Expanding economic protection to the elderly in Latin America

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Abstract This article addresses the reforms introduced in Latin American pension systems that had the aim of increasing coverage beyond formal-sector workers. For this purpose, fourteen representative regional experiences are analysed using a taxonomy based on features of the cases examined in terms of design, implementation and results. The findings show that, although the reforms share the goal of expanding coverage, there are significant differences deriving from the context in which they were originally designed, their goals, and the capacity available to implement them. The results are not homogeneous, and it is possible to identify some aspects in which policy decisions can lead to better or worse results.

Keywords old age benefit, social security administration, social insurance, non-contributory scheme, gaps in coverage, Latin America

Introduction

Since around 2000, economic protection systems for older adults in Latin America have been the subject of a series of reforms. Unlike most of the revisions made during the second half of the twentieth century, these reforms have been intended

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to improve financial sustainability, incorporate new actors into management, change the rules of financial management, and make various adjustments to existing contributory schemes. Important emphasis has been given to the goal of inclusion, to expand the coverage of systems beyond workers in the formal sector who traditionally enjoyed coverage.

Although non-contributory schemes have been available in the region for decades, the trend in this direction in recent years is unprecedented in its intensity and the speed with which it has spread. Between 2000 and 2013, at least 18 countries in the region introduced inclusive reforms – involving non-contributory schemes – which sought to expand coverage for the elderly.

Recent changes appear to be the result of a combination of various factors, including the exhaustion of the contributory model for extending statutory coverage developed in the second half of the twentieth century, an improvement in the fiscal situation in most countries in the region, and social pressure demanding better-adapted social protection policies, with an emphasis on addressing the needs of vulnerable populations.

The reforms implemented in recent years have made it possible to incorporate in the social protection system large groups of the elderly who previously had no access to coverage. Inclusion strategies have been based on two alternative models: i) the expansion of traditional contributory pension schemes; and ii) the development of poverty reduction programmes focused on the elderly. The two models show differences regarding the legal and institutional means used, the adequacy of benefits, the fiscal and economic sustainability of the new programmes, and their impact on and interaction with other areas of public policy. This diversity provides a fertile environment for the analysis and evaluation of policies regarding coverage.

In this context, the aim of this article is to investigate the similarities and differences between various initiatives introduced in Latin America in recent years aimed at expanding pension coverage, in order to establish some kind of taxonomy that will improve understanding of the factors taken into consideration when designing a policy of this type. This taxonomy is based on an in-depth analysis of fourteen countries in the region representing different stages of economic and social development: Argentina, the Plurinational State of Bolivia (hereafter, Bolivia), Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Paraguay, Peru, Uruguay, and Trinidad and Tobago (Rofman et al., 2013).

Motivation

Policies on the economic protection of older adults in Latin America have been the focus of intense political and academic debate in recent decades. Since the
adoption of an individual fully-funded scheme in Chile in the early 1980s, practitioners have focused on evaluating the performance of the traditional contributory pension systems and pay-as-you-go (PAYG) schemes that existed in most countries of the region, proposing various reforms to improve their performance. For much of the 1990s the focus of policy was directed towards improving the fiscal sustainability of programmes, reducing State exposure by introducing individual fully-funded schemes, and making adjustments to existing systems. This trend aroused interest among various authors and institutions, which produced reports to identify the main elements of such policies and to develop proposals for design and management models. A cursory examination of activity among the major international organizations during this period reveals a seminal publication by the World Bank in 1994, recognized as central to the policy debate, in which the new schemes beginning to spread in the region were described as “multi-pillar” (World Bank, 1994). Other authors and institutions continued this debate and analysis, in particular the International Labour Office, which in 2001 issued a report stating the need to extend social security protection to excluded workers and families through a combination of increased coverage through contributory schemes, the promotion of microinsurance, the development of universal schemes, and the provision of targeted benefits (ILO, 2001).

At the beginning of the twenty-first century, many of the countries in the region and several other countries had implemented reforms, and the discussion slowly turned to an assessment of the impacts of such reforms on the three main dimensions of any system of financial protection for the elderly: coverage, adequacy, and sustainability. While in many cases the reforms appear to have helped improve the medium-term sustainability of the systems, their impact on the adequacy of benefits and coverage appeared to be minor. The World Bank published a regional report in 2005 which discussed the effectiveness of the new systems in responding to social demands (Gill, Packard and Yermo, 2005). In 2005, the World Bank resumed the institutional debate with the publication of “Old age income support in the 21st century”, which suggested the adoption of a scheme involving five pillars, resulting in universal coverage in a complementary manner (Holzmann and Hinz, 2005).

The Economic Commission for Latin America and the Caribbean in 2006 published a report for its 31st session, suggesting that the central goal of policy should be coverage in the framework of a “rights-based approach” in relation to programmes to protect the elderly, health schemes, and transfers to families with children, and whereby access to benefits should not be linked to previous contributions but to citizenship status (ECLAC, 2006). In a similar vein, in 2011 the International Labour Organization proposed the concept of a “Social Protection Floor” that promoted the adoption of social security schemes which, through a combination of instruments, would make it possible to develop a model of
universal coverage (Bachelet, 2011). For its part, the Inter-American Development Bank also contributed to the discussion in a recent publication (Bosch, Melguizo and Pagés, 2013), in which it offers an analysis of the regional situation and proposes a model based on a scheme of universal coverage financed by taxes, supplemented by subsidized contributory schemes. In academic circles the discussion has in recent years also centred on issues of coverage and social inclusion. The work of Barr (2001), Hanlon, Barrientos and Hulme (2010), and Barr and Diamond (2009), are clear examples of this.

Taking all these developments into account, this article reviews the initiatives taken by a large group of countries in the region which, in parallel with the above discussions, have moved in recent years towards schemes whose major common aim is the extension of pension coverage.

**Background to pension systems in the region**

All countries in Latin America and the Caribbean have pension systems whose purpose is to ensure income replacement and reduce poverty. However, they differ considerably both in terms of their historical development and their structure and current operation. Most pension systems in the region came into being as contributory schemes, with requirements for the payment of contributions by the working population to finance retirement benefits, either by direct transfers (general average premium schemes) or through a savings scheme (funded schemes). For this reason, entitlement is linked to contribution history: individuals who contribute acquire the right to receive benefits. This funding mechanism and focus on contributions is inevitably subject to risks associated with the limitations of the labour market, which can result in difficulties affecting payments and coverage if the scheme is not well-designed and adapted to the reality of a high degree of informality in the labour market.

Contributory schemes are associated – if only theoretically – with the idea that the need to receive pension benefits arises from the inability of people to continue working and to earn a wage after a certain age. This makes it necessary to provide a scheme to replace lost income. Rofman and Oliveri (2011) suggest a simple logic whereby there is no reason to provide pension benefits to those who do not receive a wage before retirement, since they do not face any loss that needs to be compensated. Pension benefits in this sense represent continuity in the payment of wages, and it may also be considered that such benefits are part of wages, but paid on a deferred basis. Consequently, pension systems can be classified as contributory both in terms of their financing and the manner in which beneficiaries are selected.

1. In June 2012, the 101st International Labour Conference adopted a new international labour standard, the Recommendation concerning national floors of social protection, 2012 (No. 202).
From their inception, pension systems in Latin America faced serious difficulties in their efforts to include a substantial proportion of the population, both of active working-age and the elderly. This problem has its origins in the high degree of informality in the region’s countries, combined with the contributory nature of the schemes that have prevailed during the larger part of these systems’ history. Structural reforms implemented during the twentieth century, including those adopted in the 1980s and 1990s, aimed at improving the financial sustainability of pension systems, which in many cases involved the adoption of more stringent access criteria such as increasing the required number of years of contributions and, consequently, lower coverage of the active population and of the elderly. Figure 1 shows the percentage of the economically active population contributing to the pension system in the early 1990s, early 2000s, and in 2010, in 18 countries in the region.

The level of labour force coverage was less than 30 per cent in eight of the 18 countries for which information is available for 2010. The situation in these countries relative to the rest of the region is not very different from that observed at the beginning of the decade. Some countries, such as Peru and the Dominican Republic, have shown significant improvements, but still have very low levels of

Figure 1. Economically active population contributing to the pension system, selected countries, 1990, 2000 and 2010

Note: * Includes a higher estimate based on records of coverage for the self-employed.
Source: Rofman and Oliveri (2012)
coverage. At the other extreme, only Chile, Uruguay, Costa Rica, Argentina and Brazil have levels of coverage of the active population exceeding 50 per cent.

Between the beginning of the 1990s and the early 2000s, coverage fell in almost all countries of the region. The main causes of this phenomenon were the successive financial crises of the decade, the privatization of public enterprises which employed large numbers of workers, technological change, trade liberalization, and a trend towards relaxing labour regulations, processes which together resulted in increases in unemployment and informality. Most countries in the region were in recession or showed low economic growth, a situation that was reversed in the following years, which brought a recovery in pension coverage.

This pattern is seen mainly in countries with higher levels of coverage. As a result of these trends, coverage of the economically active population, measured at the regional level, fell from around 46 per cent in the early 1990s to about 37 per cent ten years later, before climbing back to 42 per cent at the end of the last decade.2

In terms of coverage of the inactive population, Figure 2 shows the percentage of adults older than age 65 receiving benefits in the form of pensions, contributory

2. The same trend can be observed using indicators of coverage of employed workers and non-wage earners.
and non-contributory. On average, in the early 1990s coverage was 59.7 per cent. A decade later this was 58.5 per cent, and 60.7 per cent by 2010. In six of the 18 countries in Latin America coverage is less than 19 per cent – Honduras, Dominican Republic, El Salvador, Guatemala, Paraguay and Nicaragua. For a second group of seven countries, coverage is between 22 per cent and 60 per cent, with Costa Rica having the highest level within this group. Finally, the group of countries with the highest coverage attained from 83 to 91 per cent (Chile, Uruguay, Brazil, Argentina and Bolivia).

The low levels of coverage of contributory systems in the region mirror labour market performance, while the entitlements of beneficiaries is associated with their contribution history, i.e. the density of contributions recorded in their working career.

Reforms aimed at improving coverage

The problems of coverage under traditional pension systems in the region are not new. Throughout the history of pension policy in Latin America, contributory systems have never succeeded in including more than half of all active workers, with a few exceptions. Throughout the twentieth century most countries sought to expand coverage through legislation to include new groups of workers, in many cases resulting in systems that, in legal terms, offered protection to virtually all wage earners, as well as the self-employed in several countries. This trend towards including new groups of workers not only improved the social profile of the programmes, but improved their financial situation, since the expansion of the programmes resulted in an increase in the salary base for contributions paid to secure a commitment to pay benefits in the future. However, as this strategy lapsed – since there were few groups left to incorporate and in general the new groups had less capacity to contribute – the focus of attention turned to financial aspects.

During the first years of the twenty-first century the fiscal situation of countries in the region experienced a profound change, and debate on pensions in the region began to focus more clearly on the issue of coverage. Attention focused on identifying schemes that guaranteed protection for those elderly who had contributed regularly to the traditional system.

This process has not been uniform, either in timing or in terms of the nature of the proposed reforms. For some countries the reforms meant the continuation of a process begun in the 1990s to extend existing programmes. Early in 2000, Costa Rica pioneered the expansion of coverage under its non-contributory scheme by adopting the Worker Protection Act (Ley de Protección al Trabajador). First, this expanded coverage to the active population by introducing a pension scheme for the self-employed and, second, extended coverage under the non-contributory scheme to older workers living in poverty. Mexico in the early 1990s expanded
welfare programmes, which in the 2000s began to focus on the older population who had no welfare coverage and were living in poverty. As the forerunner of non-contributory programmes for the elderly, the “Food Pension for Adults” (Pensión Alimentaria para Adultos) programme was implemented in Mexico City in 2001. By 2003, the programme had achieved national scope and was focused on older adults in rural areas, which evolved into the so-called “70 and over” (70 y más) pension in 2007.³

Initially, Argentina, Bolivia and Trinidad and Tobago tackled the extension of coverage by expanding their existing non-contributory schemes. In Bolivia the Bonosol non-contributory pension introduced in 1997 was the forerunner of a larger programme, termed “Decent Income” (Renta Dignidad) introduced in 2008. In 2003 Argentina made access to traditional “non-contributory pensions” for disability and old age more flexible. In Trinidad and Tobago, where non-contributory pensions for the elderly developed at virtually the same time as contributory schemes, the former was re-launched as the “Pension for Senior Citizens” in 2010.

Other moves towards reform showed less continuity with those of the previous decade. Moreover, in several countries measures were taken that involved a fundamental departure from previous models. Clear examples of this are the reform in Chile of 2008, which created the Basic Solidarity Pension (Pensión Básica Solidaria), a benefit that is fully integrated into the contributory pension system, and the unification of contributory and non-contributory schemes through a solidarity pension in Bolivia in 2010.

By contrast, other countries’ new non-contributory programmes were created for older adults who did not have access to the traditional social security system. The “Social Protection Programme for the Elderly” (Programa de Protección Social al Adulto Mayor – PPSAM) in Colombia in 2004 (replaced by “Colombia Mayor” in 2013); the “Human Development Bond” (Bono de Desarrollo Humano) in Ecuador in 2006; non-contributory pensions through the 2006 Equity Plan (Plan de Equidad) and allowances for older adults living in poverty established by law in 2007 in Uruguay; “100 to 70” (100 a los 70) in Panama; the “Universal Basic Pension” (Pensión Básica Universal) in El Salvador in 2009; the “Food Pension for the Elderly” (Pensión Alimentaria para Adultos Mayores) in Paraguay; and the “Gratitude Voucher” (Bono Gratitud) and “65 Pension” (Pensión 65) in Peru in 2010 and 2011, respectively, are clear examples of this approach.

Finally, some countries opted for a hybrid approach in this area, extending coverage through the contributory scheme and facilitating non-contributory access in some cases: in Argentina a special regime was implemented in 2005 to provide incentives for the inclusion of self-employed workers, known as the “Moratorium

³ This programme was replaced by “Pensions for Older Adults” (Pensión para Adultos Mayores) which increased coverage by including those aged 65 or older.
Pension” (Moratoria Previsional), whereby workers who did not have sufficient years of contributions received a grant to enter the scheme. Similarly, in Brazil in 2006–08 incentives were introduced for the inclusion of independent, domestic and temporary rural workers; in Peru in 2008 facilitation of access was offered to workers in small enterprises; and in Uruguay in 2008 access was eased for domestic workers and other specific groups.

Towards a taxonomy of non-contributory reforms in Latin America

In each country the status of economic protection programmes for the elderly significantly influenced the strategies adopted to expand coverage. The main features involved were the level of coverage of traditional contributory systems, their fiscal or economic cost (and therefore the policy space available to expand the programme), the existence of a non-contributory pension scheme on which could be built an expanded model, and the main objective stated in the discussion of policy. The wide variety of these initial conditions was significant, and this inevitably led to various proposals by the State.

The 14 countries selected for the present study have seen efforts to expand coverage to the older population through instruments of various types and with different levels of importance. Inclusion is based primarily on non-contributory programmes that have worked concurrently with the traditional scheme or facilitated access to existing contributory pension systems.

By identifying reforms that are more illustrative and representative, a taxonomy is developed to describe the measures taken in terms of their design and manner of implementation. As regards design, reforms can be classified according to the target population and the degree of linkage with existing pension systems. In terms of implementation, programmes can be grouped by their rate of implementation and their linkages with existing social security institutions.

Design: Universal, the goal of universal, or targeted coverage

The countries studied have adopted three different strategies to define the target population of new programmes and non-contributory benefits. On the one hand, in some cases the criterion was “universality”, whereby access to pensions was made possible for all citizens who meet minimum general requirements, such as the retirement age. This applies to Bolivia and Trinidad and Tobago, which provide

4. For further details, see Rofman, Apella and Vessa (2013).
access for all citizens to the programmes, regardless of whether they meet conditions for contributory schemes.

In other cases the focus was on the population who, for some reason, had no access to contributory programmes, and this approach may be regarded as having the “goal of universal” protection. This group of countries includes reforms such as those in Argentina, Brazil, Chile, Mexico, Panama, and Uruguay. In Argentina, the Moratorium Pension enabled older adults who had not met the required number of years of retirement contributions to receive benefits under the contributory scheme. In Brazil, the rural pension included all those who had a history of working in the sector, even for their own subsistence, and the Continuous Benefit Provision (Beneficio de Prestaciones Continuada) supplemented the system to include the most vulnerable in urban sectors. Chile’s reform of 2008 established that the poorest 60 per cent of the elderly population who did not have access to pension benefits or the minimum pension should receive a solidarity pension. Since coverage under the contributory system largely exceeded 50 per cent, the reform converted the system into a de facto universal scheme. In Mexico, access to the “70 and over” programme was not universal at the outset, given that its geographical focus was rural. It has since gradually spread to small urban centres and eventually the criterion of area of residence was eliminated. In Panama, the legislation that introduced the “100 at 70” programme did not have any target criteria, but a reform introduced in late 2010 stipulated that beneficiaries must be “living in poverty, extreme poverty, vulnerability, or facing social risk.” In Uruguay, the combination of increased access to old-age pensions and more flexible conditions governing access to contributory benefits resulted in a de facto universal scheme.

On the other hand, other programmes “target” populations defined as elderly and living in poverty or facing social risk, and this condition of eligibility is verified by a means test. This group comprises Colombia, Costa Rica, Ecuador, El Salvador, Panama (since 2011), Paraguay and Peru.

Design: Integration with, or independence from, the existing pension system

Initiatives to extend coverage emerged in different parts of the social protection system. In some countries reforms were implemented through the traditional pension system, providing access under rules that differed from those that had applied hitherto. In other countries, however, coverage was expanded independently of traditional social security systems, linking the new programmes with welfare systems and existing poverty reduction policies.

In Argentina, the Moratorium Pension introduced flexible conditions for regulating pension eligibility, extending coverage on a contributory basis. In Brazil, the recognition of newly-insured rural workers was based on legislation covering
situations such as the seasonal nature of agriculture that left workers in this sector on the margins of formality and, hence, of pension coverage, while the Continuous Benefit Provision programme developed in parallel with the pension system. In Chile, the reform involved the establishment of a new solidarity pillar in the pension system, which replaced the previous non-contributory programmes – Assistance Pensions (Pensiones Asistenciales – PASIS) and the Guaranteed Minimum Pension (Pensión Mínima Garantizada – GMP) – by a unique Basic Solidarity Pension scheme. In Trinidad and Tobago, the Senior Citizens Pension and the traditional insurance scheme were similarly combined. In Uruguay, elderly persons lacking coverage were included by a change in the parameters of the existing pension system, both contributory and non-contributory.

The expansion of coverage outside traditional pension systems occurred in Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Paraguay and Peru, where new programmes were designed as part of social assistance policies, with little or no connection to existing pension systems. In these cases, it is interesting to observe how programmes for the elderly function with and are linked to other social assistance programmes generally focused on families with children. While in some cases such integration is very important (as in Ecuador, Panama, Paraguay and Peru), where new programmes are managed by the same institutions and with the same mechanisms for selecting beneficiaries, and with database management and payment systems identical or similar to those used by programmes targeting children, in others the relationship is more distant.

The different strategies adopted by countries on this point seem, as one might expect, to target the objectives set when designing the reform. For countries aiming to expand the coverage of existing systems, the strategy adopted was to identify models that involved greater integration with existing systems, while in countries where the goal was to move from a policy of reducing poverty through providing income transfers to households with children, to a larger scheme that also included the elderly, the most frequent solutions were models that were either independent of, or integrated with, social protection agencies. Bolivia seems to be the exception here, since from the outset the programme was linked to the 1996 pension reform, but nevertheless there was no programme of integration when it was designed.

**Implementation: Gradual or immediate**

As regards the time frame for implementation, some initiatives followed a phased schedule to achieve full implementation of the reform proposal, while others provided immediate access to the eligible population. The reforms in Chile, Colombia, El Salvador, Mexico, Paraguay, Peru and Uruguay (in the case of the Old Age Retirement Pension; Jubilación por Edad Avanzada) were implemented gradually.
so as to facilitate operational aspects and avoid sudden increases in funding needs, while in the other reforms studied implementation was immediate. The latter include Argentina, Bolivia, Brazil, Costa Rica, Ecuador, Panama, Trinidad and Tobago, and Uruguay.

In Chile, Colombia, El Salvador, Mexico and Peru, implementation was gradual and followed the schedule adopted for the entry of the target population. The Chilean Basic Solidarity Pension was initially restricted to 40 per cent of the poor in 2008, climbing to 45 per cent in 2009 and 60 per cent from 2012 onwards. Under El Salvador’s Five-Year Development Plan 2010–14, admission to the Universal Basic Pension scheme (Pensión Básica Universal) followed a schedule of priorities for the admission of municipal areas in terms of social risk, starting with those living in extreme, severe poverty in 2009–10, followed by those living in extreme poverty in 2011–12, finally increasing the numbers of beneficiaries during 2013, which were to be maintained in 2014. In Mexico the “70 and over” scheme was launched in rural areas in 2007, later expanding to larger urban centres up to 2012, when the geographical pattern was discontinued. In Colombia, the PPSAM scheme was implemented gradually so as to limit the number of possible beneficiaries and avoid excessive pressure on public finances. However, since the creation of the Colombia Mayor programme these restrictions have been removed. Finally, in Peru the “65 Pension” programme started in five municipal areas, before being gradually extended to reach all of the eligible population in the country.

**Implementation through existing or new institutions**

The implementation strategies of these initiatives vary in terms of the agency or institution to which administration is entrusted. The management of new programmes may be allocated to existing social security institutions, new organizations, or other existing institutions that are unrelated to the management of social security institutions.

Among the countries whose expanded coverage programmes are managed by the institution that also administers the contributory scheme are Costa Rica – Social Insurance Fund of Costa Rica (Caja Costarricense del Seguro Social); Argentina – National Social Security Administration (Administración Nacional de la Seguridad Social); Bolivia – Collective Capitalization Fund (Fondo de Capitalización Colectiva); Brazil – National Social Security Institute (Instituto Nacional de Seguro Social); Chile – Institute of Social Welfare (Instituto de Previsión Social); and Uruguay – Social Insurance Bank (Banco de Previsión Social).

The other group of countries in general have non-contributory programmes implemented by institutions with functions related to development or social assistance, such as the Ministry of Social Development in Mexico, the Ministry for the Coordination of Social Development in Ecuador, the Ministry of Social...
Development in Panama, and the Ministry of Development and Social Inclusion in Peru. In other countries they are placed under, for example, the authority of the Ministry of Labour in Colombia or the Social Investment Fund for Local Development in El Salvador. Paraguay is a special case, where the new programme is the responsibility of the Directorate of Non-Contributory Pensions under the Ministry of Finance.

As in the choice of autonomous or integrated design, decisions on the choice of institution seem linked to issues of management capacity. In countries where the new schemes had a specific focus, the general preference was to use an existing agency capable of implementing a targeted scheme effectively. Conversely, where the programme had no serious targeting challenges but required extensive financial management and a payment system, traditional social security institutions responded to the challenge.

Table 1 presents a summary of the main features of the reforms undertaken based on the taxonomy developed in this section.

**Different needs and financial efforts**

The wide variety of national initiatives in the region can be seen not only in terms of their design and implementation, but also in their scope, the adequacy of the benefits, and efforts to finance them out of public finances. In this respect, the new programmes provide coverage to about a third of the elderly population in the region. This average masks important differences, since coverage ranges from levels of over 90 per cent in Bolivia and Trinidad and Tobago, to less than 15 per cent in El Salvador, Paraguay, Peru and Uruguay (Figure 3).

However, quite apart from the scope of the new schemes, it is worth noting the coverage gap that these programmes are managing to close. On the one hand, Bolivia and Trinidad and Tobago provide practically all available coverage for the elderly through their non-contributory schemes. On the other hand, the new income transfer programmes in Argentina, Brazil, Chile, Panama and Uruguay should help to close the coverage gap significantly. Finally, Colombia, Costa Rica, Ecuador, El Salvador, Mexico and Peru require additional efforts.

Figure 4 shows the average benefits provided under the new schemes expressed in terms of the poverty line, as compared to the average benefit under the contributory system and GDP per capita in the country. In line with the different features that characterize the new schemes, the average benefit amount differs

5. In some cases, such as Colombia, Paraguay and Peru, the low figures are due to the fact that the programmes are being implemented gradually, with the expectation that coverage will increase significantly in the near future.

6. The poverty line is defined as the month-by-month value of national currency equivalent to USD 4.00 ppp per day.
Table 1. Programmes extending coverage: Design features

<table>
<thead>
<tr>
<th>Country</th>
<th>Programme</th>
<th>Beneficiary population</th>
<th>Integrated/Independent of the contributory scheme</th>
<th>Permanent/temporary</th>
<th>Gradual/Immediate Implementation</th>
<th>Administrative Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>Colombia Mayor</td>
<td>Targeted</td>
<td>Independent</td>
<td>Permanent</td>
<td>Gradual</td>
<td>Ministry of Labour (Ministerio de Trabajo)</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Non-contributory pension</td>
<td>Targeted</td>
<td>Independent</td>
<td>Permanent</td>
<td>Immediate</td>
<td>Social Insurance Fund of Costa Rica (Caja Costarricense de la Seguridad Social)</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Human Development Bond</td>
<td>Targeted</td>
<td>Independent</td>
<td>Permanent</td>
<td>Immediate</td>
<td>Ministry for Development Coordination (Ministerio Coordinador de Desarrollo Social)</td>
</tr>
<tr>
<td>El Salvador</td>
<td>Universal Basic Pension</td>
<td>Targeted</td>
<td>Independent</td>
<td>Permanent</td>
<td>Gradual</td>
<td>Social Investment Fund for Local Development (Fondo de Inversión Social para el Desarrollo Local)</td>
</tr>
<tr>
<td>Paraguay</td>
<td>Allowance pension for the elderly</td>
<td>Targeted</td>
<td>Independent</td>
<td>Permanent</td>
<td>Gradual</td>
<td>Ministry of Finance (Ministerio de Hacienda)</td>
</tr>
<tr>
<td>Peru</td>
<td>65 Pension</td>
<td>Targeted</td>
<td>Independent</td>
<td>Permanent</td>
<td>Gradual</td>
<td>Ministry of Development and Social Inclusion (Ministerio de Desarrollo e Inclusión Social)</td>
</tr>
<tr>
<td>Mexico</td>
<td>70 and over</td>
<td>Targeted towards universalization</td>
<td>Independent</td>
<td>Permanent</td>
<td>Gradual</td>
<td>Ministry of Social Development (Secretaría de Desarrollo Social)</td>
</tr>
<tr>
<td>Panama</td>
<td>100 at 70</td>
<td>Targeted towards universalization</td>
<td>Independent</td>
<td>Permanent</td>
<td>Immediate</td>
<td>Ministry of Social Development (Ministerio de Desarrollo Social)</td>
</tr>
<tr>
<td>Argentina</td>
<td>Moratorium Pension</td>
<td>Targeted towards universalization</td>
<td>Integrated</td>
<td>Temporary</td>
<td>Immediate</td>
<td>National Social Security Administration (Administración Nacional de la Seguridad Social)</td>
</tr>
<tr>
<td>Brazil</td>
<td>Rural pension – Continuous Benefit Provision programme</td>
<td>Targeted towards universalization</td>
<td>Integrated</td>
<td>Permanent</td>
<td>Immediate</td>
<td>National Social Security Institute (Instituto Nacional de Seguridad Social)</td>
</tr>
<tr>
<td>Chile</td>
<td>Basic Solidarity Pension</td>
<td>Targeted towards universalization</td>
<td>Integrated</td>
<td>Permanent</td>
<td>Gradual</td>
<td>Social Welfare Institute (Instituto de Previsión Social)</td>
</tr>
<tr>
<td>Uruguay</td>
<td>Contributory scheme made more flexible / Reform of the Old-Age Pension</td>
<td>Targeted towards universalization</td>
<td>Integrated</td>
<td>Permanent</td>
<td>Gradual</td>
<td>Social Insurance Bank (Banco de Previsión Social)</td>
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<td>Bolivia</td>
<td>Dignity Income</td>
<td>Universal</td>
<td>Independent</td>
<td>Permanent</td>
<td>Immediate</td>
<td>Collective Capitalization Fund (Fondo de capitalización colectiva)</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>Older Citizens Pension</td>
<td>Universal</td>
<td>Integrated</td>
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<td>Immediate</td>
<td>Ministry of the People and Social Development (Ministerio del Poder Popular y Desarrollo Social)</td>
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Source: Authors, based on data from social security institutions in the region.
markedly between countries. Trinidad and Tobago, Argentina, Costa Rica and Uruguay are the most generous in terms of the benefits received by participants in the contributory systems. However, in terms of the ratio of the average benefit to GDP per capita, Argentina is still among the most generous (already paying benefits equivalent to almost 40 per cent of per capita GDP), followed by Trinidad and Tobago. Surprisingly, perhaps, in third place comes Paraguay, which seems to be paying much higher benefits in terms of its economy compared to other countries with similar programmes. As discussed above, the main factor determining the amount paid in various countries is the poverty line, as Brazil, Chile, Panama and Paraguay provide benefits that are very close to this level. However, some countries (Argentina and Trinidad and Tobago) show very high values in relation to the poverty line (between 3.5 and 4.5 times) while other countries, such as Bolivia, Colombia, Ecuador, El Salvador and Mexico, fail to provide 50 per cent of the poverty line.

To understand the differences in non-contributory benefits as a percentage of benefits under contributory schemes, countries are grouped into three categories according to the system for determining beneficiaries: i) those with social security...
pensions “targeted” at vulnerable populations, ii) those which adopted schemes with the “goal of universal coverage”, and iii) those which aim at “universal” coverage. Using this classification, Figure 5 shows countries grouped according to social security benefit as a percentage of contributory benefit.

The results show a clear correlation between the target population and the amount of benefit as a percentage of contributory benefit. Countries with more universal models tend to offer more adequate benefits, which makes sense since their approach is closer to an income replacement scheme than a poverty reduction scheme. Then again, programmes targeted towards universal coverage face fewer risks regarding incentives to contribute than countries with targeted schemes, as a result of which they can offer higher benefits measured as a percentage of the benefits provided under the contributory system. Uruguay, Argentina, Chile and Brazil target their non-contributory programmes towards the excluded population in pursuit of universality. In such systems, the benefit is greater than that of targeted systems, but less than the contributory benefit, making it possible to remove potential incentives to informality. Finally, Mexico and Bolivia emerge as outliers in this analysis. Both countries have contributory systems with social security pension schemes that were first introduced under policies to reduce poverty, yet their approach to identifying beneficiaries did not take the form adopted by other countries in the same situation, with targeting based on income.
In the case of Bolivia, this variation can be explained in part by the political context in which the new programme was introduced in 1996 (the privatization of key public enterprises and the establishment of the *Bonomosol* pension as a means of distributing benefits under this process), while in Mexico the explanation is also linked to the political process surrounding its introduction, which began as a geographically-targeted programme (accessible only to the elderly living in towns with up to 30,000 inhabitants), but later expanded to cover the rest of the population and become a universal scheme.

The financial effort required in each of the non-contributory initiatives also shows a high degree of variation. Figure 6 shows the total cost of the schemes expanding coverage that were studied, expressed as a percentage of total expenditure under traditional pension schemes and of GDP.7 Trinidad and Tobago is the country allocating most resources to the pension scheme designed to support the goal of inclusion when measured as a percentage of expenditure on its contributory pension schemes – approximately 80 per cent. Argentina also spends a significant amount (equivalent to about 50 per cent of that which is spent on contributory benefits). In contrast, Colombia, El Salvador, Uruguay and Peru allocate proportionally smaller amounts. Uruguay is an interesting case because its low

7. The total cost for contributory pension schemes is equal to the sum of the gross benefits paid to its beneficiaries.
percentage is due to the fact that, given the broad coverage of the contributory scheme, the role of non-contributory pensions is very specific, reaching less than 5 per cent of the elderly. As regards expenditure as a percentage of GDP, Argentina and Brazil are the countries with the highest proportion of GDP allocated to new programmes, followed by Trinidad and Tobago, Bolivia and, to a lesser extent, Uruguay. The other countries, meanwhile, spend less than 0.5 per cent of GDP on their non-contributory schemes. These data clearly show that some countries (notably Argentina, Brazil, Bolivia, and Trinidad and Tobago) are making important fiscal commitments to implement the new programmes in support of greater inclusion. Argentina seems to be the most important example, since it devotes 2.5 per cent of GDP to this programme, although it should be noted that its design is temporary, and its cost should tend to decline in the future (unless, of course, it is periodically reinstated). In contrast, in Brazil and Trinidad and Tobago the fiscal commitment is around 2 per cent of GDP, a value that is likely to increase over time as the population ages.

These major differences are partially explained by the scope of each initiative. Figure 7 shows the correlation between the cost of the new schemes as a percentage

Figure 6. Spending on new pension schemes as a percentage of GDP and of contributory pensions, 2012

![Chart showing spending on new pension schemes as a percentage of GDP and of contributory pensions, 2012.](chart)

Source: Authors, based on data from social security institutions in the region.
of GDP and the ratio of new beneficiaries to the population older than age 65. It shows two clearly defined groups of countries. The first consists of Bolivia, Argentina, Brazil and Trinidad and Tobago that, with an expenditure of between 1 per cent and 2.5 per cent of GDP, cover between 40 per cent and 90 per cent of the elderly. The second group comprises the other countries, with spending under 0.5 per cent of GDP and providing protection to between 4 per cent and 36.4 per cent of the population older than age 65.

**Concluding observations**

The discussion in the previous sections shows how, faced with a similar problem (low coverage of the pension system), countries have adopted different policies. Many of these differences reflect variations in the initial conditions under which each country set out to implement the initiative, its main purpose, and the capacity to implement it. In general, it does not seem possible to say that certain policy options are superior to others a priori, but it is useful to analyse the appropriateness of the instruments used according to the context and objectives.

The differences in the initial conditions relate primarily to four issues: i) the policy objectives set when proposing the reform; ii) the level of coverage of the traditional pension systems; iii) the fiscal and economic costs of the programmes; and
iv) the existence of non-contributory pensions connected with the contributory pension system. Looking at these issues, we can identify three groups of countries in terms of the policy choice made. First are those that had traditional contributory schemes with broad coverage (over 50 per cent of the elderly), which required significant flows of resources (whether from public finances, or through the labour market and privately managed) and non-contributory pension schemes performing reasonably well although with low levels of coverage. This group of countries, which includes Argentina, Brazil, Chile and Uruguay, had a clearly-stated policy objective of “welfare inclusion”, i.e. to ensure that the minority of the elderly who for some reason did not receive benefit under the pension system could have access to benefit. In this context, the policy response was in all cases the adaptation of the rules to allow the incorporation of such groups into the general system, either through a moratorium (Argentina), a special scheme for rural workers (Brazil), the creation of a new solidarity pillar as part of the overall pension system (Chile), or flexibility in terms of access to regular pensions and old-age pensions (Uruguay). In all four cases, the new schemes are an integral part of traditional systems, are managed by existing institutions, offer less generous benefits but these are closer to those benefits provided under the traditional contributory scheme (particularly so in Argentina and Uruguay) than in other countries, and which involve appropriate fiscal or economic costs.

A second group of countries includes those which, in the context of an average level of coverage under contributory schemes (between 20 and 50 per cent of the elderly population) and low associated fiscal costs, adopted a strategy aimed primarily at reducing poverty among the elderly. These countries (Colombia, Costa Rica, Ecuador, Mexico, Panama and Peru) generally introduced targeted schemes, but with the intention of extending coverage beyond the vulnerable population. The cases of Mexico and Panama show this aim of universalization more clearly, and the recent progress made and proposals being discussed in Colombia, Ecuador and Peru also point in this direction. Interestingly, Costa Rica, which in many ways was a pioneer in the development of social policies in the region, has not advanced so clearly towards universalization compared with other countries.

Finally, the third group of countries includes those which began the process from a very low level of coverage, with few institutional arrangements deriving from their pension systems. Ultimately, the efforts in these countries to support greater inclusion were inserted into existing policies targeting poverty reduction. El Salvador and Paraguay clearly belong in this group.

Bolivia and Trinidad and Tobago seem to be two exceptions that cannot be included in any of the three categories. Bolivia’s initial conditions would link it to the third group, but it provides a non-contributory scheme of a universal type, with low benefit levels, and until recently having no point of contact with the pension system. In the case of Trinidad and Tobago, the difference in strategy
seems to derive more from its institutional history and traditional links with the British model than from considerations of finance or policy effectiveness.

The reforms implemented in these countries show a clear paradigm shift in social protection models in Latin America, from systems based strongly on the contributory model to others that are mixed, combining non-contributory components to a degree never previously recorded in the history of such programmes.

The data suggest that countries with stronger traditional schemes (i.e. with greater coverage, resources and capacity management), as in the cases of Argentina, Brazil, Chile, Uruguay and Trinidad and Tobago, have generally tended to seek ways to expand existing programmes, incorporating sectors of the population previously excluded from them. In this sense, it would be more efficient to place the administration of the new initiatives under the umbrella of the coordinating institutions of traditional contributory schemes so as to exploit their capacity (in terms of scale) to run large-scale benefit payment systems.

In contrast, countries with contributory schemes that are limited in scale and resources have sought to respond to the challenge of expanding coverage through targeted programmes on the basis of their limited resources, modelled on conditional cash transfer schemes already in use to protect families with children. Bolivia seems to be an exception to this pattern in terms of coverage, since it aimed at a universal scheme starting with very low levels of contributory coverage, but not in terms of funding, since it is assimilated into the second group of countries offering much lower benefits than under the contributory scheme (which is reasonable, since the aim is to prevent poverty, not to ensure rights equal to those under the pension system). In such cases, the administration of non-contributory pension schemes is usually placed under the purview of the institutions administering social assistance programmes. This approach seems consistent with the targeting strategy adopted, as it aims to harness the expertise and resources available in these institutions to the task of identifying and evaluating potential beneficiaries.

A major challenge for many of the programmes and reforms analysed is their sustainability under both fiscal and economic policy. The programmes were created under particularly good macroeconomic and fiscal conditions, given the international economic context of the first decade of this century, and it is worth reflecting on the attitude that may be adopted by different governments if these conditions were to deteriorate in the future. Moreover, the regulatory framework of these programmes is, in many cases, significantly more flexible than traditional contributory pensions, as is shown by the ease with which various authorities have adopted reform after reform of the same programme in a relatively short period. In this context, a politically-adverse situation could result in the reversal of some of these initiatives, an aspect that should be considered in the future in order to consolidate the progress made in recent years towards the inclusion of the most vulnerable sectors of the population among the elderly in the region.
The diversity of responses observed in the region suggests that there are no clear answers or universal solutions to these issues, but it is clear that monitoring the processes initiated in recent years will help identify some ideas meriting replication and others that should be avoided in future.

Bibliography


A multifactorial explanation of youth unemployment and the special case of Austria

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Abstract One of the biggest challenges currently facing European society is the dramatically high level of youth unemployment. Commonly, political solutions and strategies can be found in those countries that have been able to keep youth unemployment low in spite of the financial and economic crises. Austria is such a case. On the basis of European Union Member State data, the article gives a multifactorial explanation of youth unemployment and asks whether these factors can explain relatively low youth unemployment in Austria. With the country’s “youth safety net” presented in detail, it is shown that active labour market policy reduces youth unemployment in Austria. The article also points out the limitations of cross-country comparisons of youth unemployment rates and proposes the use of a greater number of indicators. Finally, the article argues for economic policies to stimulate demand, which have to be based on a political and social commitment to full employment.

Keywords youth unemployment, cross section analysis, labour market, trade union, training policy, Austria

Introduction

One of the biggest challenges currently facing European society is the dramatically high level of youth unemployment; with regard to the member countries of the...
Organisation for Economic Co-operation and Development (OECD), this has prompted Scarpetta, Sonnet and Manfredi (2010) to refer to a “lost generation” and to call for countermeasures. In 2012, there were over 5.5 million unemployed young people in the European Union (EU), with Member States being differently affected (Eurostat, 2013). The fact that younger people are more affected by economic recessions than adults is well documented (Bell and Blanchflower, 2011; Freeman and Wise, 1982). Yet as Bertram (1994, p. 293) remarked, the perplexing question is “why young people are so much more disadvantaged than older age groups in some regions of Europe and not in others”.

In the search for political solutions, Austria is often cited as a good example, with the country’s comparatively low youth unemployment rate mainly explained through an intensive apprenticeship system (Eurofound, 2011, p. 8; O’Higgins, 2010, p. 8) or singular policy measures, like youth guarantee schemes (Scharle and Weber, 2011, p. 14). Less recognized is the difficulty of comparing international youth unemployment and the inadequacy of the International Labour Organization’s (ILO) Labour-Force-Concept (LFC) (Statistik Austria, 2010), as well as the interaction between macroeconomic factors, labour market policy and certain EU Member States’ education and qualification systems. Yet exactly this kind of comparison could explain unemployment rates, as theorized by Rothschild (1990, p. 42). This article thus attempts to give a multifactorial explanation of youth unemployment and answer the following research questions:

• What are the problems in comparing youth unemployment?
• Which factors influence youth unemployment?
• Can these factors explain relatively low youth unemployment in Austria?

The problem of the measurement and international comparison of youth unemployment

The ILO’s LFC distinguishes between three main groups (Kytir and Stadler, 2004, p. 513ff): employed (e), unemployed (u), and out-of-labour-force (OLF). The employed are those who have worked at least one hour for payment as an employee or as employer during the observation week or, if having not worked in the observation week, do work generally but are at the moment, for example, on holiday. A person is classified as unemployed if all three of the following criteria are met:

1. People (or youth) are defined as those aged 15–24.
2. The European Commission defines youth guarantee schemes as an approach to tackling youth unemployment which ensures that all young people younger than age 25 – whether registered with employment services or not – receive a good-quality offer for a job, apprenticeship, traineeship, or continuing education within 4 months of leaving formal education or becoming unemployed. See <ec.europa.eu/social/main.jsp?catId=1079>.
3. See definitions of the topics <laborsta.ilo.org/definition_E.html>.
During the observation week, the individual did not work one or more hours.
The individual is available for work within the next two weeks.
The individual had taken proactive steps to find a job.

The OLF group includes all those that do not fulfil the labour force criteria. Those belonging to the OLF group are, for example, students, or persons not actively looking for a job because of the depressed condition of the labour market. On the basis of these three categories, the unemployment rate \( \text{Urate} = \frac{u}{u + e} \) is used as the main indicator to assess the labour market situation. The unemployment rate \( \text{Urate} \) indicates the ratio of the unemployed \( u \) to the labour force \( Lf = u + e \). Regarding international comparability, the following difficulties arise:

- First, the employed youth rate depends on different qualification and education systems (Lassnigg, 2010, p. 5). Thus, countries with a strong apprenticeship system have a higher level of employed youth and therefore a lower youth unemployment rate when compared to others where vocational education is school-based.
- Second, the demarcation between being unemployed or OLF is more difficult for young people than for other age groups (Freeman and Wise, 1982, p.2; O’Higgins, 2010, p. 22).
- Third, young people who are currently in training (e.g. on public employment service courses) and are, therefore, not available or are not actively seeking work, are not counted as unemployed.

Using the unemployment rate by itself, then, can be misleading and, indeed, problematic for cross-country comparison. The unemployment definition provided by the LFC underestimates the extent of the problem, in particular for youth, and the explanatory power for international comparisons is limited. For cross-country analyses, it is useful to add the unemployment ratio \( \text{Uratio} = \frac{u}{u + e + \text{OLF}} \) (Lassnigg 2010 and 2012), the NEET indicator\(^4\) \( \text{NEET ratio} = \frac{[u + \text{OLF}_{\text{net}}]}{\text{pop}} \) (EC, 2011; Eurofound, 2012), and the general OLF ratio \( \text{OLF ratio} = \frac{\text{OLF}}{\text{pop}} \) (where \( \text{pop} = u + e + \text{OLF} \)).

In Table 1, these four indicators as well as the employment ratio \( \text{Emp. ratio} = \frac{\text{emp}}{\text{pop}} \), which is used as the opposite indicator of unemployment ratio for the 27 EU Member States, can be seen. Examining those countries with the lowest youth unemployment rates (Austria, Germany, the Netherlands) reveals differences as regards their ranking depending on which indicator is taken into account. Thus, Germany has the lowest youth unemployment rate and ratio. Using the NEET indicator, however, Germany has only the fifth-lowest rate. This can be taken as an indication that the proportion of young people in Germany without a wish to work or who are not actively seeking work is higher than, for example, the Netherlands, which has the EU’s lowest OLF ratio.

\(^4\) The acronym NEET stands for "Not in Education, Employment or Training".
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Sources: Eurostat (2013); own calculations.
The extremely low OLF ratio and very high youth employment ratio in the Netherlands seems to be partly explained by part-time work and young people who simultaneously work and attend school. In the Netherlands, about 70 per cent of all employed persons aged 15–24 work part-time. A similarly high percentage of young part-time employees can be observed in Denmark, while the rate in Austria and Germany is about 20 per cent (Eurofound, 2012, p. 14). In 2012, around 36 per cent of young people aged 15–24 attended both work and school in the Netherlands, which is the highest level in the EU (Eurostat, 2013; own calculations). A higher number of young people attending both work and school increases the employment ratio and therefore lowers the unemployment rate.

Compared to most European countries, the Austrian youth unemployment rate and ratio, as well as the NEET and OLF ratio, are comparably low. Austria has almost the same high employment ratio as Denmark, but without the strong growth of part-time work.

The correlations of the indicators (see Appendix, Table A1) reveal the following relations. Two of the six correlations have values larger than 0.7, two correlations are larger than 0.5 and one correlation has a value smaller than 0.5 and one is not significant. Hence less than half of the correlations are larger than 0.7. This finding supports the use of additional measures.

Factors influencing youth unemployment

Business cycle and the aggregated unemployment rate

One of the main determinants for youth unemployment is general economic development (Hess, Petersen and Mortimer, 1994, p. 8; Freeman and Wise, 1982, p. 8; Clark and Summers, 1982; O’Higgins, 1997). Companies hire fewer people during a recession due to (expected) declines in orders. In these circumstances, young people are disproportionately affected, as the 2009 recession demonstrated (Bell and Blanchflower, 2011). Dietrich (2012) and Thompson (2013) found a negative but weak correlation between real GDP growth and the EU youth unemployment rate, with Thompson pointing out that some countries such as Poland and the Slovak Republic experienced a strong increase in the youth unemployment rate combined with relatively good economic development, even during the financial and economic crisis. A different scenario is shown by Finland and the United Kingdom. Both countries experienced a similar level of economic decline, but youth unemployment in the United Kingdom increased much more than in Finland. This difference could be an indication of institutional factors that exist in some countries, which protect young people from economic turmoil.

Further research (Dietrich, 2013; Eurofound, 2012) has concluded that other youth labour market indicators, such as the NEET ratio, are even less sensitive to
business cycle effects. Hence, for analysing the influence of general labour market tightness on youth unemployment, the aggregated unemployment rate is used in the literature. Gangl (2002, p. 81) showed with a data analysis of 12 European countries from 1988–1997 that a 1 per cent increase in the aggregated unemployment rate leads to a youth unemployment rate increase of 1.3 per cent. Bell and Blanchflower (2011, p. 256) found a stronger effect on the basis of OECD data for the period 1970–2009. According to their results, a 1 per cent increase in the adult unemployment rate leads to an increase in the youth unemployment rate by 1.79 per cent.

The EU Member States were and are quite differently affected by the financial and economic crises, with the adult unemployment rate (between 25 and 74 years of age) showing Germany to be the least affected. In Germany, the adult unemployment rate increased by 0.2 percentage points (pp) from 2008 to 2009 and decreased between 2008 and 2012 (−1.9 pp), indicating that relatively low youth unemployment can be explained by relatively good economic development. Luxembourg (+0.3 pp), Malta (+0.3 pp), Belgium (+0.5 pp) and Austria (+0.5 pp) had a relative low adult unemployment increase from 2008 to 2012 as well. Therefore, we can hypothesize that a low adult unemployment rate is one explanatory factor for low youth unemployment in Austria (H 1) and that the adult unemployment rate has a positive influence.

Labour market regulation

There is no clear picture in the literature correlating labour market regulation and the national youth unemployment level. On the one hand, there are arguments that employment protection legislation (EPL) prevents young employees from losing their jobs. On the other hand, strict EPL might reduce the labour market turnover and thus hamper school leavers’ labour market integration. The problem of an “insider-outsider” labour market caused by strict employment protection is confirmed by Russell and O’Connell (2001), whose results refer to EPL’s negative effect on transition probabilities from school to work. Breen (2005) came to a similar conclusion by exploring data from the late 1990s for 27 OECD countries, with empirical results showing that the ratio of youth to adult unemployment was higher in countries with strict employment protection. Interestingly, this effect is not as pronounced when a dual apprenticeship system is in place (see below for a discussion of the influence of vocational training).

Boeri (2011, p. 10) noted a particularly high correlation between youth unemployment and the unemployment rate of the adult group in the current crises and explained this fact in particular with the insecure employment situation of many young people. According to this idea, the increase in unemployment of young people was not only a result of hiring freezes, but also because of
dismissals and employers not prolonging temporary contracts. In the EU, the number of dismissals of young people doubled between 2007 and 2009. This increase was higher compared to all other age cohorts. Based on the recent experience of France (Cahuc et al., 2013) and Spain (Dolado, Felgueroso and Jansen, 2013) particularly, temporary contracts for young people seem to result more in “dead-end jobs” rather than acting as “stepping stones” to permanent work. The segmentation between well-protected employees in permanent contracts and proliferating temporary contracts especially penalizes against young people during periods of economic turmoil. However, Gebel (2013) has referred to a better labour market position (i.e. higher employment chances and wages) that develops within five years for unemployed workers taking up temporary jobs in Germany and the United Kingdom. This effect is not observed in Switzerland.

For the EU Member States, O’Higgins (2012, p. 14) demonstrated that in countries with strong labour market regulation, as measured by the Employment Protection Index, young people have a lower likelihood of becoming unemployed or OLF. Wolbers (2007, p. 204) confirmed this influence on the basis of analyses of the ad hoc “school-to-work transition” module of the European Labour Force Survey from 2000. He analysed school graduates aged 15 to 35 from 11 EU Member States, with results showing that the influence of labour market regulation on the risk of unemployment or OLF was significantly negative. Then again, as mentioned, such regulation delays labour market entry for recent school graduates. This applies in particular to young people with a higher-level qualification (Wolbers, 2007, p. 197). Noelke (2011) criticized the discussion on EPL and youth unemployment because the causal effects are not clear in the existing empirical results. Noelke analysed 15 Western European countries and the United States (1992–2007) and applied regression analyses as well as difference-in-difference approaches, and concluded that there was “no robust evidence whatsoever linking either dimension of EPL to inferior youth labour market performance” (Noelke, 2011, p. 26). The subsequent conclusion was that deregulation and temporary employment will not help to reduce youth unemployment.

To compare labour market regulation, the Employment Protection Legislation (EPL) index is used (OECD, 2013a). Here, two aspects are listed: first, the general protection of permanent workers against individual and collective dismissals (Individual and collective dismissals for workers with a regular contract – EPRC); second, regulation of temporary forms of employment (Temporary contracts – EPT). The results show a mixed picture. Those countries with low youth unemployment have, on the basis of the EPRC index, strong regulation (Germany/
Netherlands) or moderate regulation (Austria/Denmark). Concerning the EPT index, these four countries all have average values. From these results, we can hypothesize that labour market regulation has no influence on youth unemployment in Austria (H 2), which would mean that no significant influence is visible.

**Strength of trade unions**

From a theoretical perspective, there are three main arguments for how trade unions can influence youth unemployment. First, trade unions contribute to shaping labour market regulation. Second, the influence of trade unions – in the context of an institutionalized social partnership – is seen as a precondition for an apprenticeship system (Ryan, 2000; Ryan, 2001; Quintini, Martin and Martin, 2007), which can have a positive effect on labour market entry (see below). For example, in Germany, as well as in Austria, the apprenticeship system has a long tradition and every detail of the training model is discussed by the social partners (Cahuc et al., 2013). The trade unions accept low apprentice incomes in return for training by companies (Ryan, 2001, p. 80). Third, the involvement of employers’ and workers’ organizations and a positive climate among these parties is essential to active labour market policies (O’Higgins, 2010). The main reason for this is that their involvement implies a commitment to anti-unemployment measures. This argument holds as well for economic policies. Sturn (2013) explained this correlation by the fact that in corporatist labour market regimes, trade unions obtain job security for workers as a compensation for their high internal flexibility (for example, variation in regular working hours).

To precisely ascertain the strength of trade unions, Crouch (2013, p. 98) argued for using the intensity of coordination and the extent of coverage in collective bargaining instead of trade union density alone. In some countries, trade unions have an institutionalized role; therefore, trade union density alone would underestimate their power. According to Crouch’s cluster, Austria, Belgium, Denmark, Finland, Germany, Netherlands, Norway, Slovenia and Sweden have a high level of collective bargaining coordination and high coverage (Crouch, 2013, p. 112). All these countries – with the exception of Sweden – have, at the same time, relatively low youth unemployment. Hence, it is to be hypothesized that strong trade unions have a negative influence (negative sign) on youth unemployment in Austria (H 3).

**Vocational systems**

Ryan (2000, p. 43) noted three advantages of a school- and work-based vocational system; commonly known as the “dual” apprenticeship system. First, it contributes to positive economic development by providing demanded qualifications. Second, the combination of theoretical learning in the vocational school and practical...
activities in firms can be more attractive than a purely school-based system, resulting in reduced dropout rates. Third, a positive employment influence deriving from the apprenticeship is assumed (Wolbers, 2007; Shavit and Müller, 2000; O’Higgins, 2012; Breen, 2005; Biavaschi et al., 2012; Quintini, Martin and Martin, 2007). O’Higgins (2012) showed a strong positive, significant influence of the apprenticeship system on the employment ratio and a strong negative, significant influence on the youth OLF ratio.

The disadvantages of apprenticeship are limited occupation mobility (Blossfeld, 2006, p. 158) and selective access to the apprenticeship system (Kohlrausch, 2012). As regards the latter, those young persons with low achievements in school education, as well as migrants, have problems accessing apprenticeships (Solga and Menze, 2013, p. 8). Specifically for young migrants, a further cause for more limited access to such opportunities seems to be discriminatory firm recruitment practices (Solga and Menze, 2013; Herzog-Punzenberger and Schnell, 2012, p. 256). A further problem – at least in Austria – is a lack of learning process quality controls in enterprises. There is almost no formal information about the quality of training. On the basis of exam pass rates – which, in Austria, are the only existing indicator of quality of training – we can assume that there is a wide variation in quality between firms and sectors (Lassnigg, 2011, p. 421).

For the cross-national comparison of Member State apprenticeships, the approach of Breen (2005, p. 129) and, more recently, of Eurofound (2012) is followed. For this purpose, the OECD *Education at a Glance* reports (OECD, 2011; 2012; 2013b) are used. The most obvious common characteristic of the countries with low youth unemployment rates (Austria, Denmark, Germany and the Netherlands) is an important apprenticeship system. Germany and Denmark have the highest share of students in apprenticeships (more than 40 per cent), followed by Austria (approximately 35 per cent). This may be hypothesized as an indication that apprenticeships have a negative influence (negative sign) on youth unemployment in Austria (H 4). Also, the Netherlands has an apprenticeship system, with about 20 per cent of students in upper-secondary education participating. The Czech Republic (whose share of students in apprenticeships is approximately 32 per cent) has a significantly higher youth unemployment rate than the mentioned countries, but also has a relatively low youth unemployment ratio and a low NEET ratio. Therefore, the Czech Republic can be also integrated into this approach. One exception is the Slovak Republic, which has high values for all youth unemployment indicators. It is obvious that, in the Slovak Republic, the effects of the poor economic and labour market situation dominate apprenticeship results.

6. The EU Member State apprenticeship systems table is available upon request from the author.
Active labour market policy

A further institutional factor influencing youth unemployment is active labour market policy (ALMP), which intervenes to compensate for labour market imperfections or market failures (lack of transparency, regional, temporal and/or qualification mismatch), and prepares people to minimize the negative consequences of structural changes (Keller, 2008, p. 303).

On the basis of data from the European Community Household Panel (ECHP) for nine countries, Russell and O’Connell (2001) showed a strong positive influence of expenditure for ALMP on young people’s employment. To operationalize the expenditure for ALMP, the approach followed is that of Nickell (1997, p. 64). According to this, the indicator will be calculated from the expenditure for ALMP as a ratio of GDP divided by the average unemployment rate (ALMP*100/GDP/u-rate). Here, labour market policy covers the Eurostat categories two to seven (Eurostat, 2012, p. 5). The cross-national comparison\(^7\) shows that those countries with a low youth unemployment rate (Austria, Denmark and the Netherlands) are characterized by high investments in active labour market policy. The only exception to this pattern is Germany. We can hypothesize that expenditure for ALMP reduces (negative sign) youth unemployment in Austria (H 5).

Data source and method

For an empirical validation of the hypotheses for Austria, the EU Member States were analysed for the period between 2008 and 2012 (\(N = 135\) country-year observations). This time period is characterized by the financial and economic crisis. After the exclusion of the missing values in the model, 71 country-year observations remained from 2008 to 2011. The crisis was included in the analysis by using the years 2009 and 2010 as a dummy variable. The dependent variables (i.e. the youth unemployment rate and ratio, NEET ratio, and OLF ratio) are based on data from Eurostat (2013). For an overview of the independent variables see Table 2.

A Generalized Least Squares (GLS) regression model with time as a fixed (i.e. non-random) effect was applied (Greene, 2002, pp. 287ff). In the first model, the influence of the independent variables was proved. In the second model (Table 3), an interaction term\(^8\) was integrated to see how Austria’s ALMP

\(^7\) A table with an overview of the EU Member States’ ALMP expenditure is is available upon request from the author.

\(^8\) An interaction term assumes that a relationship between two or more variables depends on the value of one or more other variables (for more details see Brambor, Clark and Golder, 2006). In our case we assume that the relationship between ALMP and youth unemployment depends on the value of the country, Austria.
compares to other European countries. To avoid violating the assumption of the normal distribution of residuals and auto correlations, time-fixed effects with robust standard errors were considered. This means that in the panel data model, unobserved time-constant country characteristics were removed by analysing each separately. Additionally, the independent variables were proved for collinearities. According to Belsley, Kuh and Welsch (1980, p. 112), two conditions have to be satisfied to assume collinearity. First, one condition index has to be higher than 30; second, at least two of the independent variables have to have a variance proportion higher than 0.5. In the applied models, the condition index is always below the value 30. The hypotheses concerning Austria were validated by comparing the predicted general model values to the real ones of Austria.

Results

The regression analysis results for the four dependent variables provide a very dynamic picture of the youth labour market, with the influencing factors
depending strongly on which youth unemployment indicator is used. The first model shows that the size of the apprenticeship system (vocational) and the adult unemployment rate – as an indicator for labour market tightness – are the main influencing factors, which confirms O’Higgins’ analysis (2012). The size of the apprenticeship system has a negative influence on all four youth unemployment indicators. This means that the higher the share of students in apprenticeships, the lower the youth unemployment rate. The adult unemployment rate has a positive influence on the youth unemployment rate and ratio and on the NEET ratio. This confirms that youth unemployment depends mainly on labour market development and on the number of available jobs. One exception is the OLF ratio which has a negative sign (Table 4). To illustrate the different influence of the independent variables on the dependent variables, a fictive example was calculated and the effects illustrated in Table 5. Accordingly, the opposite sign of the OLF ratio is explainable if the increase in the adult unemployment rate leads to a strong increase of unemployed youth, to a decrease of “employed” and a strong decrease of young people “out of labour force” who are “not in education or training”. It is conceivable that in a situation with general high unemployment, young people are more afraid of not finding a job and increase their job search activities, which lowers the number of the OLF group.

The model provides a less clear picture as regards labour market regulation. The regulation of temporary forms of employment (EPT) has a positive influence on

<table>
<thead>
<tr>
<th>Table 3. Influencing factors on youth unemployment</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>EPT</td>
</tr>
<tr>
<td>Vocational</td>
</tr>
<tr>
<td>Coordin</td>
</tr>
<tr>
<td>GDP</td>
</tr>
<tr>
<td>Urate_25_74</td>
</tr>
<tr>
<td>Crisis</td>
</tr>
<tr>
<td>aut_aimexp</td>
</tr>
</tbody>
</table>

* = p<0.10; ** = p<0.05; *** = p<0.01.
Time fixed effects models with robust standard errors.
Sources: Eurostat (2013); OECD (2011; 2012; 2013a); Visser (2013); own calculations.
the youth unemployment rate (on the low level of significance \( p < 0.10 \)) and the OLF ratio, a negative influence on the youth unemployment ratio (on the low level of significance \( p < 0.10 \)) and no significant influence on the NEET ratio. This means (Table 5) that a stricter EPT leads to fewer unemployed, fewer employed and more young people in education or training. From these results it cannot be generalized that EPT exclusively penalizes or helps young people in the labour market. Similar to the presented literature, labour market regulation can have effects in both directions and the influence depends more on other factors, as Sturn (2013) showed.

### Table 4. Influencing factors on youth unemployment

<table>
<thead>
<tr>
<th>NEET ratio</th>
<th>OLF ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>regression coefficient B</td>
<td>regression coefficient B</td>
</tr>
<tr>
<td>1</td>
<td>2 = with interaction term</td>
</tr>
<tr>
<td>EPT</td>
<td>(-0.196)</td>
</tr>
<tr>
<td>Vocational</td>
<td>(-0.066^{***})</td>
</tr>
<tr>
<td>ALMP</td>
<td>(-15.320^{**})</td>
</tr>
<tr>
<td>coordin</td>
<td>(0.258)</td>
</tr>
<tr>
<td>GDP</td>
<td>(-0.141^{*})</td>
</tr>
<tr>
<td>Urate(_{25_74})</td>
<td>(0.696^{***})</td>
</tr>
<tr>
<td>crisis</td>
<td>(-0.301)</td>
</tr>
<tr>
<td>aut(__almpe)</td>
<td>(0)</td>
</tr>
</tbody>
</table>

**Notes:** * = \( p < 0.10 \); ** = \( p < 0.05 \); *** = \( p < 0.01 \).

**Sources:** Eurostat (2013); OECD (2011; 2012; 2013a); Visser (2013); own calculations.

### Table 5. Interpretation of effects

<table>
<thead>
<tr>
<th>Increase of/ leads to</th>
<th>Unemployed</th>
<th>Employed</th>
<th>In education or training</th>
<th>OLF but not in education or training</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPT</td>
<td></td>
<td></td>
<td>+</td>
<td>o</td>
</tr>
<tr>
<td>Vocational</td>
<td></td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALMP</td>
<td>+</td>
<td>++</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Urate(_{25_74})</td>
<td>++</td>
<td></td>
<td>o</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td></td>
<td>o</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>aut(__almpe)</td>
<td>o</td>
<td>++</td>
<td></td>
<td>+</td>
</tr>
</tbody>
</table>

**Notes:** o = no change; − = decrease; − − = strong decrease; + = increase; ++ strong increase.
The strength of trade unions measured by the degree of coordination in collective bargaining (coordn) has no significant influence on the four youth unemployment indicators and GDP growth has only an influence on the NEET and OLF ratio in the low level of significance $p < 0.10$. This result can be misleading for two reasons. First, there is a lack of change over time in most countries regarding the degree of collective bargaining coordination; therefore, the models can only explain the cross-section differences. Second, there is also an influence of the degree of collective bargaining coordination on ALMP expenditure and on the adult unemployment rate. Similarly, GDP growth has an influence on the adult unemployment rate and, therefore, has an indirect influence on youth unemployment. By including the crisis years 2009 and 2010 the model provides no significant results. Hence, the crisis is manifest mainly in a decrease of GDP, which increases the adult unemployment rate and consequently increases youth unemployment.

ALMP expenditure has a significant, negative influence on the NEET ratio and on the OLF ratio. This means that the more a country spends on ALMP, the lower the NEET ratio and the OLF ratio are. In addition, ALMP has a significant, positive influence on the youth unemployment ratio. The results show that an ALMP helps young people in particular to move out of an out-of-labour status. This effect leads to an increase in young unemployed, young employed and young people who are in training or education (see Table 5). This seems plausible as the youth out-of-labour force will also need more intensive and costly support for successful labour market integration, which will also be visible in ALMP expenditure.

The interaction term of ALMP expenditure in Austria has a significant, negative influence on the youth unemployment rate and the OLF ratio, and a significant, positive influence on the NEET ratio. This indicates that it is more effective for the typical unemployed person than in other European countries, but less successful in integrating the NEET group. National analysis (Bacher et al., 2014) found a negative influence of ALMP in the Austrian federal states, but only for the male population. One explanation for this can be that in Austria a main NEET cause for young women is care responsibilities for young children, which is not yet the main target of active labour market policy.

To validate the hypotheses concerning Austria, the predicted values of the general model without the interaction term were compared with the real ones for Austria. By using the general model 1, the unemployment rate and the OLF ratio of Austria would be overestimated and the NEET ratio underestimated (Table 6). Only the youth unemployment ratio can be predicted correctly. In model 2 with the interaction term, the predicted values and the real ones correspond. This confirms the hypothesis (H 5) that ALMP expenditure reduces youth unemployment in Austria. One exception is the NEET group (see discussion above). By integrating the interaction term, the other identified influencing factors also became relevant for explaining youth unemployment in Austria. Therefore, model 2 confirms that
the low adult unemployment increase as an indicator for economic and general labour market development is one explanatory factor for youth unemployment (H 1) and that the apprenticeship system had a negative influence on youth unemployment (H 4). The hypothesis that labour market regulation has no influence on youth unemployment (H 2) could not be confirmed. But the influence and the direction of the influence depend on which unemployment indicator is taken (see above). The hypothesis that the strength of trade unions has a negative influence on youth unemployment in Austria (H 3) could not be confirmed on the basis of a first look at the findings. On closer inspection, the correlation with the other independent variables, namely the ALMP expenditure and adult unemployment rate, indicates that the strength of trade unions has an indirect influence on youth unemployment. Due to the different effectiveness of Austrian ALMP in comparison to that of Europe in general, it is worthwhile to go into more detail on ALMP for young people and to present an overview of the so-called “youth safety net” in Austria.

**The “youth safety net” in Austria**

Despite the relatively good international position of Austria as regards the youth employment rate, integrating young people into the labour market has become a considerable challenge. Since the middle of the 1990s, youth unemployment has been steadily rising (Eurostat, 2013): the number of youth who are either registered as unemployed, in training or are looking for an apprenticeship has markedly increased (Schneeberger, 2009, p. 63).

To face these challenges, a “youth safety net” was established in 1998. Since then, failed apprenticeship-seekers have been given the possibility of supra-company

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**Table 6. Comparison of real values of Austria with predicted values**

<table>
<thead>
<tr>
<th>Year</th>
<th>Urate</th>
<th>Uratio</th>
<th>NEET ratio</th>
<th>OLF ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2009</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2010</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>2011</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Note: Yes indicates that the real values of Austria are in the confidence interval of the predicted values of the general model.*

*Sources: Eurostat (2013); OECD (2011; 2012; 2013a); Visser (2013); own calculations.*
training (überbetrieblichen Lehrausbildung) (BMASK, 2010). Currently, ALMP measures for young people can be categorized into four main parts (BMASK, 2012, p. 165):

- Measures of supra-company training.
- Measures to increase the supply of apprenticeship opportunities.
- Measures to prepare young people for vocational training.
- Particular qualification and employment programmes for unemployed individuals aged 19 to 24.

The background of these measures includes a political commitment by the Austrian government to full-employment-oriented fiscal policy (Regierungsprogramm, 2008, p. 267). Furthermore, a youth guarantee was announced (Regierungsprogramm, 2008, p. 27; p. 207) in line with the demands of the social partners (Sozialpartner, 2007a and 2007b) and which allows failed apprenticeship-seekers until age 18 (BMASK, 2012, p. 179) to complete a supra-company vocational training. Evaluation (Bergmann et al., 2011, p. 117) of this guarantee in relation to later labour market integration is positive, with more than half (55 per cent) of graduates achieving an apprenticeship position in a firm, 13 per cent being employed and 23 per cent unemployed or OLF. The Austrian youth guarantee differs in some respects from the schemes of the Nordic countries. First, the target group in Austria is unemployed young persons until age 18. In Sweden it is unemployed young persons up to age 24, but up to age 29 in Finland. Second, in both Finland and Sweden, the youth guarantee objective is to provide employment or educational opportunities within the first 3 months of being unemployed (Eurofound, 2012) and not to provide primarily a supra-company training as in Austria. Also, the Council of the European Union recommendation (2013) on establishing a youth guarantee in Europe does not have this focus on supra-company training as required in Austria.

For individual Austrian provinces, youth employment measures were multivariate; with the use of a control group evaluated. Vogtenhuber, Gottwald and Lassnigg (2010, p. 161f) showed for Tirol that of all analysed measures, only supra-company training had a significant positive employment influence, with women benefitting more than men. In Upper Austria, there were no significant differences between participants and the control group concerning general employment (Vogtenhuber et al., 2010, p. 72f). Vogtenhuber et al. interpreted the training courses as a successful compensation for previous disadvantages. However, supra-company training has a significant positive influence on women’s employment likelihood. Schneeberger (2009) concluded that the Austrian youth guarantee is successful in the sense that it is achieving the aim of integrating young people into regular apprenticeships and compensating for a lack of general school and basic social competences. This can be taken as an indication that the success of the apprenticeship as a “safety net” for youth depends substantially on the previous success of an ALMP, at least for socially disadvantaged youth.
To increase the supply of apprenticeship opportunities, there is a broad range of funding for firms (BMASK, 2012, p. 165f). However, the biggest portion of funding is the core funding and this is also the reason why funding for firms is heavily criticized in Austria. Despite the positive effect on the supply of apprenticeships, there is a large deadweight loss effect (Vogtenhuber, Gottwald and Lassnigg, 2010; Vogtenhuber et al. 2010; Wacker, 2007).

Production schools have been established to prepare young people for vocational training or for other employment. In 2001, the first production school was founded in Austria; since then, 20 more have been opened (BMASK, 2012, p. 172) with the primary objective being to stabilize youth, but also to provide long-term integration into the vocational or employment system. The methodological concept is to qualify youth on the basis of practical work, supervised by social pedagogues and to create a base of basic knowledge (languages, mathematics, etc.). Former participant monitoring shows that a third enter employment, a third are unemployed and a third are OLF (Bergmann et al., 2011).

A relatively new measure is transition management by so-called youth coaches, which was introduced throughout Austria in 2013. The main aim is to avoid having early school leavers and to shape a smooth transition from middle to upper secondary education. Using an early warning system, youth coaches contact pupils at risk of early school leaving and offer them counselling, career guidance, coaching and case management on demand (BMASK, 2012, p. 170). It is too early to evaluate such youth coaching quantitatively, but initial assessment (Steiner et al., 2013) assumes that the situation of youth has improved as regards career plans, motivation and self-image. Regardless, there is scope for improving the support offered to NEET youth and for offering more systematic follow-up support for all youth.

**Conclusion**

This article aims at providing a multifactorial explanation of youth unemployment. It has been guided by research questions regarding the identification of problems in comparing youth unemployment, by questions regarding which factors influence youth unemployment and whether these factors explain Austria’s relatively low youth unemployment.

This article shows that to use only one indicator of youth unemployment can be misleading (and problematic for cross-country comparison). The correlations of youth unemployment indicators support the use of more indicators (Urate, Uratio, NEET ratio, OLF ratio). The unemployment definition of the ILO’s Labour-Force-Concept appears too narrow, especially for young people.

The empirical results provide a very dynamic and complex youth labour market picture. The influencing factors depend strongly on the indicator or rather on the
definition of youth unemployment. The adult unemployment rate (with a positive sign) – as an indicator for labour market tightness – and the size of the apprenticeship system (with a negative sign) became apparent as the main influencing factors on all four youth unemployment indicators. Only the influence of the adult unemployment rate on the OLF ratio has an opposite sign. On the one hand, this means that economic policy measures to stimulate demand and lower the general unemployment rate are necessary to reduce youth unemployment. Therefore, public investment is necessary, which has to be considered in budgetary policy. On the other hand, introducing apprenticeship systems seems to be a relevant strategy and especially so when the institutional context is taken into account. For the success of the apprenticeship system (Biavaschi et al., 2012, p. 36; Busemeyer, 2013, p. 33), attention is drawn to the quality of the role played by the social partners. The results provide no clear picture concerning the effects of labour market regulation. It seems that regulating temporary forms of employment can both penalize and help young people, indicating the need for further research on this topic. The focus here should not only be on long-term employment opportunities and unemployment risks, but on qualitative aspects (Lassnigg, 2010, p. 18f). In particular, expenditure on ALMP helps young people transit from an out-of-labour status. The influencing factors of the general model are only relevant for explaining youth unemployment in Austria when using an ALMP interaction term. Austria is more effective in integrating (typically unemployed) young people than in Europe more generally, but less less successful in integrating the NEET group.

The pronounced apprenticeship system and the active labour policy are integral, interdependent parts of the "youth safety net" in Austria. The conclusion that countries should start here appears to be obvious. Of central importance seems to be a social consensus to fight against youth unemployment and for full employment because "such institutions can flourish only in societies in which concern for the integration of youth into socioeconomic life is widely shared and deeply felt, and that therein lies the fundamental source of their resilience and effectiveness" (Ryan, 2001, p. 83). Another explanatory factor for relatively low youth unemployment in Austria is the low increase in adult unemployment since 2009 compared with other countries as an indicator for economic and general labour market development. Austria intervened early with measures to stimulate demand (Breuss, Kaniovski and Schratzenstaller, 2009) and with a large extension of short-time work9 (Bock-Schappelwein, Mahringer and Rückert, 2011). Therefore, the

9. There is public funding for potentially reducing normal work hours temporarily to prevent job redundancies during difficult economic periods. It is based on social partnership agreements. According to the unemployment insurance scheme, short-time workers receive about 55 per cent of their net wage differential (normal working hours minus actual working hours) from the public employment service (PES); under certain circumstances, the percentage is higher.
relatively good labour market development in Austria during the financial and economic crisis can also be seen as a result of high internal flexibility in a corporatist labour market regime.\textsuperscript{10}

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\textsuperscript{10} For a discussion of the correlation between internal flexibility and corporatist labour market regimes, see Sturn (2013).
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**Appendix**

**Table A1. Correlation matrix of youth unemployment indicators**

<table>
<thead>
<tr>
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<th>Urate</th>
<th>Uratio</th>
<th>NEET ratio</th>
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<tr>
<td>Uratio</td>
<td>0.747***</td>
<td>1.000</td>
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<tr>
<td>NEET ratio</td>
<td>0.843***</td>
<td>0.573**</td>
<td>1.000</td>
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<tr>
<td>OLF ratio</td>
<td>0.515**</td>
<td>−0.087</td>
<td>0.465*</td>
<td>1.000</td>
</tr>
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</table>

*Notes: * = p<0.10; ** = p<0.05; *** = p<0.01.

*Sources: Eurostat (2013); own calculations.*
Disability benefit reform in Great Britain from the perspective of the United States

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Abstract In 2008, Great Britain overhauled its disability benefit programme by introducing a new disability determination process called the Work Capability Assessment and a new earnings replacement programme called Employment and Support Allowance. This article examines the British reforms from the perspective of the United States, which may consider changes to its disability benefit programme, the Social Security Disability Insurance programme, in the near future. The article provides an overview of the steps leading to the reform in Great Britain, details how the new programme operates, reviews research on its initial implementation and effects, and identifies lessons for the potential reform of the disability benefit programme in the United States.

Keywords disability benefit, claim procedure, residual work capacity, social security reform, United Kingdom, United States

Introduction

The Social Security Disability Insurance (SSDI) programme is the largest earnings replacement programme for working-age adults in the United States.
Nearly 9 million people with disabilities received monthly SSDI payments in 2012, and the percentage of the working-age population receiving these benefits has more than tripled since the 1980s (SSA, 2012; Bureau of Labor Statistics, 2010). As a result of this growth, the SSDI programme faces a severe financial challenge as the Disability Trust Fund that finances the programme is expected to be unable to fully provide disability benefit payments as early as 2016 (Board of Trustees, 2014). Thus, the SSDI programme, a core feature of the safety net in the United States, is on an unsustainable fiscal path and requires near-term reform to assure its continued viability (Burkhauser and Daly, 2012; CBO, 2012; Liebman and Smalligan, 2013).

Given that SSDI reform is likely on the legislative horizon, there is considerable interest in learning from disability benefit reforms enacted in other countries. The Netherlands is frequently identified as a model for disability policy reform. In the 1990s, a so-called “Dutch disease” (Aarts, Burkhauser and De Jong, 1996) resulted in an excessive share of the working-age population receiving disability benefits. Reforms implemented in 2002 reduced the caseload size by requiring employers to invest in the rehabilitation and accommodation of their workers with disabilities. It has been posited that similar employer-oriented reforms might be successfully applied to the SSDI programme (Burkhauser, Daly and De Jong, 2008; Autor and Duggan, 2010). However, the labour market in the United States is more market oriented than in the Netherlands and operates with less coordination between employers and employees (Hall and Soskice, 2001), which may make such reforms difficult to administer. Adding to the financial burden of employers may also result in increased discrimination in the hiring of disabled people (Ruffing, 2012). In addition to the Netherlands, others looking for international lessons have noted the financial incentives created for recipients to return to work in Norway (Kostøl and Mogstad, 2013), as well as the liberal work rules for disabled beneficiaries in Japan (Rajnes, 2010).

It is, however, the disability benefit programme in Great Britain1 that, prior to reforms passed in 2007 and implemented in 2008, had much in common with the current SSDI programme. Both programmes provided benefits to nearly identical shares of these countries’ working-age populations, 2.97 per cent in the United States and 2.87 per cent in Great Britain (SSA, 2012; DWP, 2014b). Both programmes were contributory, providing benefits only to those with a record of sufficient contribution payments. And, in both countries, a majority of claimants had musculoskeletal or mental health impairments. Yet the reform of that programme, called Incapacity Benefit (IB), has received little attention in disability policy circles.

1. The use of the territorial label of Great Britain is deliberate as the data used in this article relate to the geographic territories of England, Scotland and Wales only. Data for Northern Ireland are published separately and are not included in this analysis.
in the United States. Burkhauser et al. (2014), for example, provide an excellent examination of reforms in other advanced economies in search of lessons for the United States. While they include Great Britain in their analysis, they provide only a broad review of the reform of the IB programme and do not examine its early effects. A report by Rangarajan et al. (2008) did draw this country comparison, however this research identified lessons for Great Britain from the United States. This article, on the other hand, will specifically examine the recent disability benefit reforms in Great Britain in search of lessons for policy-makers in the United States.

This article will first provide a background of the disability benefit programmes in the United States and Great Britain. Next, the research methodology is provided. This is followed by a historical overview of disability benefit reform in Great Britain that details the steps leading to the 2008 reform. The new disability benefit programme in Great Britain, the Employment and Support Allowance (ESA) programme, is then described along with an examination of the data from its implementation and a review of its effects. Lessons are then suggested for the reform of the SSDI programme based on the British reform experience, which is followed by a conclusion.

**Background**

The SSDI programme in the United States provides earnings replacements to adults younger than age 66 who have a work history and cannot work due to a severe medical condition that has lasted or is expected to last at least a year or result in death. The guidelines for qualifying for SSDI require a medical assessment confirming that an impairment renders the individual unable “to engage in any substantial gainful activity” (SSA, 2012, p. 2), which is defined as earning no more than USD 1,070 per month for non-blind individuals in 2014. The disability determination process in the United States is administered by state-run agencies that uphold federal criteria for determining disability and has five sequential steps, as outlined in Figure 1. The first step is a determination of the applicant’s insurance status or whether the individual has sufficiently paid into the system. The employment activity of the claimant is also screened at the initial step to determine if the individual’s earnings exceed the maximum threshold. The second step seeks to identify whether the claimant has a severe impairment. Severity is determined by meeting the duration of impairment requirements (lasting one year or longer or expected to result in death) and also by demonstrating that the medical impairment interferes with basic work-related activities. The third step identifies the severity of the claimant’s condition by comparing that condition to a listing of severe impairments. If a claimant does not meet the disability criteria in the third step, he or she must then complete a physical or mental residual functional
capacity assessment. This assessment seeks to identify the impact of a medically
determinable impairment on the individual’s capacity for full-time work. Using
the information obtained in the assessment, the fourth step in the determination
process considers whether the impairment prevents the claimant from working in
his or her previous job, while the fifth stage considers whether the claimant can
work in any other job.

Though this determination process restricts SSDI benefits to those found inca-
parable of substantial gainful activity, in recent decades the United States Congress
has advanced a number of initiatives to encourage the re-employment of disabled
beneficiaries. For example, beneficiaries are eligible for a trial work period of
9 months to test their abilities without the risk of losing benefits and can receive
Medicare (public health insurance) for up to 93 months following a successful
return to employment. The Ticket to Work programme, signed into law in 1999
and likely the largest employment-oriented initiative, seeks to expand access to
employment services and vocational rehabilitation to beneficiaries by providing a
voucher (or a “ticket”) to receive such services from third-party providers on a vol-
untary basis. Yet, with just 2 per cent of beneficiaries utilizing their tickets and less
that 1 per cent of SSDI recipients leaving the rolls for employment each year, the
Ticket to Work programme is generally found not to have had a significant impact
on employment (O’Leary, Livermore and Stapleton, 2011). Research examining

Figure 1. The five-step disability determination process in the United States

the factors preventing more beneficiaries from leaving the rolls notes the “benefits trap” (Olney and Lyle, 2011) that exists for recipients who would like to return to work but fear losing medical and cash benefits. To this end, the United States Social Security Administration (SSA) is currently evaluating a benefit-offset programme that reduces benefits for SSDI recipients by USD 1.00 for every USD 2.00 earned over the maximum threshold. The idea being that this will reduce the penalty to work for SSDI beneficiaries, as current rules require the termination of all benefits after 12 months if one earns above the maximum earning threshold (CBO, 2012). While demonstration projects such as this may hold promise for minimizing the disincentives for current beneficiaries to return to employment, further action is likely necessary to reduce the size of the programme and promote work.

Prior to the adoption in 2008 of a new disability benefit programme, the programme in Great Britain was very similar to the current SSDI programme. The IB programme provided benefits to those younger than age 65 for men and age 60 for women who had a work history and were unable to carry out “any” work due to a medically diagnosed incapacity. The average monthly benefit for IB recipients was equivalent to USD 695 (in 2006 terms), less than SSDI’s USD 1,097, but additional cost-of-living benefits available to many but not all IB recipients in Great Britain likely made up for some of this difference (DWP, 2014b; SSA, 2012). In both the British and United States programmes, more than half of the disability benefit caseloads were composed of those aged 50 or older, more than half were male, and more than half were diagnosed with musculoskeletal or mental health impairments (DWP, 2014b; SSA, 2012). The countries also had similar rates of job availability (see OECD, 2010). Disabled people in both countries, for example, were twice as likely to be unemployed and actively seeking work than their non-disabled peers and, in both countries, far more likely to be in part-time work than those without a disability (OECD, 2010, p. 55).

In October 2008, the disability benefit programme in Great Britain changed dramatically. The new reform directed that all new applicants apply to the Employment and Support Allowance (ESA) programme, and that they undergo a new medical assessment called the Work Capability Assessment. That assessment measures capabilities to work and distinguishes between two types of eligible disability benefit claimants: i) those who have limited capability for work and

2. The ESA programme consists of both income-related and contribution-based portions. Access to the ESA contribution-based portion is restricted to those with sufficient insurance credits. Beneficiaries in this group are the focus of the comparison to the SSDI programme in this article. The income-related ESA portion is restricted to those with low income and is most closely comparable to the Supplemental Security Income programme in the United States.
ii) those who have limited capability for work and limited capability for work-related activity. Those in the first category, individuals found capable of work-related activity, are placed in a Work-Related Activity Group and are subject to benefit conditions and time limits on benefits, such as a requirement that they attend work-focused interviews and training programmes and that they may collect a maximum of 52 weeks of benefits. Those individuals found to have limited capability for work and limited capability for work-related activity are placed in a Support Group and are exempt from the work conditions and the time limits. The 2008 reform also required that IB recipients be reassessed in order to continue to receive benefits under the new programme.

A claimant’s journey through the ESA process begins with answering a questionnaire as to the individual’s specific capabilities for work-related activity (see Figure 2). Once the questionnaire is completed, the claimant is invited to a face-to-face assessment by a trained healthcare professional working for a private health contractor. The assessment takes place 3 months into the claim. Decision-makers at the Department for Work and Pensions (DWP) base their determinations on the assessment provided by the health contractor, as well as other

**Figure 2. The Work-Capability Assessment in Great Britain**

- **Claimant completes the “Limited Capability For Work Questionnaire”**
- **Face-to-face assessment carried out by contracted health provider (i.e. Atos Healthcare)**
- **DWP decision maker determines eligibility for ESA based on evidence**
  - **Claimant is denied ESA or found “fit for work”**
  - **Claimant is allowed ESA**
  - **Placed in “Work Related Activity Group”**
  - **Placed in “Support Group”**

Source: DWP, 2014c.
available evidence, such as medical records from the claimant’s general practitioner. If deemed not eligible to receive benefits or found “fit for work”, the claim is closed and the individual may be referred to the unemployment benefit programme (Jobseekers Allowance). An individual may also appeal to a tribunal if placed in the Work-Related Activity Group or, as occurs more often, if found fit for work.

**Methodology**

In examining the British disability benefit reform and the lessons that may apply to possible United States reforms, a case study methodology is applied. The research involves a review of British government publications and reports on the ESA programme, including a country specific report published by the Organization for Economic Co-operation and Development (OECD, 2014). Academic literature and media reports on the recent reforms in Great Britain are also surveyed. The aggregate data that is presented in the analysis was compiled by using the publicly available statistical dashboard prepared by the DWP in Great Britain. Data was also retrieved from the *Annual statistical report on the Social Security Disability Insurance Program* (SSA, 2012). An interview with a member of the policy team of the Work Capability Assessment was also conducted at DWP headquarters in London in September 2013.

**Historical overview of disability benefit reform in Great Britain**

The 2008 British reform was the last major reform in a long line of substantial changes to its disability benefit programme. Disability benefits were first provided in Great Britain in 1948 as part of the Sickness Benefits programme. That programme provided limited assistance and did not differentiate between long-term and short-term impairments. It was not until the Invalidity Benefit programme was introduced in 1971 that a long-term disability benefit programme with generous replacement rates became available. The determination process to receive Invalidity Benefits consisted of a medical assessment administered by the

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3. As in the United States, fast-track procedures are in place allowing claimants with severe conditions quick access into the Support Group. For example, those with terminal illness and sufficient conditions can be fast-tracked onto ESA prior to reaching the limited capability for work questionnaire or the face-to-face assessment. Fast-track procedures in the United States include the Quick Disability Determination and Compassionate Allowance initiatives that identify claimants with conditions that are likely to qualify for SSDI (Rajnes, 2012).

claimant’s personal doctor concerning the claimant’s ability to conduct his or her “own occupation” (Adam, Bozio and Emmerson, 2010).

By 1995, nearly 4 per cent of the working-age population received Invalidity Benefits in Great Britain, having grown from 1.5 per cent in 1980 (see Figure 3). Claimants from areas experiencing industrial decline fuelled the programme’s growth. The rapid dismantling of the coal industry, for instance, during the late 1980s and early 1990s led to an increase in the number of unemployed male claimants turning to disability benefits for financial support. These claimants have been referred to as the “hidden unemployed” (Beatty and Fothergill, 1996). Employment service providers in the late 1980s and early 1990s also had “targets for the number of unemployment-related claims not pursued” (Campbell, 1996, p. 56), which resulted in an influx of claims steered towards the disability benefit

Figure 3. Disability benefit recipients as a percentage of the working age population (16 and older) in the United States and Great Britain (1980–2012)

Notes: The ESA reform was passed in 2007 and implemented in 2008. The data for the years 2008–2012 represent the combined caseload size for those remaining on the IB programme and those enrolled in the contribution-based portion of the ESA programme. There was missing data from 1981 and 1991 for Britain, so an average from the year before and after the missing year is provided.

Sources: Authors calculations based off data compiled from DWP (2014b); SSA (2012); Evans and Williams (2009); Bureau of Labor Statistics (2010).
programme instead of unemployment benefits. By comparison, as reflected in Figure 3, the growth of the SSDI programme in the United States was more gradual and was primarily driven by demographic factors, such as an ageing baby boomer population reaching its peak disability years and more women working and thus insured for SSDI benefits (Goss, 2014). Other factors that also contributed to SSDI’s expansion included a declining demand for less-skilled workers, an increase of the after-tax earnings replacement rate over time which made SSDI benefits more attractive, and a loosening of the eligibility criteria that occurred with the Disability Benefit Reform Act of 1984 which provided individuals with low-mortality disorders such as back pain and mental illness greater access into the programme (Autor and Duggan, 2003).

The Conservative government of John Major replaced the Invalidity Benefit programme with the new Incapacity Benefit (IB) programme in April 1995. The IB programme incorporated a stricter assessment of incapacity that was based on “any” work the claimant could perform regardless of employment history. Responsibility for medical determination also shifted from personal doctors to regional medical doctors commissioned by the DWP. As Figure 3 makes clear, the 1995 reform effectively reduced the caseload size. A further change was added to IB in 1999 with the adoption of the “New Deal for Disabled People”, which was created by the Blair government in an effort to improve the return to work rates of beneficiaries. This initiative offered voluntary support for IB recipients to return to work through incentive measures and personal advisor services. From a peak of 4 per cent of the working-age population in 1995, disability benefit recipients were reduced to about 3 per cent in 2003 (Figure 3).

In 2003, the Blair government introduced a pilot programme that aimed to further support IB recipients in their return to work. The major features of the so-called Pathways to Work programme consisted of mandatory work-focused interviews with job specialists, the providing of financial incentives to return to employment, and an array of voluntary services to boost employment readiness and rehabilitation. Evaluations of the Pathways to Work programme were generally positive (for a systematic review of this evaluative research, see Clayton et al., 2011). Adam, Bozio and Emmerson (2010), for example, apply a difference-in-difference research design that compared employment outcomes for IB recipients in similar regions of the country that either did or did not have the pilot Pathways to Work programme. They found a statistically significant positive effect on re-employment rates (5.8 per cent increase) in regions that did have the Pathways to Work programme versus regions that did not. Subsequently, the Labour government in 2006 announced its intention to build upon the approaches adopted by the New Deal for Disabled People and the Pathways to Work programme by replacing the IB programme with the ESA programme in October 2008 (DWP, 2006).
The Employment and Support Allowance programme

As of 27 October 2008, all new disability benefit claimants in Great Britain were required to apply to the ESA programme. The intention of the reform was to reduce the caseload size by tightening the disability assessment for incoming claimants and by improving the return-to-work rates of beneficiaries. As previously noted, the major change that came with the ESA programme is the introduction of the Work Capability Assessment and the placement of claimants in either the Work-Related Activity Group (for those capable of work-related activity) or the Support Group (for those found to have limited capability for both work and work-related activity). Although in the Work Capability Assessment the claimant’s medical condition is relevant, the primary focus of the evaluative process is on the claimant’s capacity to work, which marks the major substantive change to the determination process. The following sub-sections will review the implementation and effects of this change.

The implementation of the reform

The latest available information on the outcomes of the Work Capability Assessment is provided in Figure 4. The data is from October 2008 to June 2013 and is adjusted to the outcomes of appellate decisions. Since the ESA programme’s adoption, 36 per cent of all fit-for-work decisions were appealed (DWP, 2014b). The rate of initial decisions being overturned on appeal has improved from

Figure 4. Outcomes of the Work Capability Assessment in Great Britain, Oct 2008–June 2013

Notes: The outcomes are adjusted to appeal decisions.
40 per cent in 2008 to 19 per cent in 2013 (DWP, 2014a). This drop is likely related to the decline in the percentage of claimants found fit for work. At the beginning of the ESA programme, twice as many claimants were placed in the Work-Related Activity Group than in the Support Group and a little over 50 per cent of all claimants were found fit for work (DWP, 2014a). This trend noticeably began to shift in 2010 with many more claimants found eligible for the Support Group and, by June 2013, less than 30 per cent of the claimants were found fit for work (DWP, 2014a). This change is explained by two primary factors: the reassessment of IB claimants, which began in 2010, brought forth more claimants with severe health impairments, and changes to the decision making and assessment process loosened the criteria for placement into the Support Group.

Beginning in October 2010, claimants who were receiving benefits under the IB programme were reassessed under the Work Capability Assessment. As of June 2013, 1,224,520 IB claimants had been referred for reassessment (DWP, 2014a). Since the reassessments began, about 21 per cent of all IB recipients have been found fit for work when accounting for appellate decisions (DWP, 2014a). This is a much lower number found fit for work than for new claimants, which has averaged about 46 per cent, though it still suggests a considerable amount of workability identified among IB recipients (DWP, 2014a). Moreover, about 40 per cent of all reassessed IB claimants have been placed into the Work-Related Activity Group, 39 per cent into the Support Group, and the other 21 per cent found fit for work (DWP, 2014a).

The reassessment process for IB claimants has proved the most politically controversial part of the ESA reform. Disability rights groups have protested that the reassessment process is inhumane, and accused Atos Healthcare, a company contracted to provide the assessments, of implementing an overly harsh assessment process. A former Atos doctor has suggested publicly that he was forced to amend his medical reports by Atos executives so as to make fewer claimants eligible for ESA (Gentleman, 2013). The political pressure on Atos and the DWP has mounted as a result of the IB reassessments with media accounts of IB claimants committing suicide upon finding they were not entitled to ESA (Traynor, 2013). The public scrutiny and general dissatisfaction with the performance of Atos led to the decision to not renew Atos’ contract in 2015 (Morse, 2014). A new United States-based health contractor, MAXIMUS Health and Human Services, was awarded the contract effective March 2015 (DWP, 2014d).

The 2008 reform also included a requirement that the new assessment process be reviewed independently on an annual basis for the first 5 years. This feature has proved useful, as a number of changes have been implemented as a result of these reviews. These changes have included enhancing communication with claimants and ensuring decisions are made with high quality up to date
information (Harrington, 2012). The reviews also investigated whether current medical and functional criteria are adequate and suggested changes to these criteria. Indeed, one review resulted in a change that widened the eligibility criteria for the Support Group for people with physical or mental health risks. In late 2008, for example, just 17 per cent of claimants in the Support Group had a physical or mental health risk. But by June 2013, nearly 40 per cent of all claimants in the Support Group had a physical or mental health risk (OECD, 2014).

The effects of the 2008 British reform

Though the ESA reform of 2008 is still relatively recent, research is available examining its effects. The reform had two primary objectives: to reduce the inflow of claimants by creating a tighter assessment process, and to increase the outflow rates by increasing the number of beneficiaries returning to work. In terms of inflow, the data suggests a slight rise in new claims from 2008 to 2009 that appears related to the economic recession (OECD, 2014). Since 2009, however, the number of new disability benefit claims has declined in small increments (OECD, 2014). Notably, this does not take into account whether claimants denied ESA moved onto other government programmes, such as Jobseekers Allowance, and thus it is unclear whether this decline has induced net fiscal savings. Despite the reforms, Great Britain continues to have the highest incoming claimant rate in the OECD with about ten new claims for every 1,000 workers in the year 2012 (down from 12 in the year 2000) compared to about eight for the United States and an average of five across the advanced OECD economies (OECD, 2014).5

Outflow rates appear to have increased, at least temporarily, as a result of the large-scale reassessment of IB claimants, but have flattened over time (OECD, 2014). The total outflow rate as a share of all ESA recipients was 3 per cent in 2012, which is higher than the 1 per cent for the United States (OECD, 2014). The outflow rates, however, do not appear to be driven by recipients returning to work and are more likely the result of recipients moving to Jobseekers Allowance or Old Age Pensions. This is illustrated by the results of a new “Work Programme”, which was introduced in 2011. The programme follows a “black box” approach that allows private employment service providers freedom in their choice of

5. The OECD (2014) data on disability benefit claims in Great Britain include both the contributory and income-related portions of the ESA programme. While Figure 3 indicates a decline in the percentage of the working-age population receiving the contributory portion of ESA, the percentage receiving the income-related portion of ESA has increased over time (DWP, 2014b). This may explain why the claimant rate remains comparatively high in Great Britain.
intervention, as they are judged solely on employment outcomes. In its first year of operation, the Work Programme saw only 0.6 per cent of Work-Related Activity Group claimants achieve a positive job outcome, with not a single job outcome for an ex-IB claimant (OECD, 2014). In its second and third years of operation, however, there are signs of improvement with about 8 per cent of ESA claimants in the Work Programme showing 3 months of work after 12 months of support (DWP, 2014c). While encouraging, this sign of progress may also be misleading as more claimants are now being placed in the Support Group than previously and the more difficult cases are no longer being referred to the Work Programme. Even among referred cases, however, there is evidence that the private employment service providers are targeting the most job-ready, while devoting less attention to those in greater need of support (Newton et al., 2012). A nationally representative survey of ESA claimants found that the Work Programme is least effective at helping the most challenging cases return to employment, particularly those who were previously inactive before their claim (Sissons and Barnes, 2013). Thus, while it is too early to suggest that the ESA programme will not ultimately yield improved return-to-work rates, early results are sobering and suggest the need for fresh thinking.

The introduction of benefit conditionality for Work-Related Activity Group claimants represents a distinguishing feature of the ESA programme that makes it qualitatively different from the SSDI programme in the United States. Current rules require claimants in the Work-Related Activity Group to have mandatory work-focused interviews with personal advisers and to carry out work-related activity deemed appropriate to their circumstances. Under SSDI, there is only one category of disability and that is for individuals unable to engage in substantial gainful activity and a qualifying individual is entitled to unconditional benefits. Although Work-Related Activity Group claimants are not required to look for work, they are required to attend interview, training, and rehabilitation sessions, which may be enforced by sanctions. There is concern that these sanctions may be overly severe. From 2011–12, just 2.7 per cent of ESA claimants were sanctioned (OECD, 2014). Yet, a failure to attend a work-focused interview can lead to a 100 per cent reduction in benefits. The OECD (2014) has suggested that Great Britain reduce the severity of the penalties, which the OECD insists can be particularly harsh for those with mental disorders. Ultimately, the combination of an overly severe sanction regime combined with the time limit of 12 months for Work-Related Activity Group claimants invites concern that some deserving individuals may go without needed benefits.

In sum, early research on the ESA reform does not suggest a policy panacea or an outright failure. Strong conclusions cannot yet be drawn, for example, as to the effectiveness of the reform at improving return-to-work rates. Just as the new assessment process – the Work Capability Assessment – improved over time with a
decline in the number of decisions overturned on appeal, it is likely that the Work Programme will also perform better with experience. The selection of a new health contractor to administer the Work Capability Assessment, though, appears likely to create problems for the assessment process. Not having to do the difficult work of IB reassessments will likely help the new provider avoid the political pitfalls of providing disability determinations, but one might also expect an increase in appeals, as the new provider will need to gain proficiency with the assessment process, as was the case with the previous contractor.

Lessons for the reform of the SSDI programme

This article thus far has reviewed the new disability benefit programme in Great Britain and examined the early research on its effects. Although the implementation of the ESA programme is still in its early stages, there are lessons that can be drawn, both positive and negative, from the British reforms of its disability benefit programme. These lessons may prove helpful to United States policy-makers as they begin to wrestle with the potential reform of the SSDI programme.

Lesson 1: Experimentation can drive reform

The 2008 reform to the disability benefit programme in Great Britain was clearly invigorated by the success of the Pathways to Work pilot initiative. A similar road to reform is certainly possible for the SSDI programme. Indeed, it would mirror the path to welfare reform in the United States in 1996, which was itself preceded by a considerable amount of policy experimentation (Weaver, 2000). In this vein, Liebman and Smalligan (2013) have proposed that the United States Congress should fund three additional return-to-work demonstration projects. One project would encourage states to reorganize existing funding streams so they can target populations that are at risk of applying for disability benefits and provide them early rehabilitative and training services. Another project would target employers by creating incentives for firms to keep their workers, much like the Dutch reforms. A third project, “would screen disability applicants and target those who appear likely to be determined eligible for benefit but who also have the potential for significant work activity if provided with the proper range of services” (Liebman and Smalligan, 2013, p. 2).

This third proposed project corresponds with the research finding that a sizeable minority of SSDI recipients possess work abilities (Maestas, Mullen and Strand, 2013), and thus could potentially be diverted from depending on disability benefits if given the right support and incentives. This approach is also conceptually similar to the British ESA programme, where from the outset individuals are identified with limited capability for work and provided services. Given the
challenges with administering the Work Capability Assessment in Great Britain, a variety of ways should be explored for assessing the work capacity of SSDI applicants. One promising approach is the use of computer-assisted technology to identify high-functioning applicants. A team of researchers at the National Institutes of Health in the United States has developed a tool – called the Functional Assessment Battery – for assessing the work capacity of SSDI applicants (Goldman, 2013). While the tool is still in development, the strength of this approach is that it could very quickly identify suitable applicants for targeted interventions, as the data could be obtained online or at the initial field office visit (Liebman and Smaligan, 2013).

Another option may be to leverage institutional experience at conducting the residual functional capacity assessment, which is currently used to identify the remaining work capacity of claimants at steps four and five of the determination process. The residual functional capacity assessment could potentially be moved earlier in the determination process and administered at the second step of the process, when the severity of the individual’s medical impairment is determined. The goal would be to identify claimants with both remaining abilities and medical impairments that make them likely to receive SSDI. However, an accurate residual functional capacity assessment, as it currently stands, requires that medical evidence be obtained beforehand, which would slow the identification process in comparison to the computerized approach. The assessment was also designed for eligibility determinations and not for identifying a targeted work group and would require modification to be used for this purpose.

Nevertheless, once a targeted population of SSDI applicants with work capabilities can be identified, pilot programmes could be instigated that would assess the interventions most likely to be successful at returning those individuals to work. Liebman and Smaligan (2013) propose providing a package of benefits, including targeted vocational and health services, wage subsidies and emergency cash grants. Providing cash grants to a targeted SSDI applicant pool for creating a return-to-work plan or upon demonstrating progress could also be tested in a demonstration project. This strategy would thus be similar to the Pathways to Work programme in Great Britain, which showed promise (O’Day and Stapleton, 2008; Clayton et al., 2011).

An additional lesson from the British reforms concerns the benefit of incorporating a legislative provision that requires continuous evaluation and monitoring once a reform is adopted. The annual independent reviews of the ESA programme proved constructive in Great Britain. Those reviews helped to improve the accuracy of Work Capability Assessment and further ensured that the subsequent evaluative research identified practical recommendations to improve service delivery and enhance claimant experience. Future legislative reforms to the SSDI programme should consider a similar provision.
Lesson 2: Reforms should focus on prevention and not reassessments

The IB reassessments have been the least successful part of the ESA reforms. A historical perspective of the SSDI programme suggests that a major process of reassessments is also not likely to go well in the United States. One recalls, for example, how early in the administration of President Ronald Reagan there was a concerted effort to increase the termination rates of SSDI beneficiaries by subjecting millions of SSDI recipients, particularly those with mental and musculoskeletal impairments, to a Continuing Disability Review process. The hundreds of thousands of terminations that transpired led to a major negative public response that ultimately forced President Reagan to reverse his position by limiting the ability of the reviews to terminate beneficiaries’ rights to benefits (Berkowitz, 1987). Most SSDI beneficiaries now have a scheduled review every 7 years, though it can be every 3 years if medical improvement is expected. However, in 2012 there were 1.5 million SSDI recipients awaiting their planned reviews, as the SSA lacks funding to keep up with scheduled reviews (CBO, 2012). Increasing the reviews is often advocated as a strategy to reduce expenditures prior to the potential default of the Disability Trust Fund in 2016 (Liebman and Smalligan, 2013; LaConfora, 2014).

The British experience with IB reassessments, however, shows that increased reassessments can be a recipe for political controversy. Moreover, very little is also known about what happens to recipients when their entitlements are terminated following a review. A recent study in the United States estimated that about 20 per cent returned to the SSDI rolls within 8 years (Hemmeter and Stegman, 2013). That study also suggests that this is likely a lower bound estimate of programme return since the current review process is underfunded and focuses on those with the least severe impairments. If the review process were to increase the number of reviews above current levels, it would likely lead to greater programme return rates as broader terminations of rights would capture individuals with more severe disabilities. Moreover, outside of returning to the SSDI rolls, research has yet to longitudinally examine the economic and social welfare outcomes of those terminated from the rolls following a review. Many of these individuals, in some cases removed from the labour market for years, would not easily find their way back to work. Early intervention approaches, therefore, are preferable to increased reassessments and scarce resources appear better allocated to diverting applicants from long-term benefit receipt rather than to reassessing current claimants. While focusing on reducing the flow of claimants onto SSDI may not provide the immediate fiscal relief that is necessary to avoid the looming financial crisis, in the long run this approach should lay a path toward a more sustainable SSDI programme.
Lesson 3: Changing the definition of disability deserves consideration

The SSDI definition of disability that focuses on a requirement of a long-term medical condition, instead of looking primarily at an individual’s capability to work, is bound to include as disabled many that are capable of work. This is evident from the major return-to-work initiative for SSDI beneficiaries, the Ticket to Work programme, which provides recipients access to employment and rehabilitation services. The very fact that such a programme exists serves to recognize that some SSDI recipients are expected to have work abilities, and its modest success highlights that a claimant’s long-term medical impairment does not necessarily indicate a work incapacity (O’Leary, Livermore and Stapleton, 2011). In fact, in a nationally representative survey in 2004, 40 per cent of disabled beneficiaries in the United States stated that they had either a personal goal that included working or that they expected to be working in 1 to 5 years (Livermore, 2011). This notion of a work-capable SSDI population is further supported by econometric research that finds that some SSDI recipients would likely be in work had they initially been found ineligible for the programme (von Wachter, Song and Manchester, 2011; Maestas, Mullen and Strand, 2013).

The success rate of SSDI applicants on appeal in the United States further reflects the difficulties inherent in a determination process that relies on the subjective identification of a long-term medical condition. In 2011, 26 per cent of all SSDI applicants were awarded benefits at the initial point of application, but an additional 15 per cent were awarded benefits following a lengthy appeals process (SSA, 2012). While this is less than the current rate of 19 per cent of decisions overturned in Great Britain, that rate is likely to decline now that the IB reassessment process has been completed. Consideration of a new definition of disability in the United States, similar to the one adopted in Great Britain that allows for certain disability benefit recipients to maintain some capability for work, could help reduce the number of appeals. This definitional change would allow claimants who are on the margins of programme entry immediate access to a work-capable SSDI group. These individuals, having been screened early, would likely respond well to interventions that would assist them in returning to work. From a political perspective, changing the definition of disability may be challenging, as it would require amending the Social Security Act, which many consider to be politically untouchable (Sawhill, 2011). Yet, distinct from other policy proposals, incorporating a new definition of disability would signal a transformed SSDI programme that prioritizes rehabilitation and employment over dependency and retirement. It would, moreover, suggest a programme that has adopted a modern view of disability that recognizes the considerable strengths and abilities of disabled people.
Conclusion

Great Britain dramatically changed its disability benefit programme in 2008. These changes included the creation of a disability determination process that focuses on assessing a claimant’s work capacity and a disability benefit programme that allows individuals with impairments and remaining work-capacity to receive conditional benefit payments. The early results of these reforms are mixed, but do indicate some success in promoting employment and reducing the inflow of long-term beneficiaries. As the United States may reform its disability benefit programme to respond to the upcoming Disability Trust Fund exhaustion, it can draw multiple lessons from the British experience: that novel approaches should be considered and tested; that continuous evaluation and monitoring is helpful; that reassessments of those previously found disabled is politically fraught and unlikely to yield positive outcomes; and that structural changes, such as a new definition of disability, could establish the SSDI programme as an employment-oriented programme. These lessons may also be of interest to other countries seeking to increase their labour force participation and reduce the size and cost of their disability benefit programmes. As the baby-boomer population ages and the demands on the welfare state increase, achieving these objectives may prove critical to ensuring the future sustainability of social security programmes.

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Disability benefit reform in Great Britain from the perspective of the United States


Extending maternity protection to all women: Trends, challenges and opportunities

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Abstract Protecting maternity at work has been one of the primary concerns of the International Labour Organization since its foundation in 1919. Along with fundamental human rights treaties, the adoption of the Maternity Protection Convention, 2000 (No. 183) and, more recently, the ILO Recommendation concerning National Floors of Social Protection, 2012 (No. 202), have marked the universalization of the right to maternity protection and call for its extension to all women in line with the principle of equal opportunity and treatment between women and men. In the framework of these historical developments, this article presents evidence of how national legislative provisions on paid maternity leave have improved in the light of the principles of international labour standards, although a large majority of women workers are still not adequately protected in case of maternity. The article then addresses patterns of exclusion from maternity protection in law and practice, and concludes by discussing some social protection programmes that have the potential to extend maternity protection coverage and support to meet the care needs of the most vulnerable and which do so with a gender transformative focus.

Keywords maternity benefit, maternity leave, gaps in coverage, women, woman worker, ILO Convention, international

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Introduction

The year 2019 will mark both the International Labour Organization’s 100th anniversary and the first centenary of international labour standards on maternity protection. It was during the first International Labour Conference in 1919 that the first Convention on maternity protection – Maternity Protection Convention, 1919 (No. 3) – was adopted. This Convention was followed by other two maternity protection Conventions: Maternity Protection Convention (Revised), 1952 (No. 103); and Maternity Protection Convention, 2000 (No. 183). Over the years, the core concerns of the International Labour Organization (ILO) have been to ensure that work performed by women, in all its forms and situations, does not pose risks to the health of the woman and her child and to ensure that women’s reproductive role does not compromise their economic and employment security and subject them to undue discrimination.

Almost a century later, the importance of quality work to the lives of most adult members of society, especially in times of deep economic turbulence and social change, still makes the intersection of work with maternity, paternity and care responsibilities a particularly critical focal point for efforts to improve health, equality and job quality. These issues are therefore crucial for the Post-2015 Development Agenda and make maternity protection and work–family measures key to the achievement of global development goals. First, maternity protection promotes the health and well-being of mothers and their babies, thereby reducing child and maternal mortality and morbidity. Second, by safeguarding women’s employment and income security during pregnancy and after childbirth and promoting the equal sharing of unpaid care work between women and men, maternity protection and measures to support care responsibilities are also a precondition to the achievement of gender equality at work and in the home.

This article presents the manner in which the historical evolution of the scope of international labour standards related to maternity protection, including the adoption of the Maternity Protection Convention, 2000 (No. 183), and, more recently, the ILO Recommendation concerning National Floors of Social Protection, 2012 (No. 202), marks the universalization of the right to maternity protection and provides guidance for options to extend maternity protection and support to related care needs to low-income vulnerable women. The following sections compare the positive legislative trends of national legislation on maternity protection with recently published International Labour Office estimates of coverage in law and practice of paid maternity leave. It then discusses the patterns of exclusion and presents incipient national experiences with the potential to extend access to maternity protection coverage and support to meet care needs to the most vulnerable and which do so with a gender transformative focus.
Maternity protection is a fundamental labour right enshrined in key universal human rights treaties. It includes the prevention of exposure to health and safety hazards during and after pregnancy, entitlement to paid maternity leave and breastfeeding breaks, maternal and child health care, protection against discrimination in employment and occupation, including with respect to recruitment and dismissal, and a guaranteed right to return to the job after maternity leave.

The Universal Declaration of Human Rights (UDHR), 1948, states that motherhood and childhood are entitled to special care and assistance, as well as to social security. The International Covenant on Economic, Social and Cultural Rights (ICESCR), 1966, includes special protection for mothers during a reasonable period before and after childbirth, including paid leave or leave with adequate social security benefits (OHCHR, 1966). The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), 1979, calls for special measures to guarantee maternity protection, recognized as an essential right and addressed consistently in all aspects of the Convention. Protecting maternity at work as a social responsibility is also one of the primary concerns of International Labour Organization (ILO) constituents. The first International Labour Conference (ILC) adopted the first Maternity Protection Convention (No. 3) in 1919. The “provision for child welfare and maternity protection” is also listed among the core aims and purposes of the ILO (ILO, 1944).

Since 1919, a number of international labour standards related to maternity protection, in line with the ILO’s Equal Remuneration Convention, 1951 (No. 100), and Discrimination (Employment and Occupation) Convention, 1958 (No. 111), have indeed reaffirmed the fundamental principle of equality of opportunity and treatment for men and women. They have also progressively expanded the scope and entitlements related to maternity protection at work to take into consideration developments in national law and practice as well as patterns of and changes in women’s labour force participation and persistent gender inequalities in the workforce. While Maternity Protection Convention, 1919 (No. 3), covered women working in any public or private industrial or commercial undertaking, the Maternity Protection Convention (Revised), 1952 (No. 103), extended the scope of protection to a larger number of categories of women workers, to include women wage-earner homeworkers and domestic workers.

The year 1952 also marked the adoption of the flagship Social Security (Minimum Standards) Convention, 1952 (No. 102), which recognized maternity

among the nine “classical social security contingencies”. While Maternity Protection Convention (Revised), 1952 (No. 103), covered women employed in entire sectors and classes of occupations, Convention No. 102 – whose Part VIII sets out obligations with respect to maternity cash and medical benefits – described the persons protected in terms of minimum percentages in a covered class of employees (not less than 50 per cent) or the economically active population (not less than 20 per cent of all residents). In addition, the instrument prescribes certain minimum requirements to be complied with in respect of a minimum of three out of the recognized nine social security branches. Accordingly, Convention No. 102 does not require universal coverage or the provision of a comprehensive set of social security benefits, not even at basic levels, including maternity cash and medical provisions.

In 1975, the ILC adopted a Declaration on Equality of Opportunity and Treatment for Women Workers, which recalled that “maternity is a social function” and stated (ILO, 1975, Article 8):

All women workers shall be entitled to full maternity protection [in line with Convention No. 103], the costs of which should be borne by social security or other public funds or by means of collective arrangements.

In 1985, the ILC issued a Resolution on equal opportunities and equal treatment for men and women in employment, which indicated (ILC, 1985):

Priority consideration should be given, as appropriate to national circumstances, to the gradual extension of maternity protection to women in all sectors of activity and enterprises of all sizes, including women who are casual, temporary, part-time, sub-contract and home-based workers as well as self-employed and family workers.

Expanding the scope of international labour standards to women in the informal economy

The contribution of these principles and standards to the promotion of maternity protection and the development of social security systems has been broadly recognized. By the beginning of the 1990s, the large majority of countries had affirmed maternity protection rights in their national legislation, extending coverage to some categories of unprotected workers (ILO, 1994). However, the impact of the

3. See Article 48(a)(b)(c). For maternity medical benefits, Convention No. 102 also includes the wives of men in the covered classes of employees or the economically active population.
4. As of October 2014, 34 out of the 50 ratifying countries have accepted Part VIII on Maternity Benefit of Convention No. 102.
existing international labour standards was limited to people working under a formal employment contract, since they did not require coverage of certain categories of workers, such as the self-employed, informal and agricultural workers, or workers with non-standard contracts, who represent the large majority of people in economic activity in low-income countries (Kulke and Saint-Pierre Guilbault, 2013). Therefore, since the second-half of the 1990s, a new concern for the 75 to 80 per cent of the global population, the large majority of whom are excluded from any social security coverage, including maternity protection, has pushed for the “equality gap” in the legal framework to be filled by international labour standards that demand full population coverage as one of their major minimum requirements (Cichon, 2013).

The adoption of the Maternity Protection Convention (No. 183) in 2000 was a first step in this direction. In Article 1, the term “woman” applies to “any female person without discrimination whatsoever”, including age, nationality, race or creed, whether married or unmarried. In so broadly defining the term “woman”, in line with Convention No. 103, this instrument also reaffirms the principle of non-discrimination with respect to all women workers. Then, Convention No. 183 further broadened the scope of coverage to all employed women, irrespective of occupation or type of undertaking, including women employed in atypical forms of dependent work, who often receive no protection due to the increasingly flexible nature and segmentation of employment relations. The ILC preparatory works on Convention No. 183 point to the comprehensive meaning of the term “atypical forms of dependent work”, which is intended to include “... all circumstances an employment relationship was being considered, irrespective of the type of work being performed or where it took place” (ILC, 2000). In this light, it encompassed a broad range of non-standard work arrangements, such as casual and seasonal work, job-sharing, fixed-term contracts, temporary agency work, home work and remote working; pieceworkers; informal employees in all sectors as well as women in disguised employment relationships (disguised self-employment).

It should be mentioned that, while expanding the scope of protection, international labour standards have simultaneously recognized that countries retain diversity in their levels of economic development, social security system design and legal approaches that may affect their ability to provide extensive protection to all workers. Hence, in light of the “principle of progressivity”, the standards allow for a certain degree of flexibility in terms of the implementation of the universally-recognized principles that they embody (ILC, 2011a). This balanced approach is also reflected in Convention No. 183 (Article 2(2)), which allows ratifying member States, after consultations with the social partners, to:

exclude wholly or partly from the scope of the Convention limited categories of workers when its application to them would raise special problems of a substantial nature.
However, it simultaneously requires (Article 2(2)(3)) that member States list the categories of workers excluded and the reasons for their exclusion and periodically report on:

the measures taken with a view to progressively extending the provisions of the Convention to these categories.

At the 92nd ILC session in June 2004, the Resolution on Gender Equality, Pay Equity and Maternity Protection marked a renewed concern of governments and employers’ and workers’ organizations about “the lack of maternity protection for certain categories of workers, such as women employed in informal activities and other especially vulnerable groups”. Therefore, the ILC (ILC, 2004b, Paragraph 1(d)) called upon all governments and social partners to actively contribute:

to provide all employed women with access to maternity protection [and] to consider how women workers not covered ... especially those in vulnerable groups, can be provided with access to maternity protection.

It was with the adoption of the ILO Recommendation concerning National Floors of Social Protection, 2012 (No. 202) that ILO constituents formally recognized in an international labour standard the need to ensure maternity protection to at least all residents, as defined in national laws and regulations and in line with countries’ existing international obligations (Paragraph 6). In line with the principles of the UDHR of 1948, Recommendation No. 202 includes access to “essential health care, including maternity care”, and “basic income security” for persons in active age who are unable to earn sufficient income due, among other reasons, to maternity, among the minimum social security guarantees that comprise national social protection floors (Paragraph 5(a)(c)).

By extending coverage beyond the categories of workers falling under the scope of previous Conventions, Recommendation No. 202 completes and universalizes the principles of maternity protection established by previous instruments. In light of the right to social security and maternity protection included in

5. As of May 2014, among the 29 countries that have ratified Convention No. 183 and submitted the first report under article 22 of the ILO Constitution, no country has made a declaration exempting categories of workers from its scope, as is permitted by Article 2 of the Convention.

6. According to the ILO Recommendation (No. 202), social protection floors are nationally defined sets of basic social security guarantees, which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion. These guarantees should ensure at a minimum that, over the life cycle, all in need have access to essential health care and basic income security, including maternity protection.

7. Recommendation No. 202 states that it is for countries to determine basic guarantees through national laws and in line with the principle of “life in dignity”. These parameters are not the same as the higher qualitative standards defined in the previous instruments, including Convention No. 183, but are viewed as a first step towards progressively achieving these.
fundamental human rights treaties and the concept of a two-dimensional strategy for the extension of social security to all, the new standard reaffirms the principles of the progressive realization of universal coverage and comprehensive protection (Cichon, 2013). In this way, a combined reading of ILO standards along with international human rights instruments calls for any forms of work – formal or informal, dependent or independent, paid or unpaid – to include essential maternity protection elements, without which this work could not be considered as “acceptable” under universally recognized human rights principles.

**Putting gender equality at the heart of social protection**

Recommendation No. 202 also complements existing standards by providing guidance on how to cover the most unprotected, poor and vulnerable members of society. While focusing on the outcome of national social protection systems, the instrument lists a number of modalities and different approaches with a view to implement the most effective and efficient combination of “preventive, promotional and active measures, benefits and social services” to attain the minimum social security guarantees in each specific national context. Implementation should reflect a number of guiding principles, including “non-discrimination, gender equality and responsiveness to special needs” (Paragraph 3(d)).

This integrated approach, that decidedly avoids a “one-size-fits all” perspective, promotes a diversity of financing mechanisms and delivery systems. The approach allows for complementing traditional contributory schemes (especially social insurance) – which have had limited success in ensuring full coverage of women workers, especially informal, agricultural workers and the self-employed – with other mechanisms such as universal benefit schemes, social assistance schemes, negative income tax schemes, public employment schemes and employment support schemes (Kulke and Saint-Pierre Guilbault, 2013).

This bears important implications for the effective and progressive realization of the universal right to maternity protection and the achievement of the principle of equality of opportunity and treatment between women and men at work. There is in fact recognition, on the one hand, of the role of social protection in addressing gender gaps in employment and reshaping gender relations (see, for example, Fultz and Francis, 2013). However, on the other hand, social protection policies and programmes seem to have failed to achieve their gender transformative potential (Kabeer, 2013), by either overlooking to address gender relations or by reinforcing gender roles and thus perpetuating the traditional role of women as main care providers or substitutes for social protection systems’ shortcomings (Holmes 8. This concept refers to the ability of laws, policies and measures explicitly to address gender-specific constraints and vulnerabilities, such as reproduction and care-related needs, with the aim of simultaneously achieving gender equality at work and in the household and social justice.
and Jones, 2013). By putting gender equality, the achievement of universal maternity protection and the systematic support to women’s and men’s unpaid care responsibilities, as also called for by the ILO Workers with Family Responsibilities Convention, 1981 (No. 156), at the heart of minimum social security guarantees, the combination of new and up-to-date international labour standards offers new avenues for the design and implementation of inclusive and comprehensive social protection policies and programmes with a genuine gender transformative focus.

**Status and trends of national legislation and conformity with Convention No. 183**

As of October 2014, 67 ILO member States had ratified at least one of the maternity protection Conventions and virtually all countries had adopted maternity protection legislation reflecting, to different extents, the provisions of international labour standards. In May 2014, the ILO published a comparative review of national legislative provisions on maternity protection at work in 185 countries and territories, which assesses how well national laws and practice conform to the ILO maternity protection Conventions (ILO, 2014).9

Convention No. 183, in line with other social security Conventions, sets quantitative benchmarks for the determination of the duration of maternity leave and the level of cash benefits to be provided through compulsory social insurance or public funds. In order to achieve conformity with Convention No. 183, maternity leave should be at least 14 weeks and the related cash benefits at least two-thirds of a woman’s previous earnings (or a comparable amount if other methods are used to determine cash benefits) for a minimum of 14 weeks. The guiding principle is that the level of benefits should ensure that “the woman can maintain herself and her child in proper conditions of health and with a suitable standard of living” (Article 6(2)). This principle is also recognized in Recommendation No. 202, which, on the one hand, indicates that “basic income security should allow life in dignity” and on the other, leaves the determination of the benefit level to national consultations, while providing a non-exhaustive list of income parameters that could be used as a reference (for instance, the monetary value of a basket of necessary goods and services, national poverty lines, income thresholds for social assistance or other comparable thresholds established by national law or practice (Paragraph 8(b)).

9. The current and next sections draw extensively from data and research from ILO (2014), which includes information on maternity, paternity and parental leave and benefits, employment protection and non-discrimination, health protection at work, workplace breastfeeding and childcare arrangements and services as well as estimates of statistical coverage in law and in practice of paid maternity leave.
The ILO report shows that over the last 20 years, there have been gradual improvements in terms of longer and better paid maternity leave periods, and movement away from employer liability systems of financing paid maternity leave. An increasing number of countries are also implementing measures to support both mothers’ and fathers’ care responsibilities, such as paternity, parental and adoption leave, as well as services and facilities to enable nursing and childcare. Some positive changes occurred despite the economic crisis, especially in middle-income countries, although some more developed economies that were hardest hit by the economic crisis cut some of their support to families or postponed announced reforms as part of austerity measures.

Globally 34 per cent (57 countries) fully meet the requirements of Convention No. 183 on three key aspects: they provide for at least 14 weeks of leave at a rate of at least two-thirds of previous earnings, paid by social insurance or public funds or in a manner determined by national law and practice where the employer is not solely responsible for payment. The regions with the highest proportion of countries in conformity with these aspects of the Convention are Eastern Europe and Central Asia and the more developed economies. Conformity is particularly low in Asia and the Middle East, while not more than 20 per cent of the total meets the standards in Africa and Latin America and the Caribbean (Figure 1).

Figure 1. Percentage of countries reaching the ILO standards on length of maternity leave, payment and source of benefits, by region, 2013 (167 countries)

Considering separately the key provisions of Convention No. 183 on leave duration, level of pay and source of payment, the proportion of countries meeting the standards varies by the specific provision. The majority (53 per cent) of the 185 countries and territories studied (98 countries) adhere to the provisions of Convention No. 183 on duration of maternity leave by providing at least 14 weeks. Among those, 42 countries meet or exceed the 18 weeks of leave suggested in the ILO Maternity Protection Recommendation, 2000 (No. 191). Sixty countries provide 12 to 13 weeks of leave – less than the duration specified by Convention No. 183, but consistent with the level set by Conventions No. 3 and No. 103 of at least 12 weeks of leave. Only 27 countries (15 per cent) provide less than 12 weeks of maternity leave. Over the last 20 years, the proportion of countries providing less than 12 weeks of leave has decreased by 7 per cent.

With respect to the payment of cash benefits during leave, 45 per cent (74 countries) reach the standard of at least two-thirds of earnings paid for at least 14 weeks. Among those, 61 countries go beyond this standard by providing 100 per cent of previous earnings for at least 14 weeks. Between 1994 and 2013, there was also notable progress in improving payment levels, which increased at least in 20 countries (including, Belize, Botswana, France, Ghana, Israel, Jordan), while the small number of countries providing no cash benefits during maternity leave declined from seven to two (the United States and Papua New Guinea) over this period. However, in over half (93 countries), maternity leave is paid at less than two-thirds of previous earnings, paid for a period of less than 14 weeks, or unpaid.

**Source of funding of maternity cash benefits**

There are different methods of funding maternity cash benefits during maternity leave (Figure 2). The countries surveyed show that the most commonly employed sources of funding currently include: employment-related social insurance (contributory schemes); the employer, through the direct payment of maternity benefits (employer liability); or a combination of the two methods (mixed system). Less frequently, maternity benefits are paid out of public funds (non-contributory schemes), which may finance maternity benefits exclusively or in conjunction with social insurance or employer funding. Non-contributory schemes (such as social assistance) base benefit eligibility on some level of financial need on the part of the woman (or her household). Contrary to social insurance, it is not necessary that the woman is or was previously working and no previous contributions are necessary as a condition of entitlement to receive relevant benefits, though means tests are usually applied.

Convention No. 183 emphasizes that employers should not be individually liable for the cost of maternity benefits payable to women employed by them, and that benefits should be provided through compulsory social insurance or public funds.
Figure 2. Source of funding of maternity leave cash benefits, 2013 (185 countries and territories)

(Article 6(8)), which are the pillars of social security. This principle is important for mitigating discrimination against women in the labour market, which is more likely where employers have to bear the full costs of maternity leave directly.10

Of the 185 countries and territories surveyed, 58 per cent provide cash benefits through national social security schemes (107 countries). In 25 per cent of the total (47 countries), benefits are paid solely by the employer. In 16 per cent of surveyed countries, employers and social security systems share the cost of cash maternity benefits (29 countries).

Globally, the percentage of countries which rely on employer liability systems has declined over time from 33 per cent to 26 per cent in 2013 (from 48 to 37 countries). This represents around 15 per cent of the global population of employed women. There has been a positive shift away from employer liability systems towards sole reliance on social security systems for financing cash benefits, rising from 47 per cent in 1994 to 53 per cent in 2013 (from 68 to 76 countries). Furthermore, there has been a trend towards mixed systems in which employers and social security systems share responsibility for benefits, which saw an increase from 15 per cent in 1994 to 25 per cent in 2013.

Reducing the reliance on employer liability is encouraging as it reflects progress towards the principles and legal provisions called for in ILO standards. However, the persistent predominance of employer liability systems in Asia, Africa and the Middle East, especially in countries where social inequalities as well as maternal and child mortality rates are high, is a matter for concern, which calls for increased policy efforts. As discussed below, finding viable collective ways of financing maternity benefits without placing undue financial costs on the woman’s employer is essential to achieving both effective maternity protection and equality between men and women at work.

The coverage gap

Despite the progress registered on substantive elements of labour regulations on paid maternity leave, ILO estimates of numbers of workers covered, both in law (“coverage in law”) and in practice (“coverage in practice”), by paid maternity leave systems show major implementation gaps. The extent to which workers are covered by maternity protection provisions depends on various aspects. First, a

10. Innovating from previous standards and with a view to encourage its ratification by member States which do not have a social security maternity benefits branch, Convention No. 183 allows employers to assume individual liability for maternity benefits in cases where they have given their specific agreement; where this was determined at the national level before the adoption of the Convention No. 183 in 2000, or where it is agreed upon at the national level by the government and the social partners (Article 6(8)).
distinction should be made between legal and actual coverage. The coverage in law (legal or statutory coverage) aims to estimate the scope of the legislation, namely the categories of workers to whom the law applies. The legislation and its scope are among of the main determinants of legal coverage. At the national level, the percentage constituted by the categories of employed women legally covered depends on first, who is covered by or excluded from labour or social security legislation; and any eligibility requirements specified in order to obtain benefits.

Coverage in practice (or effective coverage) aims to determine the extent to which the law is actually implemented and thus the share of population which is covered de facto and actually benefiting from its application. Coverage in practice can be measured in terms of actual coverage (or actual beneficiaries), that is, the number of people accessing the right to maternity leave or cash benefits, or potential coverage (or protected persons), specifically the number of people who potentially have rights or benefits guaranteed but have not necessarily become beneficiaries (ILO, 2012). The estimates presented below show the rough number of protected persons, defined as women who actually contribute to social insurance, alongside men, in line with the statutory qualifying conditions, and are eligible to receive maternity benefits were they to have a child.

Estimates of coverage in law and practice of paid maternity leave

Most of the analysed countries provide maternity protection for employed women in the private and public sectors. However, a large majority of women workers, representing around 830 million workers around the world, are still not adequately protected in case of maternity. Almost 80 per cent of these workers are found in countries in Africa and Asia. Globally, while 40.6 per cent of employed women enjoy a statutory right to maternity leave, only 34.4 per cent of the total benefit from mandatory coverage by law and thus are legally entitled to cash benefits as income replacement during their maternity leave (Figure 3). When taking into account the right of certain categories of workers, mainly self-employed, domestic or agricultural workers, to join a social security scheme which includes maternity benefits on a voluntary basis, statutory coverage of maternity leave benefits applies to almost 57 per cent of all women in employment.

The regional differences are striking. Coverage in law in terms of maternity leave varies from 18 per cent of women workers in Africa to 77 per cent in Eastern

11. It may also depend on whether coverage is mandatory or voluntary, or if workers need to opt in for coverage.
12. In many countries, such voluntary provisions are taken up only sparsely, thus voluntary coverage may not reach the same level of protection as mandatory coverage.
Figure 3. Coverage in law – maternity leave: Percentage of women workers entitled to maternity leave, 2010 (173 countries)

Source: ILO estimates based on data from official sources.
Europe and Central Asia, with 21 African countries out of 52 providing a statutory right to maternity leave for less than 10 per cent of all employed women (see Figure 3). Low legal coverage rates also affect Asia, where 16 countries out of 26 grant this entitlement to a section of the workforce ranging between 10 and 32 per cent of the total. Statutory coverage of maternity leave largely reflects country-level labour force characteristics. Since the scope of labour codes is often restricted to employees, countries with a significant share of self-employed women in total employment tend to show the lowest level of legal coverage.

Similar regional variations are found for coverage in law of maternity leave cash benefits (see Figure 4), although the level of legal protection is higher when taking into account workers entitled to voluntary coverage. It ranges from a total of almost 27 per cent of women workers in Africa (18 per cent excluding voluntary coverage) to 91 per cent in Eastern Europe and Central Asia, where social security legislation is more likely to cover self-employed workers on a mandatory basis. The share of voluntary coverage has particular weight in Asia, where the difference resulting from the inclusion of mandatory legal protection is almost 37 percentage points. In fact, in China, self-employed workers, who would otherwise be excluded from maternity leave, are entitled to contribute to social insurance on a voluntary basis. In more than a third of all countries for which data are available (67 countries out of 172), more than 90 per cent of women in employment enjoy a statutory right to cash maternity benefits on a mandatory basis (56 countries when excluding voluntary coverage). At the other side of the range, in 21 countries, most of which lie in sub-Saharan Africa, less than 10 per cent of women workers are entitled to maternity leave cash benefits.

Despite the statutory requirements, additional obstacles to the effective implementation of the legislation, such as lack of awareness of legal entitlements and benefits, reluctance to rely on social security systems, inadequate enforcement of legal provisions, insufficient contributory capacity, discriminatory practices, informality and social exclusion, can prevent women from receiving the benefits to which they are entitled. In fact, just over a quarter (28.4 per cent) of employed women worldwide are effectively protected through contributory or non-contributory cash benefits in case of maternity (Figure 5). This means that globally only around 330 million women workers, regardless of their employment status, would receive income support in the event of childbirth, almost 38 per cent of whom are workers in the more developed economies. In Africa and Asia, only a minority of women in employment (less than 15 per cent) are effectively protected with maternity leave cash benefits. As shown in the previous section, these are the regions where employer liability schemes are more prevalent, informal work is

13. Otherwise, 25 countries when voluntary coverage is taken into account.
Figure 4. Coverage in law – maternity leave cash benefits: Percentage of women workers entitled to maternity leave cash benefits, including workers entitled to voluntary coverage, 2010 (172 countries)

Source: ILO estimates based on data from official sources.
Figure 5. Coverage in practice – maternity leave cash benefits: Percentage of women workers contributing to a maternity cash benefits scheme or otherwise protected for income loss during maternity, 2010 (117 countries)

Source: ILO estimates based on data from official sources.
predominant and maternal and child mortality ratios are still very high. Close to full coverage, of more than 90 per cent of employed women, is reached only in 21 countries, largely in Europe.

The patterns of exclusion

The scope of national legislation

When looking more specifically at the patterns of legal exclusion, which underpin the above gaps in coverage, it is found that in many countries specific sectors or categories of workers are explicitly excluded from, or not listed among the workers covered by the scope of, labour legislation and/or social security legislation or from the corresponding law regulating cash maternity benefits. Depending on the national context, the foregoing exclusions can affect a large majority of working women, as they are over-represented in these types of work.

A preliminary review of the scope of national legislation shows that the majority of the legal exclusions affect women engaged in self-employment – namely employers, own-account workers, contributing family members or members of producers’ cooperatives – domestic work, agriculture and atypical forms of dependent work. Among the self-employed, contributing family workers and own-account workers constitute the most commonly excluded sub-categories. Explicit legal exclusion of workers in agriculture has been identified in at least 27 countries, including the Plurinational State of Bolivia, Egypt, Rwanda, Sudan and Thailand (ILO, 2014).

Since labour and social security legislation were originally set up to protect wage and salary workers who have an explicit contract in formal enterprises through employment-related social insurance, in middle- and low-income countries, self-employed and agricultural workers, who represent the vast majority of informal economy workers and make up major segments of the labour market, are typically not covered and remain among the most vulnerable workers. In these countries, alternative social security arrangements, such as non-contributory schemes, are not sufficiently developed to provide at least a basic level of social security coverage to those outside of a formal employment relationship (ILC, 2011b).

A recent study in Mozambique illustrates this issue, which is typical for many developing countries. The mandatory contributory social security scheme provides maternity cash benefits for formal, private-sector workers. In practice, however, this benefit covers only 0.1 per cent of all births. While coverage is low for a number of reasons, including the recent date of the programme’s implementation, lack of awareness, and contribution fraud, a major factor is that many workers are
casual workers, even when they work in the formal sector, and only a minority of women in Mozambique are salaried workers who are eligible for coverage (Castel-Branco, 2013).

In India, also, the majority of workers are in informal work and in the agricultural sector, and are beyond the reach of formal benefits programmes, while social assistance schemes impose age, number of births and poverty restrictions that severely restrict the coverage of the schemes. As a result, it is estimated that less than 1 per cent of women workers are eligible for maternity benefits (Lingam and Kanchi, 2013).

In addition, an increasing number of workers, most of them women, work in “atypical forms of dependent work” where the employment relationship is unclear, temporal, fragmented or hidden and who also tend not to benefit from legal coverage. The exclusion of workers with non-standard contracts is by no means confined to developing countries. For instance, in Japan, the law excludes part-time workers from access to maternity benefits under the social security system (ILO, 2014). In Italy, 25 per cent of women aged 15 to 34 were in temporary employment, but just 9 per cent of women on compulsory maternity benefits were temporary workers (Bettio et al., 2013). In the United States, only 12 per cent of private-sector workers have access to paid family leave. This figure is even lower for low-wage earners, only 5 per cent of whom have access to this entitlement (Bureau of Labor Statistics, 2013).

The characteristics of the workplace also play a role in the extent of legal exclusion. In some countries, small- and medium-sized enterprises or households employing domestic workers are exempted from compliance with certain provisions of labour and social security laws pertaining to maternity protection. The ILO estimates that, globally, around 15.6 million women domestic workers (36 per cent of the total) are not legally entitled to maternity leave, while this right is guaranteed to other categories of workers (ILO, 2013).

Statutory qualifying conditions to access the entitlement to paid maternity leave also play a role in the extent of exclusions. According to Convention No. 183, the sole prerequisite for a worker’s right to maternity leave is the production of a certificate indicating the expected date of birth (Article 4(1)). In national laws, a woman’s right to take maternity leave is often linked to various eligibility criteria, including a notice period or other notification requirements; a minimum period in employment or time in service with the same employer. Certain countries restrict the number of times a woman can take maternity leave, or leave may be granted only once during a given period. The ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) has remarked that
such a situation is not in line with maternity protection Conventions and highlighted the need to ensure full leave, irrespective of the number of children.\textsuperscript{14}

The right to receive maternity leave cash benefits is also usually subject to eligibility requirements. In many countries where cash benefits are wholly or partly paid by social security, workers must have a minimum period of contributions to insurance schemes or have tenure in insured employment prior to the maternity benefit period. These minimum contribution periods vary widely between countries. The most commonly encountered qualifying period ranges between nine and three months of affiliation before childbirth. According to Convention No. 183, a country may set up conditions that a woman must meet in order to qualify for cash benefits. The principle embodied in this respect in ILO standards is that the qualifying conditions should be such as to preclude abuse and play a role to guarantee the sustainability of social security systems (Convention No. 102, Article 51). However, Convention No. 183 adds that member States should ensure that the conditions to qualify for cash benefits can be satisfied by a large majority of the women to whom the Convention applies (Article 6(5)).

In addition, women who do not qualify for contributory cash maternity benefits should be entitled to adequate benefits paid out of social assistance funds, subject to the requisite means test (Article 6(6)). Social assistance is typically financed by state general revenues and/or earmarked taxes and administered by governments alone, often at the local level. In national laws and social protection programmes, cash benefits for social assistance are generally flat-rate and lower than those provided by social insurance.

The CEACR has indicated that Convention No. 183 “requires social assistance benefits to be of an adequate level and to allow for the needs of the mother and her child to be met throughout the period of leave provided for in the Convention, namely 14 weeks”\textsuperscript{15} Nevertheless, the Committee of Experts has observed that the level and duration of social assistance benefits are sometimes insufficient and their coverage limited, factors which might be linked to the restrictive conditions which must be met in order to access them. For instance, in Spain, only 752 women received non-contributory maternity benefit for an average duration of 42.5 days in 2012. The CEACR highlighted that the economic needs of these beneficiaries were not covered for the whole period of statutory maternity leave as they received a daily amount of EUR 17.75, which is lower that the poverty threshold, which in 2012 stood at EUR 20.43 a day.\textsuperscript{16}

In these cases, the Committee or Experts has emphasized that ILO standards require the “full and healthy maintenance” of the woman and her child in

\textsuperscript{14} See CEACR, Observation, C103, Sri Lanka (2011). All the CEACR Observations and Direct Requests cited in this article can be accessed on the website of NORMLEX <www.ilo.org/normlex>.

\textsuperscript{15} See CEACR, Direct Request, C183, Cuba (2007).

\textsuperscript{16} See CEACR, Direct Request, C103, Spain (2013).
accordance with a “suitable standard of living”, and the payment of benefits throughout the entire period of maternity leave. The Committee also observed that in certain cases national programmes have as an objective the progressive elimination of the qualifying period, thereby affording a greater number of working women improved financial and health protection during their maternity leave (ILC, 2004a). As illustrated in the final section, while coverage of informal and low-income women remains largely insufficient, an ever-increasing number of countries are extending maternity protection through non-contributory social assistance programmes financed by public funds, in line with ILO Convention No. 183 and ILO Recommendation No. 202.

**Extending social protection coverage related to maternity and care needs with a gender lens**

National practice shows that, in the case of maternity, non-contributory schemes can play a number of different roles in funding maternity leave payments. First, they can act as the sole source of funding of employment-related maternity cash benefits: this is the case only in Australia, Georgia, New Zealand and the United Kingdom, where benefits remain largely income related (up to a ceiling in New Zealand), with the exception of Australia, where a flat rate at the minimum wage level is paid. Second, they can complement, typically at a flat rate, earnings-related benefits provided by social insurance (in Bosnia and Herzegovina, Croatia, Greece and Japan) or employers (Denmark, Hong Kong (China), and Singapore). Third, as discussed above, they provide a substitute for contributory maternity cash benefits where workers who would otherwise be eligible for receipt of maternity benefits fail to meet the qualifying conditions for the applicable regime, subject to the means tests that might be required (Article 6(6) of Convention No. 183).

More recently and in line with ILO Recommendation No. 202, social assistance has acted as the sole source of funding of non-employment related minimum benefits, which are paid to workers in the informal economy or low-income women in general, who are not affiliated or contributing to any social security system. In certain cases, conditions for eligibility related to the recipient’s behaviour may apply; for example, the mother may be required to undergo regular medical check-ups during pregnancy or to give birth in a health facility. Cash transfers might also be provided as part of employment guarantee schemes or to complement the provision of services such as childcare for low-income workers.

To different extents, some social protection programmes have also attempted to address gender relations among their primary concerns, supporting women’s reproductive needs and family responsibilities and challenging the unequal

17. For a discussion of social protection and gender, see Jones and Holmes (2011).
division of labour between women and men in the household and at work. For instance, in Peru, the Government-led cash transfer programme *Juntos* targets the lowest-income households with children under the age of 14 or pregnant women. In 2012, it covered over 490,000 households with a transfer of around USD 70 every two months conditional, among other things, on attendance at antenatal and postnatal visits for the mother and the child, delivery in a health facility and information on reproductive health and family planning. Impact assessments show a 65 per cent increase in access to maternal and infant health services, which is expected to improve health outcomes, given the high level of maternal mortality in poor rural areas. Beneficiaries also reported improved equity in the division of family responsibilities between women and men, with men reporting more involvement in childcare and domestic chores. However, the programme still promotes women’s role as the main caregiver, which, combined with programme conditionalities, is likely to reinforce women’s time poverty (Holmes and Jones, 2013; see also Molyneux, 2007).

Chile’s comprehensive social protection programme “Chile Grows with You”, institutionalized by Law No. 20.379 of 2009, provides an integrated set of benefits and services including universal maternal and child health care, family allowances and childcare for the most vulnerable 40 per cent of the population. Along with a strong child development focus, it also aims to promote low-income parents’ employment by reducing their unpaid care work through childcare services. The number of public day care centres increased from around 700 in 2006 to more than 4,000 in 2009, caring for over 70,000 infants (ILO and UNDP, 2009).

Ethiopia’s Productive Safety Net Programme is an employment guarantee scheme offering cash transfers with no work requirement (de facto paid maternity leave) to women beneficiaries who are more than 6 months pregnant or nursing an infant up to 10 months old. It also aims to allow women to adjust their working hours according to family responsibilities, arriving late or leaving early if necessary and supplies childcare services (Holmes and Jones, 2013).18

Social transfers, social care services and employment guarantee schemes, which systematically include maternity protection measures and address care needs, while remaining as yet still limited, have the potential to enhance economic security and access to maternal and child health care for vulnerable pregnant and nursing women and their children. Research shows that social protection programmes targeting these groups can be enhanced to become more gender-transformative by increasing women’s participation; tackling multiple forms of discrimination; providing safe, decent and family-friendly working conditions,

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including maternity protection; supplying the types of infrastructure and services that both reduce women’s and girls’ unpaid care work and increase their access to health care, education and employability services; and furthering intra-household equality and decent work (Kabeer, 2013).19

Conclusion

By showing how the scope of maternity protection has expanded since the adoption of the first international labour standards in 1919, the recent trends of national legislation and estimates of its legal and effective coverage, this article has presented the role of ILO Convention No. 183 and ILO Recommendation No. 202 in the process of the universalization of the right to maternity protection as well as their potential to promote its effective extension to all women. Given the substantial numbers of women in non-standard employment relations and in the informal economy around the world, the lack of access to maternity protection is a very serious concern for women, their children and families, their employers and their governments. Efforts to pursue and scale up programmes to expand adequate coverage of maternity protection are urgently required in parallel with enhanced regulatory frameworks. This need has been recognized in the aforementioned global standards which aim to improve vulnerable groups’ access to decent work and social protection. In this context, systematically addressing gender inequalities, in the first instance, through minimum social protection guarantees related to maternity and care will be essential not only to achieve equality of opportunity between women and men, but to harness the full potential of social protection to attain broader economic and social development goals.

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Extending maternity protection to all women: Trends, challenges and opportunities


Extending maternity protection to all women: Trends, challenges and opportunities


How portable is social security for migrant workers? A review of the literature

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Abstract  This article reviews the recent literature on existing mechanisms that allow for the portability of social security entitlements for migrant workers and finds that North–North migrants have the best access to portability. There is limited coordination between origin and destination countries regarding the portability of social entitlements of South–North migrants. These migrants are dealing with discourses and policies that treat them as second class citizens, even as they are providing much-needed labour to their host countries. South–South migrants are seeing new regional mechanisms addressing portability. However, many of the impacts of these mechanisms are not yet known. Other knowledge gaps on portability relate to internal and South–South migration, the role of gender and other social identities, migrants’ occupations as well as their legal immigration status.

Keywords  scope of coverage, migrant worker, social security agreement, international

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The International Labour Organization (ILO) estimated the global stock of international migrant workers at 105 million in 2010 (ILO 2010a, p. 2). International migration can broadly be divided into three types of movement: migration from developing countries (“the South”) to more developed countries (“the North”) which makes up just over a third of total migration, the same proportion as South–South migration, while North–North migration makes up just under a third (UNDP, 2009, p. 21).

For most migrants, there is a “central tension between the mobility of labour and the non-mobility of entitlements” (Gasper and Truong, 2014, p. 385). According to Holzmann, Koettl and Chernetsky (2005, p. 65), only about 20 per cent of migrants worldwide work in host countries where full portability of pension benefits to their countries of origin is possible with the help of bilateral agreements. The portability of social security entitlements is an important transformative reform needed to respect the human rights of migrants, who are required and generated by the global economic system. To meaningfully take into account the needs and aspirations of migrants whose movements are temporary, circular or transient, portable social security entitlements need to be addressed.

Migrants face many of the same risks and hazards as the population of the destination country; however, they also face migrant-specific risks that may, for example, be related to unfamiliarity with the context of their host country or to their immigration status. Jousten and Pestieau (2001, cited in Jousten 2014, p. 3) have identified three broad stages of mobility: at the beginning of the working life (departure), during the working life (work placement) and at the end of the working life (return), with different motivations, consequences and policy implications at each stage. Along this migration cycle, migrant workers face risks such as unemployment, sickness, injury, and problems in old age such as poverty and illness. It is important to point out that migrants’ households also face risk and uncertainties as a result of their members moving away, and so do their communities. Coping mechanisms of non-migrants and their communities raise important questions about the social as well as physical production and reproduction of households and communities. It is therefore useful to consider households’ and communities’ life-course as a framework for the analysis of migration (Locke, Seeley and Rao, 2013a and 2013b).

Migrants may face any of the above insecurities at any stage of migration. Due to a different socioeconomic and institutional environment, these may also differ in priority depending on the type of migration flow (North–North, South–North, or South–South). Migrant workers may be, for example, more vulnerable to sickness at the departure stage, thus requiring social security measures such as health care benefits. The risks of unemployment and injury at the work placement stage
will require unemployment or disability benefits, and old age at the return stage will require pension benefits. Portable social security entitlements can help address these risks by offsetting the absence or changes in income for the individual migrant or their family members, especially if the migrant worker is away from his or her family.

This article reviews the recent literature on existing mechanisms that allow for the portability of social security entitlements for migrant workers, as an important factor in addressing migrants’ needs and aspirations. The review aims to cover the current scope of knowledge of social security benefits, indicating present research findings and pointing out research gaps.

The following, second section defines key concepts. The third section looks at public instruments available to address the need for portable social security. The fourth section reviews existing mechanisms available for migrants from the three main categories of migration flows: North–North, South–North and South–South. The final section highlights research gaps and concludes with some reflections and questions.

Defining concepts

Migrant workers are defined as people who work in an area, region or country different from their usual place of residence. We pay attention also to their families. Their movement can be internal or international, but our emphasis is on international migration. Migrant workers move from a place of origin to a destination in a process that can be permanent, temporary, circular or transient. Overall, the mobility processes of migrants are “complex, lengthy, unstable, and diverse” (Zhu and Lin, 2014, p. 167). Migrants need to have their rights protected spatially and temporally; in the long transition process and at different locations (including their places of origin) before their final (re)settlement (Zhu and Lin, 2014, p. 167).

“Social security” is broadly defined as public policy measures aimed to protect members of society against social and economic distress in relation to sickness, economic insecurity, unemployment, disability, poverty, old age and so on (ILO, 2010b, p. 13).1 As such social security may well be viewed as a “fundamental” and “universal” right in line with the approach of International Social Security Association, as well as a “means” to an “end”: such as for “access to adequate and secure livelihoods and income” (Mkandawire, 2001, p. 1), or for the protection of “workers and their households from contingencies threatening basic living standards” (Barrientos, 2010, p. 1).

1. For a more detailed discussion of the ILO’s notion of social security, see ILO (2010b, pp. 13–15) and ILO (2012, pp. 2–4).
Social security and social protection are often used interchangeably. Whilst the former is a state-based affair, the latter can include private measures such as employer-funded schemes and support through social networks. The focus here is on state-based schemes because of the more limited scope of private measures. To highlight this focus, we use the term social security. Nearly all countries provide some level of public social security though in many countries coverage is limited to a few measures, and only a minority of the global population has legal and effective access to existing schemes (ILO, 2010b, p. 31).

Sabates-Wheeler, Koettl and Avato (2011, pp. 93–94) identify four pathways to “social protection” for international migrants. In this article, we will concentrate on the second component:

- Access to social security in host and origin countries affects their level of vulnerability;
- Portability between host and origin countries is important for avoiding losses of accrued entitlements;
- Labour market conditions for migrants in host countries and the recruitment process for migrants in the origin country must balance between employers’ needs and workers’ protection; and
- Access to informal networks can act as informal social safety nets to support migrants and their family members.

The portability of social security entitlements is the ability of migrant workers to preserve, maintain, and transfer benefits from a social security programme from one country to another and between localities in a country (spatial portability), between jobs (Cruz, 2004, p. 1), and between members within a household (social portability). This is similar to Holzmann and Koettl (2014, p. 14) who define portability with regard to “vested [secured] social security rights (or rights in the process of being vested), independent of profession, nationality, and country of residency”.

With better-developed social security systems established in the North, Sabates-Wheeler, Koettl and Avato (2011, p. 93) distinguish portability as being an issue mostly of concern for North–North and South–North migration flows. Within these flows, they emphasize the importance of portability “for long-term benefits that have an explicit or implicit pre-saving element as in the case of old-age pensions and health insurance, respectively” (Avato, Koettl and Sabates-Wheeler, 2010, p. 456) because otherwise, migrants risk serious financial losses.

At the outset it is important to distinguish between “portability” and “exportability” of social security entitlements. The former requires cooperation between the host and origin countries to agree on eligibility and joint determination of benefit levels both in principle and in relation to a specific migrant. Exportability requires action only on the part of one country (Sabates-Wheeler, Koettl and Avato, 2011).
The ability of migrants to claim their social security entitlements is greatly affected by state notions of citizenship, residence, and employment status. Migrant workers, who commonly experience intersecting degrees of informality relating to age, gender and sector, often tend to be barred from contributing to social security systems in their host country and are subsequently unable to claim any benefits when they return home (ILO, 2010b), making them even less likely to have access to existing social security provisions. Yet, this need not be so. The Swiss canton of Geneva, for instance, provides social security benefits that also include portable pension benefits for informally-employed domestic workers, independent of their immigration status (Tomei, 2011).

Policy instruments addressing risks in the migration cycle

This section briefly looks at the instruments that can help address the risks faced by migrant workers (and their family members) mostly in the work-placement phase of the migration cycle.

Among the instruments to address migration risks and potential subsequent social insecurity, unilateral measures, bilateral agreements and multilateral agreements can be distinguished. Unilateral measures consist of public policy of the host country that applies to all migrant workers, regardless of residence, citizenship or immigration status. An example of this is the social security legislation in Barbados, which does not exclude migrant workers on the grounds of whether they have a work permit or not, including those whose permits have expired (Williams, 2008, p. 2). Bilateral agreements are those signed between two countries to coordinate the provision of social security entitlements, among other areas. Often, a host country signs multiple agreements with other countries from which it experiences the largest flows of migrants. For example, as of 2014, the United States has signed 25 bilateral social security totalization agreements with high-income countries, mostly in Europe (Social Security Administration, 2014), while a similar agreement proposed in 2004 with Mexico, its biggest source of migrant workers, has yet to be enacted. Multilateral agreements are usually agreed between a group of countries at regional levels, such as the Caribbean Community (CARICOM) Reciprocal Agreement, the MERCOSUR International Agreements System or the European Union regulations EC No. 883/2004, 987/2009 (Holzmann and Koettl, 2014, p. 19; Jousten, 2014, p. 11), among others.

The aim of bilateral and multilateral social security agreements is to improve access to and the portability of social security rights for migrants. Bilateral social security agreements usually do away with nationality or residency requirements under provisions of non-discrimination between nationals and migrants, along with rules of cooperation between the social security institutions of the two
countries. These institutions have the task of coordinating the periods of contributions accumulated in both countries, and then to regulate the transfer and payment of the acquired entitlements. However, these agreements usually cover only contributory long-term benefits such as old-age, disability, and survivor pensions. Health care benefits and purely tax-funded benefits (e.g. social assistance or maternity allowances) are usually not portable (Sabates-Wheeler, 2009, p. 9).

In their quantitative estimates of migrants who have access to portable social security entitlements, prepared for the Global Commission on International Migration, Holzmann, Koettl and Chernetsky (2005, p. 7) introduced the notion of four “portability regimes” of social security:

• (Regime I) regular migrants who move under the protection of a bilateral or multilateral social security arrangement between their origin and host country;
• (Regime II) migrants who have access to social security benefits without bilateral agreements;
• (Regime III) migrants with no access, especially to long-term benefits (e.g. old-age pensions), not even on a voluntary basis, but some access to non-portable short-term benefits (like health care); and
• (Regime IV) migrants who participate in the informal sector of the host country and have very limited access to social security.

According to their data, about two-thirds of documented and undocumented migrants residing in Africa, Asia or Latin America have access to social security benefits without bilateral agreements. Of migrants in Europe, Oceania and North America, those whose countries have signed bilateral agreements, the figures range from 48 to 65 per cent; those who have access to social security without such agreements, the figures is around 35 per cent in Europe and North America (slightly higher in Oceania); and those who have very limited access due to their undocumented status or work in the informal economy, the figure is 16 per cent in Europe and no access in North America and Oceania (Holzmann, Koettl and Chernetsky 2005, p. 66).

Continuing and complementing the work of Holzmann, Koettl and Chernetsky (2005), Sabates-Wheeler, Koettl and Avato (2011) expand their research to countries that experience South–South migration, in particular middle- and low-income host countries. They analyse current practices that countries in different regions follow to protect migrants in terms of access and portability of long-term (mostly contribution-based) benefits, and provide their own calculated estimates of migrants who are protected by bilateral or multilateral agreements, using

2. Holzmann, Koettl and Chernetsky (2005, p. 66) mention long-term benefits (like old-age pensions), and some non-portable short-term benefits (like health care) in the description of their regimes.
similar categories to those of Holzmann, Koettl and Chernetsky (2005),3 which descend in order of the level of protection. But the study by Sabates-Wheeler, Koettl and Avato (2011) has different geographical scope covering a selection of countries in all continents; and works with social security regimes that vary across countries that include social services ranging from health care and old-age to disability benefits, maternity and unemployment benefits, family allowances, public housing and education. Moreover, they use the study by Avato, Koettl and Sabates-Wheeler (2010) and provide estimates of undocumented migrants.

In 2000, the stock of international migrants according to the data provided by Sabates-Wheeler, Koettl and Avato (2011, p. 106) was 186.5 million, 18 per cent of whom (or 32.6 million people) were undocumented, having the least access to social security support. The great majority of these undocumented migrants, about 74 per cent, originated from developing countries.

Migrants with legal immigration status fare better in terms of social security coverage depending on the availability of, and access to, host social security systems and the existence of international or bilateral agreements. Europe affords social security coverage to 80 per cent of its “legal” migrants because of the existence of international agreements and the large number of migrants originating from high-income countries. Meanwhile, in South Asia and sub-Saharan Africa, the corresponding rates are zero and 4 per cent, respectively. Low-income countries lack such agreements. Sabates-Wheeler and Koettl (2010, p. 116) have identified South–South migrants as a significant group, but the research by Sabates-Wheeler, Koettl and Avato (2011, p. 108) on poorer migrants in South Africa, Malawi, and the United Kingdom finds that overall while “the agenda to facilitate formal social security for South–South migrants is not very well developed”, we cannot discuss their portability.

As for the portability of health insurance or health care across the world, Werding and McLennan (2012) provide the first economic analysis of North–North and North–South portability. However, they determine that it is difficult to establish the international portability of health-cost cover, “due to the long-term nature of insurance provided and additional elements of redistribution that may be included” (2012, p. 26).

Unilateral commitments of a country’s employers or state jurisdictions, bilateral agreements between countries or multilateral agreements within a region, can help address risks that migrant workers face, especially in the work placement

3. Sabates-Wheeler, Koettl and Avato (2011) provide estimates for i) legal migrants who move under the protection of a bilateral or multilateral social security arrangement between their origin and host country; ii) legal migrants without such arrangements, but have access to social security and services in the host country; iii) legal migrants who are excluded from social security and services in the host country; and iv) undocumented migrants who have very limited access to social services and social security and work in a largely unregulated labour market.
phase. However, many of these agreements have not been thoroughly formulated for all types of migrant workers, may have provisions for social security but which are not necessarily portable, or whose portability is difficult to establish. The principles of territoriality, citizenship, and residence affect migrant workers in different ways. Another important point about portability provisions is the need for their proper implementation, for example better administrative arrangements for the submission of claims, declarations and appeals (van Ginneken, 2013a, p. 219). The next section looks at various cases of portable social security, where provided, along North–North, South–North, and South–South migration flows.

**Portable social security along different migration flows**

**North–North**

Migrants need social security to cover contingencies such as work-related injuries at the future workplace or unemployment. At the same time, they look towards ways to safeguard their future income security, through pensions, for example. A third of migrants who move among high-income countries typically have better access to social security coverage in this respect, either by the provision of social security based on citizenship or residence, or through financial ability to purchase market-based insurance products, as well as bilateral and multilateral agreement. These migrants usually move under labour migration schemes for mid- to high-skilled workers (Holzmann and Pouget, 2010, pp. 15–16).

The Member States of the European Union (EU) have the most comprehensive (and complex) system of portable as well as exportable social security benefits. EU nationals enjoy full non-discriminatory access to all and portability of most social security benefits. This is reflected in the fact that only a very small share of EU citizens perceive the lack of portability as an obstacle to relocate to another EU member country (d’Addio and Cavalleri, 2014, p. 7). Jousten (2014, p. 11) cautions, though, that the EU legal and administrative framework coordinates national systems rather than harmonizing them. Moreover, EU regulations grant a right to invoke these coordination mechanisms, but not an obligation to do so. As for third-country nationals, they are treated equally only after a certain period of residence.4

The EU allows exportability of most cash benefits in Member States, including pensions, survivors’ benefits, death allowances, and benefits for work accidents and occupational diseases. Some cash benefits, which generally come under social

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assistance programmes and are designed to help the recipients in their country of residence, for example housing benefits, are obviously not exportable.

Other cash support such as unemployment benefits may be exported only up to three months (or six months if the paying country extends it). Some non-contributory cash benefits are to be paid only in the country of residence and according to its laws (Pigeon, 2004, pp. 4–10, cited in Pasadilla and Abella, 2012, p. 23). Access to health care in another EU Member State is allowed for emergency and medically-necessary procedures during a temporary stay, subject to prior authorization for non-retirees. Overall, very few bilateral or multilateral agreements exist for health care portability. Besides intra-EU arrangements, a related arrangement exists between Turkey and the Republics of the former Yugoslavia (Holzmann and Koettl, 2014, pp. 31–32).

Eastern Europe and Central Asia do not have any regional multilateral agreements as yet, although there are trends towards greater cooperation between social security agencies.5

Jousten (2014) looks at the portability of pensions for migrant labour in the EU, focusing largely on intra-European portability by citizens of the countries that are signatory to these multilateral agreements and partly on outward portability to non-EU countries on a bilateral basis. In general, portability of pensions is more challenging at the employment stage of migration, which was recently re-emphasized by the European Commission (EC) in its White Paper on “adequate, safe and sustainable pensions” (EC, 2012). MacAuslan and Sabates-Wheeler (2011) also insist that imperfect benefit eligibility and takeup, as well as selective benefit provision to immigrants, are important considerations. This is particularly the case in the EU where certain regulations provide protective rights to citizens.6 However, some authors have noted that since the type of systems operating in different countries vary along, broadly speaking, Bismarckian or Beveridgean welfare models7 with different entitlement criteria and levels in monetary terms, migrants may lose or gain depending on whether they move to a lower-income or higher-income as well as lower/higher entitlement country. Harmonization of entitlement rules may help to narrow the gap between different countries, but differences in the level of development and income remain. This is

5. As indicated by the adoption in 2005 of the so-called Baku Declaration on Enhancing social protection of migrant labour (cited in van Ginneken, 2010, p. 3), signed by social security directors, administrators and experts from 24 countries.
7. Bismarckian systems have a strong role for social insurance and labour market regulation, with pensions that are “strictly contributions-linked”, while Beveridgean pensions give out “purely uniform benefits” (Cremer and Pestieau, 2003, cited in Jousten, 2014, p. 4). However, it should be noted that the Beveridgean plans, at least in its birth place of the United Kingdom, was envisaged as a social insurance programme where the entitlement to and the amount of state pension received have been linked to the number of years of national insurance contributions.
why, in general, migrants moving from lower-income, lower level of entitlement, Eastern European member countries benefit from moves to richer, more generous entitlement, Western European member states, whether Bismarckian or Beveridgean. The authors show that the majority of intra-EU migrants move from Bismarckian systems of low generosity in the poorer east to Beveridgean and more generous Bismarckian in the richer west, and therefore benefit from the move (Meyer, Bridgen and Andow, 2013).

For an analysis from the migrant worker’s perspective, some authors have studied the interactions between institutions and individual behaviour in Western Europe and the United States, since these have a variety of social security designs (Wise, 2012; Gruber and Wise, 2004, cited in Jousten 2014, p. 8). The authors highlight the significance of individual circumstances such as household composition, career profiles and wage trajectories.

### South–North

Holzmann, Koettl and Chernetsky (2005) make an important first study of portability, focusing on South–North migration, in particular to host countries in continental Europe and the United States. Avato, Koettl and Sabates-Wheeler (2010, p. 462) characterizes these latter countries as having “Bismarckian” social security systems and therefore being a rather homogenous and unique case.

Some countries’ systems of social security are limited to the “principle of territoriality”, so migrants who work in another country are not entitled to benefits in their country of origin. Benefits may require residence, a minimum number of contributions, and if the worker has moved abroad, coordination between two social security schemes (Hempel, 2010, p. 1). Access to social security may also be near impossible for certain groups of workers, such as migrants working in low-pay employment like domestic work, who are overwhelmingly women.

Bilateral agreements are more likely to exist between countries that experience organized migration through labour migration schemes. These schemes may be seasonal or non-seasonal, but always temporary (Holzmann and Pouget, 2010). The Philippines sends large numbers of women migrants each year to various countries in the North. The Philippines Overseas Workers Welfare Administration (OWWA) is an important example of an origin institution that provides migrant protection and a type of spatial portability from origin to host country. Ruiz (2008) describes the role of this institutionalized welfare fund for overseas migrant workers, financed by membership fees paid before deployment. The OWWA provides support services for public assistance programmes and services at its own specialized centres, such as “community outreach, repatriation, welfare assistance, reintegration preparedness, socio-cultural and sports development, and country-specific pilot programs” found in several countries (Ruiz, 2008, p. 2). It is an
intervention in the uncontrollable process of international migration, which Agunias (2008, p. 37) notes as causing some problems due to the lack of collective effort with the host countries.

Partly inspired by this model, the Sri Lanka Overseas Workers Welfare Fund also demonstrates how origin countries can take more responsibility for their international migrants’ social security, even in the absence of agreements with the host country. This fund provides social insurance for migrants and their family members who are left behind, and covers payments to migrants and their families in cases of death, disability or a need to cover travel expenses (del Rosario, 2008, pp. 14–21) and is, thus, a type of social portability within the household.

Some high-income countries such as Australia, Canada, New Zealand, and the United States have social security arrangements specially targeted at seasonal workers from the South. In Australia, portability provisions for the age pension such that it could be paid overseas were developed in the 1970s, but restricted again in 1985. Currently, only those persons who have accumulated 25 years’ residence in Australia are eligible for full rate pensions (Boucher and Carney, 2013, p. 12, p. 31). Temporary migrants in Australia, such as those under the Pacific Seasonal Worker Pilot Scheme, can claim their pension contributions upon departure in the form of a lump sum (Holzmann and Pouget, 2010, p. 5). Canada’s Seasonal Agricultural Worker Program gives migrants the same status as other expressly protected groups, although in practice, eligibility requirements for unemployment benefits are difficult to meet for seasonal migrant workers. Despite this, maternity, parental and compassionate care benefits are portable as they can be collected both inside and outside of Canada. However, McLaughlin (2009, cited in Holzmann and Pouget, 2010, p. 44) reveals that Mexican and Jamaican workers may find it difficult to access health benefits at all, due to various practical reasons such as a lack of information on available services, language barriers, or the lack of de facto access due to long working hours.

The EU has bilateral agreements with the three Maghreb countries, Algeria, Morocco, and Tunisia – the main migrant origin countries from the Middle East and North Africa (MENA) to Europe. In particular, France, Spain and the United Kingdom have implemented schemes for seasonal workers. Thus, most migrants from MENA are “well protected” in Europe, although portability of health care benefits is an issue for migrants from other MENA countries (Koettl, 2009, p. 51). However, most of these benefits are extended to documented migrants. For example, while documented Moroccan migrant workers in Spain can accrue social security and retirement benefits, which are potentially portable, many of these Type T or contingente permits are not used by employers (Arango and Martin, 2013).

8. Workers must have shown that they have worked in a job that has paid employment insurance premiums for 600 insurable hours in the last 52 weeks or since their last claim, whichever is less (Holzmann and Pouget, 2010, p. 6).
Furthermore, the EU leads efforts to enhance social security cooperation within the Euro-Mediterranean Partnership (Holzmann and Koettl, 2014, p. 19). As mentioned above, the United States has bilateral agreements with 25 countries, including a 2004 agreement with Mexico, its second largest trading partner. However, this agreement is not yet enacted and, hence, does not effectively cover the portability of social security contributions from the United States to Mexico (Aguila and Zissimopoulos, 2013, p. 104). Nevertheless, Mexico allows voluntary participation for its migrant workers in its national social insurance programmes, thus allowing them social security benefits even when working in the United States or other countries (Mendizábal Bermúdez, 2010).

Members of ASEAN have started preparations for establishing a multilateral social security agreement after the signing of the Cebu Declaration at the 2007 ASEAN Summit to protect and promote the rights of migrant workers (Pasadilla and Abella, 2012, pp. 15–16; Tamagno, 2008, p. 1). Individually, countries such as Japan, Republic of Korea, Hong Kong (China) and Taiwan (China) have provisions that can provide portability to other countries even without bilateral agreements. Some significant bilateral agreements are the Republic of Korea with China, Mongolia, Uzbekistan, Thailand and Sri Lanka (National Pension Service, 2012) although these bilateral agreements signed by the Republic of Korea in 2007 were implemented only later. Other examples of bilateral agreements are the Philippines with Austria, Belgium, France, Ireland, the Netherlands, Switzerland, United Kingdom and Canada (Cruz, 2004, p. 4); and Pakistan with Denmark and Libya.

Hirose, Nikač and Tamagno (2011) elaborate on the Ibero-American Multilateral Convention on Social Security, which was signed by Spain, Portugal, and 12 Latin American countries (Argentina, Plurinational State of Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Paraguay, Peru, Uruguay, and the Bolivarian Republic of Venezuela). It addresses the exportability of benefits (including to non-signatory countries) and equality of treatment. It applies to all contributory schemes except health care benefits, although bilateral agreements among countries are possible. This convention “replaces a network of bilateral and multilateral agreements among Latin American countries, and between those countries with Spain and Portugal”, though it is not yet clear how it replaces or supplements the MERCOSUR social security agreement for South–South migration within Latin America (Pasadilla and Abella, 2012, p. 24).

In addition to bilateral and multilateral agreements, there is also a need to include migrants in any new global initiative with the objective of providing a minimum level of social protection. While representing a “great step forward...
towards the reduction of poverty and inequality as well as to the empowerment of people worldwide” (van Ginneken, 2013b, p. 83), Ratel, Williams and Williams (2013) argue that the ILO-initiated social protection floor (SPF) agenda suffers from inadequate incorporation of migration and low take-up in richer countries. They therefore call for several measures to correct these inadequacies such as the inclusion of migrant and migration organizations in the SPF advisory group, international agreements on protecting migrants integrated into the SPF mandate, and the development of evaluation methods in order to assist with evidence-based policy proposals in relation to the integration of migrants into the SPF mandate.

South–South

Under the social security agreement between MERCOSUR countries (Brazil, Argentina, Paraguay and Uruguay), the International Agreements System (SIACI) was introduced in 2008 to manage the pension requests of individuals who worked in one or several of the four member countries. This system is not a standard social security agreement where the parties agree on coordination of social security programmes, but rather administrative coordination to facilitate the processing of pension benefits (Pasadilla and Abella, 2012, p. 24). The SIACI virtual system of information exchange of social security benefit claims between the other MERCOSUR countries implemented by the Brazilian National Institute of Social Security (Instituto Nacional do Seguro Social) has attracted interest from other countries – both with those who have bilateral social security agreements with Brazil (Chile, Greece, Portugal, Spain) and other countries (Germany, Japan) (van Ginneken, 2010, p. 3).

In the Caribbean region, migrants can access social security provisions that have been established in the multilateral framework of the CARICOM Agreement on Social Security (CASS) since 1996, although the process of pension harmonization has only been partial (Hendrikx, 2006, pp. 2–4). The issue of portability is particularly relevant for the Caribbean countries because of their small size and increasing number of migrant workers (Fortezza, 2010, p. 237). The CASS allows for migrant workers to accumulate contribution credits in more than one country to qualify for a pension. However, the agreement only applies in countries in which workers have not completed the minimum years of service required to receive the benefit from the national scheme, which excludes long-staying migrant workers. In practice there have also been problems with calculating pensions. Nevertheless, the agreement works well for temporary workers, who may now receive pensions otherwise they would have received a grant for “short service”. The plans differ according to country, with some having more attractive conditions than others (Hendrikx, 2006, p. 3). However, Pasadilla and Abella (2012, p. 23) find that despite being in operation for more than 10 years, the CARICOM agreement has
had few applications, mostly due to lack of awareness of the benefits of the agreement. Thus, not much is known about whether it contributes to migrant workers’ ability to access social security.

Few examples of guaranteed portability of social security rights exist in the African context. For instance, membership of the East African Community (EAC), encompassing Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania, involves a commitment to social security provision not only to nationals, but to migrants from the other member states. It is enshrined in the 1999 EAC Treaty, which also guarantees non-discrimination between nationals and citizens of other EAC member states. However, EAC migrants lose their accumulated contributions to social security funds upon return to their country of origin. Withdrawal of benefits, which is a commonly meagre lump sum when a worker terminates his or her membership prematurely by leaving employment, is the only possible compensation (Ackson, 2013, pp. 74–77).

Fish (2013) investigates entitlements to and the practice of social security for migrant domestic workers in South Africa. She points out that despite provisions in the Southern African Development Community (SADC) Code on Social Security, which envisage a regional approach to the adoption of cross-border social security arrangements, bilateral and multilateral measures for portability of entitlements are almost totally absent (Fish, 2013, pp. 249–250). Malawi and Zambia have addressed portability in a bilateral agreement, providing for the cross-border payment of a range of social security benefits (Millard, 2009). Apart from that, the United Republic of Tanzania’s recently promulgated Social Security (Regulatory Authority) Act, 2008 provides for the making of regulations in relation to portability of benefit rights and international reciprocal agreements for transfer of benefits.11

There are also great challenges for the huge numbers of internal migrants in India (MacAuslan, 2011) and China (Goodburn, 2014; Lu and Piggott, 2014; Zhu and Lin, 2014; Stepan and Lu, 2012; Wang, 2011). China, which is undergoing the largest internal migration in the world’s history,12 with half of all workers in urban areas being young rural migrants (Lu and Piggott, 2014, p. 1) and half of whom are women (Zhu and Lin, 2014, p. 157), is an interesting case for portability within countries: across provinces and regions, and within the household. Coming from a rights-based approach and mostly focusing on pensions, several authors have written on the need to consolidate and centralize the public pension system which

11. In the United Republic of Tanzania, the Labour Law Reform Task Team has proposed legislation to be included in the Social Security Bill to recognize various periods of pension contributions, to retain pension benefits and prevent withdrawal even after employment ends (see Millard, 2009, pp. 151–153).
12. In 2010, there were about 220 million migrants, of which about 153 million were rural workers, with no permanent right to stay in their immigrant location (Lu and Piggott, 2014, p. 1). By the end of 2013, Chinese press reports suggested the number of migrants had risen to 268 million.
is currently highly fragmented (Lu and Piggott, 2014; Stepan and Lu, 2012, p. 3) across regions – which leads some authors to take the EU as the standard to aim for (Lu and Piggott, 2014; Kovacheva et al., 2012; Stepan and Lu, 2012). Wang (2011, p. 186) concludes that public pensions for rural migrants need to be standardized to facilitate rural industrialization, in order to further develop the private sector in urbanized areas through improved employer-employee capital relations. Messkoub and Davin (2000) also agree that rural migrants should be given access to urban social services (such as health, education and pensions) by relaxing the household registration system (*hukou*). Therefore, the right to social services should be made portable, not only as a human right but also because of rural migrants’ vast contribution to national economic growth and urban development.

Depending on provincial conditions, Chinese migrant workers’ social security coverage can take three forms: i) affiliation to the basic social security system for urban workers with the possibility of lower levels of entitlement in the case of formal employment; ii) new insurance systems for migrant workers in urban areas; and iii) local rural pension systems known as “rural social endowment insurance”, which may be incomplete or non-existent in some less-developed regions (Wang, 2011, p. 178). In practice, however, criteria for the first type of social security system severely limit most migrant workers who are informally employed and have rural *hukous*, or the schemes require a contribution rate that is too high. Song and Hou (2007, in Zhu and Lin, 2014) found that the non-portable nature of social insurance programmes was the main reason for migrants withdrawing from them.

Zhu and Lin (2014, p. 165) provide a gendered perspective on the issue of portable social security in China based on their study of women migrants in Fujian province. They found that the diverse choices of female migrant workers on social insurance programmes are “closely related to their different preferences with regard to their place of final settlement”, with 43.5 per cent having joined a rural health care scheme before or during migration to urban areas.

In part as a response to the above concerns, in March 2014 the government of China published a plan for managing migration in China that deals with the *hukou* system ties a Chinese citizen to a given jurisdiction, and to an urban or rural status (which are difficult to transfer from one to the other). Traditionally, transfers were possible by enrolling at a university, joining the army, joining the civil service, or marrying an urban resident. Now in some jurisdictions it is possible to “buy” an urban *hukou* by investing in housing or paying taxes (Lu and Piggott, 2014, p. 3). By the end of 2013, the urban population accounted for 57.3 per cent of the total population in China, but those with an urban *hukou* were only 35.7 per cent of the total population, the remaining 64.3 per cent, some of whom would be living in urban areas as migrant workers, did not qualify for subsidized urban services like health, education, pensions and housing (reported by Xinhua News Agency, <news.xinhuanet.com/english/>).

As of the end of 2009, migrants still did not have portable insurance benefits, rendering the urban-based insurance meaningless when the workers with rural *hukou* returned home.
It calls for a gradual granting of 100 million urban hukou to migrants by 2020. Even if this were to be realized, it still leaves 200 million without urban hukou.

Conclusions: Outlook for research

This article has reviewed recent published research on the portability of social security entitlements for migrant workers along North–North, South–North, and South–South migration flows. Various types of unilateral, bilateral and multilateral agreements across countries and regions are the key instruments used to address the need for social security during migration, and the need for portability of these entitlements between a migrant’s source and destination countries.

While representing a comparatively small share of international migrant workers, the review finds that North–North migrants have the best access to social protection and portability. This is due to the capacity of, the political will and the interest of societal groups in high-income countries to develop the required administrative infrastructure to coordinate this. Much of the North–North migration takes place within a favourable legal environment in which people travel with ease and regulations concerning visa and work permits do not present major challenges, especially when worker migrations are within transnational corporations operating across several countries in the North. In the case of the EU and the Single Market project, EU nationals are well protected when they move. In short, these migrants are not only moving as workers but also as “people”. The South–North skilled or capital-rich migrants who move under strict but well-defined procedures of major migration-receiving countries such as Australia, Canada and the United States also do well. The host country is keen to attract them to either fill skill gaps in its labour market or to attract inward investment. These migrants often have privileged visa and residency status at destination, giving them access to a wide range of social security and social services offered to nationals, including much of the portability and exportability of such rights.

In contrast, the majority of South–North migrants employed in low-pay sectors and occupations are viewed as workers who migrate “to do a job”. Hence, their often transient status would not permit entitlement to social protection on a par with nationals, unless they come under labour legislation (such accident at work) or under bilateral agreements between the sending and receiving countries. In this context, portability and exportability negotiations and agreements around social security issues may well be viewed as providing incentives for return migration. Interestingly, the authorities at both ends of migration flows are the first beneficiaries of such agreements. In the host country they do not have to deal with the long-term political problems of migration and the authorities at the country of
origin gain access to hard currency inflows of pensions and other social security remittances.

As a result, different groups of migrants confront different immigration discourses at destination. While skilled and rich migrants are welcomed to settle, poor and low-skilled migrants are encouraged to leave, once they fulfil their function as temporary and seasonal workers. If the latter group violates its visa rules they will often face criminal prosecution.

This group would fall in regimes II and III defined by Holzmann, Koettl and Chernetsky (2005) depending on their visa and work status. Accounting for about a quarter of the world migration stock in 2000 (Sabates-Wheeler, Koettl and Avato, 2011; Holzmann, Koettl and Chernetsky, 2005) these migrants have the least access to social protection at destination. More research is needed to investigate their short-term vulnerabilities at destination and what options exist to give this group access to social security entitlements and their possible portability.

Countries that have a history of sending and receiving migrants are starting to establish more rigorous mechanisms; however, time is needed to observe and evaluate the impact of these recent mechanisms. South–South migrants are seeing new regional mechanisms addressing portability; however, beyond legal agreements, much of the impacts of these mechanisms are not yet known.

A vital question to keep in mind for future research is not merely the existence of legislation or agreements between countries to nominally accord social security to migrant workers, but to assess the impact and determine which migrant workers can actually access these rights. From the few assessments outlined above, it appears that migrants' awareness of existing entitlements is crucial, yet often lacking. The macroeconomic and political context is likely to influence migrants’ ability to realize their rights. Bailey (2013), for example, highlights that the ongoing recession has complicated the effective portability of social security entitlements for intra-EU migrants. Such structural factors deserve further and more detailed investigation.

Another research gap is with respect to internal migration and South–South migration. The most disadvantaged migrants are those moving within the South, where formal social security provisions are less-developed, and migration is characterized by high numbers of undocumented migrants (Sabates-Wheeler, Koettl and Avato, 2011, p. 93). With the exception of China, internal migration across provinces or administrative regions in countries such as India is hardly covered in the literature.

There is a strong gender-based sectoral and occupational segregation of migrant workers and the needs of migrant women and men differ throughout their life-cycle (Truong, Gasper and Handmaker, 2014). Yet, rarely is gender

15. Holzmann and Koettl (2014, p. 7), too, point to the lack of evaluative studies.
considered, along with other social identities, in the literature. For instance, gender-based differences in health costs and subsequent needs for coverage over time are an important factor to look at when discussing portability. In one study, Wong and Gonzalez-Gonzalez (2010, p. 939) found that female Mexican migrants live longer, but suffer disproportionately more than their male counterparts from old-age disability as a result of more strenuous work in the United States. They therefore underline the need for portable health protection across these two countries. Other core analytical concerns are the need for gender justice in the household – if a worker’s spouse, depending on gender, can receive social protection – and intersectionality, i.e. a consideration of the significance of the combinations and interactions of factors that constitute a person’s situation, including gender, class, ability, race and ethnicity, sexual orientation, religious and political affiliation, etc. (Truong, Gasper and Handmaker, 2014, p. 9).

The type of work undertaken by migrant workers should also be taken into consideration. Women, making up half of the world’s migrants, tend to do low-skilled, labour-intensive, and informal jobs such as domestic or agricultural work. Thus, it is important to research the possibilities for social protection that is not dependent on employer contributions. At the same time, a large proportion of male migrant workers who work in construction are also vulnerable to severe risks such as work injury and require not only health, but wider legal and social protection.

Another important area of research which has emerged recently and needs to be mainstreamed is whether social security and social protection matters not only for the immediate life of migrants and their families, but for their reproduction as well. Portability of social security entitlements matters for the reproduction of households over time; with households, in turn, providing migrants with informal support as and when needed. In this regard, life-course analysis and framework – that is, “how migrants “do family”, and what this means for gender, identity and (in)security” (Locke, Seeley and Rao, 2013a, p. 1872) – opens an important window to the analysis of the relationship between migration and social security that goes beyond the current concern of the literature with portability of formal social security entitlements. What life-course framework with its emphasis on generational and inter-generational relationship brings to the debate on migration and social protection is how households cope or not with the impact of migration at material, social and emotional levels (Locke, Seeley and Rao, 2013a and 2103b). While migration is often driven by the desire to maintain and improve the social reproduction of households, in our view it may in fact undermine household reproduction, and herein lies the dilemma, paradox and dialectical relationship between migration and reproduction.

The issue of life-course is also present in the orthodox economic approach to portability (Holzmann and Koettl, 2014) but more in terms of the life-cycle of an
individual. An example would be an individual’s contribution to social security and social health insurance when young and healthy and drawing on the benefits when old and sick. In order to design policy for the portability of specific components of social security, there is a need for the “review of the social benefit design and a disentangling of the risk pooling, pre-funding, and redistributive included with varying importance in each social benefit” (Holzmann and Koettl, 2014, p. 34).

Finally, the immigration status of migrant workers plays the most significant role, as this is often related to the type of work and the vulnerabilities they face. The situation of undocumented migrant workers represents the biggest gap in research. They consistently seek anonymity or avoid exposure, as a form of self-protection against police harassment and prosecution. Even high-income countries such as Canada are pulling back on their social security provisions to undocumented migrant workers (Magalhaes, Carrasco and Gastaldo, 2010). Bilateral arrangements are a first step towards the portability of social security entitlements; however, these often cover only documented migrants.

The normative underpinnings of the literature on migration also require more attention and analysis. While most researchers work on social security issues in order to provide policy-makers with guidelines on portability to improve the welfare of migrants wherever they decide to live, Holzmann, Koettl and Chernetsky (2005, p. 4) note that that governments of both host and origin countries, as part of the wider discourse on migration management, encourage migrant workers to return to their countries of origin. The countries then recognize that the lack of portability of social security benefits and potential financial losses from social security contributions are potential obstacles to return migration. They are optimistic about the nature of such migration as a way to “[remit] production factors” such as investment capital, human capital, and “knowledge and skills” (Holzmann, Koettl and Chernetsky, 2005, p. 4). Similarly, Bailey (2013, p. 205) argues that portability of social security entitlements of intra-EU migrants is motivated to “sweeten” the flexibilization of the prevailing model of social reproduction. The availability and access to portable pensions can be a push or pull factor for migrant workers to retire in their host or origin country.

This reflects the dominant stance in the literature on “return migration”, which plays a part in justifying the control of migration instead of fulfilling the right of migrants to move and live where they wish. The highly individualistic approach also favours receiving countries, which benefit from zero expenditure on the migrants over their first few decades of life. A conceptual approach that puts the emphasis on return migration will have implications for the rights of migrants who choose to remain in the host country. But is that not the choice for the migrant to make?
Bibliography


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China is at a critical juncture. Following three decades of constant and rapid economic growth, urbanization and industrialization, accompanied by a significant reduction of poverty and the adoption of a more market-oriented policy, it has to address several major threats in pursuing these goals in an economically and socially balanced modus. These threats include high and growing income and status inequality in access to housing, education and social protection, rising poverty in cities, informalization of the workforce, changing family structures, urban-rural segregation, the growing impact of globalization and, above all, rapid and significant demographic ageing – aggravated by the impact of the one-child policy over several decades.

These factors threaten individual well-being and hence social stability, especially owing to the incomplete development and limited adequacy and coverage of the pension and social protection systems. These facts are acknowledged by the Chinese leadership as a major concern, making the search for a solution even more urgent as the pace of economic growth has slowed down in recent months. Uncertain, however, is whether this slower growth reflects a short-term blip or a more perennial decline.

In this context, the ambitious analysis of the World Bank team and Chinese academics proposes to chart both a long-term and a medium-term vision for an integrated approach towards flexible and sustainable pensions – and a sustainable social protection system – that would be supportive of the government’s macroeconomic and social welfare objectives of increasing domestic consumption, reducing high precautionary household savings, and supporting efficient labour markets that are needed to motivate the workforce and stimulate economic growth. This approach takes account of the major reforms implemented over the past two decades, especially the Urban Enterprise Pension Scheme reform of 1997, the reform of the Public Sector Units pensions, the new Rural Pension Pilot Programme for migrants and farmers in 2009, that were followed by the mid-2011 announcement of a pilot Urban Residents Pension Scheme, which should provide a national framework that could eventually lead to universal pension coverage, integrating the rural and urban resident schemes. Yet, so far, the government has found it difficult to achieve a coherent and integrated approach to adapt the pension schemes to the aforementioned major changes in the economy and society.

To this end, this volume proposes a three-pillar design consisting of a non-contributory basic benefit pillar that provides minimum elderly poverty protection; a contributory pillar with a mandatory notional defined contribution (NDC) scheme for workers with labour contracts and a voluntary defined contribution pension savings scheme for urban and rural populations with non-wage incomes (temporary workers, self-employed workers and farmers); and a supplementary savings pillar for urban and rural residents. The details of setting up such schemes and evaluating the related costs and regulations are summarized in the two introductory chapters, offering an overview of the global vision and
strategy for a pension policy reform. These are followed by five substantial appendices, which constitute the bulk of the book. They contain the rationale for, and objectives of, the reform proposals, accompanied by concrete examples of the issues, possible problems, advantages and costs associated with the reform design and implementation, including reference to past experience in China and abroad.

Appendix A looks at pension needs for non-wage rural and urban citizens, pointing out the expectations of citizens and policy-makers arising from the reforms. It describes China’s experience with rural pensions and the way ahead for the design of a new pension scheme for non-wage populations. Appendix B explains the aims and principles for designing a notional (non-financial) defined contribution (NDC) scheme for China’s urban old-age insurance scheme, noting its advantages, and pointing to the lessons from other countries’ experiences with such schemes. Appendix C evaluates pension legacy costs left by the older pension schemes that will be superseded by the reform, explaining how to estimate such liabilities and spelling out the options for addressing them. Appendix D assesses the issues of ageing, migration, retirement and labour markets, in particular the effects of an increase in the retirement age on the labour market and on the urban elderly, and the implications for public policy in determining the retirement age. Appendix E deals with voluntary savings arrangements, their objectives and role in the Chinese pension system, the conditions necessary for attaining such objectives, and spelling out the design of such schemes.

The volume includes several boxes that highlight particular issues and concerns, facilitating the understanding of the complex arguments discussed, including, for instance, the effect of the minimum retirement age on employment and labour markets, examples of benefit calculations, and proposals for pensions for civil servants and public employees, for rural-urban migrants and informal-sector workers, suggesting alternative benefit designs to protect the elderly poor, etc. By the same token, figures and tables compare current and proposed scheme designs; population projections pointing to the growth in aged people and dependency ratios; the projected size and composition of the working-age population; the primary source of support for rural elderly by age; indicative cost projections for urban and rural citizens’ social pensions; past government subsidies for pensions; benefits based on different contribution histories; projections of old-age dependency ratios in the rural and urban population (2010-2075); past trends in employment in urban and rural areas; past trends of rural-urban migration; existing occupational and personal pension arrangements; proposed parameters for a citizens’ social pension; examples of social pensions in OECD countries and of non-contributory pensions schemes in developing countries; etc.

The authors argue that the main rationale for a comprehensive pension reform is that China is in the midst of a demographic and economic transition. This is characterized by declining fertility and a significant increase in longevity that will almost treble the old-age dependency ratio in the next three decades, which requires an efficient labour market with a mobile and stable (if not growing) labour force – something that currently is impeded by fragmented pension provision, the limited portability of accrued benefits and low urban retirement ages. They note that current pension arrangements moreover aggravate disparities between households, regions and rural and urban populations. Unequal and inadequate social protection coverage (health, child care, education and pensions) and uncertainties about the sustainability and extent of old-age income protection encourage citizens to emphasize precautionary savings rather than to consume, which runs counter to the official policy of balanced growth, focusing on the domestic economy and less on exports. The multiplicity and diversity of pension schemes for salaried workers, public-sector employees, civil servants, the rural
population and migrants also adversely affect labour market efficiency. The legacy costs of changing and reforming existing schemes are at present mostly financed through current pension contributions, which tend to weaken compliance with pension obligations and accurate wage reporting, which is detrimental to pensions sustainability. Furthermore, the very limited risk pooling and interurban resource transfers tend to limit the insurance function of urban pensions while creating disparities in old-age income protection.

These shortcomings need to be addressed by comprehensive reform, which should ensure the coverage of workers in the formal and informal sectors. Many of the latter have not been covered until recently, including non-salaried, informal, self-employed, rural and migrant workers. Supplementary pensions, mainly provided to workers in large formal enterprises (Enterprise Annuity), require a substantial reform of the regulatory and supervisory framework. Also required are tax incentives to provide supplementary coverage for workers in small enterprises and for the self-employed. This can be achieved, argue the authors, by the proposed multi-pillar pension approach, which is consistent with the government’s objectives of: preventing old-age poverty by redistributing income among individuals, income groups and age cohorts; providing reliable and foreseeable retirement savings and risk pooling among different types of workers and income groups; and regulating occupational supplementary pension savings to guarantee additional retirement savings and encourage investment in human capital.

It may be noted that the main arguments in favour of the second-pillar NDC scheme is that it provides a sound link between contributions and benefits, it encourages labour mobility by its simple accounting framework, it reduces substantially contribution rates when compared with the existing scheme, it involves limited transition costs as it is financed on a pay-as-you-go basis, and it provides stronger old-age income protection for workers who do not meet the current vesting requirements. The advantage of third-pillar voluntary individual retirement insurance is that individual contributions are matched with a government minimal national subsidy that can be supplemented by provincial and local governments. The scheme would be fully funded, with a rate of return guaranteed by the central government. It would provide an annuitized retirement benefit based on the worker’s lifetime contribution and the government’s (national and local) matching contributions. This pillar requires a substantial reform. It aims at supporting the saving needs of the self-employed, unemployed farmers and other non-wage individuals, though it is less clear how to ensure their financing capacity, even with matching public funds.

This work offers a timely, useful and practical tool for addressing the wide concerns for avoiding old-age poverty in the context of the rapid economic, social and demographic transition of China’s economy. It clarifies issues and potential solutions to problems faced by other emerging and developing economies, and beyond.

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