



Social Policy Highlight 18



International initiatives to extend social security coverage

This *Social Policy Highlight* looks at two separate international initiatives with a common ambition to contribute to the extension of social security coverage. Attention is given first to a new strategy for the extension of social security coverage developed by the International Social Security Association. Analysis is then directed at how this complements the joint United Nations agency initiative to build a global Social Protection Floor. As this *Highlight* explains, the goal of both initiatives is universal, affordable and sustainable social security. To make this a reality, the improved governance, financing and administration of social security programmes is required. No less important is heightened political will. To this end, the ISSA's participation in the recurrent discussion on social security at the 100th session of the International Labour Conference in June 2011 offers an important platform to raise further the profile of social security globally.

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The challenges of social security coverage

The extension of social security coverage is an intrinsic aspect of social and economic development. By offering protection against life-cycle risks and as a mechanism for redistribution, social security contributes to social cohesion, economic development, stability and solidarity. Social security is also an expression of a society's belief in the value of social justice.

In spite of the advances made in the last century, access to social security remains the privilege of about one-fifth of the world's population only, a situation which is unacceptable. Even in richer economies where social security coverage is most comprehensive, there is concern about backsliding as unemployment and informality of employment has grown and public budgets for social spending are downsized.

This issue

- Outlines key facts and figures about global social security coverage
- Introduces the *ISSA Strategy for the extension of social security coverage* and the joint United Nations agency initiative for a *Social Protection Floor*
- Explains how positive synergies between these initiatives could help realize improved coverage
- Concludes that coverage challenges at the national level often remain and, in this regard, the ISSA's role is key

At present, a growing consensus among international organizations is calling for heightened political commitment to lead reforms to provide improved access to sustainable social security. This is likely to necessitate reform of existing social legislation and the development of new social programmes. No less important, to successfully implement and deliver on coverage extension initiatives, the improved performance of social security administrations will be necessary.

Key facts and figures

- Social security is a human right, as enshrined in the Universal Declaration of Human Rights of 1948, as well as the International Covenant on Economic, Social and Cultural Rights of 1966.
- At present, 80 per cent of the world’s population is without access to adequate social security coverage and 33 per cent is without access to any health care coverage.
- Although workforce coverage by social security programmes in developed countries is close to universal, in some low-income countries coverage sits at around 5 per cent.
- Globally, close to 60 per cent of the working-age population is without legal coverage for an old-age pension. These workers live predominantly in developing countries. By 2040, 75 per cent of the global population aged 65 or older will live in developing countries.
- Worldwide, current total expenditure on social protection equates to 17 per cent of global GDP. This is based on an average of 19 per cent in developed countries, but less than 5 per cent in developing countries.
- Only 2 per cent of global GDP is required to provide access to basic social security to all of the world’s poor.
- The financial and economic crisis has reduced projected declines in global poverty levels and increased unemployment. At least 1.75 billion people are confronted with the multidimensional challenges of poverty. At the end of 2010, 205 million workers were unemployed, i.e. 27.6 million more than before the global crisis.
- Unemployment programmes in particular have played a major role in cushioning the negative impacts of recession. However, fewer than 70 countries operate unemployment insurance schemes, and these are nearly all in countries outside of the worst-hit regions of South Asia, South-East Asia and sub-Saharan Africa.
- The 1995 World Summit for Social Development, the adoption of the Millennium Development Goals in 2000, and the 2005 World Summit of the United Nations have given voice to the principle that each country is responsible for the progressive realization of its citizens’ minimum social well-being.
- The ILO’s Social Security (Minimum Standards) Convention, 1952 (No. 102) is the only international Convention setting the minimum standards for all nine branches of social security, which also provides principles for the sustainability and good governance of social security schemes. However, it has limitations when it comes to ensuring a defined minimum benefit package and does not define priorities or require universal coverage.

ISSA’s strategy for extending coverage

Launched at the 2010 World Social Security Forum in Cape Town, the *ISSA Strategy for the extension of social security coverage* identifies priority extension challenges requiring active responses from social security administrations. These required responses necessarily take into account that the role of social security administrations is usually one of policy implementation, and not policy-making.

According to national circumstances and policy priorities, the ISSA Strategy foresees that social security administrations should make a meaningful contribution to coverage extension in four specific areas.

Priority areas for social security administrations

- Improving compliance and contribution collection.
- Extending coverage to difficult-to-reach population groups.
- Supporting the successful administration of tax-financed minimum benefit schemes.
- Advocating at the national level for the extension of social security.

Rooted in the mandates and capacities of social security administrations, the ISSA aims to facilitate a process wherein the administrations define concrete and realizable objectives in support of coverage extension then implement action plans toward achieving these over a prescribed period. In a final stage, the ISSA Strategy will facilitate a process through which social security administrations can report and exchange on outcomes and “good practice” lessons learnt.

Social Protection Floor (SPF)

The roots of the joint United Nations agency initiative for a Social Protection Floor can be traced to the International Labour Office’s Social Security For All campaign in 2003. Since then, the concept has evolved to encapsulate a multidimensional understanding of poverty, vulnerability and social exclusion. The concept supports national policy responses that combine protection, prevention and empowerment to offer universal access, at least, to a minimum basket of essential cash and health care benefits and services, as a human right. As regards social security benefits specifically, the SPF envisages the provision of a set of four essential entitlements. According to the ILO’s Social Security Department, the SPF should reduce the poverty head count by about 40 per cent on the basis of 3 to 4 per cent of national GDP. With the addition of basic health care, the poverty head count could be reduced by a further 20 per cent. For the ILO, the feasibility of such outcomes for developing countries is justified by European evidence, wherein 50 per cent of poverty is reduced by social transfers.

Guaranteed social security benefits as part of the SPF

- Basic income security for children.
- Access to necessary social assistance to all of working age.
- Basic (old-age/disability) pensions to all eligible individuals.
- Access to essential health care for all.

Current low levels of national expenditure on social protection in developing countries, of often less than 5 per cent of GDP, highlight that there is fiscal space to expand expenditures. For the ILO, the foremost challenge is to change attitudes, to create the necessary political will. To this end, the recurrent discussion on social security at the 2011 International Labour Conference may open a path towards the finalization of an international instrument to define agreed principles for the SPF. It is hoped that this may be achieved by 2015, thus allowing it to play a role in the debate on the follow-up to the Millennium Development Goals.

Synergies between the ISSA Strategy and the UN SPF

One of the core objectives of the ISSA Strategy is to support the efforts of social security administrations to improve contribution collection and compliance. Realizing improvements in these activities should reduce the risk of financial disequilibrium in contributory programmes. Not only should these support the sustainable and adequate provision of prescribed benefit levels, but they may permit extending further the scope of benefits provided to the insured population.

More generally, their achievement should reduce the possible need for fiscal subsidies, thus creating greater leeway for disbursing limited fiscal resources to other priority policy areas, including tax-financed basic income guarantees and services. This potential for greater fiscal leeway represents the first possibility for positive synergy between the objectives of the ISSA Strategy and the UN SPF.

To a large degree, the successful administration and delivery of the guaranteed benefits envisaged by the SPF will require tapping into the administrative know-how and expertise of ISSA member organizations – social security administrations. At present, there is a concern that many developing countries may lack the necessary capacities to effectively administer tax-financed social programmes when these are scaled-up to the national level. In this regard, the sharing of administrative know-how and expertise among ISSA member organizations, and possibly among other social security administrations and national agencies, presents a second possibility for positive synergy.

A shared aspect of the ISSA and UN initiatives is to extend access to coverage to hard-to-reach population groups. From the perspective of designing institutional structures and policy blueprints, it is generally accepted that there is no single best way to extend coverage. In practice, therefore, a pluralistic institutional approach which seeks to extend sustainable coverage gradually by targeting priority population groups is to be expected.

For its part, the ISSA Strategy is focused more on innovation in contributory programmes and on how to design approaches to meet the needs of informal economy and migrant workers in particular. It also seeks, however, to support the successful administration of tax-financed minimum benefit schemes. The UN's first priority is for the horizontal extension of coverage to the vulnerable, to offer, at least, minimum protection to all. Thereafter, the vertical extension of coverage – to improve the scale and scope of benefits and services – should be

ensured. The ISSA Strategy, by offering a structured process to help build capacities in social security administration and governance, lends itself to both these UN dimensions. Therefore, some of the ISSA's immediate priorities and target populations differ from those of the UN, but taken together they are necessarily complementary.

A further area for possible synergy stems from the ambition of the ISSA Strategy to encourage social security administrations to adopt a national advocacy role in support of the extension of social security coverage. It is to be expected that such advocacy should offer positive support for contributory and tax-financed programmes alike, including programmes envisaged as part of the SPF.

Turning international initiatives into national action?

The ISSA Strategy and the UN SPF aim to help tackle the global challenge of low levels of social security coverage. Their respective objectives take into account key policy priorities and the capacities of national agencies and social security administrations to implement and deliver financially sustainable benefits and services. For both of these initiatives to be successful and fully complementary, the role to be played by ISSA member organizations, national social security administrations, will be telling.

Even if policy-makers and ministries of finance accept that social security is important for national social and economic development, this is unlikely to be sufficient alone. In the long run, political will leading to action involving all vested interests at the national level must be guaranteed.

Brazil's Bolsa Familia Programme

Launched in 2003 to reduce poverty and inequality and to stop the intergenerational transmission of poverty, the Bolsa Familia Programme in Brazil currently benefits around 13 million households. With benefits paid preferably to the female head of the family, there is an emphasis on supporting mothers and children and on widening access to education and health care. Positive outcomes of the programme are improved levels of nutrition and school attendance, increased use of health services, reduction in extreme poverty and inequality and increased female participation in the workforce. These outcomes are the result of a nationwide cooperative and coordinated strategy between federal government agencies (including the Ministry of Social Insurance) and regional/local organizations (including over 5,000 town councils). With reduced bureaucracy and standardized administrative procedure, it is now one of the biggest conditional social assistance programmes in the world.

To build truly sustainable societies, there must also be a deeper, value-based belief that social security is essential for social cohesion, stability and solidarity. And if the international community is to realize the human right of social security for all, there must be a genuine and shared acceptance among all states of the lasting importance of social justice.

Key policy conclusions

- First, the successful extension of access to sustainable coverage requires ongoing improvements in the governance, financing and administration of social security programmes. Building a sustainable SPF may require that decisions about the redistribution of national wealth are taken outside of the short-term time horizons of party politics.
- Second, international organization initiatives advocating for coverage extension can help contribute to the setting of national policy priorities. For developing countries in particular, such initiatives hold the potential to help orchestrate pluralistic institutional approaches tailored to the priority social protection needs of population groups and the capacities of national agencies and social security administrations to deliver.
- Third, the ISSA has a strategic role to play in helping to deliver the SPF by ensuring the development of well-governed, dynamic social security administrations – a task to be underpinned by the ISSA’s professional guidelines for social security administrators and supported by the evidence of good practices collected from among the ISSA’s global membership.
- Fourth, achieving the goal of the human right to social security for all demands a genuine and shared belief in the value of social justice.

Sources

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The **International Social Security Association (ISSA)** is the world’s leading international organization bringing together national social security administrations and agencies. The ISSA provides information, research, expert advice and platforms for members to build and promote dynamic social security systems and policy worldwide.

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