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INTERNATIONAL LABOUR ORGANIZATION

**Building a social protection floor  
with the Global Jobs Pact**

**Executive Summary**

**Second African Decent Work Symposium**

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INTERNATIONAL LABOUR OFFICE GENEVA

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## Executive summary

This regional African meeting completes a round of events organized at global and regional levels by the International Labour Office (ILO) within the broad scope of its Global Campaign on Social Security and Coverage for All.

The report is organized in six main chapters following a brief introduction. Chapter 1 sets out the context in which African countries seek to develop their social protection<sup>1</sup> policies, while Chapter 2 offers an overview of the prevailing situation of social security provision in Africa. Chapters 3 and 4 focus, respectively, on topical issues regarding social health protection and on schemes designed to provide income security for different groups of the population. These chapters each finish with a brief summary of conclusions specific to their topics. A broader synthesis of overall conclusions is presented in Chapters 5 and 6, with the objective of furthering the understanding of social security and its role in reducing poverty and mitigating the harsh impacts of recurring social and economic crises, as well as the impacts of the current global financial crisis on people in Africa. The appendices present a number of country case studies, together with a compilation of key statistics.

## The policy context

In recent years there have been significant shifts in thinking within Africa and elsewhere in the world about how social security and social protection are understood, its links to sustainable economic development and its relevance as a comprehensive response to poverty and capability deprivations. That perspective is based on and reinforced by evidence gained from research in those African countries that have introduced social protection programmes; it contributes to demonstrating that government-led social protection programmes are not only necessary for sustained economic growth, but are generally affordable in low-income countries, certainly when considered as part of a package of measures, even if in some cases there is a short-term need for support by the international community by way of development assistance. A feature of policy-making in this environment has been the ability to progress beyond the question as to whether countries should have social protection programmes to ask, rather, how to promote successful implementation of social protection programmes in such a way as to ensure human development and inclusive economic growth.

Strategic and deliberate policy choices are now being considered by African governments as to what provisions should constitute a basic package of social protection, how to determine and benchmark the level at which provisions are made, what instruments would be required to monitor and evaluate programmes, and how to build capacity for implementation at national, local and subregional levels. Chapter 1 of the report describes the framework in which these trends are developing.

The policy impetus towards the expansion of social protection that has been evident in Africa in recent years reflects the efforts of both the ILO and the African Union (AU). The ILO has, over the years, adopted a number of Conventions and Recommendations on social security with a view to the ongoing promotion and application of those which have been assessed as being up to date. These instruments should be seen as more than simply *labour*

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<sup>1</sup> In this report the terms “social security” and social protection” are used in a manner which is largely interchangeable, unless the context specifically indicates otherwise.

standards; they apply to whole populations and thus are helping to realize social security as a universal human right.

Meanwhile, the Constitutive Act of the AU, adopted on 11 July 2000 in Lomé, Togo, set out and continues to reinforce the need to promote a common agenda to address issues affecting the people of the continent.

The need for a comprehensive approach to work and rights is clearly reflected in the Universal Declaration on Human Rights, and continues to be the subject of ongoing studies.<sup>2</sup> The promotion of “opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity”<sup>3</sup> becomes a critical building block of the approach to social protection by both the ILO and the AU. This goal must include “all workers” irrespective of their sectors, whether they are waged or unwaged, male or female, unregulated, self-regulated or homeworkers.

Social protection in the region is gaining momentum and efforts are being made to sustain and expand existing measures, with particular efforts to overcome the problems of exclusion.

Further important steps have been taken on a number of occasions, and meetings at Ouagadougou (2004), Livingstone (2006), Addis Ababa (2007) and Windhoek (2008) can be seen as milestones. At the Third Extraordinary Session of the Assembly of Heads of State and Government of the AU in September 2004 in Ouagadougou, Burkina Faso, poverty and unemployment were high on the agenda. This meeting resulted in the Ouagadougou Declaration and Plan of Action (PoA) whose declared aims are to empower people, open opportunities and create social protection and security for workers through building a people-oriented environment for development and national growth. The PoA envisages that resources would be mobilized for implementation of plans of action at each of the national, regional, and international levels. It recognizes the need to address social development, poverty alleviation and employment creation in a coherent and integrated manner.

Together, the Ouagadougou Declaration and PoA form the current blueprint for the AU strategy on social development. The linking of poverty reduction, productive employment and social protection in the Plan of Action correlate directly with the Decent Work Agenda of the ILO, and the Ouagadougou Declaration and Plan of Action together support the continuing efforts made to promote the Decent Work development agenda of the ILO, the objectives of which include the enhancement of the coverage and effectiveness of social protection for all sectors in society, particularly the poor and vulnerable.

The Livingstone Conference held in March 2006 represented yet another turning point in the commitment of African governments to promote social protection as an urgent response to the increasing vulnerabilities of people, in the face of both chronic deprivation and new crises in the region. The Livingstone Call for Action recognizes that a critical requirement for a comprehensive social development agenda is the promotion of an approach that links employment policies and poverty alleviation. The Call for Action adopts the

guiding principle that social protection is embedded in both a human rights and an empowerment agenda.

The ILO's 11th African Regional Meeting held in Addis Ababa in April 2007 agreed on the following target related to social security:

All African countries adopt coherent national social security strategies, including for the introduction or extension of a basic social security package that includes essential health care, maternity protection, child support for school-age children, disability protection and a minimum pension.<sup>4</sup>

To achieve such an ambitious programme, Africa needs to campaign energetically so as to sensitize not only the populations at large but also policy-makers at the highest levels.

Most recently, the First AU Conference of Ministers in Charge of Social Development, held in Windhoek, Namibia from 27 to 31 October 2008, adopted the Social Policy Framework for Africa (SPF). This framework, noting that levels of investment in and access to social protection are still low in Africa, foresees the gradual building of social protection and social security "based on comprehensive longer term national social protection action plans. Measures will include: extending existing social insurance schemes (with subsidies for those unable to contribute); building up community based or occupation based insurance schemes on a voluntary basis, social welfare services, employment guarantee schemes and introducing and extending public-financed, non-contributory cash transfers."<sup>5</sup>

Under the Social Policy Framework, African countries are encouraged to choose the coverage extension strategy and combination of tools most appropriate to their circumstances. It notes, however, the emerging consensus "that a minimum package of essential social protection should cover: essential health care, and benefits for children, informal workers, the unemployed, older persons and persons with disabilities. This minimum package provides the platform for broadening and extending social protection as more fiscal space is created."

This document also indicates that such a "minimum package can have a significant impact on poverty alleviation, improvement of living standards, reduction of inequalities and promotion of economic growth and has been shown to be affordable, even in low-income countries, within existing resources, if properly managed".

Hence the approaches of both the ILO and the AU call for an extension of social protection schemes to all categories of workers and their families, through a mix of programmes that are responsive specifically to poverty and vulnerability. Such a mix of programmes is likely to include health, education and access to basic services such as water and sanitation – all designed to meet the needs of those most at risk, notably the working poor, the rural poor, women, children and the elderly living in poverty. The scope and the process of the implementation of social security programmes should naturally be responsive to the prevailing social and economic context in each country.

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<sup>4</sup> ILO: *Conclusions of the 11th African Regional Meeting: The Decent Work Agenda in Africa 2007–15*, document AfRM/XI/D.3(Rev.), Geneva, p. 5, para. 17.

<sup>5</sup> AU: *Social Policy Framework for Africa*, First Session of the AU Conference of Ministers in Charge of Social Development, Windhoek, Namibia, 27–31 October 2008. Document CAMSD/EXP/4(1) (Addis Ababa). Available at: [www.africa-union.org](http://www.africa-union.org).

## The social and economic context of Africa

The majority of African countries are poor, and in most a major proportion of the population lives below the poverty line. Poverty remains a difficult problem affecting millions of people, despite the progress made in some African countries through steady, albeit slow, rates of economic growth, reflecting stable macroeconomic policy environments. Chapter 2 of the report presents an overview of the relevant trends in the region, where not only the scale and depth of poverty but also the extent of unemployment result in devastating impacts on the most vulnerable and at-risk sectors of the population.

In the social and economic environment facing Africa, there is an urgent need to mobilize appropriate social protection strategies both to address poverty and at the same time to promote the Decent Work Agenda. This need must be placed in the demographic context, noting Africa's growing population, at well over 963 million in 2007, and its total fertility rate which, averaging around 5 for the period 2000–05, is estimated to be the highest of any region in the world. The population distribution according to age reflects a significant “youth bulge”, with related problems of skills and jobs deficits emphasizing the need to integrate both active and passive labour market strategies with direct measures of social protection. Approximately 41 per cent of the total population are in the age range 0–14 years, highlighting the need for social protection measures to be sensitive to the developmental needs of children and to the vulnerabilities such a large part of the population faces. By comparison, the major economically active component of Africa's population, those falling in the age range 15–64 years, numbers a little over half of the total (56.4 per cent).

By any measure, poverty in Africa is a major factor and poverty-reducing strategies in the form of social protection are increasingly being seen by policy-makers as a key to making significant impacts on the extent and depth of poverty. Aspects of poverty which are perhaps less obvious but must nevertheless be taken into consideration are, first, its relative dimension, and, secondly, its dynamic rather than static character, which means that not only can people find themselves descending into deeper levels of poverty, but can also move, perhaps repeatedly, into and out of poverty.

The policy frameworks and social protection measures that aim to respond to the multiple deprivations of the poor must take into account not only “headline” poverty data but also the degree of “churn” or turnover within the poor population. High levels of poverty in all its forms nevertheless remain persistent. Recent studies have shown that the proportion of people living in *working poverty*, as assessed under the US\$1 a day measure, has not improved, and that total poverty (according to this measure) has increased. However, it is necessary to answer many more questions than simply whether consumption has increased and incomes have risen, in order to assess the instrumental role of income and to determine how income is translated into capabilities and poverty reduction at individual and aggregate levels.

This chapter of the report goes on to consider more specifically the regional picture from the broader perspective of poverty viewed as deprivation of capabilities. It notes that the employment situation in the region has been aggravated even further than in the past by cutbacks in public-sector employment as a result of economic stabilization and longer term restructuring efforts. This leaves the vast majority of workers in the region to seek a living in the many different activities that make up the informal economy. Wage disparities, and more generally income disparities, already very large between the formal and informal sectors,

have dramatically increased. Income inequalities also reflect inequalities in land ownership, assets and access to education and health care. In the context of growing informalization, casualization and feminization of labour markets, the emphasis is no longer on the promotion of full employment but rather on the need for decent work. The ILO places increasing emphasis on this need, conceptualizing decent work as “work that not only provides a sufficient level of income but also ensures social security, good working conditions and a voice at work”.<sup>6</sup>

In addition to chronic poverty, present circumstances provide a reminder that sudden economic downturns and financial shocks can also be features of the global economy. Lost wages and increased unemployment as a result of financial and economic crises impoverish families and communities and reduce people’s ability to buy essential goods and services needed for survival. Global financial crises also result in squeezing government finances during times when protective policies are needed the most.

Establishing a *social protection floor* may seem particularly difficult in times of acute economic and social stress characterized by situations of chronic poverty, internal conflict and sudden economic downturns. However, there is ample evidence to show that even with relatively low income and limited resources, a government that guarantees a social minimum level of primary expenditures – including social services such as water sanitation, education and health care together with social transfers in cash or kind – can achieve remarkable results in terms of the expansion of human capabilities and development.

The social and economic context in Africa points to the urgent need for coherent and significant social protection interventions supported by continental and global actions. Based on societal consensus and the political will to extend social protection, policy options can be organized around three main clusters that are pivotal to the attainment of human well-being. These include: access to economic security through income support, through basic education and through primary health care. The degree and the nature of provision in each of these categories, however, can vary depending on the level of development and the resources available within a given society. Importantly, in Africa social protection strategies are not only poverty-reducing but also growth-enhancing.

## **Social health protection in Africa**

Chapter 3 of the report presents an analysis of the situation of social health protection in Africa. Social health protection within the framework of social security is conceived as a series of public or publicly organized and mandated private measures against social distress and economic loss arising from ill health and the cost of required treatment. The objective of social health protection is therefore to ensure that the financial means to secure health care and access to quality health-care treatment is available.

Africa has the lowest level of social security expenditure on health of any region in the world and proportionately very high private expenditure. The lack of access to basic health-care services affects the lives of millions of the poorest people, especially children, women, the elderly and people living with disabilities, together with those living in post-conflict

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<sup>6</sup> ILO: *World Employment Report 2004–05: Employment, productivity and poverty reduction* (Geneva, 2005), p. 24.

zones. Access to maternal health services, to pre- and post-natal health services and generally to primary health care in most African countries is very limited.

The global economic downturn has shaken Africa's economies severely and estimates of growth rates have been revised substantially, particularly for sub-Saharan countries. Reductions in growth are likely to be translated into increased unemployment, poverty, and shrinking funds available for health care.

Against this background, it is essential to mitigate the impact of the crisis on health and poverty if further slowing of progress towards achieving the Millennium Development Goals (MDGs) is to be avoided. The consolidation of health status – which is vital for income generation, development, growth and wealth – will require an increasing commitment from African countries towards ensuring access to at least essential health services through improved social health protection schemes, seeking to cover more people with better services and provide financial protection against health-related poverty. In this context, the priority needs are to reach out to the poor, the most vulnerable, and those working in the informal economy.

The scale of need for social health protection coverage is overwhelming. The major gaps in coverage which exist at present impact severely on social and economic development. Within countries, inequities at regional and national levels result in significant geographical differences in health status. Between countries, the performance and extent of social health protection coverage – including access to health services and financial protection – varies significantly, often reflecting each country's degree of vulnerability in terms of poverty and the predominance of the informal economy.

Globally, countries with the highest vulnerability in these terms show the highest deficits in access to health services; variation between the regions can be measured by the ILO Access Deficit Indicator.<sup>7</sup> Within the African continent, very significant differences regarding the extent of the access deficit, and hence the level of challenge faced by the population when in need, can be observed, with the relative deficit ranging from a very high level to almost none.

A key issue regarding equitable access relates to out-of-pocket payments. Such payments are made directly by individuals to obtain health services or supplies, and fall outside any framework of risk- and burden-sharing, hence of fairness or equity. In Africa a major part of all health expenditure is spent on an out-of-pocket basis, and the result in terms of impaired access to health services and worsened poverty is very significant. The situation is often aggravated by gender inequities reflecting a variety of cultural and social factors.

A wide range of financial and physical barriers causes unequal access to health care at country level. The key factors include:

- high levels of out-of-pocket expenditure for medical care and drugs;

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<sup>7</sup> This indicator is based on the density of health professionals. It uses Thailand as a benchmark, given that country's good health results with a ratio of one health professional for 313 population. See ILO: *Social health protection: An ILO strategy towards universal access to health care?*, Social Security Policy Briefings, Paper 1 (Geneva, 2008).

- widespread incidence of costs incurred as a result of unavoidable health events and interventions (for example, Caesarean sections), and which would be regarded as catastrophic if, as is not uncommon, such expenses exceed 40 per cent of households' net income;
- fragmentation of health systems leading to gaps in social health protection;
- restricted benefit packages that fail to address the actual needs;
- uneven urban and rural distribution of health-care facilities;
- gaps in the health workforce, often due to working conditions that fail the test of decency, and result in low-quality services;
- issues reflecting gender, cultural and ethnic factors impacting on access to health services; and
- the financial impact of the HIV/AIDS pandemic.

A set of indicators has been developed which distil many of these factors and, while describing and quantifying inequality in effective access to health services in Africa, may lend themselves to visual presentation. The following elements are reflected in the indicators:

- gaps in legal or formal coverage;
- deficits in financial resources;
- out-of-pocket payments which impoverish those suffering ill-health;
- health status outcomes related to maternal mortality;
- gaps in the professional and general staffing of health services.

In the light of the observed problems, the key question is how to improve the situation in terms of extending social health protection, with the ultimate aim of achieving universal coverage.

The mechanisms available by which financial resources for social health protection systems may be generated fall into a rather small number of categories, namely:

- tax-funded national and public health services;
- subsidized national, social and community-based health insurances co-financed by contributions and premiums (typically paid by workers, employers or the insured); and
- other forms of private health insurance and cash benefits.

Allocations to the various contributory pools are provided from the general revenue as subsidies for the poor and vulnerable groups. Decisions on key aspects of social health protection should be based on the broadest possible processes of dialogue that include social partners and representatives of patients, health-care workers, health-care providers and the Government.



The policy framework and design of successful social health protection systems need to take into account concerns at three strategic levels:

- at the level of the individual, the varying needs and priorities regarding disease burden, poverty/vulnerability, age, gender, ethnic group, employment status and residence must be considered and adequately addressed;
- at the system or scheme level, the provision of benefits must be enabled and ensured by adequate, efficient and effective management and financing processes, together with resources such as medical equipment and staff;
- at the global level, social health protection systems should align with global public health priorities such as the MDGs and cross-border control of communicable diseases.

Progress remains limited, particularly in sub-Saharan Africa. In order to achieve universal social health protection coverage it is important to ensure effective access to an essential benefit package of adequate quality for all residents of a country. This must be planned in several important dimensions:

- legally mandated rights and entitlements to health care;
- physical availability of health-care infrastructure, equipment, drugs and qualified health-care workers;
- affordability of health-care and financial protection, i.e. the removal of financial barriers in access to health care without leading to impoverishment as a result of catastrophic health-care costs (those which, on a rather arbitrary definition, exceed 40 per cent of household net income), and the minimizing of out-of-pocket payments;
- fairness in setting contributions in insurance-based social health protection systems according to ability to pay;
- timely and correct information provided to beneficiaries regarding health-care rights and entitlements; and
- adequacy in the quality of care provided.

Effective policy-making will also require that health-financing mechanisms are embedded into a broader social protection floor (SPF-I) that addresses income and health-related poverty through social policies including in-kind and cash transfers for all in need – women and men, children, the elderly, the unemployed and people with disabilities – to address social determinants of ill health.<sup>8</sup> An essential benefit package should reflect the stipulations of the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), and the Medical Care and Sickness Benefits Convention, 1969 (No. 130), regarding the minimum medical care to be provided.

This chapter concludes that:

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<sup>8</sup> United Nations: Chief Executives Board for Coordination (CEB). *The global financial crisis and its impact on the work of the UN system*, CEB Issue Paper (New York, 2009), p. 20.

- Gaps in social health protection are jeopardizing economic and social security in many African countries. Shortfalls often reflect health system financial planning that is divorced from the objective of achieving universal coverage and so lacks both the effectiveness and efficiency needed to address key challenges.
- Equity in access is a critically important issue that needs to be addressed both at the regional and country levels. Significant levels of inequality are observed both between rural and urban areas, and the formal and informal economies, while the shortfall in access for women is of particular concern.
- Different funding mechanisms can be used, ranging from social security and social assistance to employers' liability, to maximize the affordability of social health protection at both the national and household levels.
- The factors leading to success in the scaling up of efforts to extend social health protection are likely to include:
  - coherent legislation and institutional response;
  - shared international frameworks such as the MDGs and the social protection floor;
  - improving financing and funding through developing fiscal space;
  - including provisions for essential health benefit packages in social security schemes; and
  - enforcing legislation and monitoring progress.

## Income security schemes

Chapter 4 of the report concerns schemes and systems designed to provide income security. In planning such schemes in Africa, even more than for other regions, a clear distinction should be made between the formal and informal components of the economy. On the formal side, contributory social insurance schemes provide benefits that are based on statutory (or legal) entitlements but are usually open only to those workers who are in full-time paid employment. In general, **governments** tend only to contribute to contributory social security schemes **as an employer** of public servants. For the informal economy, apart a few limited, uncoordinated and under-funded programmes of social assistance, there has historically been hardly any provision of income security or income support programmes on a scale large enough to reach the majority of those in need. However, everywhere in Africa there is now an ongoing debate on scaling up government-financed non-contributory programmes, and a range of new policies are being implemented or piloted.

There is wide variation within the **contributory social insurance schemes** in Africa. The contingencies most often covered are old age (pension benefits) and employment injury,<sup>9</sup> while many old-age pension schemes also provide benefits in case of disability and

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<sup>9</sup> However, in many countries coverage for employment injury is much narrower than that required by ILO Convention No. 102, being limited only to lump-sum compensation in case of employment-

death of the breadwinner (survivors' pensions). On the other hand, the least often covered contingency is unemployment: schemes exist in only a few African countries. Family benefits are rarely provided. Sickness and maternity benefits are often not covered by social insurance schemes but are provided directly by employers on the basis of employers' liability, as required by provisions in the labour code or similar employment acts.

Coverage in the region generally for each of the contingencies specified in Convention No. 102 is extremely low, reflecting the low membership rates in the contributory systems. While coverage rates are higher than the continental average in the countries of North Africa generally as well as in South Africa, Mauritius and a few other countries, effective coverage rates of contributory schemes in most countries often fall well below 10 per cent, the scope of benefits is limited and benefit levels are unprotected against inflation, which is often persistently high.

Given the extent of poverty in the countries reviewed and that contributory social insurance schemes provide at best only a limited measure of social security to a minority, several major challenges and issues face the existing social insurance systems. Most importantly, such systems provide little or no coverage for those employed in agriculture and or for domestic workers, despite the fact that agricultural workers represent the majority of those employed in most countries of the region. As a result of this and a range of other factors, less than 10 per cent of the labour force in the region benefits from social security income protection in old age. An important consequence of this shortfall is seen in the phenomenon of *the working elderly*, with 80 per cent of older women and men who do not have regular income continuing to work, generally in the informal economy, until they are incapacitated. Many additional issues must be addressed, among them non-compliance, inappropriate statutory retirement ages, early withdrawal of funds, the situation of migrant workers, inadequate benefit levels, and discrimination against women.

For workers in the informal economy there is no comprehensive social security coverage, even if good progress is being made in the region in the provision of social transfers through either cash support or in-kind benefits such as food, schooling and health care. Non-contributory benefits may be provided to the indigent or those without any other means of survival, as well as to the most vulnerable such as orphans, women, children living in poverty, people with disabilities and the elderly. Such benefits are funded by the State, or in some cases through temporary donor support or the support of international non-governmental agencies. The trend of expert opinion suggests that cash transfers in Africa represent potentially the most efficient way of reaching the most vulnerable and the poorest, especially if such transfers are provided on a universal basis.

Consensus is strong in Africa on the urgent need to extend social protection measures to include all those who are most deprived, at risk and living in poverty. Despite this recognition of its important role, national budget allocations for social protection tend to fall far short of actual need. A review of aggregate social protection expenditure in sub-Saharan Africa shows that only 4–6 per cent of GDP (weighted for population) is spent on social security, and of this amount a larger proportion is spent on health care than on cash transfers. This level of allocation overall is the lowest amongst all regions of the world. If the analysis is broken down according to individual countries, however, there are great differences in national budgets and spending patterns on social security.

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related accidents. In addition, the percentage of actual accidents and incidence of employment-related diseases actually reported and compensated is also rather low.

An issue of central importance in phasing in social protection reforms to respond to the identified gaps and priority areas is the need to implement plans within the financial and fiscal resources available to countries, in ways that are sustainable and at the same time ensure “vertical” equity (cross-subsidies from the rich to the poor through redistributive taxation) and “horizontal” equity (ensuring that all those who fall within a certain category of vulnerability or risk have access to fair treatment leading to similar outcomes).

The low coverage of the poorest and the rudimentary nature of social assistance programmes in Africa is largely due to inadequate budgetary support for social protection. As a result only a few of the intended beneficiaries are provided with support, and this is often only limited and short-term relief. Yet estimates by the ILO indicate that the provision of basic old-age and disability pensions, basic child benefits and social assistance to the working poor need absorb less than 4 per cent of GDP on average, showing that much more could be done in this area.

## Emerging strategic options and challenges

Widespread consensus exists for the expansion of social security in Africa as a means to reduce poverty and as a form of investment in the future. By the end of October 2008 more than 38 African governments had indicated strong political commitment for the expansion of social protection in their countries. This is a significant step forward in promoting the expansion of social protection and moving progressively towards the implementation of the social protection floor.

Chapter 5 of the report presents an assessment of the implications. The policy commitment falters when it comes to matters of practical implementation and how to introduce the necessary changes within each country. The focus is uncertain, varying from mechanisms to identify and focus services on the most vulnerable groups (more specifically amongst children, people with disabilities and the elderly) to recommendations for approaches to longer term poverty reduction that can remove barriers to health, education and access to services while at the same time promoting decent work and social infrastructure development. The ILO promotes an approach which asserts that governments need not see social protection (at least in the medium to long term) as a trade-off between meeting social needs and minimizing of financial costs, so that the needs of those who are most vulnerable and at risk can be addressed together with the needs of those in chronic, structurally based poverty. A mix of policy and programme options is feasible and affordable for countries in Africa if these are based on the progressive and phased implementation of the social protection floor.

The key features which the ILO would seek to promote, and to assess, in the design and implementation of a national social security system may be summarized as follows:

- ***Universal coverage*** of income security and health systems: all (permanent and temporary) residents of a country should have gender-fair access to an adequate level of basic benefits that lead to income security and comprehensive medical care.
- ***Benefits and poverty protection as a right***: entitlements to benefits should be specified in a precise manner so as to represent predictable rights of residents and/or contributors; benefits should protect people effectively against poverty; if based on contributions or earmarked taxes, minimum benefit levels should be in line with the Social Security

(Minimum Standards) Convention, 1952 (No. 102), or more recent Conventions providing for higher levels of protection, and the European Code of Social Security of the Council of Europe.

- **Collective “actuarial equivalence”<sup>10</sup> of contributions and benefit levels:** the benefits to be received by scheme members should represent both a minimum benefit replacement rate and a minimum rate of return in the case of savings schemes, which in turn must adequately reflect the overall level of the contributions paid; such minimum levels should be effectively guaranteed, preferably by the State.
- **Sound financing:** schemes should be financed in such a manner as to ensure to the furthest extent possible their long-term financial viability and sustainability, having regard to the maintenance of adequate fiscal space for the national social security systems as a whole and individual schemes in particular.
- **Responsibility for governance:** the State should remain the ultimate guarantor of social security rights, while the financiers/contributors and beneficiaries should participate in the governance of schemes and programmes.

In the light of the above principles as well as the factual analysis of the situation and performance of social security systems in Africa, a conceptual strategy for the Campaign to extend social security coverage can be seen to be two-dimensional in nature (and indeed reflects the two-dimensional perspective on equity described above). One dimension comprises the extension of some income security and access to health care, even if at a modest basic level, to the whole population. This dimension may be called “horizontal” extension. The second dimension would seek to provide higher levels of income security and access to higher quality health care at a level that protects the standard of living of people even when faced with fundamental life contingencies such as unemployment, ill health, invalidity, loss of breadwinner and old age. This dimension may be called the “vertical” aspect of extension. The metaphor that thus emerges for the extension of social security coverage is the image of a social security “staircase”, in which the first level is composed of a social protection floor.

The assumption still persists that countries at lower levels of economic development must remain unable to afford to implement progressive measures of social security. Many development planners have simply assumed that there is insufficient fiscal space in such countries to finance social security benefits and, hence, that for them social security is not affordable. That this is an assumption, and a mistaken one, becomes clearer as evidence emerges that a minimum package of social security is affordable in even the poorest countries, as recent work by the ILO on the costs of a minimum package of social security in sub-Saharan Africa and Asia shows. Obviously, there are some cases where the fiscal space for social transfers cannot easily be extended in the very short run. Each case has to be assessed in detail. Emerging findings show, nevertheless, that “policy space” for financial manoeuvre may be wider than often assumed. The evidence shows that, almost everywhere,

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<sup>10</sup> Expressions such as “actuarial equivalence” are not defined in a universally agreed way, indeed attracting some controversy, and should not, perhaps, be treated as having too precise a technical meaning. Nevertheless, while it is difficult to encapsulate in a pithy phrase, the idea represented here is important – broadly that on a basis which is collective and long-term the members of a social security scheme, specifically a pension scheme, should perceive that the basis on which benefits will be awarded reflects fairly their input by way of contributions.

something can be done. The proportion of national income spent on social security does not, in fact, depend at all closely on how rich the country is. To a large extent, it depends on the prevailing political will that effectively defines the fiscal space available. To maximize fiscal space may, however unpopular, require substantial attention to the effectiveness of a country's tax and contribution collection mechanism. Without sound machinery for revenue collection no revenue can be redistributed. The challenge of increasing fiscal space has a different face for each country. A checklist of components for a national strategy may, however, include:

- (1) tax reforms to increase fiscal resources including, in particular, enhancing the effectiveness and efficiency of tax collection;
- (2) gradual increase in social spending as a proportion of GDP and as a proportion of total spending;
- (3) redistribution between social policy areas to refocus expenditure on most urgent needs;
- (4) refocus of spending within social sectors and policy areas to make certain spending more progressive and more effective in combating poverty and vulnerability.

## Conclusions

Social security is first and foremost a human right and hence an obligation for all societies. It also acts as a social and economic facilitator of change and has the capacity to function as an effective financial stabilizer.

Chapter 6 considers the implications of the social protection floor and specifically the two-dimensional approach to the extension of social security described in Chapter 5, recommending a policy framework and implementation strategies.

The two-dimensional approach can be inferred from a wide range of instruments, documents and resolutions, notably the UN Declaration of Human Rights, the ILO Constitution together with the extended mandate defined in the Declaration of Philadelphia, the Conclusions of the International Labour Conference in 2001, the Conclusions of the ILO's 11th African Regional Meeting held in Addis Ababa in April 2007, the ILO Declaration on Social Justice for a Fair Globalization and the Global Jobs Pact, together with the up to date ILO Conventions and Recommendations, supplemented by emerging national experience and the experience gained to date through the ILO Global Campaign on Social Security and Coverage for All.

Countries can and should pursue both dimensions at the same time. General revenue financing should first focus on the *horizontal dimension*. However, solidarity-based financing should not stop at the basic level of protection. The *vertical dimension* should focus on the guaranteed access to a defined range of social security benefits and the safeguarding of adequate benefit levels as of right for all who contribute to the financing of social security systems through contributions or taxes. An important catalyst for this dimension would be provided by the promotion of a wider ratification of Convention No. 102 in Africa.

The social transfer component of the wider social protection floor (that also includes essential services that, as such, fall outside of the direct competence of the ILO), comprises a

basic set of essential social guarantees realized through transfers in cash and in kind that could ensure that all residents have the necessary financial protection to afford, and have access to, a nationally defined set of essential health-care goods and services; that all children have minimum income security; that all those in active age groups who are unable to earn sufficient income on the labour markets enjoy a minimum income security through social assistance; and that all residents in old age and with disabilities<sup>11</sup> have guaranteed minimum income security through pensions for old age and disability.

There is no “one-size-fits-all” definition of the nature and level of the benefits. The term “guarantees” leaves open whether all or some of these transfers in cash or in kind are granted on a universal basis to all inhabitants of a country, whether they are granted based on contributory insurance schemes or whether they are granted only in case of need or may be tied to a number of behavioural conditions. The crucial point is that all people have access and a right to health services and means of securing a minimum level of income.

Fiscal space, institutional strength and levels of poverty and vulnerability should drive the decision-making process regarding, firstly, the means of constructing the social transfer component of the basic social protection floor, and secondly, the question of which benefits to introduce as a matter of priority within an overall implementation plan for the full set of basic guarantees. New cash transfer programmes, that have sprung up in about 30 developing countries around the world during the last one to two decades and are already providing elements of the social protection floor, have been successful in combating poverty, increasing school enrolment, boosting the social status of recipients, and improving their health and nutritional status. They demonstrate that the basic social security guarantees, or at least important elements of the package, can be afforded by developing countries. They are most successful where they form an integral part of an overall social security strategy.

The core challenge for the financing of the basic social security guarantees remains the securing of the necessary fiscal space. The increase of fiscal space for social security thus requires political decisions with respect to the priorities of government spending and revenue generation, together in many cases with respect to investments in national tax reforms. The example of many African countries during the last decade shows that developing countries can increase their revenues relative to GDP.

The national experiences reviewed in the report show that successful national action to extend social security horizontally to all relies on the following crucial elements:

- (i) compatibility and coherence of social security extension policies with a wider social and economic development strategy aiming at improving the standard of living through fair sharing of growth through a number of social, employment, educational, health and fiscal policy measures;
- (ii) strong advocacy of poverty alleviation and the reduction of insecurity as a national policy priority through investments in social security by the social partners and other interested parties;
- (iii) sound analytical work with respect to the identification of the main social security priorities and the lacunae in present protection systems;

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<sup>11</sup> That is, a degree of disability that excludes them from labour market participation.

- (iv) sound quantitative analyses of the cost, benefits and long-term financial and fiscal sustainability of alternative benefit systems;
- (v) the determination of protection priorities in a national consultation process, including tripartite social dialogue as a core element;
- (vi) the determination of benefit entitlements and levels on a statutory basis;
- (vii) guaranteed minimum benefit levels aimed at lifting beneficiaries above national poverty lines;
- (viii) the creating of fiscal space through a combination of measures to:
  - abolish inefficiencies in existing spending structures and behaviour;
  - reallocate existing resources to those schemes of protection which are most effective in terms of poverty alleviation and the reduction of vulnerabilities and insecurity;
  - widen the tax base and access new sources of public revenues;
- (ix) strengthening the capacity to ensure effective and efficient programme management and supervision; and
- (x) putting in place at an early stage effective monitoring and evaluation frameworks that ensure the targeting efficiency of social security and transfer benefits.

All mechanisms to extend social security coverage should be rooted in the context of an integrated national social security strategy. The ILO should support the conceptual development of a two-dimensional national social security extension and implementation strategy along the lines described above using the full range of means of action of the ILO; these consist of the generation, management and dissemination of knowledge, support for policy development, capacity building and technical advisory services. The technical advisory services to be provided by the ILO should be formulated on a dual focus basis, around the concepts of the social protection floor and the promotion of the ratification of Convention No. 102.

Last, but not least, national social security plans should guide the ILO in the follow-up to the Declaration on Social Justice for Fair Globalization and to the Global Jobs Pact on a national level.

## **Questions for general discussions**

### **1. On the design of a national social protection policy**

The implementation of the Social Protection floor will be a process that takes a number of years in African countries. It will need a coherent vision and strategy as well as implementation plans. What priorities do you think should be integrated in the national social protection floor strategies?



How can countries ascertain that social protection floor policies are compatible with existing national social security systems presently largely covering the formal sector?

## **2 On the fiscal space for the Social protection floor**

How can available fiscal space be used to improve Social protection? How can fiscal space be extended if necessary?