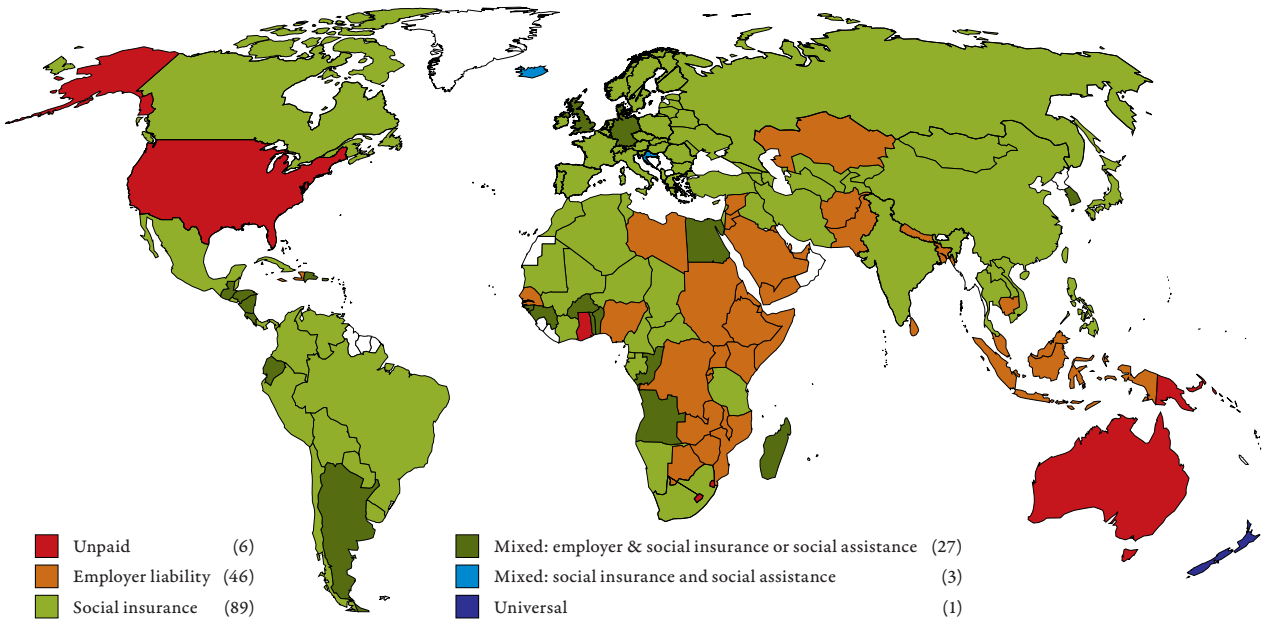
rate is much higher than the rate for men, which points to a high degree of dependency of women. In particular, women are often not able to acquire and/or spend the financial resources necessary for seeking health care and have to depend on their husbands and families.

Consequently, extending and improving social health protection for women is an important strategy for increasing women's access to maternal health services. This can be combined effectively with strategies focused on women's employment.

Among the many issues currently related to maternal health are the following. Health-care facilities are inaccessible for many households, especially in rural areas, due to the long distance to the facilities and the cost associated with travel. More pronounced, however, is the problem of a shortage of qualified staff and of modern and functional medical equipment and supplies. This lack of access affects women in particular, since the main factors of maternal mortality are obstetric complications and complications of unsafe abortion, which could be avoided through better access to good quality reproductive health care, antenatal care, skilled birth attendance and access to emergency obstetric care. For example, more than half of the births in sub-Saharan Africa are not attended by skilled health personnel (UN, 2009f). Additionally, the health effects of HIV, malaria and other diseases increase the risk of maternal death. These diseases are particularly widespread in Africa, where two-thirds of all people with HIV live, the majority of them women.

A possible approach to addressing these barriers consists in defining essential benefit packages that guarantee access to health services; this was observed in 2007 in 55 out of 69 low- and middle-income countries (WHO, 2008, p. 27). The benefit packages provided through health protection schemes were reformed with a view to creating more equity and effectiveness, and the addressing of issues related to the conflicts inherent in approaches of universality versus targeting the poor, rationing of care, and quality. However, many of the reforms resulted in limitations of access to health care that are key for achieving global health priorities, such as those established in the Millennium Development Goals on maternal and child health care; they also

Figure 6.6 Maternity legal provision: Types of programmes worldwide, 2009



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15283

Notes: 1. In the United States there is no national programme. Under the Family and Medical Leave Act leave is unpaid as a general rule; however, subject to certain conditions an employee may choose or an employer may require the employee to use accrued paid leave (such as vacation leave, personal leave, medical or sick leave or paid medical leave) to cover some or all of the leave she/he is entitled under the Act. A cash benefit may be provided at the state level. For example, in California, since 2004 female and male employees have been entitled to receive up to 55 per cent of their salary for six weeks to take care in particular of a newborn or adopted child. It is financed by a .08 per cent increase in state disability insurance contributions from employee pay cheques.

2. There is currently no paid maternity leave in place in Australia at the federal level. In its 2009/2010 budget the Government for the first time allocated money for a paid parental leave (PPL) scheme. The PPL scheme will be available to parents for births and adoptions that occur on or after 1 January 2011. Parents will be able to lodge PPL claims from 1 October 2010. It is expected that legislation for the scheme will be introduced to Parliament in 2010.

Sources: ILO Social Security Department based on ILO, 2009j; SSA/ISSA, 2008, 2009; United Nations, 2009c. See also ILO, GESS (ILO, 2009d).

missed adjustments to demographic and epidemiological changes, needs and perceptions and resulted in inefficiencies in the provision of services (ibid.). Countries where benefit packages have been successful have focused on integrative approaches without limiting packages to low-cost or very basic interventions (ILO, 2008h).

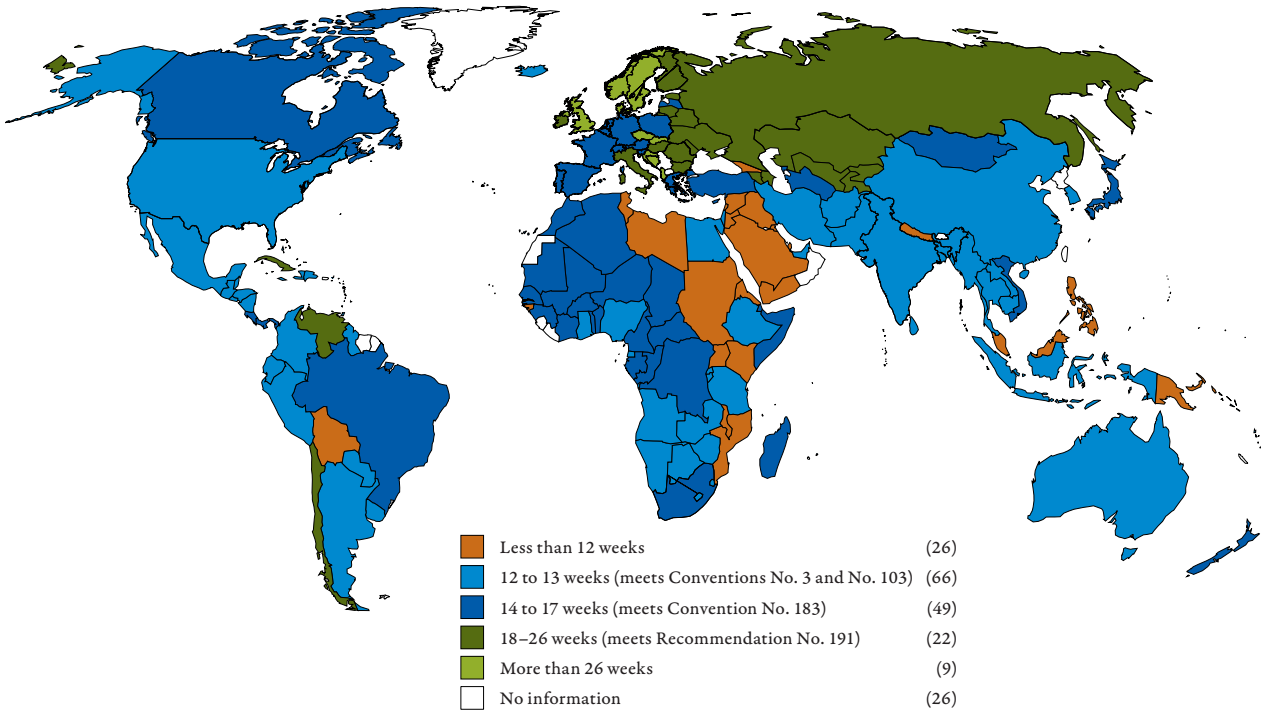
In Thailand, the benefit package provides for a comprehensive range of health services. It includes ambulatory services, inpatient services, free choice of providers, maternal benefits, and prevention and rehabilitation benefits provided by public and private providers.

In Ghana, the benefit package of the NHIS includes general out-patient services, in-patient services, oral health, eye care, emergencies and maternity care – including prenatal care, normal delivery, and some complicated deliveries. Only specialized services, such as HIV antiretroviral drugs, VIP accommodations and so on, are excluded from the health insurance package. According to the Legislative Instrument (LI), which accompanied Act 650, about 95 per cent of all essential or common health problems in Ghana are covered.

Legal provision for maternity protection today ranks third among social security branches providing cash benefits, after employment injury and retirement pensions (see figure 2.6). Some kind of legal provision exists in a majority of countries (90 per cent of high-income countries, 80 per cent of middle-income countries and over 50 per cent of low-income countries). However, these provisions usually apply only to women employed in the formal economy and thus in many low- and middle-income countries only this minority enjoy benefits from maternity protection schemes. Figure 6.6 shows the types of programme existing in the nearly 180 countries for which information is available. The majority of these schemes are of the social insurance type: in two-thirds of countries, and in 52 per cent as the main or only programme; in others as a complement to employer-funded or assistance schemes. In just over a quarter of countries, maternity benefit during maternity leave should be paid directly by employers (so-called employers' liability) as legislated in the labour code or similar acts. Table 20 in the Statistical Annex presents more detailed characteristics of the existing schemes in different countries.

Convention No. 102 defines the contingency creating the entitlement to matenity benefits as "pregnancy and confinement and their consequences", including a resulting suspension of earnings. Two types of benefit should be provided: medical care, and a cash benefit to compensate suspension of earnings. Article 49 of

Figure 6.7 Legal duration of maternity leave worldwide, 2009 (weeks)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15165

Sources: ILO, 2009j; United Nations, 2009c. See also ILO, GESS (ILO, 2009d).

the Convention specifies that the medical care should include at least

> (a) pre-natal, confinement and post-natal care either by medical practitioners or by qualified midwives; and (b) hospitalization where necessary. The medical care ... shall be afforded with a view to maintaining, restoring or improving the health of the woman protected and her ability to work and to attend to her personal needs... The institutions or Government departments administering the maternity medical benefit shall, by such means as may be deemed appropriate, encourage the women protected to avail themselves of the general health services placed at their disposal by the public authorities or by other bodies recognized by the public authorities.

The cash benefit paid throughout the whole period of maternity leave should be no lower than 45 per cent of previous earnings (in the case of social insurance earnings-related provision) or of typical low earnings (in the case of flat-rate categorical benefit).

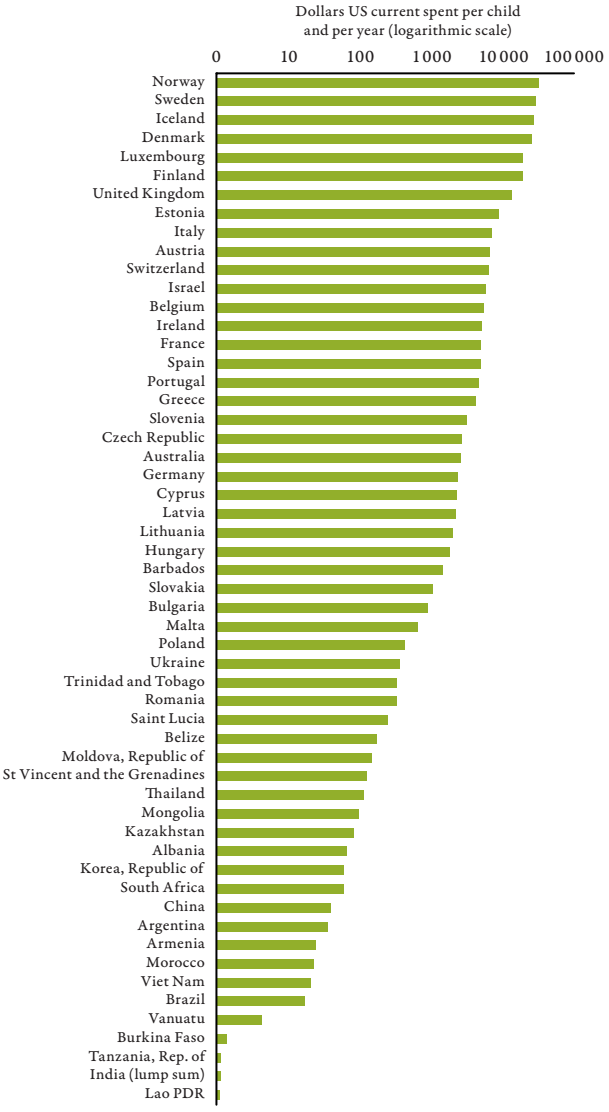
The Maternity Protection Convention, 2000 (No. 183), increases the above minimum requirements. Cash benefits should be provided throughout the duration of maternity leave, which should not be shorter than 14 weeks. Cash benefits should be at a level which ensures that the woman can maintain herself and her child in proper conditions of health and with a suitable standard of living. Where cash benefits are based on previous earnings, the amount of such benefits should not be less than two-thirds of the woman's previous earnings. Where other methods are used to determine the cash benefits, the amount of such benefits should be comparable.

Figure 6.7 presents an overview of maternity leave duration according to the requirements of Conventions No. 3, No. 103 and No. 183, and Recommendation No. 191.

Convention No. 183 urges member States to ensure that maternity benefits are accessible to a large majority of women in the country. Where a woman does not meet the conditions to qualify for cash benefits under the labour code or social insurance scheme, she should be entitled at least to adequate benefits from social assistance funds, subject to the means test required for such assistance.

Medical benefits should be provided for the woman and her child in accordance with national laws and regulations or in any other manner consistent with national practice. Medical benefits include prenatal, childbirth and postnatal care, as well as hospital care when necessary.

Figure 6.8 Amounts spent on paid maternity leave per year and per child, selected countries, latest available year (US$ current)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15166

Sources: Annual social security expenditure on maternity leave from ILO Social Security Inquiry (ILO, 2009c), and ESSPROS (European Commission, 2009a). Annual crude birth rate from United Nations, 2009b. See also ILO, GESS (ILO, 2009d).

Again, detailed information is lacking for some countries on what effective coverage is and what the actual benefit levels are. There is sometimes information on the amount spent on maternity benefits per year. Using information about the number of children born and estimates of coverage, it is possible to calculate the level of spending per child. Figure 6.8 shows the amount in dollars spent on paid maternity leave per newborn child and per year in selected countries.

Minimum income support and other social assistance

7

Both the ILO Income Security Recommendation, 1944 (No. 67), and the Minimum Standards in Social Security Convention, 1952 (No. 102), foresee that the provision of benefits ensuring protection for various contingencies may be delivered either through contributory earnings-related social insurance schemes or through flat-rate basic benefits. The latter can be universal, categorical or targeted to those of "small means".

According to Recommendation No. 67, income security schemes should relieve want and prevent destitution by restoring, up to a reasonable level, income which is lost by reason of inability to work (including old age), or to obtain remunerative work or by reason of the death of a breadwinner. The Recommendation also says that income security schemes should be organized so far as possible on the basis of compulsory social insurance, and that only provision for needs not covered by such compulsory insurance should be made by social assistance; certain categories of persons, particularly dependent children and needy invalids, aged persons and widows, should be entitled to allowances "at reasonable rates according to a prescribed scale". Social assistance appropriate to the needs of the case should be provided also for other persons in want.

Convention No. 102, however, leaves open choice to countries on how to provide benefits in fulfilment of the requirements of the Convention. Benefits within most social security branches can be provided either by earnings-related social insurance, or through universal flat-rate benefits to all residents in a given category, or only through income- or means-tested social assistance to all residents of "small means".

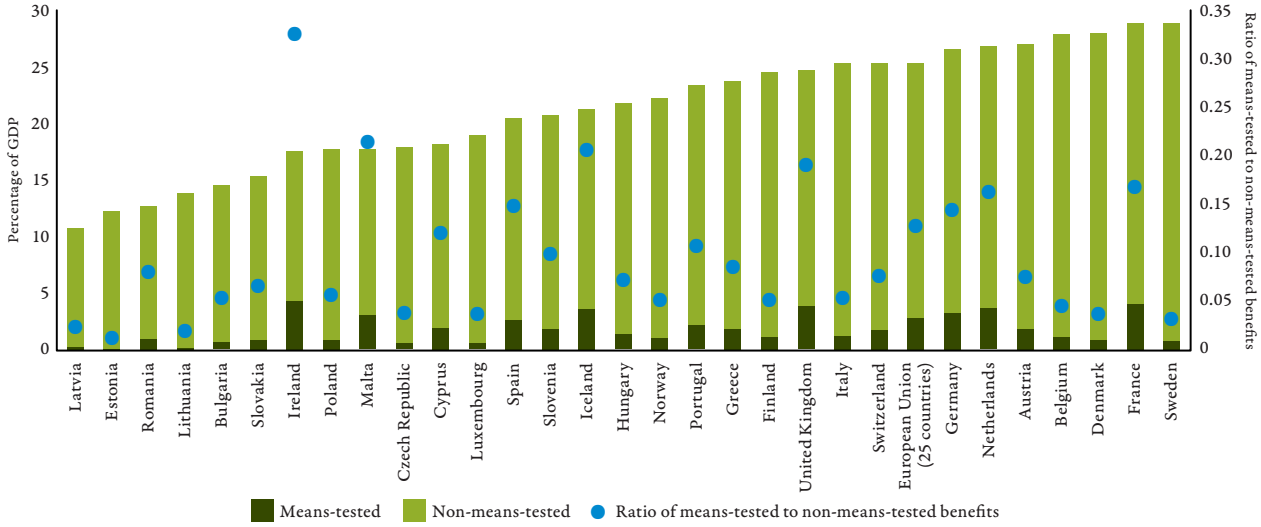
Most of those countries with developed social security systems follow policies according to Recommendation No. 67: a large part of the population is covered by social insurance schemes, while social assistance plays only a residual role, providing income support and other benefits to the minority who for some reason are not covered by mainstream social insurance.[1] In addition, social assistance programmes are aimed at alleviating existing envelopes of poverty and social exclusion.

In the European Union (plus Iceland, Norway and Switzerland), expenditure on means-tested benefits does not exceed 3 per cent of GDP on average, while total social protection expenditure is on average over 25 per cent (see figure 7.1). While there are countries in the European Union (such as Ireland, Malta and the United Kingdom) where a relatively high share of social security benefits is delivered through targeted social assistance, nowhere does total social assistance benefit expenditure exceed 5 per cent of GDP.

Patterns of social assistance in terms of what contingencies are covered differ considerably among European countries (see figure 7.2). On average, the majority of means-tested benefits goes to the elderly, persons with disabilities and survivors (more than one-third, 1.1 per cent of GDP). Second come housing benefits (0.6 per cent of GDP); third, family benefits (0.5 per cent of GDP); fourth and fifth, income support to the unemployed (0.3 per cent of GDP) and social assistance to socially excluded groups (0.3 per cent of GDP).

[1] Australia and New Zealand are the most prominent exceptions among OECD members; in these countries income-tested benefits play a dominant role in the provision of social security.

Figure 7.1 Means-tested and non-means-tested benefit expenditure, European countries, 2007 (percentage of GDP and ratio)

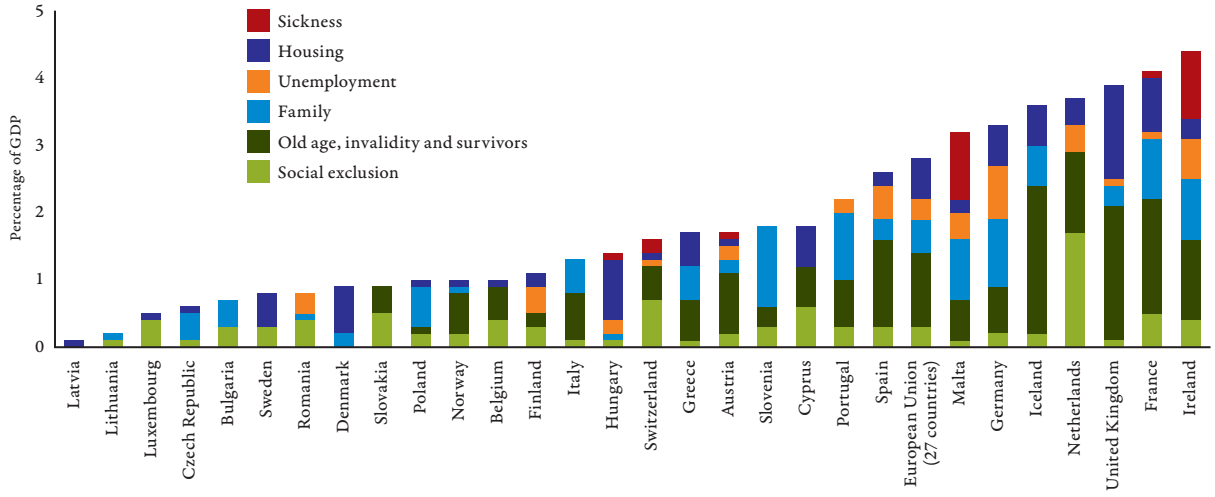


Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15167
Source: ESSPROS (European Commission, 2009a). See also ILO, GESS (ILO, 2009d).

While in most of the developed countries (except Australia and New Zealand) social assistance-type schemes play an important although residual role in closing relatively small coverage gaps, in many middle- and low-income countries non-contributory income transfer schemes have been recently gaining importance. Particularly in countries with large informal economies and where only a minority are covered by social insurance schemes, non-contributory social security provides an opportunity not only to alleviate poverty but also – at least in some cases – to fill a large part of the sizeable existing coverage gaps shown in previous chapters.

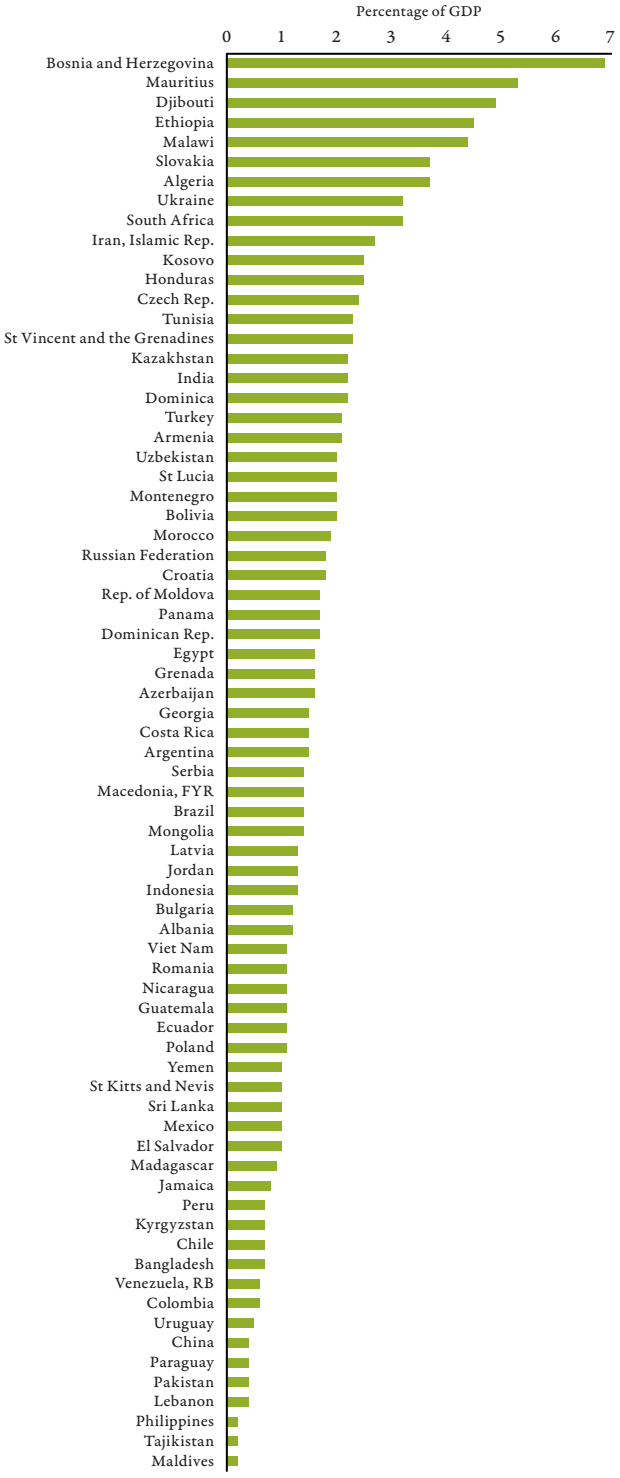
There are practically no systematically collected data which would indicate not only expenditure on such schemes, but also numbers of beneficiaries and effective coverage in terms of percentages of target groups reached. However, there exists a social assistance database containing structured descriptive and

Figure 7.2 Means-tested benefits in European countries: Totals and by function, 2007 (percentage of GDP)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15168
Source: ESSPROS (European Commission, 2009a). See also ILO, GESS (ILO, 2009d).

Figure 7.3 Social assistance expenditure, 75 countries, 2008 (percentage of GDP)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15169

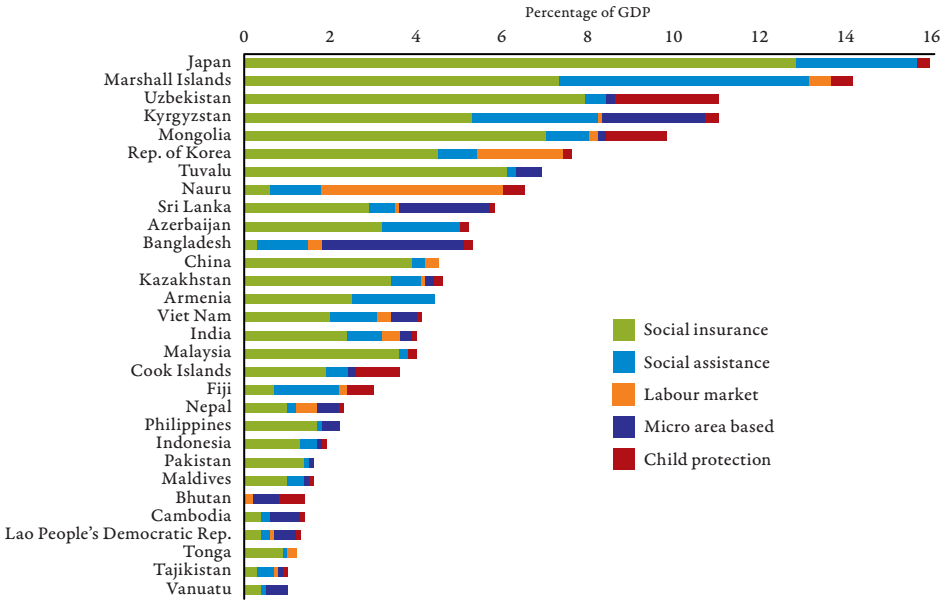
Source: World Bank, 2008. Data on 75 countries taken from World Bank public expenditure reviews and other similar work. See also ILO, GESS (ILO, 2009d).

mainly qualitative information on such schemes in developing countries (Barrientos, Holmes and Scott, 2008). This database includes some information on numbers of beneficiaries and total costs, but the data are not necessarily comparable across schemes and countries. There is also a data set compiled by the World Bank (World Bank, 2008) which includes certain quantitative information on "safety net" spending. This contains an inventory of social protection schemes in different countries, outlines legal coverage of main social insurance and social assistance schemes and provides estimates of annual expenditure on overall social protection, social insurance and social assistance. Based on broader estimates of spending on "social safety nets" and social protection from 75 countries studied in World Bank reports that have attempted to compile comprehensive country-specific numbers on the subject, this compilation suffers from two main problems: incomplete coverage and problems of comparability. The overall estimates in the database are not comparable with most of the estimates used in the present report (which come from ILO, OECD, EU, IMF and WHO sources); figure 7.3 shows the results for social assistance expenditure.

The Asian Development Bank provides information on expenditure by type of scheme and coverage by these schemes, measured proportionately between beneficiaries and target groups (ADB, 2008). The ADB distinguishes five categories of programmes: social insurance, social assistance, labour market programmes, child protection and micro-area-based programmes. Figure 7.4 shows the shares of these different types of programme in total social protection expenditure as defined by the Bank; it can be seen that only in a few countries do social assistance programmes play a substantial role.

The ADB report also provides coverage rates for these different types of programme, but for many countries these are based on assumptions and estimates and not on hard data from either administrative sources or household surveys. Data on a social protection programme can be made available internationally only if such data are generated at the national level. Much effort is required in the various countries to improve national databases on social security beneficiaries in general and social assistance recipients in particular. There remains also much to be done by the international community to improve and standardize the methodology used to measure coverage by social assistance, as well as to create stronger data foundations for such measurements.

Figure 7.4 Social protection expenditure by type (ADB definitions), selected countries, 2008 (percentage of GDP)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15170
Source: ADB, 2008. See also ILO, GESS (ILO, 2009d).

A new generation of social assistance schemes, often called "cash transfer schemes", has emerged over the last two decades.[2] Minimum income support or other social assistance schemes aim at preventing poverty through providing a minimum benefit to individuals or families that are in need. Various characteristics distinguish such schemes:

- They may or may not be means-tested.
- They may be paid for a limited or an unlimited period.
- They may be conditional or unconditional.

One example of the growing number of such income transfer schemes is the Benazir Income Support scheme in Pakistan. Created in 2008, this scheme currently provides 1,000 rupees (Rs) per month (about US$12) to poor families, which comprise about 10 per cent of the population. The support is conditional on the monthly income of the family being less than 6,000 Rs (about US$75) and the family owning less than three acres of land or a house of not more than 80 square yards. The cash is paid to female household members only. The programme was allocated 34 billion Rs in 2008–09. It is the third largest allocation in the Pakistani budget and constitutes 0.3 per cent of GDP.

An overview of many such schemes, together with an analysis of their impacts, is given in *Extending social security to all: A guide through challenges and options* (ILO, 2010a). There is also a growing body of literature, to which references can be found in the above report. The overview shows that more than 30 developing countries have already implemented a range of programmes that broadly correspond with the logic underpinning the basic set of guarantees. In general, it is clear that the middle-income countries are more advanced in this field, where an increasing number of large-scale programmes have emerged during the last decade.

The flagship programmes are the Oportunidades schemes in Mexico and the Bolsa Família scheme in Brazil. Both are conditional cash transfer schemes. Bolsa Família, roughly translated as "family grant", is the largest conditional cash transfer programme in the world. It reaches around 11.3 million families – 46 million people, corresponding to a quarter of Brazil's population – at a cost of US$3.9 billion (0.4 per cent of the GDP).[3] Similar programmes were implemented in 16 Latin American countries, covering

[2] This section is based on information in ILO, 2010a.

[3] UN exchange rate for January 2009: US$ = R$2.3.

around 70 million people or 12 per cent of the population in the region.

A further innovation is the combination of social transfers and employment guarantees. The most prominent scheme is the Indian National Rural Employment Guarantee Scheme (NREGS), established in 2005. Under NREGS, a rural household is entitled to demand up to 100 days of employment per year, made available on agreed schemes of public works. The programme undertakes projects facilitating land and water resource management, together with infrastructure development projects such as road construction. The wages paid are equal to the prevailing (and officially declared) minimum wage for agricultural labourers in the area. If work is not provided within the stipulated time, the applicant is entitled to receive an unemployment allowance. The programme is designed in a manner which is effectively self-targeting, since the wage specification is such that while the poor will choose to enter the programme, the non-poor will abstain from participation. The allocation for the programme from the national budget for the financial year 2006–07 was 0.3 per cent of GDP. Official cost estimates of the scheme, once fully operational, suggest that the budget could peak at 1.5 per cent of GDP. The programme is regarded as one of the largest rights-based social protection initiatives in the world, reaching around 40 million households living below the poverty line. Owing to its relative newness, few large-scale evaluations have yet been published.

Investments in social security: Amounts, results and efficiency

8

8.1 Introduction

This chapter examines the levels of resources allocated to investments in social security in different regions of the world, and at the patterns of the sources of finance, with a view to evaluating the results of these investments in terms of poverty reduction, reductions in inequality, and other policy objectives. In order to identify the efficiency of the investments made it is obviously important to look at the relationship between resources and policy outcomes.

Since its inception the ILO has attached great importance to there being adequate and sound economic and financial foundations of the policies it promotes. This is reflected in the Declaration of Philadelphia of 1944, which is an annex to the ILO Constitution. In affirming that a fundamental objective of the ILO is that "all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity", the Declaration makes it the responsibility of the ILO to assess "all national and international policies and measures, in particular those of an economic and financial character", and states that only those which are "held to promote and not to hinder the achievement" of this fundamental objective should be accepted.

The Declaration states that "the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care" is one of the policies on which depend the achievement of the fundamental objective stated above. And it is clear that adequate resources for the financing of social policies in general and social security policies in particular will not be available unless sound economic and financial policies are in place.

Questions of sustainable and just financing, as well as of the effective design of benefit schemes and the overall social security system, are therefore emphasized in the ILO standards.

The Income Security Recommendation, 1944 (No. 67), the Medical Care Recommendation, 1944 (No. 69), and the Social Security (Minimum Standards) Convention, 1952 (No. 102), set forth principles concerning the financial guarantees of social security systems. According to Convention No. 102, the costs of the benefits and of their administration may be borne collectively, by way of insurance contributions or taxation, or a mix of both. The mode of financing may differ according to national preferences, but in any case, Convention No. 102 specifies that the total of insurance contributions borne by protected persons should not exceed 50 per cent of the total of the overall financial resources allocated to social security in the country. Recommendation No. 67 lays down that *social insurance* should be financed by a mix of sources – both by specific social security contributions paid by protected persons and employers, and by general taxation, as follows: "The cost of benefits, including the cost of administration, should be distributed among insured persons, employers and taxpayers in such a way as to be equitable to insured persons and to avoid hardship to insured persons of small means or any disturbance to production" (Recommendation No. 67, Paragraph 26). As for social assistance,

the Recommendation refers to "public subsidies in cash or in kind, or both" for financing the maintenance of children (e.g. through child allowances) and their health care, but does not make any specific provision for the financing of other types of social assistance benefits laid down in the Recommendation. As for Recommendation No. 69, it makes a distinction between medical care provided under a social insurance service, which should be financed by way of contributions from workers and employers (and taxpayers for those costs which are not covered by contributions), and a public medical service, the costs of which should be met by public funds (by way of taxation or out of the general revenue).

Both Recommendations and the Convention are also clear that, even in cases where social security has a mainly contributory character, persons of "small means" such as those whose income is below the subsistence level should not be required to pay contributions or, as laid down in Recommendation No. 69, to pay a special tax that would be levied to finance the public medical service (at all or in the full amount); instead contributions should be fully paid on their behalf or partially subsidized from the public funds (general revenue).

According to Recommendation No. 67 there are also other circumstances where social insurance contributions should be complemented by funds provided from the general revenue:

(a) the contribution deficit resulting from bringing persons into insurance when they are already elderly;

(b) the contingent liability involved in guaranteeing the payment of basic invalidity, old-age and survivors' benefits and the payment of adequate maternity benefit;

(c) the liability resulting from the continued payment of unemployment benefit when unemployment persists at an excessive level.

The government of a country which has ratified Convention No. 102 is under an obligation to accept general responsibility for the due provision of the benefits provided in compliance with the Convention, and should take all measures required for this purpose; it should ensure, where appropriate, that the necessary actuarial studies and calculations concerning financial equilibrium are made periodically and, in any event, prior to any changes in benefits, the rate of insurance contributions, or the taxes allocated to covering the contingencies in question.

Recommendation No. 67 specifies here that contribution rates to social insurance schemes should not exceed the rate necessary to ensure collective financial equivalence – that is, the rate which would yield, in the future, contribution income from all the insured persons such that its expected present value would be equal to the expected present value of the benefits due in the future to all those insured and their dependants. However, Recommendation No. 67 advises that "the rates of contribution of insured persons and employers should be kept as stable as possible, and for this purpose a stabilization fund should be constituted".

The Recommendation also attaches great importance to the proper coordination of the social security system: the administration should be unified or coordinated within a general system of social security services, and contributors (both employed and employers) should, through their organizations, be represented on the bodies which determine or advise upon administrative policy and propose legislation or frame regulations. If there is a separate authority administering social insurance it should be associated with the authorities administering social assistance, medical care services and employment services in a coordinating body for matters of common interest. Central and regional advisory councils, representing – in addition to trade unions and employers – such bodies as farmers' associations, women's associations and child protection societies, should be established for the purpose of making recommendations for the amendment of the law and administrative methods, and generally of maintaining contact between the administration and protected persons.

In addition, Recommendation No. 67 includes a clear concern with the need to achieve a balance between benefit adequacy, labour market incentives and the financing burden involved: "Benefits should replace lost earnings, with due regard to family responsibilities, up to as high a level as is practicable without impairing the will to resume work where resumption is a possibility, and without levying charges on the productive groups so heavy that output and employment are checked" (Paragraph 22).

8.2 Resources allocated to the financing of social security across the world

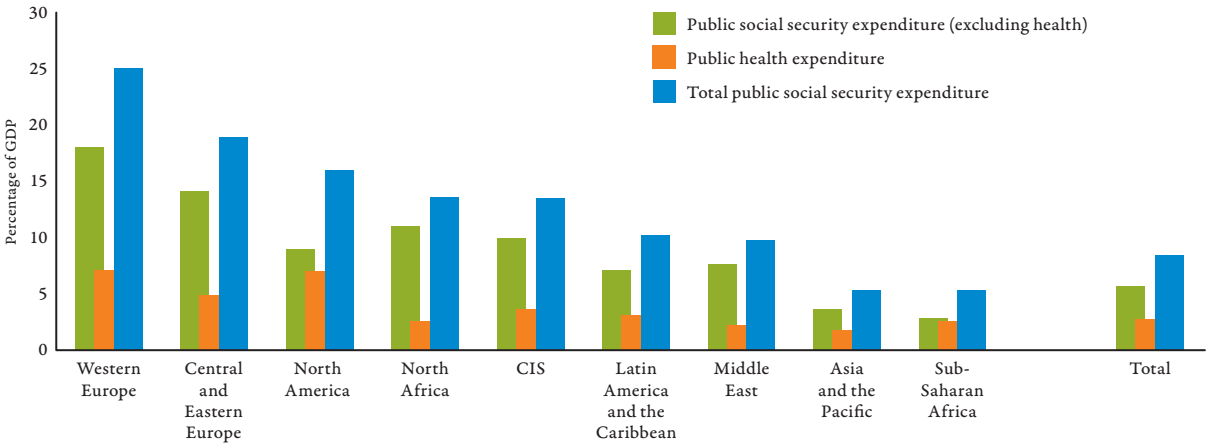
How much are countries investing in social security and how is it financed? On average, 17.2 per cent of global GDP is allocated to social security. However, these expenditures tend to be concentrated in higher-income countries, and so this average does not reflect the situation for the majority of the world's population,

Table 8.1 Social security expenditure by region and globally, latest available year (percentage of GDP)

	Social security expenditure (excluding health) as a percentage of GDP			Public health expenditure as a percentage of GDP			Total social security expenditure as a percentage of GDP		
	GDP weighted	Simple average	Population weighted	GDP weighted	Simple average	Population weighted	GDP weighted	Simple average	Population weighted
Western Europe	17.9	16.7	18.0	7.1	6.4	7.1	**25.0**	**23.2**	**25.1**
Central and Eastern Europe	14.5	13.9	14.1	5.0	5.0	4.8	**19.5**	**18.9**	**18.9**
North America	9.0	9.3	9.0	7.0	6.9	7.0	**15.9**	**16.2**	**16.0**
North Africa	10.5	9.5	11.0	2.5	2.4	2.5	**13.0**	**11.9**	**13.6**
CIS	9.0	8.2	9.9	3.9	2.7	3.6	**12.9**	**10.9**	**13.5**
Asia and the Pacific	7.9	3.6	3.6	4.2	3.3	1.7	**12.0**	**6.9**	**5.3**
Middle East	8.8	6.6	7.6	2.8	2.8	2.2	**11.6**	**9.4**	**9.8**
Latin America and the Caribbean	6.6	4.0	7.1	3.1	3.4	3.1	**9.7**	**7.4**	**10.2**
Sub-Saharan Africa	5.6	2.3	2.8	3.1	2.4	2.5	**8.7**	**4.8**	**5.3**
Total (138)	**11.3**	**7.1**	**5.7**	**5.9**	**3.8**	**2.7**	**17.2**	**10.9**	**8.4**

Sources: IMF, 2009; OECD, SOCX (OECD, 2009a); ILO Social Security Inquiry (ILO, 2009c); ESSPROS (European Commission, 2009a); WHOSIS (WHO, 2009a). Country data are available in the Statistical Annex. See also ILO, GESS (ILO, 2009d).

Figure 8.1 Social security expenditure by region, weighted by population, latest available year (percentage of GDP)



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Sources: As for table 8.1. Country data, definitions and interpretation issues are available in the Statistical Annex.

who live in lower-income countries where much less is invested in social security. An alternative measurement which better reflects the situation is a simple mean of the proportions of GDP allocated to social security in different countries. This reveals that, on average, countries in the world allocate 10.9 per cent of their respective gross domestic products to social security. The size of the population in different countries can also be used as a weight to calculate mean percentages of GDP: in this case the result shows that for the "average" resident only 8.4 per cent of the GDP of the country is allocated as social security benefits in the form of cash and in-kind transfers (see table 8.1 for all results).

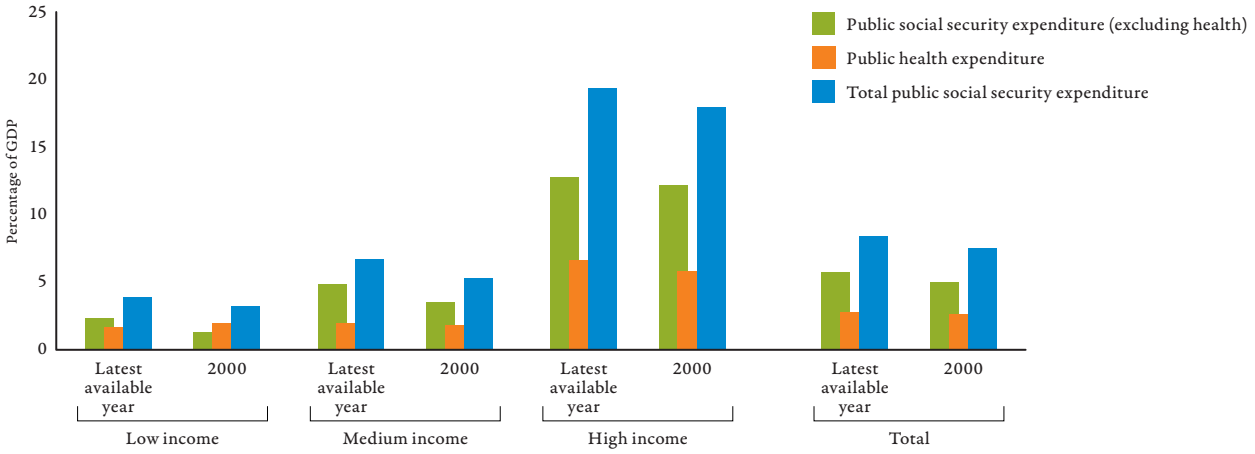
Country figures vary widely among the populations living in different regions, and among countries of different national income levels. While residents of Europe can see between 20 and 30 per cent of GDP invested in their social security, in most African countries only 4–6 per cent of GDP is spent on social security benefits; most of these funds are spent on health care rather than on cash transfers aimed at providing income security (see figure 8.1).

Table 8.2 Social security expenditure by income level and globally, latest available year (percentage of GDP)

	Social security expenditure (excluding health) as a percentage of GDP			Public health expenditure as a percentage of GDP			Total social security expenditure as a percentage of GDP		
	GDP weighted	Simple average	Population weighted	GDP weighted	Simple average	Population weighted	GDP weighted	Simple average	Population weighted
Low income	2.1	2.0	2.3	1.4	2.1	1.6	**3.5**	**4.1**	**3.9**
Middle income	6.2	6.6	4.8	2.7	3.5	1.9	**8.9**	**10.1**	**6.7**
High income	12.7	12.9	12.8	6.7	5.5	6.6	**19.5**	**18.4**	**19.4**
Total (138)	**11.3**	**7.1**	**5.7**	**5.9**	**3.8**	**2.7**	**17.2**	**10.9**	**8.4**

Sources: As for table 8.1. Country data are available in the Statistical Annex.

Figure 8.2 Social security expenditure by income level, weighted by population, 2000 compared with latest available year (percentage of GDP)



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Sources: As for table 8.1. Country data are available in the Statistical Annex.

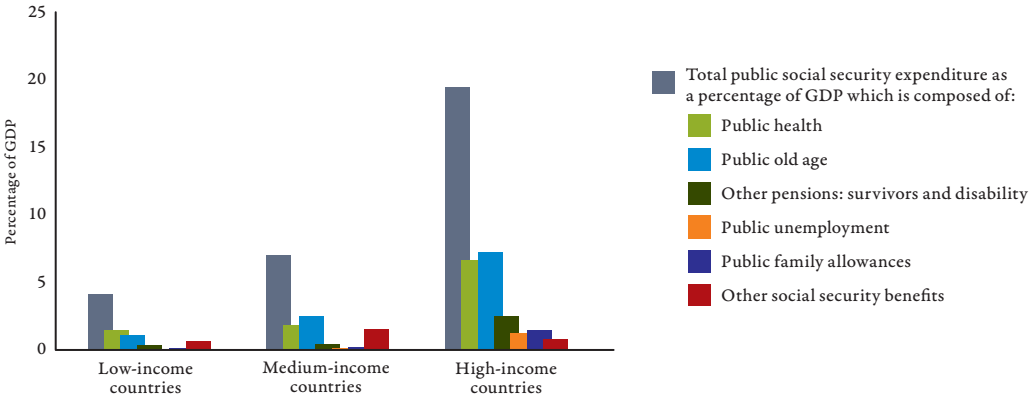
Higher-income countries in general spend more as a proportion of GDP than low-income countries do. While low-income countries spend from public resources an average of less than 4 per cent of their GDP on health care and non-health social security income transfers, in middle-income countries this proportion is at least twice as high (7–10 per cent), and in high-income countries about five times higher (about 20 per cent; see table 8.2 and figure 8.2).

Figure 8.2 compares the recent situation (data for the latest available year depending on the country) with that in the year 2000. This comparison should be treated with caution, in that data for 2000 are available for a slightly smaller number of countries, and the availability of data for the range of contingencies included has improved in some countries. Still, it seems that there has been a global increase in the share of GDP allocated to social security. Most of this increase has taken place in middle- and higher-income countries, less in low-income countries.

Figure 8.3 shows that health and pension expenditure dominate everywhere – however, where in low-income countries health care has the largest position in social security expenditure, in other countries it is pensions that dominate. Only in higher-income countries is expenditure on branches such as unemployment benefits and family benefits significant in terms of resources allocated.

There is also a clear correlation between the amount of resources allocated to social security and the level of vulnerability of a country (defined, as earlier in this report, in relation to two combined characteristics – poverty incidence and degree of informality of the labour market; see figure 8.4). Those countries with the highest investments in social security are also the ones with both low labour market informality and low

Figure 8.3 Social security expenditure by income level and branch, weighted by population, latest available year (percentage of GDP)



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Note: The number of countries for which detailed social security data on expenditure by branch are available is smaller than the number of countries covered for the calculation of total expenditure as presented in figure 8.2. This explains some differences in the results for total expenditure.

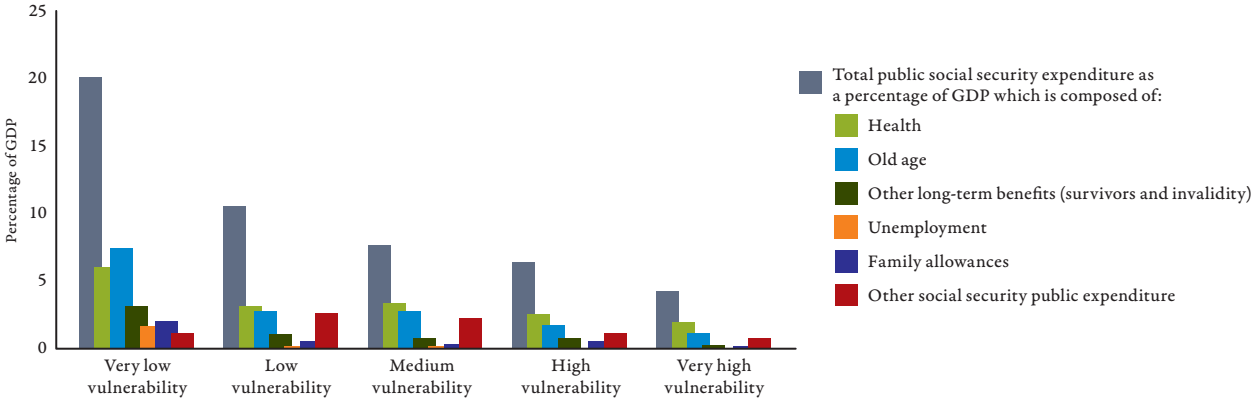
Sources: As for table 8.1.

poverty incidence. Also, only in countries with very low vulnerability levels are pensions the largest expenditure item – in all other groups it is health-care expenditure that dominates.

Already revealed in our earlier analysis of coverage gaps in respect of various contingencies, here again the serious imbalances in the allocation of resources to social security in countries with lower incomes, high poverty rates and large informal economies can be clearly seen. Not only are the resources allocated low (which is reflected by the low coverage analysed earlier), but in addition the structure of expenditure does not match obvious patterns of social priorities. While the domination of health-care spending is understandable where the resource base is small, and cannot be questioned as a priority, it is still true that near negligible resources are allocated to income support measures other than contributory pensions – such as cash benefits to families with children, to those unemployed or to the poor.

Although this prevailing pattern shows a strong correlation between income levels and amounts of resources allocated to social security, it cannot be concluded from this that social security is a "luxury" good. On the contrary, low-income countries with high poverty incidence and large informal economies need social security even more than other countries, although they may have different priorities with respect to which branches should be developed first and how benefits should be financed and delivered. And there are many

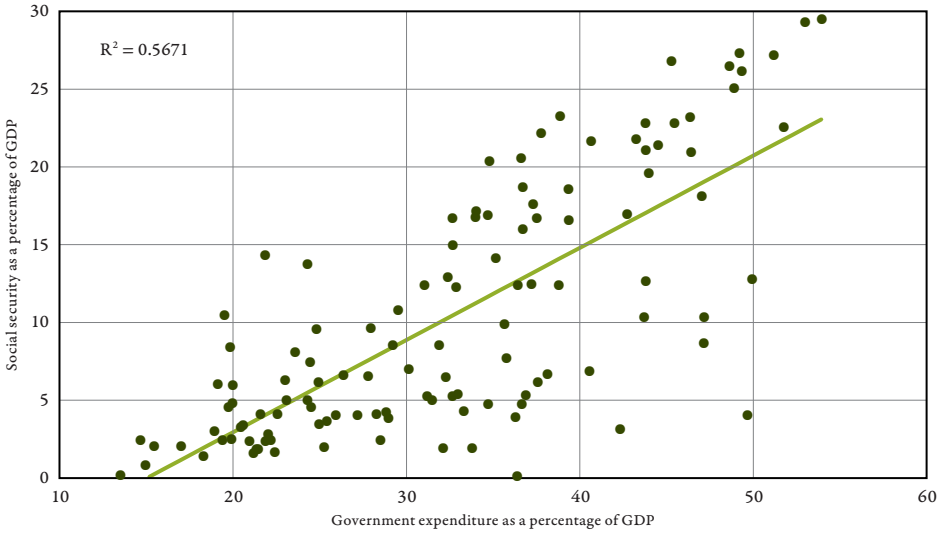
Figure 8.4 Social security expenditure by vulnerability and branch, weighted by population, latest available year (percentage of GDP)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15129

Sources: As for table 8.1. Country data are available in the Statistical Annex.

Figure 8.5 Size of government resources (ratio of government expenditure to GDP) and amount of social security expenditure (percentage of GDP), latest available year



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15130

Sources: Social security expenditure as a percentage of GDP: as for table 8.1. Government expenditure as a percentage of GDP: IMF, 2009. See also ILO, GESS (ILO, 2009d).

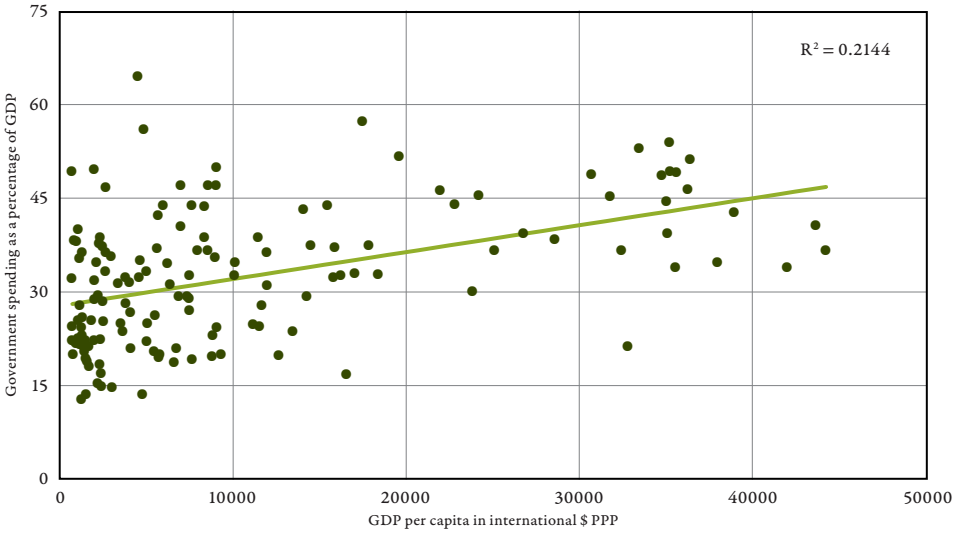
studies clearly showing that social security in those countries not only can be made affordable but is also necessary as a factor in development (see for example ILO, 2008d; OECD, 2009e; Townsend, 2009).

There is certainly a correlation between the size of overall government expenditure in a country and the size of its social security expenditure (both measured as a percentage of its GDP; see figure 8.5). The link works both ways: on the one hand a certain minimum fiscal space is needed to finance social security programmes; on the other, the expansion of social security creates further incentives to raise more resources. However, it is also clear from figure 8.5 that countries with a similar size of government resources ("small" or "big") may take very different decisions as to the share of these resources allocated to social security. We see countries with relatively "small" government allocating a large share of these limited public resources to social security programmes, and at the same time countries with "big" government unwilling to finance large-scale social security programmes. Thus, the size of social security investment (and, it follows, the extent and level of coverage of the population of the country by social security) depends to a significant extent on the prevailing political and social will (of the governments, of the taxpayers, of the electorate): it is this that effectively defines the fiscal space available to finance this and not other programmes.

All countries, whatever their level of income, enjoy a certain degree of freedom. Figure 8.6 shows that there exists a very weak correlation between levels of GDP and size of government. Countries at similar income levels differ significantly with respect to the size of government measured by the size of public finance. In many cases this is a result of different, often historically shaped, societal preferences. In some cases, however, where government expenditure is very small this may simply indicate a low capacity on the part of the authorities to raise and collect taxes and other revenue. In such countries the main challenge is to introduce and enforce tax reforms to increase fiscal resources, including, in particular, enhancing the effectiveness and efficiency of tax collection. But it may also mean the need to revise spending programmes, making them more adequate to societal preferences in order to increase the willingness of the taxpayer to pay taxes.

After reaching a certain level of fiscal revenue countries can exercise a significant degree of discretion in choosing which public programmes to invest in. Of course this discretion does not mean that choices are easy – there are always opportunity costs behind any such decision and expenditure planning should combine the democratic process, reflecting societal preferences, with a careful quantities analysis of the social cost of benefits for the different alternatives. Figure 8.7 shows that, at any size of government, countries have some

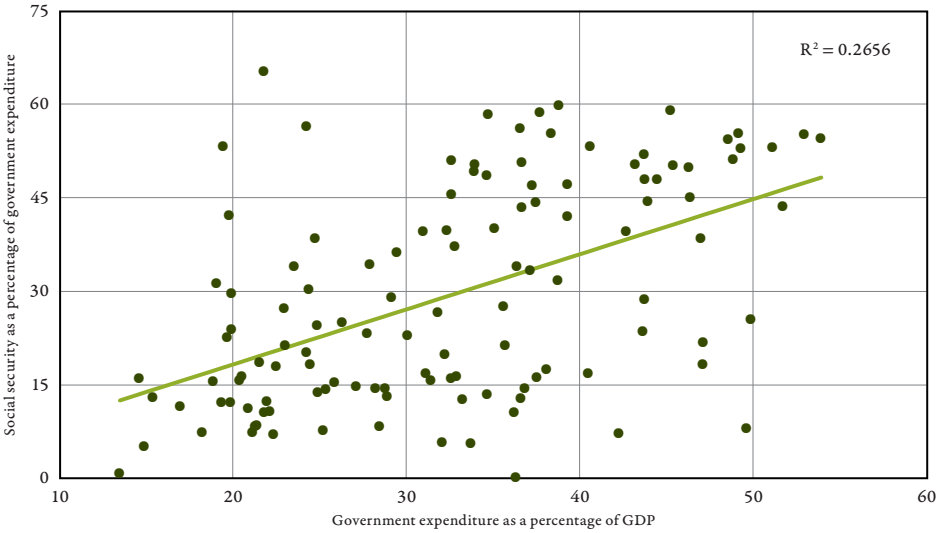
Figure 8.6 Size of government resources (ratio of government expenditure to GDP) and GDP per capita, latest available year (international $ PPP)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15131

Sources: As for table 8.1.

Figure 8.7 Share of government spending invested in social security and size of government (ratio of government expenditure to GDP), latest available year



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15132

Sources: As for table 8.1.

choice as to what portion of public resources to invest in social security; and that even countries with relatively very small government (as expressed by government spending in the range of 20–25 per cent of GDP) differ significantly in their decisions on the share of these resources devoted to financing social security programmes: one-tenth, one-fifth, one-third or more than half.

How decisions are made is thus crucial for the organization and financing of public social security programmes. The main choice is to what extent these programmes should be organized as contributory social insurance and to what extent as non-contributory programmes accessible to all residents or all residents in a specified category. As discussed earlier, the success of

Table 8.3 Structure of social security receipts by type and sector of origin, 27 EU Member States, 2007

Type of receipt	Sector of origin					
	Government	Corporations	Households	Non-profit institutions serving households	Rest of the world	**Total receipts**
General revenue	37.9	0.0	0.0	0.0	0.0	**37.9**
Contributions	8.2	29.0	20.8	0.7	0.0	**58.7**
Other receipts	1.1	1.5	0.4	0.0	0.4	**3.3**
Total receipts	**47.2**	**30.5**	**21.2**	**0.7**	**0.4**	**100.0**

Source: ESSPROS (European Commission, 2009a).

the different forms of social security organization and financing depends to a large extent on labour market structure, the proportion of formal wage and salary employment in total employment, and the scope of the informal economy.

A comprehensive data set which would allow the identification of global financing patterns of social security is not yet available, although the ILO collects data on sources of finance for social security expenditure as part of its Social Security Inquiry (ILO, 2009c). With respect to public health-care expenditure, financing from general taxation dominates financing from social security contributions (WHO estimates of national health accounts; see also Chapter 3 of this report). Slightly less than one-quarter of national public health expenditure worldwide is financed from social insurance contributions (24.7 per cent). Social health insurance contributions finance slightly more than half of public health-care expenditure in Europe and Central Asia (51.1 per cent), 27.1 per cent in the Americas, 12 per cent in Asia, the Middle East and Northern Africa and only 3 per cent in sub-Saharan Africa. The picture is different if one takes not simple averages but weights the average with the size of health expenditure. Then, globally and in all countries apart from low-income countries, about 40 per cent of health expenditure is financed by contributory social security schemes, while in low-income countries the amount is only 7 per cent. At the same time, many low-income countries depend to a significant extent on foreign aid for the financing of their health-care needs: in these countries the external financing of healthcare was in 2006 on average equal nearly to half of its public health care financing (46 per cent) and has since increased significantly compared to the 2000 level of this proportion (35 per cent).[1]

There are no similar global estimates for non-health social security financing patterns. It is obvious, however, from the coverage patterns that contributory social security schemes dominate, although they cover – in particular in lower-income countries – only a minority of the population. But actual comprehensive data exist only for selected countries. In the long run the objective is to be able to estimate all financing patterns of social security systems – both health and non-health – by type of receipt and sector of origin. It should be possible to estimate for every country what the European Union can already do for its 27 Member States (as well as several other European countries) through its statistical office EUROSTAT with its Integrated Social Protection Statistics methodology and ESSPROS database. These figures are presented in table 8.3.

From the table one can see that nearly 60 per cent of total receipts are social security contributions, of which 30 per cent comes from non-governmental employers, more than 20 per cent from employees and other protected persons (that is, from households), 8 per cent from the governments as employers, and less than 1 per cent from non-governmental organizations as employers. Most of the rest comes from general taxation – collected, of course, from corporations and households. Slightly over 3 per cent of the total revenue comes from other receipts – of which a large part comes from investment income from social security funds. Government is the largest financier of social security systems in the European Union (47 per cent), with 30 per cent paid directly by corporations and 21 per cent by households.

[1] Recalculated using WHO, 2009b.

8.3 Measuring effectiveness and efficiency of investments in social security: An overview of approaches in selected international organizations

Comprehensive social security requires significant investments of public resources and, like any other set of publicly financed programmes, it requires monitoring and evaluation mechanisms to be put in place so that a government and its social partners can assess the effectiveness of its policies, as well as their efficiency (that is, a relationship between resources invested and outcomes achieved). National policies should be assessed against their objectives; it is thus very important that such objectives are clearly stated when policies are formulated and social security schemes and systems designed or redesigned, and that these objectives are known to all the stakeholders. It is not feasible to assess, within an internationally comparative framework, the currently very differentiated social security systems in the various countries, operating in quite different circumstances and thus with different priorities, and aiming to achieve very different country-specific policy objectives. Such a comparison is not only beyond the ambitions of this report; it is simply impossible.

Social security systems and their individual components always have multiple objectives: among others, to reduce poverty, prevent poverty, reduce income inequality, and provide income replacement of lost or reduced income due to various life contingencies, thus "smoothing" consumption of individuals and their families over the life cycle. In the different countries there are bound to be various needs and priorities with respect to these objectives, which are then reflected in different designs of social security programmes – more or less focused on poverty reduction or prevention, more or less focused on consumption smoothing, more or less focused on redistribution. In assessing the effects of social security systems it is therefore necessary to consider multiple dimensions. At the same time, no social security system works in isolation; it exists in a context of socio-economic circumstances and is accompanied by other economic and social policies. It is not always possible to identify which circumstances and which policies have played a more important role, nor the importance of combinations of specific policies and circumstances.

This section looks at attempts to assess effectiveness and efficiency of social security programmes carried out by selected international organizations – the European Union, OECD and ADB.

8.3.1 Monitoring social protection in the European Union [2]

Within a so-called Open Method of Coordination (OMC) on Social Protection and Social Inclusion, it has been agreed that the overarching objectives of the social protection and social inclusion processes are to promote:

(a) social cohesion, equality between men and women and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies;

(b) effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the EU's Sustainable Development Strategy;

(c) good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.

Within this framework Member States of the European Union periodically prepare national strategies and submit them to the European Commission in the form of National Reports on Strategies for Social Protection and Social Inclusion. In these reports, Member States report on agreed sets of common objectives in this policy area. There are four sets of objectives: in addition to the three overarching objectives listed above, there are specific objectives in three strands: social inclusion, pensions and health care (including long-term care).

The European Commission then drafts a report for joint adoption by the Commission and the European Council. This report summarizes the main issues and trends and assesses Member States' progress in reaching the common objectives. It also reviews how social protection and social inclusion policies are contributing to the Lisbon goals of employment and growth and assesses how progress towards these goals is having an impact on social cohesion.

The above reporting framework uses a set of commonly agreed indicators and context information, which are calculated and regularly updated by EUROSTAT on the basis of the commonly agreed definitions and presented on the EUROSTAT web site on well-identified and dedicated pages. Indicators are used to monitor the overarching objectives, as well as the specific objectives of the three strands: social inclusion, pensions and health care. An EU-level analysis of the indicators is carried out by the Commission, discussed

[2] For further details see European Commission, 2009b.

with the indicators Sub-Group of the Social Protection Committee (SPC), and made available to Member States in advance of the preparation of the National Reports on Social Protection and Social Inclusion.

Three categories of indicators are used:

- commonly agreed EU indicators contributing to a comparative assessment of progress by Member States towards the common objectives. These indicators may refer to social outcomes, intermediate social outcomes or outputs;
- commonly agreed national indicators based on commonly agreed definitions and assumptions that provide key information to assess the progress of Member States in relation to certain objectives, while not allowing for a direct cross-country comparison, or not necessarily having a clear normative interpretation. These indicators are especially suited to measure the scale and nature of policy intervention. They should be interpreted jointly with the relevant background information (exact definition, assumptions, representativeness);
- context information: each portfolio will have to be assessed in the light of key context information, and by referring to past and, where relevant, future trends.

For monitoring the overarching objectives the European Union uses the following 14 indicators, most of them presented by gender and for different age groups:

1. *At-risk-of-poverty rate*: Share of persons aged 0+ with an equivalized disposable income below 60 per cent of the national median equivalized disposable income; and *relative median poverty risk gap*: Difference between the median equivalized income of persons aged 0+ below the at-risk-of-poverty threshold and the threshold itself, expressed as a percentage of the at-risk-of-poverty threshold.
2. *Quintile ratio*: Ratio of total income received by the 20 per cent of the country's population with the highest income (top quintile) to that received by the 20 per cent of the country's population with the lowest income (lowest quintile). Income must be understood as equivalized disposable income.
3. *Healthy life expectancy*: Number of years that a person at birth, at 45 and at 65 is still expected to live in a healthy condition (also called disability-free life expectancy).
4. *Early school leavers*: Share of persons aged 18 to 24 who have only lower secondary education (highest level of education or training attained is 0, 1 or 2 according to the 1997 International Standard Classification of Education – ISCED 97 (UNESCO, 1997)) and who have not received education or training in the four weeks preceding the survey.
5. *People living in jobless households*: Proportion of people living in jobless households.
6. *Projected total public social expenditures*: Age-related projections of total public social expenditures (e.g. pensions, health care, long-term care, education and unemployment transfers), current level (percentage of GDP) and projected change in share of GDP (in percentage points) for the years 2010–20–30–40–50.
7. *Median relative income of elderly people*: Median equivalized income of people aged 65+ as a ratio of income of people aged 0–64; and *aggregate replacement ratio*: Median individual pensions of persons aged 65–74 relative to median individual earnings of those aged 50–59, excluding other social benefits.
8. *Self-reported unmet need for medical care*: Total self-reported unmet need for medical care for the following three reasons: financial barriers, waiting times too long, too far to travel.
9. *At-risk-of-poverty rate anchored at a fixed moment in time*: Share of persons aged 0+ with an equivalized disposable income below the at-risk-of-poverty threshold calculated from the year 2004, up-rated by inflation over the years.
10. *Employment rate of older workers*: Persons in employment in age groups 55–59 and 60–64 as a proportion of total population in the same age group.
11. *In-work poverty risk*: Individuals who are classified as employed (distinguishing between "wage and salary employment plus self-employment" and "wage and salary employment" only) and who are at risk of poverty.
12. *Activity rate*: Share of employed and unemployed people in total population of working age group 15–64.
13. *Regional disparities – coefficient of variation of employment rates*: Standard deviation of regional employment rates divided by the weighted national average (age group 15–64 years).
14. *Total health expenditure per capita*: Total health expenditure per capita in PPP.

The above indicators are analysed together with a number of context indicators: *GDP growth*, *employment rates*, *unemployment rates*, *life expectancy at birth and at 65*, *dependency ratio* (current and projected), *distribution of population by household type*, *public debt* (current and projected), *social protection expenditure* (current, by function, gross and net), *jobless households* (by main household type), *marginal effective tax rates*, *net income of social assistance recipients as a percentage of the at-risk-of-poverty threshold* (for selected jobless household type), *at-risk-of-poverty rate before social transfers* (other than pensions) and *change in projected theoretical replacement ratio for base case 2004–2050*.

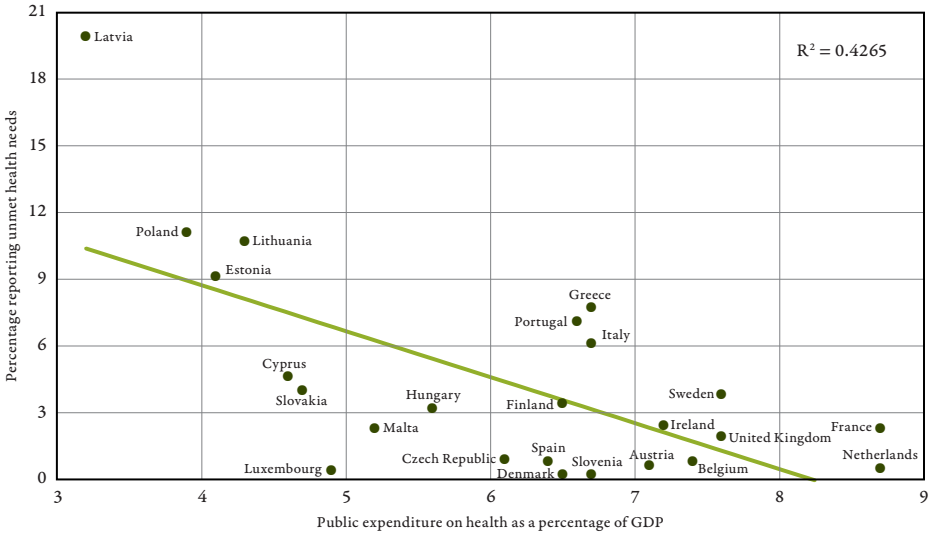
There are also three sets of more detailed indicators designed to monitor specific objectives in the three strands: pensions, health and social inclusion (see European Commission, 2009b).

As one can see, the indicators listed above are mainly (but not all) indirect outcome indicators of social security, assessing situations with respect to poverty, income inequality and relative incomes, health status and access to health and education, and labour market behaviour. Only a few indicators are related more directly to social security coverage, and then to only some of its dimensions. There are pension replacement rates derived from household survey data, as well as theoretical replacement rates derived from existing legislation in force at present, and in the future as a result of reforms undertaken. There is a subjective measure of coverage gap in terms of health care (self-reported unmet need for medical care due to financial barriers, or waiting time too long, or too far to travel); and there are two indicators related to the level of resources allocated to social security: current and projected age-related social expenditure and total (public and private) health expenditure per capita.

Let us look briefly at some of these indicators and how they are related to resources invested in social security. Figure 8.8 shows the average percentage incidence of persons reporting unmet health needs in the three lowest quintiles (on the vertical axis) plotted against percentage of GDP spent by countries on health care from public funds.

It seems that higher public spending on health helps to decrease coverage gaps in health care (as measured by the subjective assessment of barriers to access) but of course it is not the only factor. There are countries where, despite relatively high expenditure, perceived barriers to access are still rather high, and there are also countries with middle levels of expenditure where the health-care access gap is lower than in some countries with higher expenditure. Efficiency of expenditure depends to a large extent on how a social security system and its specific components are organized in terms of providing effective coverage to all, in particular to all those with lower incomes, in its three

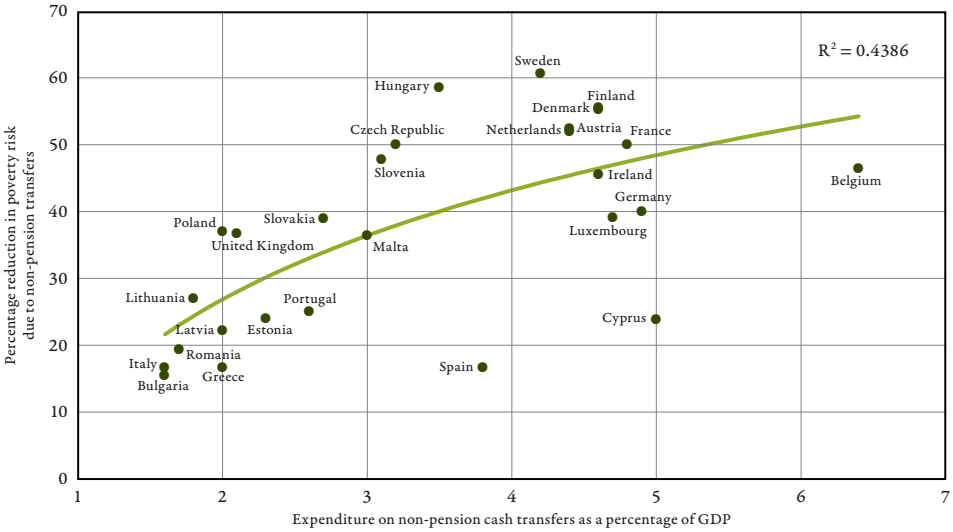
Figure 8.8 Percentage of lower-income persons (first three income quintiles) reporting unmet health needs, and public spending on health (percentage of GDP), European Union countries, 2007



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15133

Source: ILO calculations based on ESSPROS (European Commission, 2009a). See also ILO, GESS (ILO, 2009d).

Figure 8.9 Non-pension cash transfers: Reduction in poverty risk, European Union countries, 2007



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15134

Source: ILO calculations based on ESSPROS (European Commission, 2009a).

dimensions – scope of benefits available, extent of the population covered and level and quality of benefits delivered.

Another indicator relates to the effectiveness of transfers in reducing poverty. Figure 8.9 shows on its vertical axis the percentage reduction in poverty risk achieved by cash transfers other than pensions, while the horizontal axis shows national expenditure on these transfers as a percentage of GDP. Here again we can see that, in general, the greater the resources invested, the stronger the impact from the point of view of the objectives of such transfers. However, once again some countries show higher than average poverty reduction despite relatively lower than average expenditure. For these countries it can be said that investments in social security are more efficient, giving higher returns in terms of poverty reduction and prevention. On the other hand, it must be remembered that poverty reduction is not the only objective of the social security system, and that some countries may have different priorities with respect to these different objectives and design their social security scheme accordingly.

8.3.2 Monitoring social protection in the OECD

The Organisation for Economic Co-operation and Development does not have a monitoring mechanism similar to the Open Method of Coordination in the European Union. However, over the years the OECD has developed a methodology for monitoring various social policies, as well as databases which can be used to calculate various indicators of social outcomes in addition to social policy processes. The results and analysis are periodically presented in the report *Society at a Glance: OECD Social Indicators* (OECD, 2009f). The objective of these indicators, as stated in the report, is to address two questions:

1. Compared with their own past and with other OECD countries, what progress have countries made in their social development?
2. How effective have the actions of society been in furthering social development?

OECD social indicators are grouped along two dimensions. The first dimension considers the nature of these indicators:

- *Social context* indicators refer to variables that, while not usually direct policy targets, are crucial for understanding the social policy context (such as demographic indicators).
- *Social status* indicators describe the social outcomes that policies try to influence (such as poverty rates, inequality measures, and so on).
- *Societal response* indicators provide information about what society is doing to affect social status indicators. Societal responses include indicators of government policy settings.

The second dimension groups indicators according to the broad policy fields that they cover. Four broad objectives of social policy are used to classify indicators of social status and social response:

- *Self-sufficiency*
- *Equity*
- *Health status*
- *Social cohesion*

While there seems to be agreement concerning the main policy objectives, it seems there is less with respect to the list of specific indicators: different editions of *Society at a Glance* have included different indicators, although some have been published in all editions. Among the indicators used at least once in the report there are a number in the "societal response" category which relate directly to social security:

Self-sufficiency

- Adequacy of benefits of last resort: net incomes of social assistance recipients as a percentage equivalent of median household income

Equity

- Public social protection spending
- Total social protection spending (public and private)
- Private social protection spending
- Percentage of unemployed receiving benefits
- Pension replacement rates

Health

- Health-care expenditure
- Responsibility for financing health care (public and private)
- Percentage of elderly receiving long-term care

In addition to *Society at a Glance* (OECD, 2009f), the OECD also publishes periodically the reports *Pensions at a Glance* (OECD, 2009c) and *Health at a Glance* (OECD, 2009g) which also contain sets of indicators calculated for most of the member countries, including a number of specific social security indicators. Other OECD research and publications focus on the effectiveness and efficiency of social policies and in particular social security transfers. The recently published report *Growing unequal?* (OECD, 2009b) on income inequality and poverty in OECD countries has two sections specifically on the role and impact of social security transfers: "How much redistribution do governments achieve? The role of cash transfers and household taxes" (Chapter 4, pp. 97–124) and "The role of household taxes and public cash transfers in reducing income poverty" (Chapter 5, pp. 139–143).

The OECD analysis of the redistributive force of social transfers on the one hand and taxes paid by households on the other gives interesting results. The report calculated indicators of concentration of both transfers and taxes, using a measure similar to the Gini coefficient. Social transfers are usually concentrated in lower-income households; this is why the concentration coefficient used – see column D in table 8.4 – has a negative sign for most of the countries. If transfers were distributed equally to all households the coefficient value would be 0; its high negative value shows that a larger share of transfers goes to households with lower incomes. Taxes are usually progressive; thus the concentration index is positive and higher when a larger share of taxes is paid by higher-income households.

Table 8.4 shows that in OECD countries the redistributive force of transfers is far more differentiated than that of taxes. Of course the highest concentration occurs in those countries where a major part of the social security system is based on income or means-tested benefits (as in Australia, Denmark or New Zealand); it is much lower in countries where earnings-related social insurance provisions dominate social security (Austria, France, Germany, Italy and a number of others). In the latter countries a large part of the social security system is less concerned with the pure redistribution of income than with income smoothing for persons at all income levels. This is clearly visible when we look at the "efficiency" indicator for transfers presented in column C of table 8.4, and at the same time study figure 8.10. As a general trend, the higher the cash transfers, the stronger the inequality reduction effect. However, there is a group of countries with relatively higher spending but lower effectiveness in inequality reduction. The efficiency index (as calculated by table 8.4) is thus lower for those countries, but any assessment of effectiveness and efficiency should take into account all important multiple objectives of the social security system, not just the one. As already pointed out, different countries have different priorities in their social security policies and accordingly allocate resources to different components of their social security systems. Table 8.5 shows the concentration of transfers for different social security branches in various OECD countries. Non-pension benefits (benefits to the unemployed, families with children, housing support and other social assistance benefits) are in general more concentrated within

Table 8.4 Effectiveness and efficiency of social security cash transfers received by households, and taxes paid by households, 22 OECD countries, mid-2000

	A. Effectiveness index (inequality reduction)		B. Size (share of household disposable income)		C. Efficiency index A / (B/100)		D. Concentration index	
	Household taxes	Public cash transfers	Household taxes	Public cash transfers	Household taxes	Public cash transfers	Household taxes	Public cash transfers
Australia	0.045	0.097	23.4	14.3	0.193	0.679	0.533	–0.400
Austria	0.029	0.052	33.4	36.6	0.086	0.142	0.381	0.157
Belgium	0.037	0.119	38.3	30.5	0.096	0.391	0.398	–0.120
Canada	0.037	0.060	25.8	13.6	0.145	0.444	0.492	–0.152
Czech Republic	0.037	0.114	21.6	24.3	0.170	0.468	0.471	–0.154
Denmark	0.042	0.118	52.5	25.6	0.080	0.461	0.349	–0.316
Finland	0.038	0.065	30.1	14.4	0.127	0.449	0.428	–0.219
France	0.020	0.056	26.0	32.9	0.079	0.171	0.374	0.136
Germany	0.046	0.086	35.5	28.2	0.130	0.303	0.468	0.013
Ireland	0.041	0.100	19.4	17.7	0.210	0.565	0.570	–0.214
Italy	0.047	0.073	30.2	29.2	0.156	0.251	0.546	0.135
Japan	0.003	0.048	19.7	19.7	0.015	0.244	0.378	0.010
Rep. of Korea	0.005	0.011	8.0	3.6	0.067	0.312	0.380	–0.012
Luxembourg	0.032	0.066	23.8	30.6	0.135	0.215	0.420	0.085
Netherlands	0.041	0.080	24.7	17.1	0.166	0.468	0.471	–0.198
New Zealand	0.038	0.080	29.0	13.0	0.132	0.615	0.498	–0.345
Norway	0.027	0.093	33.2	21.7	0.082	0.427	0.376	–0.183
Slovakia	0.028	0.094	20.0	26.0	0.138	0.361	0.422	–0.056
Sweden	0.032	0.121	43.2	32.7	0.075	0.368	0.337	–0.145
Switzerland	–0.012	0.057	36.0	16.0	–0.034	0.355	0.223	–0.170
United Kingdom	0.039	0.085	24.1	14.5	0.164	0.586	0.533	–0.275
United States	0.044	0.041	25.6	9.4	0.170	0.434	0.586	–0.089
OECD-22	0.032	0.078	28.3	21.4	0.117	0.396	0.438	–0.114

Note: The effectiveness index is defined as the percentage point reduction in the Gini coefficient of income inequality due to household taxes (i.e. between gross and disposable income) and cash transfers (i.e. between market and gross income) in each OECD country. The efficiency index is the effectiveness index of taxes and transfers divided by the respective share of taxes and transfers in each country. The concentration index of household taxes and public cash transfers is computed in the same way as the Gini coefficient of household income, so that a value of zero means that all income groups receive an equal share of household transfers or pay an equal share of taxes. However, individuals are ranked by their equivalized household disposable incomes.

Source: OECD, 2009b, table 4.6.

poorer households than pension benefits, which are more often strictly earnings-related and have limited redistributive force.

These findings are once again confirmed in another graph borrowed from the excellent OECD report on inequality (2009b). Figure 8.11 shows on the one hand the relationship between the poverty rates achieved after social security transfers to persons of working age and the social security transfers aimed at this group of the population. A second graph shows a similar relationship with respect to poverty among the elderly and transfers to that group. While for those of working age there is a clear and strong relationship (higher transfers result in less poverty), the situation is much more complex with respect to the elderly and the impact of pension transfers on reducing poverty within the population of older people. Some countries spend not so much on pensions but still achieve strong poverty reduction effects (Canada, Netherlands or New Zealand). At the same time there are countries where spending is much higher but the poverty reduction effects are comparable (Austria, France, Germany, Poland). Are the public pension systems in the second group of countries less efficient than in the first? Yes – but only if poverty reduction were to be the only objective of the pension system. In fact, pension systems have multiple

Table 8.5 Concentration coefficients of benefits in different branches of social security, 27 OECD countries, mid-2000

	Old-age pensions	Disability benefits	Compensation for occupational injury and diseases	Survivor benefits	Family cash benefits	Unemployment benefits	Housing benefits	Other benefits
Australia	–0.47	–0.35	...	–0.30	–0.33	–0.44	...	–0.40
Austria	0.25	0.14	0.16	0.00	–0.09	–0.17	–0.48	–0.05
Belgium	–0.09	–0.27	–0.13	–0.14	0.03	–0.22	–0.15	–0.50
Canada	–0.11	...	...	...	–0.46	–0.06	...	–0.22
Czech Republic	–0.11	–0.06	...	0.19	–0.26	–0.28	–0.66	–0.36
Denmark	–0.49	–0.18	...	...	–0.04	–0.22	–0.58	–0.37
Finland	–0.44	0.07	0.12	0.02	–0.07	–0.24	–0.61	–0.39
France	0.25	0.14	...	0.05	–0.13	0.08	–0.55	–0.23
Germany	0.10	...	0.07	–0.04	–0.04	–0.28	0.00	–0.24
Greece	0.15	0.06	0.25	0.02	–0.02	0.04	–0.17	–0.11
Hungary	0.01	...	...	...	–0.06	–0.25	...	–0.17
Ireland	–0.32	–0.27	0.27	0.08	–0.21	–0.07	–0.46	0.02
Italy	0.22	0.90	...	...	–0.52	–0.04	...	–0.05
Japan	0.02	...	...	...	...	–0.11	...	–0.33
Luxembourg	0.17	0.00	...	0.13	–0.02	–0.09	–0.41	–0.52
Netherlands	–0.16	–0.11	...	–0.14	–0.36	0.03	–0.65	–0.37
New Zealand	–0.32	–0.35	–0.41	0.02	–0.43	–0.38	–0.37	–0.14
Norway	–0.27	–0.06	...	–0.18	–0.06	–0.12	–0.65	–0.24
Poland	0.26	0.04	0.40	0.15	–0.22	0.13	–0.26	–0.13
Portugal	0.33	0.03	...	0.03	...	0.20	0.13	–0.77
Slovakia	0.00	–0.19	–0.01	0.24	–0.01	–0.07	0.84	–0.59
Spain	0.04	0.11	0.14	0.05	0.35	0.02	0.48	0.02
Sweden	–0.19	0.25	0.25	...	–0.07	–0.10	–0.66	–0.16
Switzerland	–0.19	...	...	...	–0.02	–0.15	...	–0.29
Turkey	0.37	0.07	...	0.25	0.17	0.08	...	0.52
United Kingdom	–0.21	–0.20	...	...	...	...	...	–0.37
United States	–0.04	...	...	...	–0.56	0.07	...	–0.10
OECD-27	–0.05	–0.01	0.10	0.02	–0.14	–0.10	–0.29	–0.24

Note: …: not available

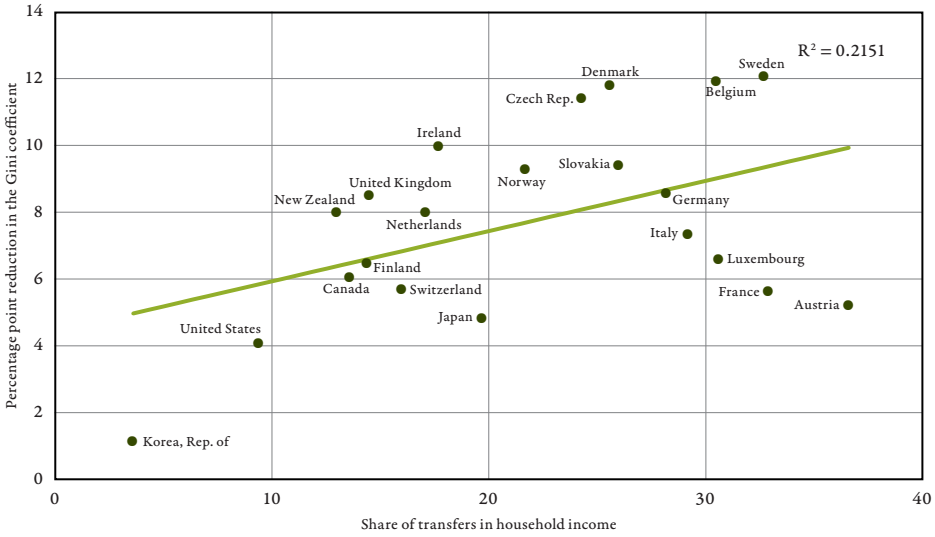
Source: OECD, 2009b, table 4.4.

objectives. In the second group of countries, in addition to poverty prevention the public pension systems deliver a large portion of after-retirement income not only to the poor but also to those with higher incomes, while in countries in the first group income from public pensions is a smaller part of overall retirement income, which comes mainly from occupational or private pension schemes. In the second group public transfers account for more than 70 per cent of the overall income of the retired, while in most of the countries in the first group public transfers amount to less than half of the income of those above retirement age – a large portion coming from accumulated capital and from continuing some form of gainful employment (see OECD, 2009c: Part I, "Policy issues", Chapter 2, "Incomes and poverty of older people", and figure 2.3, "Sources of incomes of older people").

8.3.3 The Asian Development Bank Social Protection Index

In both the European Union and OECD the set of indicators selected is usually subject to years of discussion among experts, statisticians and representatives of the governments responsible for social policies. Data used

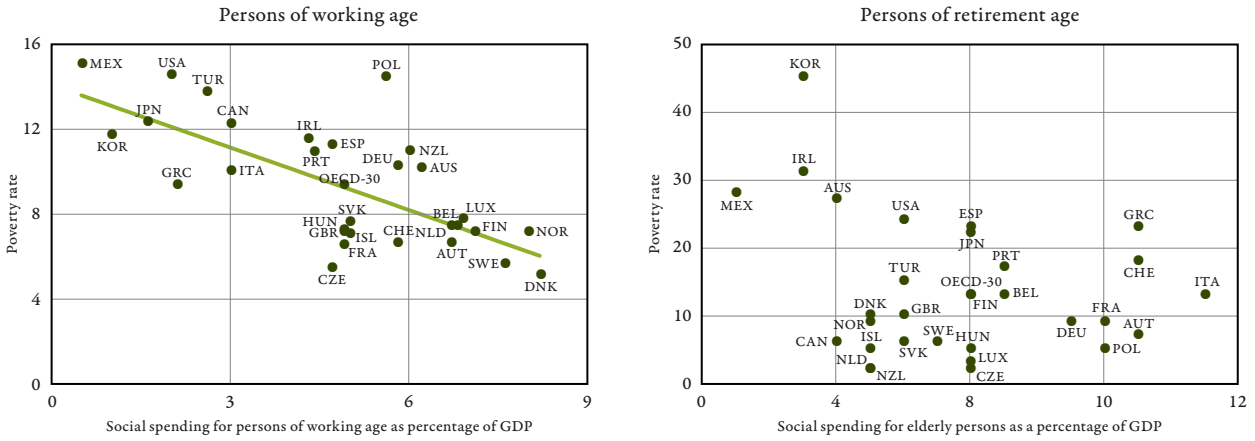
Figure 8.10 Percentage reduction in the Gini coefficient, and share of social security cash transfers in household incomes, 22 OECD countries, mid-2000



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15135

Source: Based on table 8.4. See also ILO, GESS (ILO, 2009d).

Figure 8.11 Poverty rates and social security expenditure for persons of working age and retirement age, OECD countries, mid-2000 (percentages)



Link: OECD StatLink, http://dx.doi.org/10.1787/422333665216

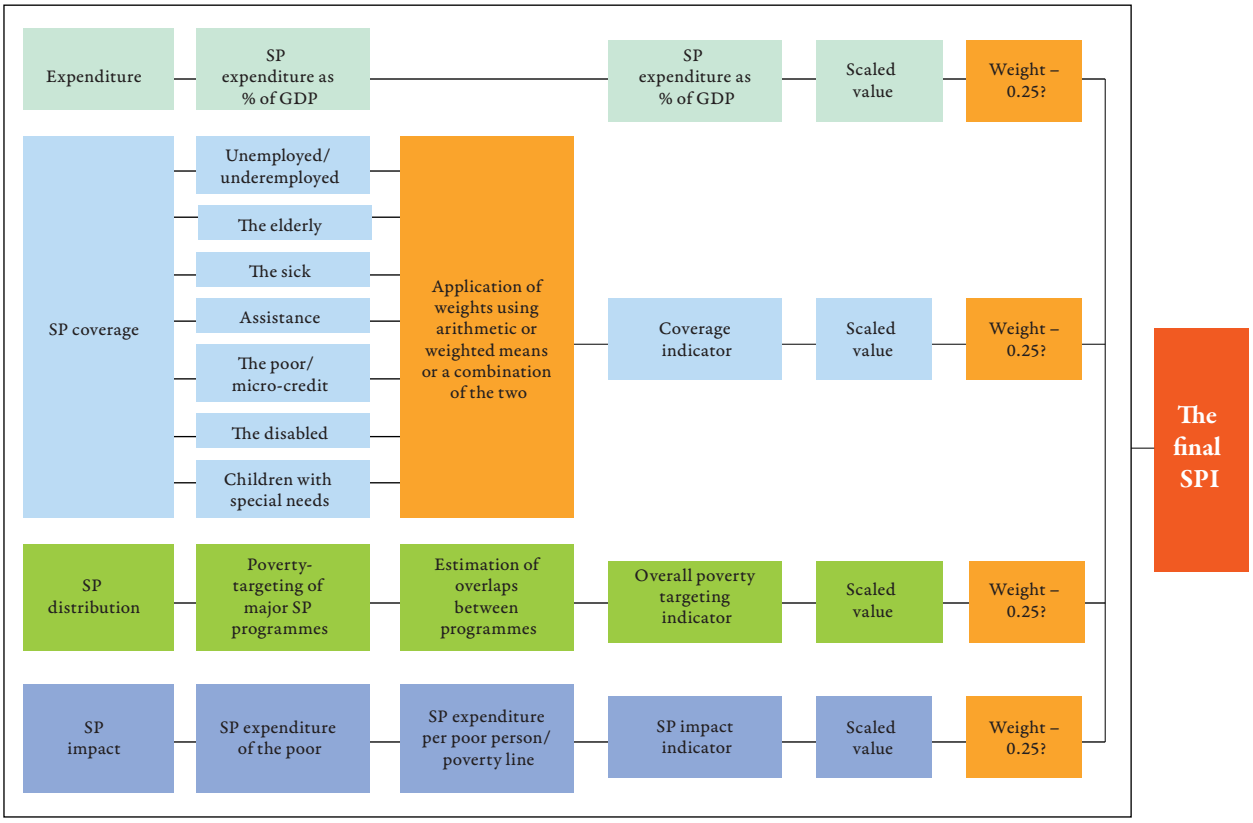
Note: Poverty rates based on a threshold set at half of median household disposable income. Social spending includes both public and mandatory private spending in cash (i.e. excluding in-kind services). Social spending for persons of working age is defined as the sum of outlays for incapacity, family, unemployment, housing and other (i.e. social assistance) programmes; social spending for persons of retirement age is the sum of outlays for old-age and survivor benefits. Data on poverty rates refer to the mid-2000s for all countries; data for social spending refer to 2003 for all countries except Turkey (1999).

Source: OECD, 2009b.

to calculate agreed indicators are usually produced on a regular basis by the national statistical offices; in order to ensure maximum possible comparability they are standardized, at less frequent intervals, according to internationally agreed methodologies.

In Asia and the Pacific the situation is different. Only a few members of the Asian Development Bank (ADB) are members of the OECD and produce high-quality statistics in their various areas of enquiry, including social security. In the majority of ADB member countries social security systems are not well developed; further, statistics on expenditure and coverage are not produced at the national level: information is dispersed and available only at the level of individual social security schemes. Household surveys, if done on a regular basis, usually do not look deeply

Figure 8.12 Structure of the ADB Social Protection Index



Source: ADB, 2006, figure 3.1, p. 468.

into the situations of those covered by social security schemes.

To ameliorate this situation, the Asian Development Bank has over the last several years successfully implemented an ambitious project aimed at collecting basic information on different aspects of social security coverage in 31 countries of the Asia and Pacific region. A new concept, the Social Protection Index (SPI), was developed for the purposes of the project and was piloted in six countries of the region. The first report published in 2006 (ADB, 2006) included, in addition to country analyses, a methodological section discussing the SPI concept in detail. The second volume of the report (ADB, 2008) includes information on social protection in all 31 countries as well as a multi-country analysis using the SPI. A long-term goal is to update the country information more regularly and discussions are in progress between the Bank, the OECD and the ILO on joint activity in this respect.

Unlike the European Union or OECD with their rich sets of indicators, the Asian Development Bank focuses on only four indicators at the national level:

Social Protection Expenditure (SPEXP): Measured as a percentage of GDP, it shows total expenditure in all social protection schemes identified in the country.

Social Protection Coverage (SPCOV): Average number of beneficiaries as a proportion of the number of persons in the assumed target population.[3]

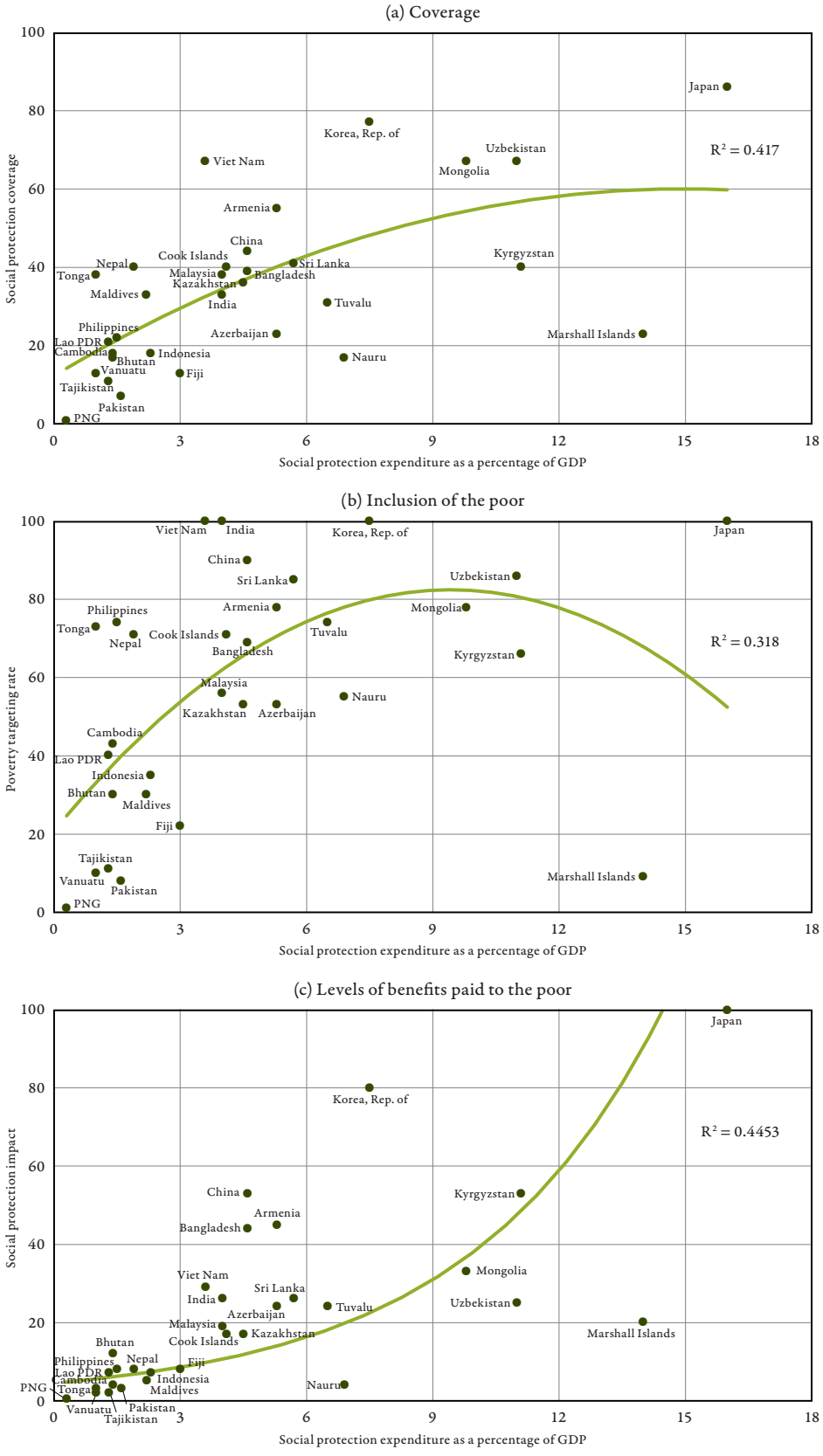
Poverty-Targeting Rate (PTR): Percentage of the poor in the country who are beneficiaries of a social protection scheme.

Social Protection Impact (SPIMP): Amount of benefit received on average by a poor beneficiary as a proportion of the poverty line.

It can be seen that these indicators differ from the OECD or EU approaches in that they are directly related to social security interventions (amount of

[3] Beneficiaries for each of the schemes identified are assumed to belong to one of the target groups (poor, unemployed, elderly, disabled, children, etc.). For each target group a beneficiary coverage ratio is calculated; the average is then calculated for the country level using the size of the target group as weight.

Figure 8.13 Investments in social protection: Expenditure (percentage of GDP) in Asian countries for three SPI indicators



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15137

Source: ILO calculations using ADB data (ADB, 2008, Annex 1). See also ILO, GESS (ILO, 2009d).

resources invested, overall beneficiary coverage, coverage of the poor, level of coverage of the poor) rather than to indirect outcomes.

The Social Protection Index is calculated as a synthesis of these four summary indicators, again a different approach from the EU and OECD. The coverage component involves the combination into a single indicator of seven indicators expressed by the target group (see figure 8.12). The four summary indicators are scaled and weighted to produce an additive index which takes into account resources invested and three aspects of coverage.

On average, in 2004–05 the Asian and Pacific countries were found to spend just under 5 per cent of their GDP on social protection, achieving an overall average coverage level of 35 per cent of the seven key target groups. The average proportion of the poor (using national poverty lines) who receive some benefits from these programmes, whether in cash or kind, was 57 per cent. The impact of social protection programmes on the incomes of the poor is, however, generally low, averaging under 25 per cent of the poverty line per capita income.

Three broad groups of countries may be detected. The first, a group with high levels of social protection, comprises 11 countries, all of which have an SPI greater than two standard deviations above the All-Asia average. These include Japan and the Republic of Korea, followed by all but one of the Central Asian countries. Three of the South Asian countries (China, India and Sri Lanka) also appear in this group, though with substantially lower values than for Central Asia because of their relatively high expenditure and impact values. In this first group of countries, which by definition have relatively adequate provision of social protection, priorities for assistance might be the improvement of effectiveness and governance, and of the inclusion of the poor and those in the informal economy into the current social protection system.

The second group, with medium levels of social protection, is made up of 10 countries as diverse as Armenia and the Maldives. The distinguishing features of these countries, which all have an SPI within two standard deviations of the mean, is that two of the four indicators – usually expenditure and impact – are much lower than the other two. This suggests an imbalance between the desire of these countries to provide relatively extensive social protection programmes and the financing available to fund them.

The third group, with low levels of social protection, consists of 10 countries with an SPI of less than two standard deviations below the mean. This group includes most of the Pacific countries together with Bhutan, Cambodia, the Lao People's Democratic Republic, Nepal, Pakistan and the Philippines. In this group of countries, all four indicators tend to be uniformly low, suggesting the need to develop new, affordable social protection programmes with higher coverage and greater inclusion of the poor and those in the informal economy.

The averages therefore mask substantial variations between countries and regions (see ADB, 2008). There is also substantial variation in the overall SPIs and some components (such as the degree of inclusion of the poor) for countries with similar income levels (GDP per capita). Once again this shows that the political will to extend social security is at least as important as the level of development of the country. It is clearly possible for most countries to provide more adequate levels of social protection, irrespective of their level of economic development. This finding has important policy implications: most of these countries have the scope to provide improved social protection to their populations in need, so long as they have the political will to do so.

The amount of resources invested in social security certainly matters. Figure 8.13 shows the correlation between the level of social protection expenditure (EXP) and three other ADB social protection indicators: coverage (CV), inclusion of the poor (TR) and levels of benefits paid to the poor (IMP). On average, the level of investment in social security in the region is low. Limited resources are undoubtedly the main barrier to achieving better outcomes in terms of the extent and level of coverage, as well as inclusion of the poor. As is clear from the several parts of figure 8.13, other factors matter as well – design, implementation and governance of social security – at any level of resources allocated. But a country needs to invest a certain minimum amount of resources in order to reach a substantial level of coverage and also to be able to achieve efficiency gains from improved governance.

Identifying factors for extended social security coverage

9

Part I of this report has presented the various dimensions of social security coverage. Data are still very limited for most of the individual branches of social security, so that it is impossible to aggregate all partial measures of coverage into one indicator encompassing all branches. But even if data were available the development of one single indicator would meet with a number of methodological problems. As already observed in Chapter 2, research is under way but more is needed in order to develop an indicator of basic protection. And even if a single indicator describing the extent, quality and scope of social security did exist, policy-makers would still need to know their contributing factors.

Despite our incomplete information base we attempt here to build what may be called a first approximation of a factor analysis explaining the success of social security schemes. It uses a proxy methodology in the form of a typology of situations in different countries. This focuses on two input factors, which can be broadly defined as the legal foundations created by a society and the sustained level of resources committed, and on a results measurement that describes qualitatively the extent to which these resources have been used successfully. The typology helps to broadly identify what preconditions for a successful social protection system are needed to achieve a high level of population coverage and a decent benefit level in the most important social security benefits.

The input factors are as follows:

The legal factor. An overview of the scope of legal social security provision is provided through a single indicator: the number of social security branches covered by a statutory social security programme as presented in figure 2.4 (Chapter 2). The main source of information is the database *Social Security Programs Throughout the World* (SSA/ISSA, 2008, 2009) completed where necessary with information based on national legislation.

The resource factor. Resources invested in social security are measured by two indicators of social security expenditure combined with a third indicator referring to the quality or nature of health expenditure:

- *Public social security expenditure (excluding health care) as a percentage of GDP*. This indicator is available for more than 100 countries from four main sources of information: the EUROSTAT and OECD social protection databases (European Commission, 2009a; OECD, 2009a); the IMF's *Government Finance Statistics* (GFS) database (IMF, 2009); and the *ILO Social Security Inquiry* (ILO, 2009c), the latter especially for developing countries not yet covered by any other international source.
- *Public health expenditure as a percentage of GDP*. This indicator is estimated by the World Health Organization for most countries of the world (WHO, 2009a, 2009b).
- *Effective level of financial protection provided to the population by the social health protection system* is measured here by a proxy indicator, expressed as a percentage of total (public and private) health-care expenditure in the country **not financed** by private

households with out-of-pocket payments. This is more or less equivalent to the percentage of total (public and private) health-care expenditure in the country financed either from general government revenues or from pre-paid private insurance by employers or NGOs. This indicator is calculated using the national health account estimates available in the WHOSIS database (WHO, 2009a).

The results measurement is a compound notion of coverage measured in two dimensions:

- *Extent of legal coverage* within four social security branches: old age, employment injury, health and unemployment. Legal coverage is measured by estimating the size of those groups in the population who should be covered by existing legislation under national schemes. This produces indicators reflecting: (a) the proportion of the working-age population legally covered by the old-age pension system; (b) the proportion of the total population legally covered by the social health-care protection system; and the proportion of the economically active population legally covered by (c) systems of protection in case of employment injury and (d) unemployment.
- *Effective coverage* by the health-care and old-age pension branches of social security – the two largest branches in every country in the world in terms of resources invested. *Effective extent of coverage by the old-age pension system* in a country is measured by the proportion of the population above retirement age receiving any type of old-age pension. *Effective coverage in health* is reflected here by a proxy indicator of health professional staff density, and measured as the relative difference between specific country staff density levels and a benchmark staff density level assumed to be equal to a median value of health professional density observed in the group of countries of low vulnerability (low poverty and low informality indicators combined). We thus assume that in the group of countries with low vulnerability, population access to services of qualified medical staff is at the adequate level, while in countries with a lower density of qualified medical personnel, there is a coverage gap in terms of insufficient access to services of such qualified medical professionals.

Taking into account all existing data limitations, the following types of outcome typology can be identified (see table 9.1):

- **Very limited or limited rights – low resources – low coverage.** A narrow scope of legal foundations of social security (a few branches only), often combined with a low level of resources invested in them, results in a relatively small proportion of the population covered and thus a significant coverage gap. This pattern occurs most often in the world's poorest countries, particularly in Africa and Asia, and results to a large extent from resource constraints (limited fiscal space) and also, often, from the fact that comprehensive national social security strategies and policies are still at the early stage of debate, so that the policy space is still to be decided. In these countries the majority of the population is in the large informal economy; both legal foundations and resource allocations are missing if access to social security by this majority is to be provided. However, even those in the formal economy are insufficiently covered. This situation concerns more than half of the 146 countries included in this typology, with more than 80 per cent of all African countries and more than 70 per cent of all Asian countries included.
- **Comprehensive rights – low resources – low coverage.** A relatively wide scope of legal foundations existing for different branches of social security, but coupled with low resource allocations, may result in very low effective coverage and low levels of protection. There are a number of countries, for example, which developed relatively strong legal foundations in the past but which then, owing to economic downturns, structural adjustments and/or policy changes, lost the sufficient resource foundations necessary to turn the legal provision into effective coverage.
- **Limited or comprehensive rights – high resources – low coverage.** A relatively wide scope of legal foundations existing for different branches of social security, even combined with an above-average level of resource allocations, may result in limited population coverage. This situation usually arises in countries where the informal economy is large: while those in formal employment enjoy a wide scope of relatively generous benefits, a large part of the population remains uncovered. There is a need to strengthen this part of the social security system so that it is able to reach those in the informal economy.
- **Limited or comprehensive rights – low resources – high coverage.** A few countries with

Table 9.1 Legal provision, resources committed and coverage achieved in 146 countries: A typology

	Low coverage		High coverage	
	Limited resources	High resources	Limited resources	High resources
Very limited rights	22 countries (15%) Informality 69% Poverty 70%	NONE	NONE	NONE
Limited rights	53 countries (36%) Informality 57% Poverty 51%	3 countries (2%) Informality 41% Poverty 22%	6 countries (4%) Informality 28% Poverty 23%	5 countries (3%) Informality 23% Poverty 18%
Comprehensive rights	5 countries (3%) Informality 42% Poverty 12%	3 countries (2%) Informality 37% Poverty 19%	7 countries (5%) Informality 38% Poverty 28%	42 countries (29%) Informality 17% Poverty 2%

Notes:

Informality: The proportion of non-wage workers in total employment is used as a proxy for workers in the informal economy.

Poverty: The proportion of the population living above $2 a day is used as a proxy for the effective coverage of the population by basic social protection.

Scope of legal provision: Very limited rights (or very limited legal provision) refers to countries where fewer than five of the eight social security branches are covered in national legislation: old age, invalidity, survivors and employment injury; limited legal provision where five to seven branches are covered (with in most cases no legal provision for unemployment protection); and comprehensive legal provision for countries with legal provision for all social security branches.

Resources: Expressed in terms of public expenditure on social security as a percentage of GDP combined with an indicator of quality of health expenditure (the percentage of total health expenditure not financed by out-of-pocket payments).

Low coverage/high coverage: The cut-off point between low and high groups is based on the value observed for each component for the 6th decile (i.e. 60 per cent of the countries have values below the cut-off point).

Sources: ILO calculations based on SSA/ISSA, 2008, 2009; European Commission, 2009a; OECD, 2009a; ILO, 2009c; WHO, 2009a, 2009b; national legislation. See further details in the text, and in the Statistical Annex.

relatively low resource allocations, and sometimes even with a relatively narrow scope of legal foundations, still show relatively high outcomes in coverage and protection levels in selected areas. This is usually thanks to the existence of provisions for benefits which, although at a basic level, have either universal outreach or are effectively targeted by other means to large sections of the population. In such countries, however, the challenge of how to broaden the scope of protection and improve its adequacy remains. This is the case for less than 9 per cent of all countries considered.

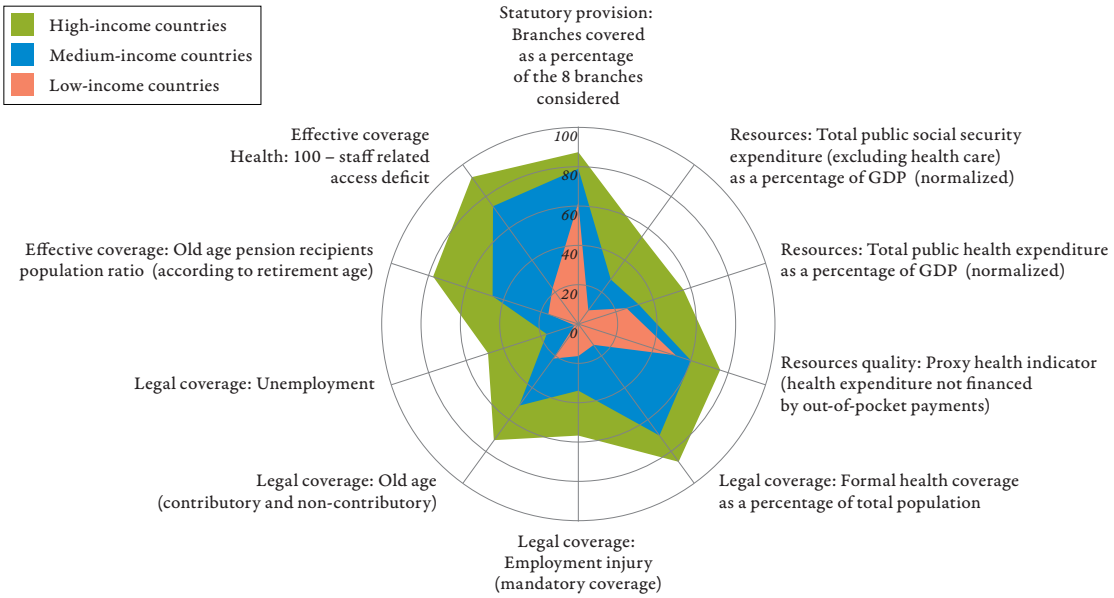
- **Comprehensive rights – high resources (with exceptions) – high coverage.** The last type is where legal provision, resources and results are relatively high for the overall set of countries under study (comprehensive rights – high resources and high coverage). A few countries (representing just over 3 per cent of all countries considered) present a rather similar pattern but with a relatively low level of legal provision. This pattern, which concerns around 30 per cent of countries considered (green cells in table 9.1), is typical for industrialized nations and the few developing countries that have achieved high levels of social security. In many of these countries efficiency becomes the main question; there needs to be careful monitoring of whether the resources invested result in sufficiently adequate outcomes.

It is noticeable that not all the theoretically possible combinations of different factors occur in reality: not even the widest legal foundations can ever result in adequate outcomes if they are not enforced and not backed by sufficient resources. Strong legal foundations are a necessary but not sufficient condition for securing higher resources; there are no situations where generous resources are available despite the lack of a legal basis.

Table 9.1 presents the possible combinations of situations with, for each, the number of countries; the average percentage of non-wage workers in total employment as a proxy for informal employment; and the proportion for the group of countries of the population living on less than US$2 PPP per day. Figure 9.1 shows the various components of the typology by income levels of groups of countries.

The largest group of countries in the world still belongs to the first category: low legal foundations, low resources and low results. Many of these countries are facing significant resource constraints in terms of the fiscal space available. In many of them there is also a lack of "policy space", where social protection strategies

Figure 9.1 Components of the typology by level of income



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Note: For presentation purposes, only two indicators are normalized: those for which maximum values are significantly smaller than the other variables taken into account in this graph. The normalization follows the standard procedure developed for the UNDP's Human Development Index (HDI), which can be defined as follows:

Normalized value = *[actual–minimum values]/[maximum–minimum values]*, where *actual* is the proportion attained by the country on a particular indicator, *minimum* is the lowest value attained by any country on that particular variable, and *maximum* is the maximum value attained by any country for that variable.

Sources: As for table 9.1.

are still at a relatively early stage in national debate. Currently, attention usually focuses on easing the most urgent problems. This is understandable. However, the need for a structured approach is increasingly acknowledged, an approach that will yield sustained solutions rather than ad hoc ones. In the multi-faceted crisis now facing so much of the world, the need for social protection has become even more obvious as the majority's lack of access to effective social protection becomes ever more dramatic and disastrous.

Part II
Thematic focus: Social security in times of crisis

Responding to economic crisis with social security

10

10.1 Introduction

All economic downturns, including the economic crisis of 2008–09, lead to falling or even disappearing labour incomes, increasing unemployment, and falling revenues from self-employment. Families worldwide are deeply affected, whether they rely on income from the formal economy, the informal economy, locally earned income, or earnings sent home by those working in the cities or abroad. Besides consequences for income and poverty, severe impacts on workers' health are to be expected. If no action is taken to close the gaps in social health protection, there is no doubt that the 2008–09 crisis will result in lower global health and increased mortality rates; due to reduced accessibility to health services it is expected that up to 400,000 women will die (WHO, 2009c). UNICEF estimates an increase in infant mortality between 3 and 11 per cent (UNICEF, 2009). It is to be expected that the main social security response to such a crisis is to replace these disappearing labour incomes with unemployment benefits and related labour market interventions, in the hope that the crisis will be temporary. Those who have no access to such protection – and they are many, as this report has shown – should be addressed by widely defined social assistance and social health protection programmes or, if even those are not in place, by ad hoc cash transfers and other measures, such as providing for access to health services, in the hope that these can be transformed into regular programmes in the future. The downturn of 2008–09 has once again served as a reminder of the importance of having schemes already in place before crisis strikes, in order to be able to provide social security to the unemployed and all those affected.

In any economic downturn, revenues from contributions or taxes earmarked for the financing of social security programmes fall, while expenditure rises due to increases in the number of beneficiaries of unemployment and other income support programmes. The counter-cyclical behaviour of social security expenditure is inbuilt; it is a source of its power as the automatic stabilizer of individual incomes and aggregate demand. However, funding for increased expenditure does not come automatically (beyond existing reserves of those social security systems that keep such contingency reserves); it has to come either from a reallocation of existing public spending, or from increased contributions and taxes, or from increasing the overall deficit financing of public finance.

When reviewing[1] the experiences of different countries with a view to discussing the role of social security in the economic crisis, a number of key areas emerge:

[1] Sources include the ILO's 46 country reviews (5 low-income countries: Bangladesh, Kenya, Nepal, United Republic of Tanzania and Viet Nam; 9 countries in the lower middle-income group: China, Egypt, India, Indonesia, Jordan, Pakistan, Philippines, Thailand and Ukraine; 14 countries from the upper middle-income group: Argentina, Brazil, Chile, Costa Rica, Dominican Republic, Latvia, Malaysia, Poland, Russian Federation, St Kitts and Nevis, Serbia, South Africa, Turkey and Uruguay; 18 high-income countries: Antigua and Barbuda, Australia, Bahamas, Bahrain, Canada, Czech Republic, France, Germany, Hungary, Ireland, Italy, Japan, Netherlands, Republic of Korea, Saudi Arabia, Spain, United Kingdom and United States); the ILO Social Security Department's own continuous monitoring of the experience of selected countries since the onset of the crisis; the results of a survey undertaken by ISSA (2009); and information provided by the OECD (2009b, 2009d).

(1) the protection of the unemployed, and related policies;

(2) increases in other social security benefits as part of the counter-cyclical stimulus packages, and strengthening protection of the most vulnerable (as a result of either automatic reactions of the existing social security system or policy-induced changes or both);

(3) cases where fiscal constraints lead to pro-cyclical cuts or restrictions in benefit levels; and

(4) negative rates of return in pension funds – specifically for pre-funded defined-contribution pensions. Negative returns undermine the benefit levels of those already retired, those about to retire and those retiring in the future.

Further, analyses of past crisis impacts show that financial and economic crises usually lead to decreases in access to health care and coverage that concern the most vulnerable parts of the population (Saadah, Pradhan and Surbakti, 2000; WHO, 2009d). However, the major challenge remains: the fact that a large majority of the world's population has no access to even basic protection provided by social security schemes, leaving them vulnerable to all economic and social risks, including those brought about by the current crisis.

10.2 Cushioning the impacts of unemployment while protecting and creating jobs

In the 2008–09 crisis millions of workers around the world are losing their income opportunities in both the formal and the informal economies. Such massive losses, coming on top of already existing underemployment and poverty, entail the risk of a social crisis unless states are prepared to provide income support in the short run and new employment opportunities in the long run to these workers and their families, and take the necessary measures to do so.

In this respect the action most immediately needed is to sustain income levels; this can be realized by a range of social security responses, as outlined in Part I of this report:

a) *Unemployment benefits*. Such benefits are typically funded by contributory schemes for employees in the formal economy, and offer income replacement related to the employee's former earnings after a qualifying period, mostly for a limited period of time.

b) *Unemployment assistance and general social assistance benefits*. These are usually not based on prior earnings but are flat-rate non-contributory cash transfers to those who are still unemployed, either once their entitlements to unemployment benefits have expired or when they have never been entitled.

c) *Other labour market policies*. These include public employment programmes providing income support, conditional upon participation in employment or training programmes.

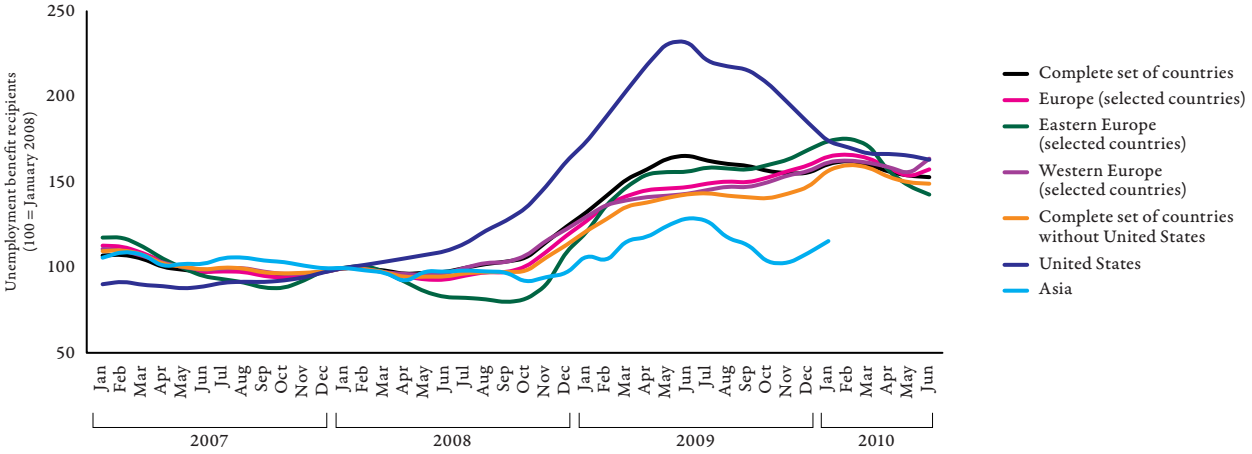
But here lies the crux: such a wide range of responses is unavailable in many countries affected by the crisis, in particular in the majority of low- and middle-income countries. Effective crisis response has to meet one common condition: the response has to be available quickly. Such an immediate response is only possible on the basis of *existing* administrative structures, that is, existing social institutions which either can automatically react to changing economic conditions thanks to their design, or can be easily adjusted (e.g. extended) to crisis-induced requirements.

Where they exist, unemployment insurance schemes are the branch of social security that bears the brunt of costs of income replacement for employees who have lost their jobs (see figures 10.1 and 10.2). It is part of the design of an unemployment protection scheme that effective coverage is automatically extended when more employees who meet the eligibility criteria become unemployed. But unemployment insurance schemes are in place in only 64 of the 184 countries for which information is available. Social assistance, public works and similar programmes also have very limited coverage globally. Even where such programmes exist their effective outreach is often very limited. Hence, what we see on a global scale is a massive gap in coverage for the unemployed and underemployed working-age population who are in need of income support.

However, even if their legal coverage is limited to formal-economy workers and effectively reaches only a limited number of those unemployed, unemployment protection schemes are crucial pillars of social security systems, offering income replacements but being at the same time a source of technical knowledge and administrative capacity which can be easily used to extend coverage and increase outreach.

In the economic crises of past decades which affected countries such as those in Asia and Latin America where social security schemes were absent, unemployment and poverty rates soared. It proved to be difficult – if not impossible – to introduce new schemes or

Figure 10.1 Number of unemployed receiving social security unemployment benefits, weighted average, selected countries, 2007–10 (Index value 100 = January 2008)



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Note: Indexed value weighted by the number of unemployed receiving unemployment benefits. Countries covered for the global estimates are the following: Argentina; Armenia; Australia (jobseekers receiving newstart allowance and youth allowance); Belarus; Belgium; Brazil; Bulgaria; Canada (employment insurance beneficiaries receiving regular benefits); Chile; Croatia; Cyprus; Czech Republic; Denmark (unemployment social insurance and social assistance beneficiaries); Estonia; Finland (recipients of basic unemployment allowance); France (ASSEDIC); Germany; Hungary (jobseekers' allowance recipients and recipients of jobseekers' assistance); Israel (claims for unemployment benefit); Japan (unemployment insurance basic allowance); Kazakhstan; Latvia; Lithuania; Luxembourg; Mexico (unemployed receiving financial support); Montenegro; Netherlands; New Caledonia; New Zealand; Poland; Republic of Korea; Romania; Russian Federation; Serbia; Slovakia; Slovenia; South Africa; Spain (contributory and non-contributory social security unemployment schemes); Sweden; Thailand; The former Yugoslav Republic of Macedonia; Turkey; Ukraine; United Kingdom (claimants for jobseeker's allowance); United States (continued claims); Uruguay.

Source: Administrative data from national social security schemes (see Statistical Annex for further detail). See also ILO, GESS (ILO, 2009d).

ad hoc measures quickly enough to cushion the impact of the crisis. But countries which had introduced unemployment schemes before the onset of the crisis, such as the Republic of Korea, could relatively easily scale up these measures to respond in an appropriate and timely way (Kang, 2001). Korean and also Argentinian examples (Prasad and Gerecke, 2009) show that it was timely investment in social security that enabled these countries to emerge strengthened from the crisis. A number of other countries such as Chile and Mexico have used lessons from earlier crises with massive social fall-outs as a good starting point for the introduction of new schemes offering income replacement to the unemployed and the poor (Frieje-Rodriguez and Murrugarra, 2009). Today, these countries are much better prepared to cope with the consequences of the crisis.

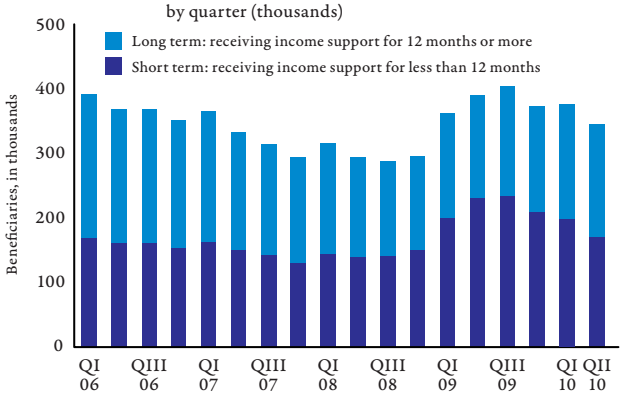
In addition to providing income replacement for those who lose their jobs and thus safeguarding them from poverty, social security benefits also of course have major economic impacts through stabilizing aggregate demand. And, contrary to earlier beliefs, no negative effects of increased social spending during and after crises on economic growth have been found (Prasad and Gerecke, forthcoming). On the contrary, well-designed unemployment schemes and social assistance and public works programmes effectively prevent long-term unemployment and help shorten economic recessions.

In a subset of 46 countries analysed, government responses are found in all the three groups of measures providing income support to the unemployed (see table 10.1). And as governments' ability for social security interventions is primarily confined to the instruments available, the global distribution of crisis responses reflects the distribution of coverage by established social security systems.

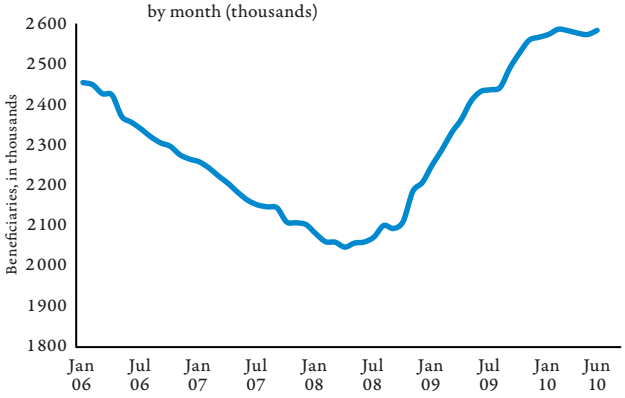
The most common responses in high-income countries are modifications of existing unemployment schemes. Since past recessions have led to higher structural unemployment in some Western European countries, in this crisis government strategy in a number of countries such as France, Germany and the Netherlands aims at the avoidance of full unemployment by expanding the application, eligibility and coverage of partial unemployment benefits. Partial unemployment benefits allow workers to stay in their employment relationship, but – for example – with reduced working hours. Also called reduced working hour compensation, these benefits are paid to employees who are working in enterprises that due to specified (economic, cyclical, seasonal) conditions have shortened their working

Figure 10.2 Number of unemployed receiving unemployment benefits, selected countries, trends 2006–10

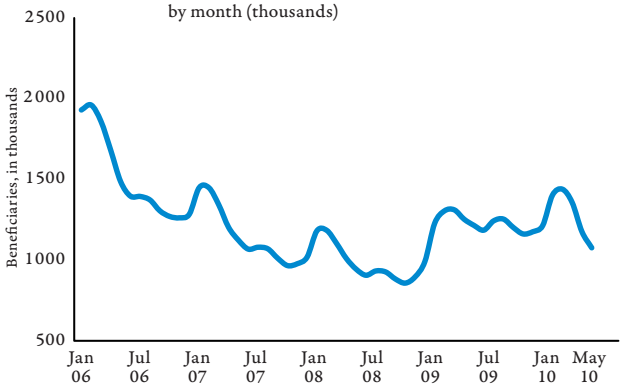
Australia. Jobseekers receiving newstart allowance and youth allowance, by quarter (thousands)



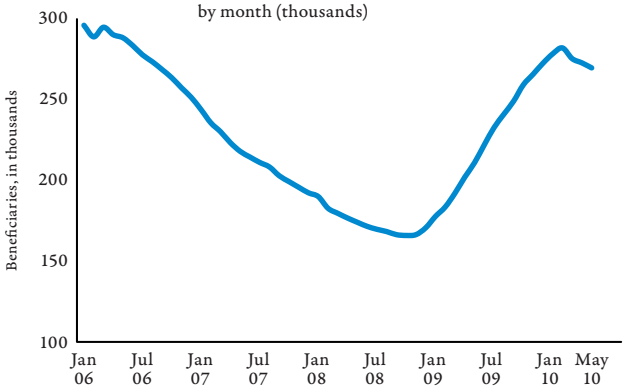
France. Unemployment insurance beneficiaries, by month (thousands)



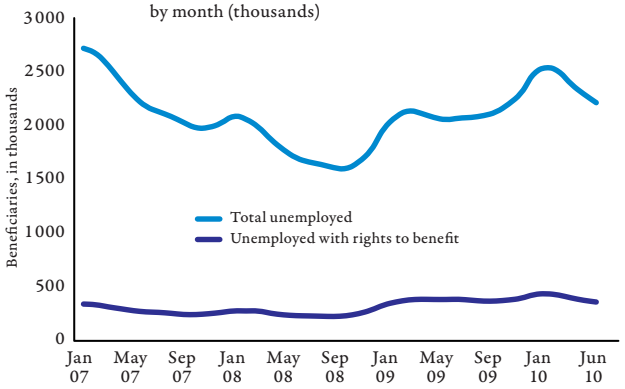
Germany. Unemployment insurance beneficiaries, by month (thousands)



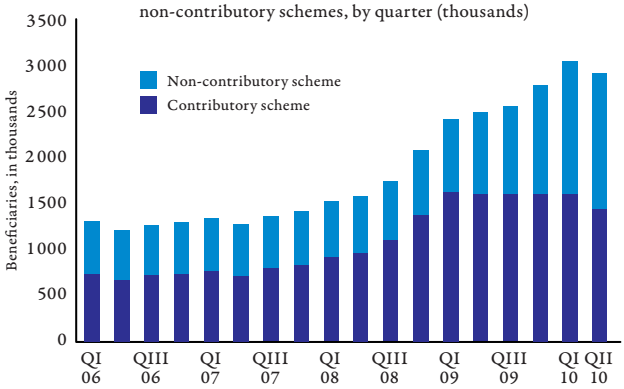
Netherlands. Unemployment insurance beneficiaries, by month (thousands)



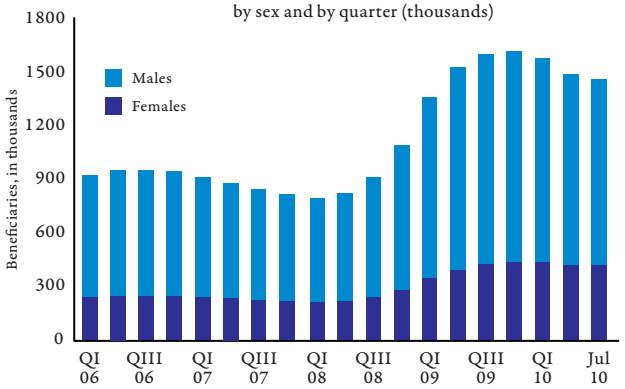
Poland. Unemployed and unemployed with rights to benefit, by month (thousands)



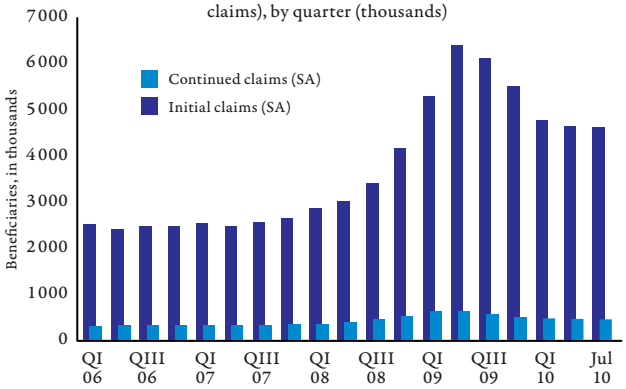
Spain. Unemployment beneficiaries from contributory and non-contributory schemes, by quarter (thousands)



United Kingdom. Claimant counts for jobseeker's allowance by sex and by quarter (thousands)



United States. Unemployment insurance (continued and initial claims), by quarter (thousands)



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Notes and sources:

Australia. Non-seasonally adjusted data. Source: ILO, based on official administrative records from the Australian Government.

France. Seasonally adjusted data. Source: ILO, based on official administrative records from ASSEDIC.

Germany. Non-seasonally adjusted data. Source: ILO, based on official administrative records available from the State Statistical Institute.

Netherlands. Unemployment benefits under the Unemployment Insurance Act (WW), seasonally adjusted data. Source: ILO, based on official administrative records available from Statistics Netherlands.

Poland. Non-seasonally adjusted data. Source: ILO, based on official administrative records from the Ministry of Labour.

Spain. Non-seasonally adjusted data. Source: ILO, based on official administrative records from the Ministry of Labour and Migration published in the monthly statistical bulletin of the National Statistical Office.

United Kingdom. Seasonally adjusted data. Source: ILO, based on official administrative records from the Office for National Statistics.

United States. Unemployment Insurance weekly claims data are used in current economic analysis of unemployment trends in the nation, and in each state. Initial claims measure emerging unemployment, and continued weeks claimed measure the number of persons claiming unemployment benefits. Seasonally adjusted data. Source: ILO, based on official administrative records of Unemployment Insurance weekly claims from the United States Department of Labor.

See also ILO, GESS (ILO, 2009d).

hours. The loss of income from fewer hours worked is partly compensated (50–70 per cent) by either the unemployment scheme, the state budget or both. Partial unemployment benefits aim at preventing the loss of skills and the discouragement of workers, both of which may occur when they become fully unemployed.

Although it is too early for a full assessment of any of the measures taken, those under way in Germany seem to be successful so far. The unemployment insurance scheme reported modest increases during the first three-quarters of 2009. The labour market has adjusted primarily through a decline in hours worked in nearly all sectors of the economy, especially manufacturing in the first half of 2009.

Pisani-Ferry (2009) discusses partial unemployment benefits in Germany versus the experience in Spain. He suggests that partial unemployment benefits offer more equitable and more flexible labour market outcomes than the fixed-term contracts common in Spain. The latter puts a higher burden of adjustment on young and low-skilled workers, while in the partial unemployment solution the burden is spread more equitably.

In Germany requests for partial unemployment benefit have to be made by the employer to the public employment agency (Bundesagentur für Arbeit). The employer has to prove that the enterprise is hit by an unavoidable lack of work which affects at least one-third of the workforce, who have lost at least 10 per cent of their gross income for a minimum period of one month. If the claim is accepted, employees receive as benefit 60 per cent (67 per cent in certain family situations) of the difference between their full earnings and their actual net earnings received at reduced hours. In 2009 on average 1.3 million workers are expected to be on partial employment; costs for the public employment scheme are estimated at €3.5 billion.

Although the number of workers in partial unemployment in Germany has skyrocketed (an increase of over 1.1 million beneficiaries, or eightfold on a year-to-year basis in March 2009), the monthly number

Table 10.1 Unemployment schemes in different country groups by income level, 2009

Selected countries by income level (number of cases)	At least one statutory unemployment social security scheme in place	Extension of maximum unemployment benefits payment period	Expansion of unemployment insurance coverage	Increase of unemployment benefit level	Introduction/ extension of public employment schemes	Extension of cash benefit and social assistance schemes
Low-income countries (5)	●2 / ○2 / ×1				1	4
Lower-middle-income countries (9)	●5 / ○1 / ×3	2	1 / ×1		5	5
Upper-middle-income countries (14)	●10 / ○1 / ×3	4	5	3	5	3
High-income countries (18)	●15 / ×2	11	6	4 / ×1	3	2 / ×1
Total (46)	●32 / ○4 / ×9	15	12 / ×1	7 / ×1	14	14 / ×1

Notes: ● At least one statutory unemployment scheme in place. ○ Unemployment scheme with limited provisions. × No scheme in place. One-time payments not included.

Source: ILO country reviews (see note 1, p. 105).

of newly unemployed workers has remained comparatively stable so far.

In Thailand the introduction of a future unemployment insurance scheme was already planned at the beginning of the 1990s, when the country started its social insurance system for private-sector employees with the introduction of health insurance and disability pensions. The scope of the system has been gradually expanded over the years to branches such as family benefits and old-age pensions. The unemployment insurance scheme started only a few years ago, after long discussions fuelled by the Asian financial crisis of 1997–98. Recent trends in both the absolute numbers of unemployed receiving unemployment benefits and the total number of unemployed seem to reveal a significant increase in the proportion of unemployed benefiting from the social security scheme (see figure 10.3).

No unemployment benefit scheme, whether partial or full, can work to its full potential unless it is combined with other labour market instruments that increase employability, such as training. The crisis will lead to structural changes in many economies, and measures to ensure the employability of laid-off or partially unemployed workers will be crucial in the new circumstances. Training and related measures are part of the stimulus packages introduced in most European countries (often in combination with partial unemployment benefits) and also, for example, in the Republic of Korea, where workers who undergo training are entitled to higher benefits. Korea has also decided to invest in tools aimed at providing better information on jobseekers, qualifications and open positions, which should help to avoid long-term unemployment.

Partial unemployment benefits are also being added to existing unemployment benefit schemes or are being extended in a number of middle-income countries such as Poland and Turkey. In Poland until recently there were no provisions for partial unemployment. In autonomous social dialogue workers' and employers' organizations represented in the Tripartite Commission agreed, in March 2009, on a desired package of anti-crisis measures and accordingly formulated proposals for the government. Among these were proposals aiming at opening a possibility for partial and technical forms of unemployment status and respective benefits. As a result, in July 2009 Parliament adopted a law allowing, for the next two years, collectively agreed reductions of working time and proportional reductions in wages without a need to change individual work contracts; and establishing compensation financed from the Guaranteed Employee Benefits Fund to employees for such reduced working time and wages (70 per cent of unemployment benefit) or for technical unemployment (100 per cent of unemployment benefit). It also established support for the training of employees affected by reduced working time or technical unemployment, financing from the Unemployment Benefits/Labour Fund up to 90 per cent of training costs (the rest being financed by employers from their training funds) and training stipends to employees in the amount of 100 per cent of unemployment benefit.

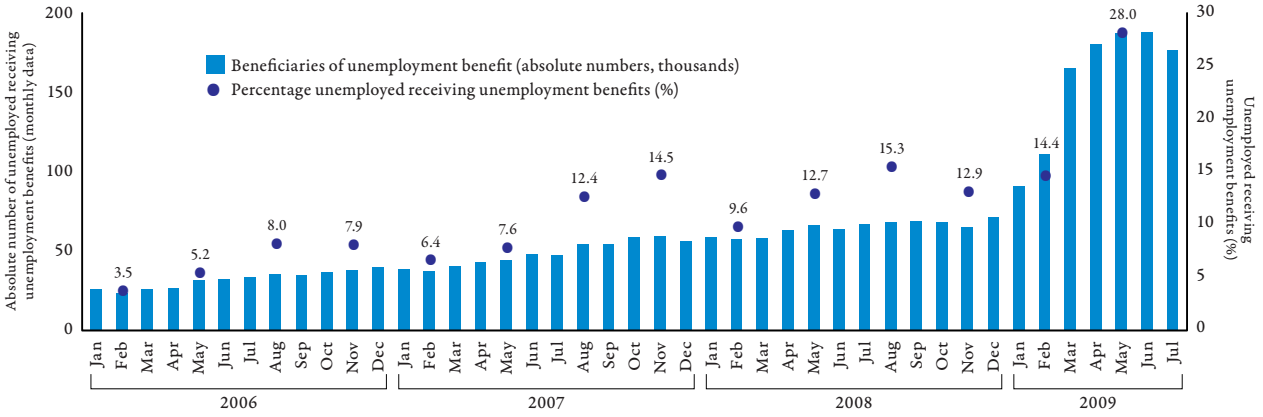
But while in most middle-income countries in Europe these schemes potentially cover a majority of the employed, in many middle-income countries in Asia and Latin America self-employment and informal employment remain high and thus the existing unemployment schemes are inaccessible to many of those whose labour incomes are affected by the crisis; these people need some form of income support. When formal labour markets are small, an extension of coverage under existing schemes solves only part of the problem; additional special measures for both the formal and the informal sector become necessary.

In Brazil, for example, responses to the crisis target formal-economy workers in the most crisis-ridden sectors, for whom unemployment benefits have been prolonged by two months. This extension will reach around 103,000 people, or 20 per cent of the scheme's beneficiaries. Additionally, those who lack formal income opportunities will be targeted through extended access to the Bolsa Família programme (see ILO, 2009k). The government planned to extend the programme in 2009, which covered 11.1 million families at the end of 2008, to another 1.3 million families, and has raised the income threshold determining eligibility from BRL 120 to BRL 137 per capita.

The most common form of response in middle-income countries is the extension of public employment schemes or the creation of new ones. Since such schemes often have an ad hoc character they may be implemented quicker than social security schemes, and discontinued once the crisis is over.

An example comes from the Philippines. All government departments and offices have been directed to mobilize available resources, at the level of at least 1.5 per cent of their operating budgets, for emergency job creation under the pro-poor Comprehensive Livelihood and Emergency Employment Programme (CLEEP). Up to May 2009 nearly 100,000 jobs had been created, and efforts were then reinforced to create another 700,000 before the end of the year. India too has several years of experience with its National Rural

Figure 10.3 Thailand: Number of unemployed receiving unemployment benefits (monthly), and trends in the proportion of total unemployed receiving benefits, 2006–09 (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15243

Sources: Thailand Social Security Office for unemployed receiving unemployment benefits; ILO, LABORSTA (ILO, 2009e), unemployment general level, quarterly, for total number of unemployed.

Employment Guarantee Act (NREGA), and plans to use this experience to cover urban areas with a similar scheme (World Bank, 2009b).

The availability of measures for crisis response is clearly the most limited in low-income countries. Although national differences remain, low-income countries share a triple constraint in the crisis: they are adversely hit through declines in global demand, remittances, FDI and trade; they have limited access to foreign capital; and their scope of social security is very narrow: its coverage is limited to the minority in formal employment, and schemes providing income support in case of unemployment exist but rarely. In addition, many of these countries, in particular in sub-Saharan Africa, have already been facing mass poverty and underemployment well before the recent global economic crisis. It can be said that they face a permanent crisis of lack of income opportunities and subsequent poverty.

In this situation a sufficient response is not to be expected from the few existing unemployment benefit schemes, such as those set up only a few years ago in Bangladesh and Viet Nam, for example. Comprehensive social security systems are not in place in any of these countries and even social assistance, which could provide income support to the unemployed or underemployed working-age poor population, is very limited.

On the other hand, in all the countries reviewed for this report and in many other low-income countries there exist small-scale pilot income support schemes of various natures, providing cash benefits and/or employment to various targeted groups of the population. These are usually too small to help in the current crisis beyond the relatively small groups covered. But there is evidence that capacities of benefit delivery and administration are gradually being built. The decisive and missing factor in many cases is sustainable funding, which has to come through joint long-term commitments of the governments, supported temporarily – wherever necessary – by the donor community.

The assessments given above of the measures reviewed, among which some are referred to as good practice, are obviously highly dependent on context. The evaluation of the measures at this point in time draws mostly from experience of past crises; it is too early for a full assessment of the particular measures applied in this crisis of 2008–09.

Among the policy responses discussed above, past experience advises caution on public works schemes. Such schemes are often praised for their "self-targeting", as the low remuneration they provide attracts only those in dire need. With respect to targeting, they may therefore be easier to implement in contexts where social security infrastructure and expertise are limited. Their ad hoc character, however, often prevents them from delivering sustainable and reliable support to those in need in the form of adequate income, and they also often indirectly exclude the more vulnerable (such as women).

Where access to health care and health insurance is linked with employment, workers who become unemployed (and their families) not only lose their jobs and thus their sources of income, but simultaneously they lose affordable health services when they need them. Measures that protect the unemployed from losing access to health care and other social services,

or other social benefits such as pensions and maternity and family benefits, are thus crucial – but often forgotten – elements of the design of any scheme providing protection to those affected by unemployment.[2]

A minority of countries reviewed have cut rather than expanded their expenditure on social security programmes, under the pressure of circumstance. Lowering benefits and limiting access to income replacement and other social security schemes not only aggravates the consequences of the crisis for workers and their families but may have economic consequences that negatively affect aggregate demand.

Like previous crises, this one will hit the poorest people hardest. Many households, already weakened, are faced with having to sell assets such as livestock to survive. Malnutrition could well rise, and school enrolment may well fall. The financial crisis will turn into a human one if the poor are left to fend for themselves.

The short-term responses to a crisis – macroeconomic stabilization, trade policies, financial sector policies and social security – cannot ignore longer-term implications for both economic development and vulnerability to future crises.

10.3 The expansion of social security as a crisis response

In those countries reviewed that have developed at least elements of comprehensive social security responses in areas such as pensions, health schemes or family benefits, such responses are usually expansions in coverage and in benefit levels of existing schemes, except for a limited number of countries which have been forced by circumstances to actually decrease benefits or to narrow coverage.

Measures expanding benefits and coverage can be found everywhere – in high-, medium- and low-income countries. The difference is of course in the scale of impact of such measures. In countries where coverage is comprehensive the expected impact of these changes is significant, not only in individual income levels of the recipients covered, but also in overall aggregate demand. On the other hand, in countries where coverage is limited to those in the small formal economy the impact may be important from the point of view of effective protection of recipients covered, but from the point of view of aggregate demand it is negligible.

The case of Argentina is particularly interesting in that measures were either already in place from previous economic crises in the country or were in a state of transition when the 2008–09 global economic crisis began. The Government of Argentina has launched a wide-ranging stimulus package ranging from major structural reforms such as the renationalization of the pension system, to temporary measures such as salary subsidies and reductions in social security contributions (see box 10.1). Other examples of expanded benefit levels and coverage are given in table 10.2 for selected countries.

In addition to these changes in benefit levels and coverage of existing social security systems, some governments have announced special *one-time payments*, usually to low-income households, for example in Australia, France, Indonesia, Italy, Thailand and the United Kingdom. As opposed to the extension of coverage or permanent adjustments in benefit levels, such measures give temporary relief and may also boost aggregate demand if large in scale, but do not make a long-term impact on households' income situation.

Other responses include (usually temporary) *exemptions from social security contributions* with a view either to reducing costs for employers and thus stimulating employment, or to raising the net earnings of low-income workers. Countries which have introduced such measures are listed in table 10.3.

However tempting such reductions in social security contributions may be with a view to decreasing labour costs or increasing net wages, such measures must be properly compensated both in terms of financing the benefits currently paid as well as in terms of future benefit entitlements of contributors, in cases where these will depend on the amount of contributions actually paid.

10.4 Consolidating social expenditure: Short-term versus long-term concerns

While most countries have expanded social security coverage and benefits in response to the global economic crisis, a few of the countries reviewed have announced cuts or freezes in social spending and benefits, usually as part of the wider plan of consolidating public finances and reducing public deficits.

[2] In many European countries, e.g. Poland, those entitled to unemployment benefits additionally have their contributions to health insurance paid for them, as well as to old-age, survivors' and disability insurance. In the case of Poland this amounts in total to 35 per cent of the cash benefit cost.

Table 10.2 Crisis response: Extending coverage and raising benefits, selected countries, 2008–09

Country	Measures taken
Armenia	Various benefits raised
Australia	Pension benefits raised
Bangladesh	20% increase in old-age pensions
Brazil	Extension of social assistance Old-age pension raised in line with minimum wage
Chile	Extension of social pensions to another 5% of the poor elderly Benefit levels raised
China	Gradual extension of old-age pensions to the rural population Encouragement of lower health insurance premiums
Costa Rica	15% increase in benefit level for non-contributory pensions
Egypt	Extension of health coverage
France	6.9% increase in old-age pensions Extension of health coverage
India	Extension of pension and health coverage
Italy	Extension of certain types of social security coverage to hitherto excluded groups
Kenya	Cash transfers to the elderly
Pakistan	Extension of health coverage and social safety net
Philippines	Extension of health coverage
Russian Federation	Adjustment of pensions to inflation forecast
South Africa	Decreased retirement age for men Prolongation of child benefit payments
Spain	Increase in minimum pension benefit levels
Tanzania, United Republic	Increase in minimum pension benefit levels
United Kingdom	Child benefits raised
United States	Extension of health insurance coverage
Uruguay	Minimum contribution period for full pensions shortened from 35 to 30 years

Source: ILO country reviews (see note 1, p. 105).

Table 10.3 Crisis response: Reductions in contributions, selected countries, 2008–09

Country	Measures taken
Canada	Contribution rate to unemployment insurance lowered
China	Numerous exemptions from unemployment insurance contributions
Czech Republic	Degressive reduction in contributions, compensated with higher state support to unemployment insurance
Germany	Reduced contributions to health and unemployment insurance schemes
Japan	0.4% reduction in unemployment insurance contributions
Spain	Various exemptions for employers from social security contributions

Source: ILO country reviews (see note 1, p. 105).

Ireland has halved its unemployment benefit for jobseekers under the age of 20, introduced a pension levy of 1 per cent across all wage earners and announced a freeze in welfare expenditure for at least two years. In Hungary the 13th-month pension and the 13th-month salary have been scrapped; the duration of paid parental leave has been reduced; and future pension increases will be indexed to GDP growth and inflation rather than wages and inflation. Latvia has announced cuts in the unemployment benefit scheme, where benefits decrease more quickly than originally foreseen; pensions for working pensioners decrease by 70 per cent; family allowances are down by 10 per cent; pre-retirement pensions decrease from 80 per cent of the full benefit to

Box 10.1 Argentina, policy responses to the crisis: A stimulus package

Fiscal and sector policies

The main fiscal policy was the renationalization of the pension system; which had been partially transformed into a defined-contribution scheme administered by privately managed pension fund companies in 1994 (except for the pension fund managed by the state-owned Banco Nación). The unification of the pension system into a publicly managed defined-benefit scheme allowed the flow of salary contributions (1.5 per cent of GDP annually) to be transferred to public revenues. The pension assets formerly administered by the private firms (about 10 per cent of GDP) were also transferred to the National Social Security Administration (ANSES) and a sustainability reserve fund was created (Fondo de Garantía de Sustentabilidad). At least 50 per cent of assets were in the form of public bonds and treasury financial instruments.

Other major fiscal policies include an increase in resources for public works: the 2009 budget doubles the 2008 plan, including projects to finance housing, hospitals, roads and sanitary sewers. The government has also presented a plan to finance a roads programme through the emission of bonds which are being bought by ANSES and other private institutional investors. These fiscal measures have been supplemented by the expansion of tax credit programmes for enterprises that invest in capital goods and infrastructure (a significant part targeted to SMEs); a lump-sum payment of US$56 to all retirees; a moratorium on tax and social security contributions; and reductions of employer contributions (50 per cent in the first year and 75 per cent in the second) for new or previously undeclared employees. The latter measure was expected to benefit up to 800,000 employees. As of September 2009, 169,000 contributors had declared tax debts in the moratorium and 330,547 employees had been registered under the plan.

Among the sector policies, the most important are housing credits for new or used units, financed from social security resources; credits for automobiles and durable goods financed from public resources; and support to private firms that make a commitment to preserving or increasing jobs.

Labour and social protection

Labour and social protection policies are a major part of the stimulus package. The three main areas are related to (a) the prevention of lay-offs, and retaining workers in employment; (b) the expansion of transfer programmes to improve employability, and development of public employment services; and (c) expansion of child benefits to vulnerable families in the informal economy.

(a) *Prevention of lay-offs and retaining workers in employment.* The two main instruments are the Crisis Prevention Procedure (*Procedimiento Preventivo de Crisis – PPC*) and the Production Recovery Programme (*Programa de Recuperación Productiva – REPRO*), both already in place before the current crisis.

The Crisis Prevention Procedure (PPC), created in 1991 under the Labour Law, provides a space for negotiation and agreement between the social partners, with state intervention or mediation, when an enterprise decides to adopt measures affecting employment (mostly lay-offs and suspensions) motivated by *force majeure* or for financial or technological reasons. The PPC gained momentum towards the end of 2008; between October 2008 and May 2009 the number of workers affected in the firms applying for the PPC was approximately 12,000. For the most part (about 70 per cent of cases), the enterprises chose to adopt such measures as suspension and shorter working hours rather than lay-offs.

The Productive Recovery Programme (REPRO), established in 2002, offers workers in affiliated enterprises a fixed monthly non-remunerative sum of up to AR$600 (43 per cent of the minimum wage in August 2009) for a period of 12 months, designed to complete the working wage for their category. It is paid directly by the National Social Security Administration. To access this benefit, firms must show evidence of their present crisis situation, describing what actions are planned for recovering the enterprise and engaging not to lay off any personnel. While in 2008 the number of enterprises and workers receiving benefits from the programme was 448 and 22,846 respectively, by November 2009 coverage had extended to 2,658 enterprises and 139,034 workers.

(b) *Programmes to improve employability and development of public employment services.* The 2008–09 global economic crisis found the government already in the process of implementing a new generation of programmes aiming to improve the employability of those who were affected by the 2002 crisis, when about 2 million were reached by a major transfer-employment programme for unemployed household heads (*Programa Jefes*). The new programmes are the Training and Employment Insurance (*Seguro de Capacitación y Empleo – SCE*) and the Youth with More and Better Work Programme (*Programa Jóvenes con Más y Mejor Trabajo – PJMMT*).

The SCE is a non-contributory transfer of about US$70, limited to two years, for the promotion of effective work retraining. Deteriorating conditions in the labour market led the government to extend this benefit by up to six additional months. Beneficiaries of unemployment insurance (the contributory programme for formal salaried workers) can also now join SCE after exhausting their benefit period. As of June 2009, the SCE had 61,420 beneficiaries and in addition to the cash benefit had been able to provide 68,931 beneficiaries with in-kind benefits such as support to complete years of obligatory schooling, vocational training and insertion into the labour market.

The Ministry of Labour launched the PJMMT in May/June 2009 for young people aged 18 to 24 with employability and employment difficulties. Its aim is to create opportunities for social and work inclusion for youth through

integrated actions enabling them to identify the professional profile they wish to develop, finish their obligatory schooling, gain experience in skills through internships in working environments, and begin a productive activity either independently or by joining the labour force. As of July 2009, the number of beneficiaries of PJMMT reached 62,753; 46,099 were already recipients of the cash transfer and several of the in-kind benefits mentioned above. The programme was expected to reach 100,000 beneficiaries by the end of 2009.

The government was also in the process of expanding and strengthening the network of municipal public employment offices (MPEOs) as part of a national employment strategy. Conceived as a space where local governments take the leading role in assisting people with employment problems in their own communities, the MPEOs have become a crucial tool for implementing active employment policies for SCE and PJMMT beneficiaries. Since 2005 when they began to operate, up to the first quarter of 2009 MPEOs had helped a total of 1,312,196 persons with job advisory services, support in seeking work and advice to the self-employed. They had also provided job brokerage and referrals to schools or professional training for social services and other programmes of the Ministry of Labour.

(c) *Expansion of child benefits to vulnerable families in the informal economy.* Argentina has a contributory family allowance programme that covers about 3.8 million infants and adolescents. Still, this left between 4 and 5 million boys and girls under 18 not covered systematically, some of them only reached by one of the many small targeted income support programmes. In October 2009 the government enacted a Decree that extends child benefits to: (a) workers not registered (i.e. not contributing to social security) earning less than the minimum wage; (b) the unemployed; (c) domestic workers; and (d) workers registered in "*monotributo social*" (a simplified regime for self-employed workers on very low incomes). The new programme *Asignación Universal por Hijo para Protección Social* consists in a monthly amount of AR$180 (about US$47) per child, which has an unconditional component (AR$144) and a conditional transfer (AR$36) that is deposited in a savings account. The parent responsible for the child can withdraw the amount saved upon demonstrating that the child has fulfilled obligatory schooling or, in the case of children under 5, the obligatory vaccinations plan. Entitlement conditions consist in being under 18 years of age, born in the country (or parents resident for at least three years) and enrolled in public school. The programme is administered and financed by the Social Security Administration (ANSES)[1] and the government aims to gradually consolidate within this programme other family transfers currently provided under various social programmes.

As of 1 December 2009, the government was able to create a first register of beneficiaries showing that 2.7 million children and adolescents were entitled to receive the benefit. This is about 55 per cent of the population that could be potentially enrolled. The remaining potential beneficiaries are expected to continue joining the programme as they fulfil the requirements. The total cost of the programme will be about 0.5 per cent of GDP; once universal coverage is reached the total cost of the non-contributory component is expected to reach 1 per cent of GDP.

Note: [1] ANSES is financed roughly as follows: 50 per cent workers' and employers' salary contributions; 50 per cent earmarked taxes (added value tax, income tax and other taxes).

Source: ILO, 2009l.

50 per cent; retirement pensions and length-of-service pensions decrease by 10 per cent overall; parental benefits reduce by 50 per cent for working parents; and the number of health centres will be halved and preparatory classes abolished. Ukraine has tightened eligibility conditions for the unemployment scheme, with the effect that the number of registered unemployed has decreased by 17 per cent compared to the previous year; at the same time the level of contributions and contributors has widened, although whether benefit levels have been affected is difficult to assess.

While the above examples show that the countries in question have had to prioritize restrictions in public spending in order to limit public finance deficits in an often dramatic crisis situation, the negative social impacts of such measures on the living standards of affected groups, as well as the potential longer-term economic impacts that depend on the depth and length of the recession, are too early to assess. In some countries such measures have been adopted as a condition for receiving large-scale loans supporting the financial sector and the economy.

In addition, there is a risk that other countries, those that followed the expansionary fiscal policy during the crisis (a policy which helped to prevent a deeper and longer recession in many of them), will now face pressure for fiscal consolidation to cope with increased deficits and public debt. If and wherever it happens, this may result in cuts of social security spending to even below pre-crisis levels. This in turn may not only directly affect social security beneficiaries and consequently the standards of living of a large portion of the population but also, through the aggregate demand effect, slow down or significantly delay a full economic recovery.

There is always a conflict between concerns about long-term financial sustainability and the countercyclical role of social security (and wider public) spending.

An interesting illustration and solution comes from Sweden. Several years ago, within the main Swedish old-age pension scheme (which is PAYG-funded but organized as the Notional Defined Contribution (NDC)), a special feature was added in the form of an "automatic balancing mechanism". Special calculation methods have been established to make it possible to estimate the long-term assets and liabilities of the PAYG scheme. If the estimated liabilities of the system exceed its assets, the annual indexation both of acquired pension rights and pensions in payment is supposed to be automatically reduced for the period necessary to bring back equilibrium. Obviously, such a mechanism would make the system financially stable. Whatever happens, it reduces current and future pensions by as much as needed in order to restore financial equilibrium to the system.

Up to 2007 the so-called "balance ratio" of the Swedish pension system was above 1 (assets higher than liabilities) and so the automatic balancing mechanism was not activated. The situation has changed with the crisis. In 2008 the balance ratio was calculated as less than 1 for the first time (liabilities surpassed the assets, activating the automatic balancing mechanism). Pension levels would therefore need to be actually decreased in 2010 and for at least another several years grow at a much slower pace than before. However, such a prospect opened a debate as to whether this should be allowed in conditions of crisis. The debate concluded that a discretionary intervention should be allowed, suspending the existing rule and reducing the scale of the decrease in pension levels expected for 2010, spreading it over a longer period to cushion the impact on pensioners' living standards (Scherman, 2009).

Automatic adjustment mechanisms, linking pension entitlements to the state of the pension system's finances, also exist in different forms in Canada, Germany, Japan and the Netherlands (occupational pensions).

The above example from Sweden clearly illustrates an important dilemma. On the one hand it reveals a willingness to introduce automatic budgetary mechanisms which would help to ensure long-term sustainability of specific expenditure programmes or overall public finances, thus making them immune to discretionary political decisions. This can be seen not only in Sweden but also in many other countries, in other recent reforms of social security pension programmes and also in wider reforms of public finances that require permanently balanced budgets at the local or national level. But such long-term automatic mechanisms and regulations in times of economic downturn such as the current one may instead act as "automatic de-stabilizers" rather than stabilizers, as Joseph Stiglitz stressed in his speech in March 2009 to the ILO Governing Body (Stiglitz, 2009), unless governments can make discretionary corrections to the rules in time to achieve the policy outcomes desired in the current circumstances – as in the case of Sweden described above, or in Germany, where the "sustainability" factor of the German pension system would have led in 2008 and 2009 to pension increases of 0.46 per cent and 1.76 per cent, but the government has overridden the "automatic" mechanism, increasing pensions by 1.1 per cent and 2.41 per cent respectively. In the summary of its recent report *Pensions at a Glance 2009*, the OECD apparently supports such discretionary interventions and comes to the conclusion that the design of such automatic balancing "needs a re-think" as "it does not seem sensible to reduce benefits in a pro-cyclical way, taking money from the economy when it is weak" (OECD, 2009h, p. 8).

The crisis has demonstrated that rules such as automatic balancing mechanisms are not necessarily viable solutions. When they were activated by the crisis, this led in a number of cases to discretionary political interventions to prevent the benefits from decreasing in a pro-cyclical manner. Such interventions were justified in terms of both social policy (protecting living standards in the crisis) and economic policy (protecting aggregate demand).

Will the fate of these rules be the same in the future when demographic changes activate automatic balancing mechanisms more often, with a corresponding deterioration in the adequacy of benefits and relative living standards of the elderly? There is no doubt that there will be growing political pressure for discretionary interventions correcting or abolishing these systemic rules.

Should the future adequacy of benefits be left entirely to political discretion? Or rather, is it not better to supplement the rules related to financial equilibrium with other rules which would prevent benefits from falling below accepted levels? Such levels can be related to international standards but should be developed nationally and monitored, verified and adjusted through social dialogue that includes all stakeholders.

10.5 Impact of the crisis on pension funding: The need to revisit recent pension reforms [3]

The effect of the financial and economic crisis on pension systems depends on the category of pension schemes people belong to (defined contribution (DC), defined benefit (DB), PAYG or fully funded) and whether they are already retirees, close to retirement, or still have many years of contributing ahead of them.

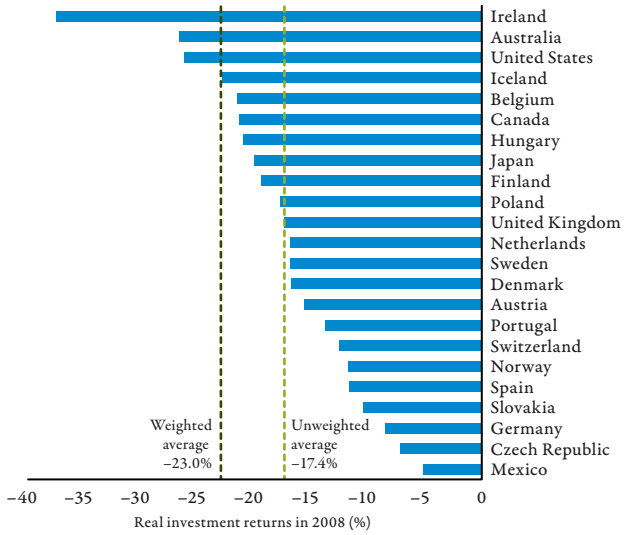
In defined-benefit (DB) schemes, where pension amounts are calculated without regard to the level of reserves, the immediate impact will be less than in defined contribution schemes, where benefit guarantees are by their nature less effective. However, long-term contraction of employment and hence the number of contributors will also force governments to downward adjustments in DB schemes.

In fully funded defined-contribution (DC) pension schemes, pension entitlements in some cases might be lost completely. In OECD countries private pension funds lost 23 per cent of their value in 2008 (see figure 10.4). If the crisis turns into a long-term downward adjustment of asset prices, the outcome in DC schemes will inevitably be lower benefits paid at retirement. Any prolonged suppression of interest rates and asset prices will lead to serious difficulties by way of destabilized annuity rates (prices) and management of annuity reserve funds. The size of the long-term effect will depend on the depth and the duration of the downturn of asset prices. If the present price reductions turn into permanent level adjustments then old-age income will be reduced; if the downturn is short-lived the effect will be transitional.

While these losses are not permanent, they still show the vulnerability of pension levels in DC schemes, notably for people who are close to retirement and whose savings portfolios might not recover during their remaining active life. The most affected are people who will retire within the next months and years, those with long periods of membership in DB-funded pension schemes, and in particular those whose investment policy is heavily exposed to riskier assets (many people in Australia, the United Kingdom and the United States). Those pensioners in private pension plans who did not take annuity on retirement may also be seriously affected (see figure 10.4 and OECD, 2009c, p. 26). The reason why ILO Convention No. 102 requires an old-age pension to be paid as a life annuity (periodical payment throughout a contingency) is precisely to protect the income security of the elderly from the impact of such events as the 2008–09 financial and economic crisis.

In the OECD countries at present, private financial sources constitute on average one-fifth of retirement incomes, but they are over 40 per cent in five countries: Australia, Canada, the Netherlands, the United Kingdom and the United States. On the other hand, they are less than 5 per cent in Austria, the Czech Republic, Hungary, Poland and Slovakia. However, in the future private pensions (both mandatory and voluntary) are expected to provide 75 per cent of future retirement incomes in Mexico, 60 per cent in Slovakia, 50 per cent in Poland and 30 per cent in Hungary. As many of these schemes are relatively young and thus even if current losses in the pension funds are significant (in Poland, for instance, it is estimated that in real terms members lost on average between two and three years of their contributions), the impact of this single crisis on the incomes of future retirees may turn out to be relatively minor. Nevertheless, as the OECD stresses, these developments "highlight the need for resilience to future crisis" (OECD, 2009h, p. 3). In view of the recent experience a fundamental review is needed of social security pension systems; some of the pension reforms undertaken during the last two decades need to be revisited to see if corrections are required to decisions taken in the past, and if so, what they should be.

Figure 10.4 Real investment returns of pension funds, OECD countries, 2008 (percentages)



Link: OECD StatLink, http://dx.doi.org/10.1787/635276166554
Source: OECD, 2009c, p. 33, figure 1.3.

[3] The following two sections of this chapter are based on Diop, 2009.

And corrections are needed. The degree of vulnerability of future pension levels to the performance of capital markets and other economic fluctuations, introduced in so many pension systems during the last three decades, was clearly a mistake that stands to be corrected. What is needed immediately is to protect the pension levels of those who are close to retirement. Strong minimum pension guarantees may work here as "automatic stabilizers" of retirees' living standards. Some countries have such guarantees already; others have included one-off payments to older people in their stimulus packages as a temporary relief (Australia, Greece, United Kingdom and United States). Others have decided as a result of the current crisis to strengthen and expand minimum guarantees in their pension systems (Belgium, Finland, France and United Kingdom, as well as countries with higher than average poverty incidence among the elderly – Australia, Republic of Korea and Spain).

Policies strengthening pension guarantees for low-income earners and thus significantly correcting past reform trends will have to be further increased. As the OECD study shows (2009b, p. 5), in countries such as Germany, Japan or the United States future low-income earners will be receiving pensions at the level of 20–25 per cent of average earnings. The OECD average will be 36 per cent with Denmark (62 per cent) at the top of the list.

In the short run the state may authorize pension schemes to reduce their levels of capitalization for a transitional period, as has been done in the Netherlands, for example. This is probably the only realistic option at present, given global resource constraints. If asset prices rebound at some point, the overall cost of the guarantees will be only a fraction of the temporary losses.

In their observations in response to the crisis, the OECD have suggested that governments could play a more active role in managing the risks associated with the payout phase of pensions and annuities, with the idea that they could encourage the market for longevity hedging products by producing an official longevity index. Other OECD proposals include suggestions that governments should issue longevity bonds that "would set a benchmark for private issuers", and should also consider issuing more long-term and inflation-indexed bonds – a move already taken by a small number of countries, most recently by the Danish Government with the release of a 30-year bond that was primarily bought by domestic pension funds and insurance companies.

But much more fundamentally, this is the time for a new approach in debating pension reform. This should include:

- rebuilding trust in public DB schemes – which have once again proved to be much more secure in times of economic turbulence – by clearly showing the trade-offs between DC and DB schemes in terms of the security of future benefit levels;
- rebalancing pension systems in their DB/DC and funded/PAYG mixes so that they can achieve their multiple objectives,[4] in particular preventing poverty in old age and providing secure replacement income on retirement, thus enabling pensioners to achieve what society sees as an adequate standard of living;
- returning to the debate on necessary reforms of public pensions, in order to make them sustainable as populations age without losing adequate income security. Reforms to be debated should include:
  - the introduction into pension schemes, as stabilizers, of such rules as would adjust the age at which people can retire, and the minimum duration that people have to contribute in order to qualify for full pension, in line with the improving life expectancy and health status of those around retirement age; such rules would also need to take into account the pace of progress in working conditions;
  - the establishment of such funding levels in the DB public pension schemes as are necessary to optimize the economic role of pension schemes both in the short (economic fluctuations) and the long run (demographic processes);
- introducing reforms in other parts of social security systems through enhancing coverage and improving unemployment benefit schemes so that pension schemes are not used as a substitute;
- achieving such decent working conditions that people can both work longer and live longer in good health;
- expanding lifelong learning so that workers are always up to date with new technologies;
- changing the attitudes of employers towards older workers;
- changing the attitudes of society to caregivers;

[4] In-depth analysis by Barr and Diamond (2008) includes evidence that some of the main objectives of pension systems have been neglected during the reforms of the last three decades.

- introducing reforms of the DC pensions including:
  - the enforcement of efficiency through decreasing administrative cost levels in any reform of DC and funded schemes;
  - the removal of tax breaks for voluntary private third-tier pension schemes;
  - the reduction of the dependency of benefit levels in pension schemes on volatile market performance through introducing DB-type guarantees into the DC schemes, or by guaranteeing rates of return in such a manner as would provide replacement rates on retirement at target levels.

The ILO does not have a specific pension model, but it does have a set of basic requirements for pension systems. These are included in its social security standards which have been built up over many decades, and which specify the way in which social security systems should perform. It has never been timelier than now to remember, promote and apply those principles:

(1) *Universal coverage.* Everybody has a right to affordable retirement through pension systems that provide all residents with at least a minimum level of income protection in old age. Similarly, everybody has a right to income security in case of loss of a breadwinner or of disability.

(2) *Benefits as a right.* Entitlements to pension benefits should be precisely specified as predictable rights.

(3) *Equity and fairness.* There should be equal treatment of all without discrimination, including equal treatment of national and non-national residents. Entitlement conditions and benefit provisions should be gender-fair.

(4) *Protection against poverty.* Pension systems should provide a reliable minimum benefit guarantee.

(5) *Replacement of lost income.* Contributory earnings-related systems should provide guaranteed replacement rates at least to those with below-average earnings.

(6) *Collective actuarial equivalence of contributions and pension levels.* Benefit amounts for all contributors should adequately reflect the overall contributions paid.

(7) *Guarantee of a minimum rate of return on savings.* The real value of contributions paid into savings schemes should be protected wherever these are part of the national pension systems.

(8) *Sound financing and fiscal responsibility.* Schemes should be financed in such a way as to avoid uncertainty about their long-term viability. Pension schemes should not crowd out the fiscal space for other social benefits in the context of limited overall national social budgets.

(9) *Policy coherence and coordination.* Pension policies should be an inherent part of coherent and coordinated social security policies aimed at providing affordable access to essential health care and income security to all those in need.

(10) *State responsibility.* The State should remain the ultimate guarantor of the right to affordable retirement and access to adequate pensions.

Such guarantees can be applied to both PAYG and fully funded pension schemes. They can be legislated by any government. Most likely they will not lead to major increases in real expenditure, but in any case they will cost a fraction of the cost to taxpayers of the recent bail-out of the financial system.

10.6 Impact of the crisis on social health protection financing

The current and past financial and economic crises have substantially affected the most vulnerable: the elderly depending on old-age pensions, and the sick in need of effective access to quality health services in order to continue working and generating income for themselves and their families. In the following we provide insight into lessons learnt from the past on how to reduce financial risks for pension funding and ensure social health protection in times of economic crisis.

When it comes to social health protection, financial and economic crises tend to severely affect workers' health and even result in increased morbidity and mortality, as well as contributing to deepened poverty particularly for the most vulnerable parts of the population. The crisis impacts are mostly linked to the delivery of services covered by social health protection and relate particularly to access to quality health services and drugs. The most important impact is expected to be shouldered by women and children/newborns. Further, health-care costs might force workers to reduce their utilization of needed services if public health systems cannot respond due to budget constraints; as a result private health facilities serving the better off might develop more rapidly.

At the national level, these developments are mostly induced during crises by increases in unemployment,

and decreases in tax revenues and often donor support in developing countries. Frequently this leads, at first, to significant impacts on the health workforce and the availability and affordability of quality services and drugs. As a result, the availability of quality services will be significantly reduced and prices will increase. Thus key objectives of social health protection will be threatened.

In addition, shrinking household incomes will constrain access to health services, while health risks with poverty are expected to increase (Saadah, Pradhan and Surbakti, 2000): during the East Asian financial crisis of 1997/98 a reduction in household incomes due to job losses was observed. This development was accompanied by increases in prices for services in the public health sector compared to the private sector, and led to decreasing quantity and quality of needed health care. As a result, utilization rates of health services changed, since the poor could no longer afford them.

As in previous crises, governments have recently employed various means to lessen the impact of the current one. Policy options deployed during this economic crisis have been taken with particular focus on the financial sector. Some of these measures have produced unforeseen and unintended effects impacting on social health protection coverage and access to health care. They include, particularly, public budget cuts and measures that shift health-care costs towards workers and their families.

Key measures in social health protection coverage observed during the current period of crisis include the following (Fridfinnsdottir and Jonsson, 2009; te Velde et al., 2009):

- Cuts in budgets available for social health protection coverage were widely proposed as part of general cuts in the public spending of Eastern and Western European countries (Timmins, 2009; WHO, 2009e), the United States (Simms and Rowson, 2009) and developing countries of Asia and Africa.
- In Iceland, it has been proposed that health services be cut back by approximately 7 per cent. Further, health-care facilities should be merged and terminations or cutbacks of contractual payments to the health workforce foreseen.
- In Montenegro it has been decided to cut social health protection spending by reducing its minimum benefit health package.
- In 2009, Georgia launched a private health insurance to cover emergency care and some primary care services. State subsidies will cover two-thirds of insurance premiums in privately run health insurance firms. To mitigate poverty, the State is also extending its Medical Assistance Programme to an additional 200,000 individuals below the poverty line.
- Slovenia also began a similar programme that includes state subsidies for private health insurance premiums for vulnerable groups in 2009.
- In Latvia, the Government considered the closure of rural health centres as a cost-saving measure.
- Croatia plans to increase user charges for health services and prescriptions by 20 per cent and at the same time promote the uptake of supplementary insurance where vulnerable groups will be exempted.

The impact of the crisis on social health protection will vary among and within countries, depending on their exposure to international financial markets, public debt, exports and remittances (WHO, 2009f, p. 1). The 98th Session of the International Labour Conference held in June 2009 pointed out that "dramatic falls in international trade, foreign investment, migrant workers' remittances and flows of migrant workers are major factors in spreading and deepening the world recession". According to the projections, the low-income countries of sub-Saharan Africa were expected to experience a decline of 4.5 per cent in their growth rates in 2009, whereas middle- and high-income country economies were expected to shrink by 0.1 per cent in 2009.

There is no doubt that all these developments will have significant implications for the health of the population and social health protection coverage. In fact, workers' health and gaps in social health protection coverage are among those areas through which the severity of the crisis is already most visible; and it is the vulnerable populations, such as workers in the informal economy, the poor and women in rural areas, who are at greatest risk of suffering increased morbidity and mortality from the crisis. Against this background, it is most important to address, in upcoming policy decisions, equity in effective coverage and access – particularly with a view to protecting women and newborn children and with the aim of scaling up efforts to maintain and improve social health protection coverage.

Conclusion
Closing the coverage gaps and building social security for all

The current crisis has once more proved how important a role social security plays in society in times of crisis and adjustment. It works as an irreplaceable economic, social and political stabilizer in such hard times – both for individual lives and the life of society as a whole. Social security plays this role in addition to its other functions – providing mechanisms to alleviate and also to prevent poverty, to reduce income disparities to acceptable levels, and also to enhance human capital and productivity. Social security is thus one of the conditions for sustainable economic and social development. It is a factor in development. It is also an important factor in a modern democratic state and in society (Townsend, 2009).

This report has clearly shown that the majority of the world population still has no access to comprehensive social security systems. Thus, to prepare global society for future economic downturns and to achieve other global objectives such as the Millennium Development Goals, sustainable economic development and a fair globalization, a most fundamental task is to develop comprehensive social security systems in countries where only rudimentary systems exist so far, starting with the provision of basic income security and affordable access to essential health care. The demands of the current crisis carry with them the risk that we seek only short-term "quick fixes" to poverty and insecurity while neglecting longer-term solutions that would help to correct the fundamental inequities in the global economy and society.

Social security will effectively cushion the negative impacts of the crisis if its foundations, based on social solidarity, are strengthened. The ILO is promoting the reshaping of national social security systems based on the principle of progressive universalism. It seeks first to ensure a minimum set of social security benefits for all: the social protection floor. Based on that floor, higher levels of social security should then be sought as economies develop and the fiscal space for redistributive policies widens.

Higher- and middle-income countries. Despite the talk about over-burdened welfare states in past decades, this crisis gives new visibility to the crucial role of social security in weathering economic storms, now and in the future. Memories of the devastating effects an economic crisis can have on households and individuals have nearly faded for most people in the high-income countries. This can be seen as a success story, largely attributable to the comprehensive social security systems that have been established – often as a response to earlier crises. Thus, in developed economies comprehensive and state-organized social security based on the principle of solidarity must not be treated as a relic of the past – it is a powerful tool for economic and societal development in the future. It is of central importance to sustain the fiscal space for public social security schemes through government policies.

Low-income countries. While many higher-income and some middle-income countries are relatively well equipped in social security and thus have effective instruments for the prevention of poverty, this is far from being the case in many other countries of the

world, where only a minority has access to even basic levels of social protection. Fortunately it seems that the crisis has helped the international community to reach a wide consensus on the necessity of investments in social protection in low-income countries. As the OECD Development Assistance Committee says (2009i):

> Social protection directly reduces poverty and helps make growth more pro-poor. It stimulates the involvement of poor women and men in economic growth, protects the poorest and most vulnerable in a downturn and contributes to social cohesion and stability. It helps build human capital, manage risks, promote investment and entrepreneurship and improve participation in labour markets. Social protection programmes can be affordable, including for the poorest countries, and represent good value for money.

Sharing this view, the Chief Executives' Board of the UN System has presented the concept of establishing a social protection floor by ensuring access to basic social services, and the empowerment and protection of the poor and vulnerable (United Nations, 2009a). Such social protection should consist of two broad main elements:

(a) *services*: geographical and financial access to essential public services such as water and sanitation, health, and education; and

(b) *transfers*: a basic set of essential social transfers, in cash and in kind, paid to the poor and vulnerable to provide a minimum level of income security and access to essential services, including health care.

The ILO's Global Jobs Pact as agreed in June 2009 (2009a) thus requests countries to develop

> adequate social protection for all, drawing on a basic social protection floor including: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and the working poor

and urges the international community "to provide development assistance, including budgetary support, to build up a basic social protection floor on a national basis".

There is an urgent need to introduce basic social protection mechanisms where they are not already in place; equally needed is the provision of support to strengthen existing social security schemes. Both actions are indispensable as means to protect men and women against the worst effects of the crisis and as instruments to support effective demand in economies and help their recovery. The value of social transfers and expenditures to reduce poverty and ensure access to basic services, as well as the value of social investment and social policies aimed at protecting the most vulnerable, are increasingly recognized not only internationally but also in national debates. To translate the several objectives into practice – the provision of income security to all, including financial protection against catastrophic health expenditure together with access to health-care services – while recognizing that the poorest countries face strong financial constraints, requires a strategy that focuses first on putting in place a basic and modest set of social security guarantees, defined in Chapter 1 (p. 17) as the social transfer component of a social protection floor.

Donors seem to be positive to the call for support in expanding social protection in low-income countries both during the crisis and beyond. The OECD Development Assistance Committee (OECD, 2009i) declares:

> Donors' support for social protection programmes should provide adequate, long-term and predictable financial assistance to help partner governments establish gender-sensitive social protection programmes and create the conditions for those programmes to be politically and financially sustainable. This is especially important in the current situation of contracting fiscal space and declining financial inflows. Such support must be provided through harmonized and coordinated financing mechanisms in support of nationally defined strategies and programmes.

In its recent White Paper on International Development, *Building our common future* (DfID, 2009, p. 25), the Government of the United Kingdom urges the World Bank to "pay greater attention to social protection" and to use the Rapid Social Response Programme more effectively to help low-income countries build the necessary basic social protection programmes. Echoing a similar resolution of the Second Committee of the UN General Assembly, the UN Commission for Social Development adopted a resolution in February 2010 that "urges Governments ... to develop systems

of social protection and to extend or broaden, as appropriate, their effectiveness and coverage, including for workers in the informal economy, ... and invites the International Labour Organization to strengthen its social protection strategies, including the assistance to countries in building Social Protection Floors and policies on extending social security coverage".

Such a growing global coalition has a real opportunity to make a difference and help the majority at present without social security coverage to weather the current crisis and be better prepared for future ones. But this is not all: in the long run it is the way to gradually build a fair globalization and thus a richer and more peaceful world.

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