

SOCIAL SECURITY FOR ALL

A FRAMEWORK FOR ACTION

INTERNATIONAL ORGANISATION OF EMPLOYERS

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PREFACE

The IOE has been a strong supporter of the ILO's efforts to promote increased coverage of social security, and in particular its Global Campaign to promote increased social security coverage.

We believe that this latter initiative, which emanated by consensus from the 2001 International Labour Conference Resolution on Social Security, provides the best roadmap for the ILO to achieve this goal.

The IOE strongly believes that the provision of social security to as many citizens as possible will only be achieved by a focus on practical solutions not through normative approaches.

This paper has been developed in light of current ILO efforts to re-examine its strategy to provide 'social security for all'.

In the first instance, the paper provides an outline of the historical role of the ILO in the sphere of social security as well as an overview of recent ILO initiatives, including its normative framework, along with a short assessment of its impact to date.

The paper then outlines some current options that have been suggested to achieve 'social security for all'.

Finally, a number of concrete proposals are made to move forward from an employer's' perspective. These proposals, which require further reflection, are designed principally to initiate a dialogue on how to achieve a shared objective – maximizing social security coverage.

EXECUTIVE SUMMARY

- The ILO has adopted 31 Conventions and 23 Recommendations on social security since its foundation. Following a review in 2001 *six Conventions are considered to be up-to-date*.
- *All six of these up-to-date social security Conventions are poorly ratified*, in spite of intensive efforts to promote them. Ratifications vary from a low of seven for C.168 to 24 for C.121. While C.102 has the most ratifications at 43, the majority of these are by European countries. C.102 has never been revised.
- According to the ILO, the reason for the low rate of ratification is mainly that the instruments are *unaffordable for most developing countries*.
- The ILO's normative framework for social security remains an extremely important reference for policy makers *but clearly it needs further reflection*.

The current work of the Office is guided principally by a Resolution adopted by the 2001 International Labour Conference mandating the ILO to initiate a *major campaign to promote the extension of coverage of social security*. *Employers strongly support this initiative*.

- This *2001 Resolution did not envisage a new standard-setting route* as a way to achieve wider coverage of social security and employers do not believe that the best way to achieve wide coverage of social security is through a normative instrument.
- Based on evidence to date (and presented in the most recent ILO publications), the IOE believes that a normative route is clearly not one that will achieve the employer goal – maximizing social security coverage.
- *Employers advocate a practical bottom-up approach* and call for a major re-launch of the 'Global Campaign' in 2009. This re-launch would place a strong emphasis on bringing the 'campaign' to national level through the development of national campaigns to maximize social security coverage.
- We recommend that the Global Campaign *choose four or five countries to start with as pilots*. Countries should be chosen where governments are committed to social security as a policy response and where the potential for collaboration amongst key actors is strongest.

- The challenge of extending social security coverage is daunting and surpasses the capacity of any one actor or organization – ***collaboration is essential***. A serious and concerted collaborative effort in a number of countries would, we believe, help inform and shape policy. *This focus on collaboration is the key difference to earlier efforts to launch the Global Campaign.*
- Tripartite or bipartite oversight or governance has proven helpful in creating consensus-based systems responsive to the changing needs of the global economy.
- Ultimately our ***overarching policy objective is a long term one*** and we need to be realistic in what can be achieved in the short term. We however believe that national campaigns that are predicated on thorough research and analysis can greatly help bring better coherence and better impact to this important area of work.

The IOE believes that the current efforts by the ILO to promote a new international labour standard on social security, which will be discussed at the November 2008 Governing Body, as in the case of previous Standards, will not achieve the employer goal of social security universality

I. OVERVIEW OF ILO ACTIVITY

DEFINITIONS

Social security is a globally recognized concept, but specific definitions risk confusion by speaking of *social security, protection and assistance* in the same context. It is therefore best left to individual countries to define what social security means, based on individual capacities, needs and requirements in accordance with the level of their economic development

The ILO's standard definition, which has been largely shaped by Western experiences and concepts, defines social protection as:

"the protection which society provides for its members through a series of public measures: to offset the absence or substantial reduction of income from work resulting from various contingencies (notably sickness, maternity, employment injury, unemployment, invalidity, old age and death of the breadwinner); to provide people with health care; and to provide benefits for families with children." (ILO, 1998; ILO, 2000)

This definition encompasses benefits provided under three different forms of social protection – namely social insurance, social assistance and social allowances. Social insurance is the most dominant form of social security in developed countries and refers to schemes that provide social protection to workers and their families against future contingencies. These contingencies include unemployment, employment injury, invalidity, sickness, maternity, old age and death. Social insurance schemes are contributory, as both employers and employees contribute to the schemes. There is therefore entitlement to benefits based on the record of contribution.

Social assistance schemes, on the other hand, are non-contributory and are wholly financed from government revenue. The ILO conceptualizes social assistance *"as benefits for poor and needy groups that are financed by tax revenues."* Unlike social insurance benefits, social assistance benefits are means-tested to ensure that only those whose incomes are inadequate to meet their basic needs are assisted. Social allowances provide universal but non means-tested benefits to families in order to help them to meet their obligations, particularly in terms of raising children. Like social assistance, social allowances are financed from tax revenues.

Social protection refers to a set of benefits available (or not available) from the state, market, civil society and households, or through a combination of these agencies, to the individual/households to reduce multi-dimensional deprivation. This multi-dimensional deprivation could be affecting less active poor persons (e.g. the elderly, disabled) and active poor persons (e.g. unemployed). This broad framework makes this concept (social protection) more acceptable in developing countries than the concept of social security.

UP-TO-DATE ILO SOCIAL SECURITY LABOUR STANDARDS

Since the establishment of the ILO, the International Labour Conference has adopted 31 Conventions and 23 Recommendations on social security. Following a review in 2001, the six Conventions (listed below) are considered up-to-date. There are also two Recommendations which are of current relevance: Income Security Recommendation, 1944 (No. 67) and Medical Care Recommendation, 1944 (No. 69)

1. Social Security (Minimum Standards) Convention, 1952 (No. 102)¹ **43 Ratifications**
2. Employment Injury Benefits Convention, 1964 (No. 121) **24 Ratifications**
3. Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128)
16 Ratifications
4. Medical Care and Sickness Benefits Convention, 1969 (No. 130) **15 Ratifications**
5. Employment Promotion and Protection against Unemployment Convention, 1988 (No.168) **7 Ratifications**
6. Maternity Protection Convention, 2000 (No. 183) **13 Ratifications**

The most recent Convention (No.183 – Maternity Protection) was in particular strongly resisted by employers and a number of governments, who felt it was an overtly restrictive instrument. Its subsequent low rate of ratification has proven this view to be the correct one.

The Social Security (Minimum Standards) Convention, 1952 (No. 102) is considered the main reference Convention. It has never been revised.

¹ C.102 defines nine branches of social security and sets minimum standards for each. These are: Medical care; Sickness benefit; Unemployment benefit; Old-age benefit; Employment injury benefit; Family benefit; Maternity benefit; Invalidity benefit; and Survivors' benefit. Minimum objectives are set for each contingency with regard to: a minimum percentage of the population protected in case of occurrence of one of the contingencies; a minimum level of benefits to be paid in case of occurrence of one of the contingencies; and the conditions for and periods of entitlement to the prescribed benefits. Additionally, C 102 has a flexibility clause that enables gradual ratification. This is done first by allowing ratifying States to accept as a minimum three out of the nine branches¹ of social security, with at least one of those three branches covering a long-term contingency or unemployment and with a view to extending coverage to other contingencies at a further stage (Article 2).

ILO SOCIAL SECURITY LABOUR STANDARDS: RATIFICATIONS

Ratification rates for all six social security Conventions are very low², in spite of intensive efforts to promote them. Ratifications vary from a low of seven for C.168 to 24 for C.121. While C.102 has the most ratifications at 43, the majority of these are by European countries.

According to the ILO, the reason for the low ratification is mainly that the instruments are unaffordable for most developing countries.

*“Their relatively low rate of ratification, especially in developing countries, constitutes an indicator of their lack of suitability and relevance for these countries. In this regard, it appears that they are not effective in assisting countries to provide social security in harmony with their level of economic development.”*³

NORMATIVE FRAMEWORK : QUO VADIS?

Is a new ILS necessary for the Office to conduct its work?

According to the ILO, the current normative framework is facilitative in terms of enabling the Organization to carry out its technical and advisory role.

*“Convention No. 102 embodies an internationally accepted definition of the scope of social security Furthermore, by providing valuable guidelines not only for social security but also for labour protection, up-to-date ILO social security Conventions - even when not ratified - are still of great importance for countries in the elaboration of their social policies.”*⁴

*“Technical cooperation activities carried out worldwide by the ILO in the field of social security are based on the principles laid down in Convention No. 102.”*⁵

2 The geographical distribution of countries that have ratified one or more of the up-to-date ILO social security Conventions shows that European and Central Asian countries account for the highest number of ratifications (79), followed by countries of the Americas and the Caribbean (25 ratifications), Africa (11 ratifications) and Asia (3 ratifications).

3 Setting Social Security Standards in a Global Society: An analysis of present state and practice and of future options for global social security standard setting in the International Labour Organization” (ILO 2008) Page viii

4 “ibid (page 41)

5 Ibid (page 17)

The ILO's normative framework for social security remains a very important reference for policy makers – but clearly it needs further reflection. *The low rate of ratifications speaks for itself.*

Considering that C.102 is the 'flagship' Convention, a re-examination of this instrument with a view to widening its appeal would seem logical. The ILO however has resisted promoting this approach, mainly because the Convention could be revised "downwards". This is in spite of the fact that the ILO believes C.102 has not been ratified by many countries because of insufficient economic development.

Another possible approach to increasing the relevance of the ILO's normative framework is that of consolidating existing up-to-date ILO social security instruments into a single new overarching Convention. This approach has not been promoted by the ILO as it could lead to the same outcome as above – namely a revision downwards.

The development of an overarching Recommendation setting out core social security principles and defining the elements of a global social security floor has also been suggested as a possible future approach. Such a new Recommendation could also serve as a modernization of Recommendations Nos. 67 and 68.

Even more straightforward could be the development of an overarching non-binding instrument setting out core social security principles. This option would not require a decision by the International Labour Conference but could be drawn up by a consultative tripartite meeting and subsequently adopted by the Governing Body.

CURRENT ILO MANDATE

The current work of the Office is guided principally by a Resolution adopted by the 2001 International Labour Conference following a General Discussion. This agreed Resolution mandated the ILO to initiate a major campaign to promote the extension of coverage of social security. It called on governments to give the issue of social security a higher priority.

The main areas identified for ILO technical cooperation with governments and the social partners included:

- *extending and improving social security coverage;*
- *developing innovative approaches in the area of social security to help people to move from the informal economy to the formal economy;*
- *improving the governance, financing and administration of social security schemes;*
- *supporting and training the social partners to participate in policy development and to serve effectively on joint or tripartite governing bodies of social security institutions;*
- *improving and adapting social security systems in response to changing social, demographic and economic conditions;*
- *introducing means to overcome discrimination in outcomes in social security.*

The Resolution also called on the ILO to continue to develop inter-agency cooperation. Chiefly, the conclusions recognized that each country has to define a national strategy to achieve the objective of maximizing social security coverage which had to be linked to economic and social policies, which enable employment creation and economic growth.

The Resolution states that, "*priority should be given in the first instance to needs which are most pressing in the view of the groups concerned*". It recognizes therefore that the capacity to finance social security may have limits and thus that the appropriateness between funding and defining pressing needs is difficult to determine.

Importantly, the conclusions did not envisage a new standard-setting route as a way to achieve these goals.

THE ILO GLOBAL CAMPAIGN

Drawing its mandate from the 2001 ILC Resolution, the ILO launched in 2003 a ***Global Campaign on social security and coverage for all***. The purpose of this Global Campaign is to:

Improve overall understanding of social security

- Conduct research on the extension of social security and document best practices worldwide;
- Develop new mechanisms to reach out to workers in the informal economy;
- Create guidelines for extending social security;

Achieve concrete improvements in social security coverage

- Diagnosis of unfilled social security needs, and development of ways to meet them;
- Training and policy discussion with stakeholders;
- Strengthening institutions and social dialogue;
- Formulation and implementation of actions plan;
- Establishing networks of supportive individuals and institutions;
- Monitoring and evaluating results;

Raise awareness among key actors and mobilize them

- Governments, employers' and workers' organizations; Social security institutions and civil society organizations; International organizations and donor governments.

Employers have consistently been strong supporters of this global campaign.

II. MOVING FORWARD – ILO SUGGESTED APPROACHES

The ILO has focused itself on the target of maximizing social security coverage, as outlined in its “Global Campaign”. Employers support this focus.

However, employers do not believe the best way to achieve this objective is through a normative instrument, such as the current suggestion for the development of a new stand-alone social security standard providing for a universal right to a basic benefit package for everyone (targeted at developing countries). The tenants of this ‘basic floor’ would include:

- *access to basic State-financed health care benefits to all citizens;*
- *family/child benefits (nutrition, education and care) for all;*
- *some targeted income support for the poor and unemployed in active age groups;*
- *basic old age and disability pensions.*

The ambition of the ‘Basic Floor’ initiative is considerable. In many respects it would aim to tackle key persistent causes of poverty, such as raising the level of health care. These are issues that have been the focus of considerable efforts to date by the international community – principally through the Millennium Development Goals (MDGS)⁶ the internationally agreed mechanism to tackle global poverty.

This perhaps raises a larger question of what would this ‘Basic Floor’ initiative mean for the MDGS? At least four of the eight MDGs would directly relate to the ‘Basic Floor’. Would the new initiative replicate the work of the MDGs or work as a parallel initiative?

⁶ Goal 1: Eradicate extreme poverty and hunger ; Goal 2: Achieve universal primary education ; Goal 3: Promote gender equality and empower women ; Goal 4: Reduce child mortality; Goal 5: Improve maternal health ; Goal 6: Combat HIV/AIDS, malaria and other diseases; Goal 7: Ensure environmental sustainability; Goal 8: Develop a global partnership for development

FUNDING A 'BASIC FLOOR'

The ILO claims that recent case studies⁷ developed by it lend weight to the conclusion that this basic package can be afforded by virtually all countries. The twelve case studies in African and Asian countries draw the following conclusions:

1. **Costs for basic universal old-age and disability pensions.**⁸ The annual cost is estimated in 2010 at between 0.6 and 1.5 per cent of annual GDP.
2. **Costs for basic universal child benefits**⁹. For the year 2010, the cost estimations remain below 3.6 per cent of GDP in all the countries of the study.
3. **Costs for essential health care.**¹⁰ Based on the cost assumptions made, the costs of a minimum package of essential health care would require in 2010 between 1.5 and 5.5 per cent of GDP.
4. **Costs for employment scheme benefits.**¹¹ The annual cost of providing this benefit is estimated at between 0.3 and 0.8 per cent of annual GDP in 2010 in the countries considered.

In all of the twelve countries considered, the initial annual cost of an overall basic social protection package is projected to be in the range of 3.7 to 10.6 per cent of GDP in 2010.

The ILO suggests in the first instance that the cost of this package is affordable by virtually all countries, but then subsequently admits that existing budgetary recourses would not in fact be sufficient.

⁷ 12 country studies undertaken by the ILO 2005-2006 (Burkina Faso; Cameroon; Ethiopia; Guinea; Kenya; Senegal; Tanzania; Bangladesh; India; Nepal; Pakistan; Vietnam)

⁸ The basic pension was assumed at the level of 30 per cent of GDP per capita in order to align the benefit level with national circumstances.

⁹ The level of the child benefit is assumed to be equal to half of the universal pension amount, that is 15 per cent of GDP per capita with a maximum of half of one US dollar (PPP) per day (increased in line with inflation) and paid for up to two children under the age of 14 per woman who has given birth.

¹⁰ This calculation takes into account the following individual parameters: medical staff ratio to population; wages of medical staff and overhead non-staff costs. It is assumed that 300 medical staff are available per 100,000 population. This corresponds to approximately the estimate of health personnel in Namibia in 1997.

¹¹ It was assumed that the simulated employment scheme would provide a benefit set at 30 per cent of GDP per capita, with a maximum of one US dollar (PPP) per day (increased in line with inflation). The benefit would be paid for a total of 100 days in the year.

“The projections show that introducing a complete package of basic social security benefits requires a level of resources that is higher than current spending in the majority of low income countries (which rarely spend more than 3 per cent of GDP on health care and rarely more than 1 per cent of GDP on non-health social security measures). Therefore, a considerable joint domestic and international effort is needed to invest in basic social protection to bring about significant social development and a sharp reduction of poverty.”¹²

In terms of a *global cost* to provide the basic floor everywhere, the ILO estimates this figure at approximately 2% of global GDP (circa \$1.08 trillion in 2007). As a comparison, the Author of the “Stern Report” on climate change predicts that approximately 2% of global GDP will be needed to tackle climate change.

LESSONS FROM ELSEWHERE

Some important lessons can be garnered from the ILO’s Global Social Trust, a project which sought to raise funds in a developed country (principally through private contributions) to fund social security systems in developing countries. A series of pilots were run, first in Namibia and subsequently in Ghana.

A final independent evaluation of this project is pending, but clearly there are some important initial lessons that can provide us with guidance at this stage.

The first country that took part in the initial pilot, Namibia, in fact chose not to proceed with the project as they had doubts over sustainability and did not feel they would have the budgetary resources to sustain the response independently of external funding.

The pilots also underscored considerable concerns over governance of social security systems and emphasized the need for major efforts to focus on administrative and governance capacity issues.

¹² “Can low-income countries afford basic social security?” page 11, (ILO 2008)

THE ‘BASIC FLOOR’ INITIATIVE: QUESTIONS

1. Is there an example of a comparable low-income country that has tried this approach? *If not, why not?*
2. If countries adopted this approach and existing allocation of budgetary resources was to remain unchanged, where would the new funds come from?
3. If a government increased budgetary spend on social security, what other budget lines would have to be eliminated and what would be the consequence of this?
4. Where will ‘international transfers’ come from? *Existing aid transfers? A new global fund? A new global tax?*
5. Where would the Basic Floor be set? *Is it targeted at the least developed countries? All developing countries? Economies in transition?*
6. Is there a danger with such a ‘top-down’ approach that innovative approaches could be undermined?

THE ILO AT A CROSSROADS

The approach suggested by the ILO (“Global Floor” initiative) is a legal one - despite the poor record of this approach to date. A normative route, based on the evidence to date (and presented in the most recent ILO publications) is clearly not one that will achieve the employer goal – maximizing social security coverage. For this reason we cannot support it.

We are told that *“The principal means of action available to the ILO for the realization of its mandate to extend social security to all is the setting of international labour standards.”*

Two observations are noteworthy. First, ILS are but *one means* to achieve objectives; but, more importantly, when one looks at an analysis of this approach over a long period, one must conclude that *‘this means’* - the legal route – has not worked. A point recognized by the ILO:

“..it must be underlined that more than fifty years after its (C.102) adoption, an estimated 80 per cent of the world’s population lives in conditions of social insecurity, 20 per cent among them living in abject poverty.”

III. SUGGESTED EMPLOYER APPROACH

Employers, in the first instance, recommend that a thorough analysis of ILO work to date in this policy domain be undertaken. The Organization has this year put in place the architecture for such a comprehensive review through its ‘SILC’ cyclical reviews.¹³ We suggest that social protection be proposed to the SILC Steering Committee as a priority area for review.

1. RE-LAUNCH OF THE GLOBAL CAMPAIGN

In the immediate term, the IOE strongly believes that the 2001 ILC Resolution on social security and the subsequent ‘Global Campaign’ which was launched in 2003 remain the agreed reference point for the ILO in its efforts to achieve ‘*Social security for all*’.

The ‘Global Campaign’ provides a systematic framework for actions by a variety of actors to achieve a collective goal – maximizing social security coverage.

Employers therefore advocate a major re-launch of the ‘Global Campaign’ in 2009. This re-launch would place a strong emphasis on bringing the ‘campaign’ to national level through the development of national campaigns to maximize social security coverage.

A top-down approach has clearly not worked. The employer view is that a bottom-up approach, focused on practical interventions and partnerships, could have the best chance of achieving our collective goals.

2. PILOT PHASE

We recommend that the global campaign choose five countries to start with as pilots. Pilot countries should be chosen where governments are committed to social security as a policy response and where the potential for collaboration amongst key actors is strongest.

The challenge is daunting and surpasses the capacity of any one actor or organization – collaboration is essential. A serious and concerted collaborative effort in a number of countries would we believe help inform and shape wider policy. *This focus on collaboration is the key difference to earlier efforts to launch the Global Campaign.*¹⁴

The national campaigns in the pilot countries would have to have a strong focus on increasing analytical capacity, supporting the policy formulation process of the governments to evaluate, and analyzing the trade-offs in assuring social security for their citizens. They will therefore

¹³ As established in the 2008 ILO Declaration on Social Justice for a Fair Globalization

¹⁴ In launching the Global Campaign in 2003, the ILO initially focused efforts in a few countries. An analysis needs in the first instance to be carried out of how successful or unsuccessful these pilots were.

need to be heavily predicated on data collection, research and the use (and where necessary development) of analytical tools that will support the process of individual countries in identifying and evaluating alternative approaches, comparing these against international benchmarks and supporting the inevitable process of making the difficult choices and trade-offs that inevitably result.

Importantly, we believe that the national campaigns would need to avoid viewing social security policies in isolation. A holistic approach is needed, one that takes into consideration existing labour market policies and institutions, their functioning and suitability, and how they are influenced by or contribute to informality. Above all the national campaigns need to be predicated on parallel efforts to increase employment and private sector activity.

3. NATIONAL CAMPAIGNS: GUIDING PRINCIPLES

We suggest the following guiding principles to help the national campaigns

- look beyond traditional developed country models as the main reference for interventions ;
- social security to be seen as a springboard back into employment, as well as a safety net;
- take account of economic reality (eliminating the poverty gap through public transfers is beyond the fiscal capacity of most countries);
- aim to ensure the impact of interventions is felt by those who require them the most.¹⁵

4. NATIONAL CAMPAIGNS: MAIN OBJECTIVES

The following are elements we believe should be the bedrock of the Global Campaign.

a. Ensure government ownership

In many low income countries, social security is a policy response largely driven by donors and NGOs. *Government 'buy-in' is not unambiguously assured.*

Therefore, in the first instance, national campaigns in the five pilots would seek to secure the support of governments which are faced with numerous competing priorities. The national campaign would seek principally to 'start national dialogue' on social security coverage and subsequently to identify priorities for work. A national campaign that is grounded in specific

¹⁵ There is increasing awareness that supply-side subsidies for health and education services often fail to benefit the most vulnerable people. Recent research findings from public expenditure incidence analysis show that spending on education and health typically is skewed to services disproportionately used by the rich and middle class. The share going to the poorest 20 percent is almost always less than 20 percent (World Bank 2004 "Annual review of development effectiveness").

national realities, backed up by strong analytical work, would be much more likely to get concrete ‘government ownership’.

b. Increase coordination

Often social security in many low income countries seems accidental or disorganized. Individual NGOs, international organizations, quasi-state agencies and public bodies are all undertaking a diverse range of distinct social transfers to different social groups, according to criteria that are internal to each organization, or that follow the shifting priorities of funding agencies.

The accidental character of this social protection means that both duplication (particular types of beneficiary being targeted by two or more different agencies) and exclusion (deserving individuals and families being missed entirely from all types of social transfer) can occur.

While it is unlikely in the short to medium term that single unified national approaches to social security/protection/assistance would be possible (reflecting the enormous diversity of people, their needs and the national, regional and local sets of circumstances) national guidelines that emanated from the national campaign could certainly help. Increasing coordination through the national campaign could:

- foster a common understanding across agencies regarding who are the most vulnerable and how they can best be reached;
- help avoid duplication of effort and waste of resources by different actors;
- avoid the inadvertent exclusion of certain groups.

The ILO as the leading UN agency mandated to deal with social security could play a vitally important coordination role, particularly within the ‘One UN’ framework.

c. Promote a variety of responses

Social security instruments can come from a range of different suppliers such as the family, communities, non-governmental organizations, market institutions, and the government. – all of which have comparative strengths and weaknesses.

The reality in most low income countries is that informal household and community-based mechanisms still account for much of the safety net function.

Within the framework of a national campaign innovative responses to social security and protection for the poorest could be encouraged (and catalogued and shared elsewhere).¹⁶

These efforts and initiatives should be seen as complementing efforts to increase the public supply of social security instruments, by building up communities' ability to manage risk better, which enables them to start demanding better services from the public sector as well. To achieve functioning public sector services, actors at the lowest possible level (local government and the constituency they represent) must be strong and have a sense of mutual accountability.

Private social security schemes also need to be given consideration – in many cases private models will be much more appropriate to the national situation.¹⁷ While different actors will disagree on the relative priorities among the many alternatives for an effective pension system design in many settings, they should work together as much as possible to coordinate the development of knowledge and analytical capacity to support countries' ability to make decisions that consider their own circumstances and priorities.

16 For example, a programme in Bangladesh (the IGVD programme) has been successfully built on a government safety net programme that provides free food grain for an 18-month period to destitute, female-headed households that are at the highest risk of hunger. Experience has traditionally shown that it has been difficult to include the poorest in conventional microfinance operations and it was looking for another “entry point” to involve the destitute in its development activities. The programme uses food grain relief assistance to attract the hardcore poor and cater to their immediate consumption needs, but then adds skills training (in poultry and livestock raising, vegetable gardening, agriculture, fishery production, or the restaurant and grocery business) and savings and credit services to build their development capacity. Hence, when the cycle of free food grain ends, participants are able to engage in income-generating activities and become clients of regular microfinance programmes, earning at least the same money equivalent of the wheat they received by way of their newly acquired skills. This programme started as a pilot activity in 1985 but since then has become a national programme covering close to a million women.

17 In the mid-1980s, Chile put in place a plan that required the country's workers to put 10% of pre-tax income into a private pension fund of his or her own choosing. There were 13 plans to choose from and workers could switch their funds between plans to get the best returns at the lowest cost. In Chile, at age 65 for a man (60 for a woman) the worker takes the accumulated savings and either buys an annuity or organizes an individual payout schedule. He or she can retire earlier if he/she has enough money in their pension fund. To protect worker's savings, most funds are invested in securities automatically indexed for inflation. The benefits to the individual worker of this policy have far exceeded expectations. The original plans for the Chilean programme anticipated an annual return of about 5.5%. A retiree with 40 years in the fund at that rate, would receive 70% of the average of the last five years of his or her salary. With a return of 6.5% the payout would be 100% of that rate. Because the money that goes into these private pension funds is invested in production, a great supply of investment capital was made available to businesses and entrepreneurs at relatively low interest rates. With capital available, production increased many-fold and a huge new labor market has been created. There was also a major stock market boom (helped by new funds and new freer market policies). These private funds now constitute the equivalent of one third of Chile's gross national product.

d. Conditional cash transfers cct

The most dramatic direction change in the provision of safety nets in recent years is the advent of conditional cash transfer (CCT) programmes which transfer cash to poor families on the condition that the families ensure for instance that the children regularly attend school, receive prescribed standards for preventive health care, and participate in nutrition programmes.

These programmes are showing promising impacts, which have been supported by current research. For example, in many Latin American countries with truncated welfare states, where only the upper-income groups were covered by social insurance programmes and social safety net programmes, CCTs in particular have been instrumental in expanding that coverage to the poorer elements of society.

CCTs should therefore constitute part of the suite of policy interventions in the rollout of the pilot campaigns.

e. Improve governance

Existing public social security institutions often face major problems of poor governance¹⁸ and management along with excessive administrative costs. So-called ‘*elite capture*’, whereby social transfers are steered towards relatives and friends of political leaders rather than the most needy, can also be widespread.¹⁹

Within the framework of the national campaign clear commitments should be made by governments and followed through in terms of improving the running of systems.

In practical terms, the ILO and other agencies should play a key role in providing technical assistance to governments to improve the efficiency of systems. The role of the social partners in particular should also be a major preoccupation in this regard.

This work should also incorporate analysis of the cost effectiveness of the delivery of social security schemes (i.e. the total cost of delivering US\$1 worth of transfers to beneficiaries).²⁰

18 For example a 2004 survey tracked money released by the Finance Ministry in Chad intended for rural health clinics with the objective of ascertaining how much money actually reached clinics. The survey revealed less than 1% actually reached clinics. (Paul Collier « The bottom Billion » 2007, page 65)

19 An analysis of the Brazilian government-initiated Bolsa Escola (provision of cash transfers to mothers of poor children, conditional on their children’s continued attendance in school) which was devolved to the municipalities with complete transparency of payments and budgets clearly demonstrated that local governance and politics affect implementation and found encouraging evidence that the longer route to downward accountability via electoral rewards does work. (A World Bank evaluation study in 261 of the municipalities randomly selected).

20 Data from a set of case studies in Southern Africa, and most schemes fall within the range of US\$1.20 to US\$1.40 required to deliver US\$1 worth of transfers, with a clustering around US\$1.30. (REBA 207 www.wahenga.net).

f. Promote the role of the social partners

Tripartite or bipartite oversight or governance has proven helpful in creating consensus-based systems responsive to the changing needs of the global economy.

The social partners in many countries play a very active (in cases direct) role in the governance of social security schemes. They have proven to be effective agents in this domain in many parts of the world – indeed in cases they have been the key drivers.

g. Promote job growth and tackle informality

The issue of how to maximize social security coverage is intimately connected with how to provide more and better jobs for all. *The best form of social security is a job.* This consideration, although at the heart of the low productivity of many workers and thus their inability to access social security, needs to be a strong focus of national efforts.

Rigorous private sector development efforts and employment creation initiatives need to be rolled out in tandem with the national campaigns. A range of partners can collaborate in these efforts under the umbrella of the national campaign.

At the heart of this issue is the fact that most developing countries have large informal economies which in many low income economies can represent the bulk of economic activity.

By its very nature the characteristics of the informal economy are largely negative. It can trap individuals and enterprises in a spiral of low productivity and poverty. It constrains the ability of individuals to access capital, credit, technology, markets and institutions. For governments and local authorities it entails the loss of revenue from taxes and licensing fees. For workers it can mean inferior working conditions, job insecurity, lack of access to state benefits and social security. Above all it can inhibit growth.

As informal operators and workers tend not to pay taxes and social contributions, they can be engaged in unfair competition with formal businesses. The shortfall in tax and contribution payments, which is sometimes very significant, places an unfair burden on those businesses (and workers) which are registered and do fulfil their obligations in this respect. The consequent lack of national financial resources therefore acts as a major barrier to the extension of social protection and other systems which are vital to national development, such as education and health systems.

An analysis of informal economic activity and its root causes needs to be central to national efforts.

5. RESEARCH

In the first instance a robust analysis needs to be undertaken of efforts to implement the global campaign by the ILO thus far – this chiefly will guide our immediate next steps.

The scaling up of the Global Campaign and in particular its strong emphasis on increased collaboration with other actors such as the World Bank provides an opportunity for a shared research agenda. This can be part of wider work.²¹

As a preliminary step in the re-launch of the global campaign we advocate a research phase focused on the five pilot countries. We suggest the following areas as research themes:

a. Demographics

By 2050, world population is set to increase by some 2.5 billion people (from 6.7-9.2 billion)²² the vast majority of whom will be born in less developed regions. Over this period the population of the 50 least developed countries will more than double. Additionally, much of this population growth will be urban-based.²³

Forward looking research and analysis can help policy makers plan for these changes and address the myriad of questions arising from these demographic shifts, such as:

- What does this mean for social protection systems?
- What pressures will it place on existing systems?
- What new responses will be needed?

21 The work programme of the Multi-donor Trust Fund on “Labor Markets, Job Creation and Economic Growth: Scaling up Research, Capacity Building and Action on the Ground” that was recently established would seem an obvious opportunity.

22 All figures quoted in these paragraphs are from “World Population Prospects : The 2006 Revision, UN Department of Economic & Social Affairs Population Division”

23 “This year, for the first time, more than half of the globe’s 3.3 billion people will be living in towns and cities, with the urban population of Africa and Asia expected to double between 2000 and 2030” (UNFPA ‘State of World population’ 2007).

b. Commodity prices

The dramatic recent rise in food and energy costs impacts most severely on the most vulnerable. Social security can help shield these individuals from that pain.

In the long term, food prices will stabilize. Farmers will grow more grain for both fuel and food and eventually bring prices down. However, consumers still face at least 10 years of more expensive food.²⁴

Analysis needs to be provided to national campaigns that address questions such as:

- What pressures will commodity increases place on social security systems?
- How can policy makers respond to future sudden hikes?
- How can governments budget and foresee for future emerging crisis?
- What are the market impacts of social protection?

In respect of the last question, for example, food aid in a deficit market can help to constrain rising food prices, while in a non-deficit market it may cause prices to fall thus acting as a disincentive to production. Likewise, one of the concerns about cash transfers is that they may have an inflationary effect on food prices, especially in remote areas where markets do not function very well and there are high transport costs involved in bringing new supplies into an area.

c. Social protection as a productive factor

The argument of a positive correlation between social protection and labour productivity in a developing country context is one that warrants further analysis and research.

Such research should take a holistic view of the role of social protection and its impact on economic growth in these countries, factoring in all elements in favour of economic growth.

Empirical research on the role of social protection in countries considered growth success stories, as opposed to countries with growth problems, would facilitate this approach. International social policy advice could take advantage from the results by enabling the development of a “list” of “dos” and “don’ts” for countries opting for an explicit growth strategy.

Options for the design of social protection benefits that facilitate economic and labour market adjustment processes necessitated by globalization or other factors (e.g. migration) could be developed in the framework of national campaigns. Guidelines, or a best-practice guide, could be developed that fosters investments of social security reserves that are economically and, equally, socially useful.

d. New and innovative programmes

There is substantial research in the area of conditional cash transfer (CCT) programmes, either commissioned by the programmes themselves (Mexico's *Oportunidades* or Brazil's *Bolsa Familia*) or by international organizations (such as the World Bank, Inter-American Development Bank or UNDP). Such research, which is showing effective results, can help inform policy decisions.

However, there are other programmes where similar research would be welcomed. These include: workfare programmes; targeted cash transfer programmes; fee-waivers for education, health or utilities; and food-based transfers.

Likewise greater support should be given to developing the knowledge base of the many innovative approaches being developed in disparate settings to extend pension coverage so that these lessons can be extended to other settings.

e. Social partners

Social partners in many countries play a major role in the development and in cases the governance of social protection systems. Research could evaluate schemes which have a strong social partner input either in development or administration. Examples and practices from around the world could assist in policy development.

f. Effective labour markets

Allied to the above research programme is the wider research that is needed on labour markets in developing countries. Such research needs to be based on achieving an improved understanding of the mechanisms through which labour markets affect productivity and economic growth – how the costs and benefits of labour market reforms are distributed among different social groups and how to address political economy issues. In particular, increased understanding of informality and its connect to labour markets is necessary.

Another branch of research could examine ways to move from job to worker protection. In developing countries the balance between job and worker protection is often tilted in the favour of the former. It is often argued that removing excessive job protection for formal sector workers will create more and better jobs by not only enhancing productivity, but also improving job prospects for vulnerable groups. But reducing job protection is politically difficult and can only go hand in hand with the introduction of adequate worker income protection programmes. More work in this area is needed to generate both theoretical and practical knowledge about how to introduce well-designed, cost-effective worker protection and activation systems in developing countries, paying particular attention to country-specific conditions.

Upon completion of the pilot phase of the campaign a review should be undertaken to extract policy lessons that can then lay the basis for an extended rollout of national campaigns.

IV. MAKING IT HAPPEN

1. PARTNERSHIPS

The ILO has limited human and financial resources. *It can do only so much.* However, where the Organization is lacking in resources it makes up for in historic mandate, moral authority and convening power, along with its global network of employers, workers and governments.

We suggest that the Organization strengthen its partnerships for the delivery of the global campaign in two ways.

First, with its constituents

The Office should accelerate capacity-building work with constituents and provide direct and practical assistance to strengthen their role as competent actors in the development and, where appropriate, governance of social protection systems.

Second, with other international organizations

The scale of the objective before us is such that a massive collaborative effort is required between governments, international organizations, the donor community, the private sector, unions and civil society actors. Disparate efforts are leading to confusion and in cases overlap. Policy can be confused.

For ‘national campaigns’ to actually work major coordination with all stakeholders will be necessary. International organizations in the first instance must commit to work closer together to achieve shared objectives. The ILO, in line with its 2001 mandate to work closer with other agencies, must take the lead in these efforts. Closer collaboration in particular between the ILO and the World Bank is very much warranted.

2. GOVERNANCE

We suggest the establishment of a **High Level Advisory Panel** (HLAP) to oversee the Global Campaign. This HLAP should be drawn from leading actors in the field and other high profile individuals. Their role would be to act as an advisory function to the campaign and promote it in national, regional, and global fora; through the media; and at national launches.

The “Youth Employment Network” – a shared initiative of the ILO, World Bank and UN – could offer some guidance on moving forward from its experiences.

We advocate the establishment of a **peer-review mechanism** by the international donor community to measure the impact of social security interventions that are happening throughout the development of the campaign.

This should most probably be done through the OECD’s Development Assistance Committee (DAC). This could be a specific recommendation by the ILO to the DAC’s Social Security Guidelines which are currently being developed.

3. PROMOTION

Finally, we advocate a **major international media campaign** to raise awareness amongst the general public of the role that social protection can play in poverty reduction and employment generation. A strong connect to the Millennium Development Goals (MDGs) should be considered with a tie in to the MDG review in 2015.

* * *

Ultimately our overarching policy objective is a long term one and we need to be realistic in what can be achieved in the short term.

We however believe that national campaigns that are predicated on thorough research and analysis can greatly help bring better coherence and better impact to this area of work and facilitate partnerships and collaboration.

These proposals require further reflection, but we believe that they have the ability to garner widespread support from the business community, trade unions, international organizations, non-governmental organizations and governments in achieving shared objectives.

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