
INTERNATIONAL LABOUR ORGANIZATION

Report on Proceedings

**Tripartite Meeting of Experts
on Strategies for the Extension
of Social Security Coverage**

Geneva, 2-4 September 2009



INTERNATIONAL LABOUR OFFICE GENEVA

Report on the Tripartite Meeting of Experts on Strategies for the Extension of Social Security Coverage (Geneva, 2nd to 4th September 2009)

Introduction

1. Following a resolution adopted at the International Labour Conference of 2001, the Global Campaign on Social Security and the Extension of Coverage for All was launched at the 2003 session of the Conference. The discussions of the Committee on Employment and Social Policy during the November 2008 session of the Governing Body included a review of the progress of the Campaign,¹ and it was agreed by the Governing Body that it would be timely to hold a Tripartite Meeting of Experts on Strategies for the Extension of Social Security Coverage. Accordingly, the Office arranged such a meeting, which was held in Geneva between 2nd and 4th September 2009, the proceedings of which are summarized in this report.

1. Framework and environment of the meeting

2. The Global Campaign was developed in response to increasing concern as regards the low levels of social security coverage prevailing, particularly in the African and Asia-Pacific Regions, most acutely amongst workers in the informal economy, and has been formally launched in a range of countries. The indicative policy framework emerging from the campaign and other activities envisages that countries which have not yet achieved universal or widespread coverage should first aim to put in place a basic set, or “package”, of social security guarantees for all. Such a “basic package” corresponds, in fact, to a large part of the Social Protection Floor promoted by the UN Chief Executives’ Board as one of its nine joint Crisis Initiatives earlier in 2009², and which is itself strongly reflected in the Global Jobs Pact adopted at ILC 2009³, and thus represents a direct follow up, on the part of the ILO’s Social Security Department, to the Pact. The basic benefit package would serve as a foundation for the development of higher levels of protection in each country, as and when further economic development allows for the utilisation of additional fiscal space.

¹ ILO. 2008. Social security standards and the ILO campaign for the extension of social security, GB.303/ESP/3 (Geneva).

² The “Social Protection Floor” is conceived as a combination of relevant services (including education and health) and cash transfers, and is described in the papers of the UN Chief Executives’ Board following their meeting in April 2009.

³ The role and description of the basic social protection floor is set out in Section 12 of the ILO Global Jobs Pact.

2. Objectives of the meeting and issues to be addressed

3. The objectives specified for the meeting were as follows:

- (a) to examine recent trends and developments on various policies aimed at extending social security coverage and building universal, comprehensive and fiscally sustainable social security systems;
- (b) to analyse options for the extension of social security coverage to all along the lines outlined in the ILO's Constitution and relevant social security Conventions for countries with different economic and social conditions to serve as a basis for the design of appropriate policies within the framework of the Global Campaign; and
- (c) to identify strategies to promote a set of basic social security guarantees that will provide the basis for the gradual move to reach higher levels of protection, which will represent a major contribution to the achievement of the Millennium Development Goals, the fulfilment of the commitment of the Organization to "the extension of social security to all" as renewed in the Declaration on Social Justice for a fair Globalization, and strengthening the Global Campaign.

4. The issues implied by the following questions were identified as being of central importance, and successive sessions of the meeting were devoted to them in turn:

- How can effect be given to the right to social security?
- What are the priority needs for social security?
- How can universal coverage and adequate benefit levels in health care - as an element of the social protection floor - be achieved?
- How can universal coverage and adequate benefit levels for the protection of children and the unemployed – also as an element of the social protection floor – be achieved?
- How can universal coverage and adequate benefit levels for persons in old age, for persons with disabilities and for survivors be achieved?

3 Organization and participation

5. The Tripartite Meeting of experts on Strategies for the Extension of Social Security Coverage was held in Geneva between 2nd and 4th September 2009. The Meeting was attended by Government experts invited from 12 countries, 12 experts nominated following consultation with the Employers' group, an equal number nominated following consultation with the Workers' group, and around 30 observers, reflecting considerable interest evinced, both amongst ILO members wishing to be represented and UN and other international organizations and NGOs.

6. The Meeting was opened formally by the Director-General, who gave a wide-ranging address, stressing the interdependent and mutually reinforcing nature of the four pillars of Decent Work, and surveying the global social security environment, with particular reference to developments in the wake of the ongoing global economic crisis.

7. The technical work of the Meeting was organized within the framework of a series of thematic sessions, allowing for in-depth and extensive discussions, and which are reported in the summary of proceedings of the meeting, which follows.

Summary of proceedings

8. The following sections, 1 to 6, summarize the presentations and discussions forming the technical content of the meeting. At the closure of the meeting, the Chairperson provided a detailed summary, encompassing the range of opinions presented and consensual conclusions reached by the Meeting, and this is annexed to this report. A two-part technical report had been prepared in advance as a primary reference document for the meeting, and this is also annexed. The technical work of the meeting was organized within the framework of a series of thematic panel discussions, each introduced by a series of presentations made by members of staff of the Social Security Department of the ILO and by experts from a number of participating countries; all of the presentations made will be posted to and available on the internet/web platform (GESS) of the ILO's Social Security Department.

(a) *Opening of the Meeting and introductory presentation*

9. The meeting was opened by **Mr Assane Diop** (*the Executive Director of the Social Protection Sector*), who welcomed the participants and observers. With a view to electing a Chairperson to preside over the deliberations for the whole meeting, **Mr Guillermo Enrique Fustamante Irigoien**, *the Government Expert of Peru*, rose to nominate **Mr Carlos Eduardo Gabas**, *the Government Expert of Brazil*, to undertake this role, and his nomination was seconded by **Mr Wim Bel**, *the Government Expert of the Netherlands*. The meeting then elected Mr Gabas by acclamation and at Mr Diop's invitation, expressing his sense of honour in receiving the confidence of the participants, he took the chair.

10. At Mr Gabas's invitation, the substantive work of the meeting was initiated by a keynote address by **Mr Juan Somavia**, *the Director-General of the ILO*. Mr Somavia began by highlighting the ongoing economic crisis, which had given a strong sense of urgency to the subject, and which, in the light of the fact that even before the crisis, four out of five of the world's people lacked adequate social security coverage, demands action without delay. Mr Somavia noted the way in which the contingencies of life can precipitate vulnerable women and men, and their families, into poverty and the growth of insecurity in the wake of the business closures and increasing unemployment resulting from the economic crisis. In the wake of developmental approaches that have failed too many, the widespread existence of what might be called “sub prime work” – substandard and vulnerable jobs – without fundamental rights, without social security, without dignity, has been a costly price to pay. Accordingly, he expressed the basic conviction, rooted in the very values of the ILO and underlying the meeting that social security as one of the four pillars of the Decent Work agenda must be seen an inalienable right and given its due priority.

11. Mr Somavia went on to highlight the developmental role of social protection – in terms for example of children's access to schooling, health care for all and food, and ensuring food and income security – and as reaffirmed in a number of recent high-level meetings, for example of the G8 and G20 groups, and ECOSOC, and the commitment to working towards the achievement of a social protection floor. Moreover, social protection represents an indispensable investment in the productive capacity of any country. While, thus, there is growing consensus that social protection is a prerequisite and not an impediment to growth, and that countries can grow with equity, there is less agreement on how to move forward. Mr Somavia declared that therein lay the importance of this meeting.

12. He went on to ask what is now needed to move ahead, and indicated a number of broad avenues. Firstly, given that what is lacking in the world to eradicate poverty is not, evidently, the necessary resources but in fact an appropriate set of priorities, it is a matter of political will – to provide the vision, to set the principles, to define the ground rules for

the societies that we want; to be prepared to overcome fiscal constraints. It is also necessary to mobilise social and individual will. He suggested that there is a need to question existing priorities and that the will to change must come from an analysis of the deep imbalances of the global economy. Secondly, there is a need for a major investment in social dialogue and organization, in order to shape common objectives and strategies that respond to specific national needs and to make the necessary compromises. Moreover, organizational challenges must be addressed so as to create the strength for change and for redefining priorities to help ensure that the compromises are not always at the cost of the weakest; a consensus must be built that deals with the problem and does not just “paper over the cracks”. Thirdly, priority must be given to acting with the greatest urgency to ensure a social protection floor for those who are struggling simply to survive. Noting that the aim of extending coverage to as many and as quickly as possible is to prevent women and men and their families from falling into destitution, helping them overcome poverty and move up the ladder of opportunity, Mr Somavia suggested that the work of the meeting should be guided by the question as to whether this is a legitimate aspiration; if so, the aim of the meeting must be to see how to bring about this objective. To do so, the floor must be more than a safety net, a beginning not an end, and an instrument to help the unprotected reach higher.

- 13.** Mr Somavia went on to speak about the social protection floor which, while now adopted as a universal concept, combining basic income transfers and services including education and health care, must be shaped at national level respecting in particular the elements of rights, voice and organization. He noted the importance of policy coherence around goals and target groups. Social transfers in support of children for example, must connect not only with health and education but also with employment policies and other support for parents. This also points to the importance of policy packages, an approach reflected in the Global Jobs Pact adopted by the International Labour Conference in June 2009. and suggests another way of approaching social protection in the future. The concept of the social protection floor also represents an important element of the response to the crisis of the UN System, within an initiative being led by the ILO and WHO to assist countries in planning and implementing sustainable social transfer schemes.
- 14.** He noted that experience has already shown that it is feasible to implement some basic elements of social security even in low-income countries, and highlighted initiatives and trial approaches in the differing circumstances of countries including Mexico, Brazil, South Africa, Nepal, Bangladesh, expressing his confidence that the meeting would draw on such experiences in giving guidance on developing a social floor. The meeting would offer, moreover, an opportunity to identify the practical action to support countries’ efforts to respond to the all in the Global Jobs Pact that countries that do not yet have extensive social security should build adequate social protection for all, drawing on a basic social protection floor including: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor.
- 15.** Mr Somavia then turned to the inescapable question of affordability of social protection. In the historical perspective, however, the experience of countries such as those of the Nordic sub-region indicates that, not only may it be unnecessary to wait to achieve prosperity before putting in place strong systems of social protection but, moreover, social protection forms part of the development process itself, offering scope for fairer growth with demand fuelled by income rather than debt. In the longer term, strategy for the extension of coverage must include scope to maintain and increase the level of protection as economies grow and fiscal space widens - supported by improved governance and management of resources - so that the floor does not become a ceiling. An appropriate guide in this regards is provided by Convention No. 102, whose stipulations regarding minimum levels of protection for workers remain as important today as when the Convention was adopted over 50 years ago.

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16. Finally, Mr Somavia noted that global commitments to social protection and to the developmental goals it advances call for solidarity within and between countries. The Global Jobs Pact, for example, urges the international community to provide development assistance, including budgetary support, to build up a basic social protection floor on a national basis. He expressed his hope, accordingly, that the meeting be rich in ideas for a two-dimensional strategy to extend coverage, horizontally to reach more people faster, and vertically to maintain and increase levels of protection, so helping to sustain the momentum of the Global Campaign on Social Security and Coverage for All. He emphasized the fact that social protection and employment lie at the heart of the people's agenda, and advised the participants that, while they would work within a technical mandate, they should also fulfil a role as agents of change, shaping new approaches, and connecting their areas of expertise with a broader vision of development. He reiterates the challenge ahead, as economic recovery takes hold, to choose between, on the one hand, going about "business as usual" and on the other, seizing the opportunity to make the changes that lead to a fairer, greener globalization, showing that the lessons of the past have been learned .
 17. The next address was given by *Mr Diop*, who offered his thanks to Mr Somavia for his invaluable participation, in particular for offering the view through the eyes of "the man in the street", and to the participants for their presence. He continued with an introduction to the objectives, key issues and expected outcomes of the meeting.
 18. Mr Diop referred in some detail to the Global Jobs Pact, which acknowledges that social security plays roles in conditions of economic crisis not only in poverty alleviation but also in social and economic stabilization, and hence the value – recognized by the global community – of now strengthening and augmenting social security systems. Thus, there is a new impetus to the Global Campaign, first launched in 2003. He noted that the most difficult situation is seen in the many countries where only small minorities are covered by social security. In times of crisis, there is a strong tendency for countries to respond on an ad hoc basis, and while any additional measures of social protection are valuable in helping to alleviate the plight of people affected, they offer only a partial answer. One of the consensus conclusions following the Asian financial crisis in the late 1990s was that, with income support programmes in place, the impact of the crisis would have been much less damaging, leading to the conclusion that more systemic strategies are needed, not only in response to the ongoing crisis, but also to increase preparedness for the future.
 19. Mr Diop went on to review the progress of the Global Campaign, which has provided a framework for not only policy development work but also technical cooperation work, on which, at any given time, members of the ILO staff and experts are typically working in between 20 and 30 countries around the world. He also noted the growth of the office's activities in training of social security experts, both at the ITC in Turin and through collaborations with an growing international network of universities.
 20. He highlighted a number of aspects of the Global Campaign to which Mr Somavia had referred in his own presentation, firstly that of the two-dimensional approach to extension of coverage combining the "horizontal" aspect of universal provision of basic benefits as soon as possible and the "vertical" aspect of enhancing the quality of benefits. He expressed his own sense of pride in the considerable progress made in recent times in advocacy work. He expanded on the comments made by the Director-General in relation to the concept of the social protection floor, in the light of the work, under the chairmanship Director-General himself, of the of the UN's High Level Committee on Programmes of the UN Chief Executives Board and in the context of the "One UN" initiative. The concept papers envisage that a social protection floor may consist of two main elements that help to realize respective human rights: namely geographical and financial access to a set of essential services, such as water and sanitation, adequate nutrition, health and education, together with a basic set of essential social transfers, in cash and in kind, paid to the poor

and vulnerable to provide a minimum income security and access to essential health care. He noted that actuarial and economic studies carried out by the Office have shown that such a basic package of transfers should be affordable, at least in part, in almost all countries. In illustrating that conclusion, he noted that, while estimates indicate that through such guarantees in poor countries in Africa an investment of about 4 per cent of GDP may lead to a reduction in the poverty headcount by up to 40 per cent, domestic revenues in Africa have in fact increased by an average of 4 per cent since the 2002 Monterrey Consensus on Financing for Development.

21. Mr Diop went on to observe that, since the Office has by now collected considerable knowledge on basic schemes and the prerequisites for success, the time is ripe to establish a clear direction to the strategy for the Global Campaign, and that this was the fundamental reason for convening the meeting, with the following objectives:
 - to examine recent trends and developments on various policies aimed at extending social security coverage and building universal, comprehensive and fiscally sustainable social security systems;
 - to analyse options for the extension of social security coverage to all along the lines outlined in the ILO's Constitution and relevant social security Conventions for countries with different economic and social conditions; and
 - to identify options amongst strategies to promote a set of basic social security guarantees that will provide the basis for the gradual move to reach higher levels of protection, which will represent a major contribution to the achievement of the Millennium Development Goals.
22. He noted that this was an ambitious agenda for two-and-a-half days. Nevertheless, it is important that the Office should base its implementation strategy for the Campaign on concrete experiences and observations. In a world where social safeguards are more needed than ever, the meeting could not afford to fail.
23. The opening session concluded with a presentation given by **Mr Michael Cichon, Director of the Social Security Department** of the ILO introducing the Technical Report entitled **"Extending social security to all –a review of challenges, present practices and strategic options."** Mr Cichon began by recalling the objectives of the meeting, as set out by Mr Diop in his introduction. He went on, secondly, to speak of the need for social security, being a powerful tool to combat poverty and insecurity, and one which deals on a shared basis with risks which do not affect all equally, while yet between 75 and 80 per cent of the global population are denied the social guarantees which would allow them to cope with such risks. Meanwhile, social security systems represent an economic necessity if countries are to unblock their full economic potential, and act as stabilizers in times of crisis. Thirdly, Mr Cichon noted the right of everyone to social security, guaranteed not only by Article 22 of the Universal Declaration of Human Rights but also upheld by the Declaration of Philadelphia of the ILO and the Declaration on Social Justice for a Fair Globalization of 2008. The importance of social security had indeed been reaffirmed by recent developments in the mandates of both the ILO and the United Nations, including the launching of the Global Campaign by the ILO, the Global Jobs Pact adopted at the 2009 ILC, and the UN system Chief Executives Board's initiative on the social protection floor.
24. Fourthly, Mr Cichon drew from the framework he had thus outlined a set of four principles underlying the policy foundation for the Campaign, namely universality, progressiveness, pluralism and the need for focus on outcomes (rather than on process). From these principles, a strategy framework emerges which is two-dimensional: in the "horizontal dimension" extension of coverage will be sought through the extension basic and essential social security guarantees (covering access to basic health care, together with income

security for children, for those in active age unable to earn sufficient income and for the elderly and the invalids), while the effort to provide higher levels of income security and health care represents the “vertical dimension”. This conceptual framework, of a progression, taking into account national economic development and founded on ILO Conventions such as C.102, from a set of basic benefits (“the Floor”) to voluntary insurance is captured in the image of a staircase. The basic set of guarantees can be afforded, at some level, by virtually all countries, and emerging experience, particularly in relation to cash transfer schemes, has shown the potential to greatly reduce poverty, as measured by the poverty headcount.

25. In the fifth component of Mr Cichon's presentation, he spoke about recent developments in cash transfer schemes, and the results emerging from a concurrent “meta” analysis of such schemes in around 30 countries, which indicate generally positive outcomes with respect to poverty, school enrolment and productive investments in human capital.
26. Mr Cichon then drew attention to the list of suggested pointers, as set out in the technical report, for topics to be discussed in the meeting, and - noting that the context of the financial crisis provides a rare opportunity to “push the envelope” in regard to social protection - he concluded with brief comments regarding the desired outcomes of the meeting by way of providing guidance for the future work of the Office.

(b) Presentations and panel discussion: how to give effect to the human right to social security

27. Having earlier laid down the basic rules for speakers, the Chairperson, Mr Gabas, opened the first of the thematic panel discussions, concerned with the human right to social security. He invited *Ms Ursula Kulke, Coordinator for Standards and Legislation in the ILO Social Security Department*, to introduce the session. She began her presentation by drawing attention to the two major instruments which clearly lay down the right of everyone to social security, namely the Universal Declaration of Human Rights (of 1948) and the International Covenant on Economic, Social and Cultural Rights (of 1966), under the second of which 160 UN member states have committed themselves to work towards social security for all. While this basic human right to social security was adopted by the UN on an over-arching basis, the ILO holds the primary responsibility as regards the realisation of that right. Ms Kulke then explained the way in which this mission in relation to workers and their families is reflected in the preamble to the ILO Constitution of 1919 and widened to “all those in need” by the Declaration of Philadelphia of 1944, which can in fact be seen as the first moment in history when the world community declared its commitment in this regard. The ILO itself has reaffirmed a number of aspects of its mandate on several subsequent occasions, notably 2001 (General Discussion at the International Labour Conference), 2008 (the Declaration on Social Justice for a Fair Globalization) and 2009 (the Global Jobs Pact), as noted in the earlier presentations by Mr Diop and Mr Cichon. Given that there is, thus, general agreement that the right to social security is accorded to everyone, and that the ILO has the primary mandate for assisting member States in its realisation, Ms Kulke turned to the question as to how it should be implemented. She introduced the concept, under human rights law, that every right has a “minimum core content” without which the right becomes meaningless; once this minimum core content has been established, countries have the obligation to progressively move towards the full realisation of the right to social security. This conceptual framework accords closely, in fact, with the two-dimensional approach to the extension of coverage described by Mr Cichon in his presentation, with the “horizontal dimension” and essential guarantees responding to the “minimum core content”, and the “vertical dimension” corresponding to the progressive approach to full realisation of the right to social security, with higher levels of income security and access to higher quality health care. She went on to note the role of international social security standards, the ILO’s main tools for pursuing its mandate; amongst the six up-to-date Conventions concerned with social security,

Convention No. 102 represents a “flagship” which has had and still has substantial influence at the international, regional and national level and which may be regarded as a symbol for the worldwide development of formal social security schemes. However, she observed, neither Convention No. 102 nor any of the other up-to-date Conventions provide for the minimum core level of social security on a universal basis. While, thus, the existing standards may be seen as appropriate instruments for the extension of social security in the vertical dimension, the question arises as to whether there may be a need for a new mechanism, perhaps an instrument, to serve extension in the horizontal dimension – to help countries to put in place the minimum core level of social security, help the ILO to realise its mandate in relation to a minimum essential core of social security, and to contribute to the achievement of the basic human right to social security.

28. The next presentation was made by the **Mr Wim Bel, the expert representing the Government of the Netherlands**, Mr Bel explained that he regarded his participation as being that of an expert, rather than a government official, and that accordingly the views he would express should be taken as his own opinion, not the official position of the Netherlands. He began his presentation by remarking on the value of a historical perspective, and the observations of Adam Smith regarding the moral obligation of states to take measures to prevent citizens from falling into poverty, and so safeguarding their dignity. These ideas are echoed in the mandate in relation to social security, undertaken by the ILO following its creation in 1919. As regards its subsequent development on the Declaration of Philadelphia of 1944, Mr Bel drew attention to the approach of President Roosevelt during World War II and the Atlantic Charter, as the context for drawing up both the ILO's Declaration of Philadelphia in 1944 and the Charter of the United Nations, and which in the longer term may be seen as the precursors for the Declaration on Social justice for a Fair Globalization. In this perspective, human rights, as set out for example in the UDHR, including the right to social security, may be seen as having the character of moral and ethical demands as much as formal legal responsibilities, to be given effect at the political level, so that different political perspectives in individual countries will lead to different answers.
29. Turning to the more specific issues raised in the session so far, Mr Bel took up the discussion on the question as to whether a new instrument is needed as a framework for work by the ILO on the social protection floor. While Convention No. 102 could be seen as the follow-up of the social insurance provisions of the Income Security Recommendation (No. 67) of 1944, there had been no comparable instrument reflecting its social assistance provisions. Such instrument, he believed, would provide a solid basis for developing the relevant component of the social protection floor, and he concluded by stating that there was a strong case in favour of a new stand-alone instrument that would help the ILO to realise the extension of the right to social security.
30. The final presentation in this session of the meeting was delivered by **Mr Guillermo Enrique Fustamante Irigoín, the expert representing the Government of Peru**. Mr Irigoín began by noting that his country had ratified Convention No. 102 in 1961, in respect of medical care, sickness benefits, old-age benefits, maternity benefits and invalidity benefits, and that the legal basis on which the Peruvian pension, health and employment injury systems are based, in the form of a right guaranteed in the constitution, follows the structure provided for by the ILO instruments. He commented on the ongoing efforts to increase coverage through the various national social security systems, from 7.6 million insured persons in 2008 to a figure which it is hoped will reach 10.05 million by 2011. This amounts to an annual increase of some 800 thousand new affiliates, reflecting an improvement in the quality of services and an improvement in financial sustainability through efficiency gains, notably in the ESSALUD scheme. A national programme of direct support to the poorest and most vulnerable was created in 2005 through the JUNTOS programme, which was the first cash transfer programme in Peru, providing services in nutrition, health and education with the aim of combating extreme poverty in

rural areas. The target population is poor children under the age of 14, with an emphasis on children under the age of 3, and poor pregnant women. The SIS (Seguro Integral de Salud) programme was created in 2007 with the aim of contributing to health care coverage of the non-insured through a non-contributory system and a guarantee of health care within the overall policy of universal insurance. This system is fully financed by public resources, and has enabled coverage of women in rural areas to be increased by about 68%. Mr Irigoien noted the emphasis placed in Peru on the importance of such issues as social inclusion and identity.

31. Following the three presentations, the Chairperson, Mr Gabas, then invited observations on behalf of the Employers' and Workers' groups.
32. Speaking on behalf of the employers, **Mr Michel Barde, the expert representing the Employers of Switzerland**, expressed his satisfaction at the opportunity to participate in the meeting, which would allow the participants to share their different national experiences. In this regard, he noted that while the basis of social security is universal, its implementation is a matter of national competence, in a similar manner to, for example, the Global Jobs Pact.. He emphasized that social security policies should not be dissociated from other policies (such as those relating to employment and enterprise development), and the employers' conviction that in the need to consolidate existing measures in such a way as to support employability. He went on to note the distinction between social security and social assistance and raising a question as to whether the scope of the ILO's mandate with regard to the latter is limited to workers or whether it goes beyond. In any case, ways of addressing the informal economy should be examined. Employers, he stated, sought a pragmatic approach, based on knowledge of good practices, and promoting both individual responsibility and international competitiveness. In conclusion, and noting the relatively low level of ratifications of Convention No. 102, this pragmatic approach led him to prefer the concept of a non-binding instrument to support work on extension of coverage, rather than a binding instrument.
33. **Ms Maria del Rosario Lombera Gonzales, the expert representing the Employers of Mexico**, added some comments, observing that, while there is general agreement on the importance of social security and he extension of coverage, there is a need, particularly in the context of the global financial crisis, for a pragmatic approach in which each country will prioritize its most important needs, without the need for new binding instruments.
34. **Ms Halimah Yacob, the expert representing the Workers of Singapore**, speaking on behalf of the workers' group, complimented the Office for having organized the meeting and for the comprehensive paper. She stressed that it represented an important follow-up to the discussions at the ILC in June where the tripartite partners had agreed on the need to establish a Social Protection Floor as an essential component of the Global Jobs Pact. Social security had moreover been recognized as an economic and social stabilizer. She emphasized the desire of people for a more inclusive and fairer society, implying the need for stronger political will. She asserted that giving people access to health, education, and income during periods of unemployment and old-age was neither an option nor a luxury but a necessity, representing an investment in the human development necessary to sustainable economic growth. Referring to the Office report she pointed out that social transfers had shown positive social impacts on the population.
35. Ms Yacob went on to highlight a number of some key principles which the Workers group felt were relevant for pushing ahead the agenda of the extension of social security, in particular: universality of access to social security, efficiency of administration (although not as justification for means-testing, which can be costly, complementarity in terms of alignment of a country's schemes to avoid duplication and wastage, ensuring the availability and quality of services provided under social security, the observation of the rights-based principle including attention to ownership and social dialogue, financial

viability, and the protection of minimum guaranteed benefits (noting that funds meant to assure decent incomes should not be subject to the vagaries of the equity markets).

36. Ms Yacob indicated that while the Workers' group concurred with the two-dimensional - horizontal and vertical - conceptualization as regards the extension of social security, countries should not pursue social security as a stand-alone policy but should seek that it be embedded as part of a broader set of social, employment and economic policies for development and social inclusion. The vertical dimension may be best achieved through progressive ratification of ILO social security standards, and she accordingly urged the Office to mount a major ratification campaign, with a target of perhaps 20 additional ratifications of Convention No.102 within the next 5 years. With regard to the horizontal dimension she would wish the Office to set a time frame for the establishment and delivery of the social protection floor, as outlined in the Global Jobs Pact, and as a priority in not only its technical cooperation programme but also its response to the crisis within the Decent Work Country Programmes. Amongst the options for putting in place a framework for the Office's work on a minimum set of social security guarantees for all in need, she indicated that the Workers' group supported the development of a new Recommendation, which could be mutually complementary with Convention No. 102 in assisting governments to put in place social security in a progressive manner. She concluded by remarking on the role of the ILO in establishing social security as a higher priority in the technical cooperation agenda.

(c) Presentations and panel discussion: the need for social security

37. The Chairperson introduced the three speakers for the afternoon session of the meeting, devoted to the subject of the need for social security, namely Mr Krzysztof Hagemeyer, Mr Trevor Kaunda and Mr Bengt Sibbmark.
38. *Mr Krzysztof Hagemeyer, Coordinator of the Policy Development and Research Group in the ILO Social Security Department*, gave the thematic presentation. He began by speaking of individuals' need for social security, the importance of which for everyone lies in enabling them to deal with uncertainty and "life-cycle" risks. All are vulnerable to some degree to falling into poverty, but some, notably those with little or no, or uncertain, income are especially vulnerable. However, the role of social security lies not only in poverty alleviation, but in its capacity thereby to allow individuals to take economic risks and so unlock economic activity. Secondly, Mr Hagemeyer explained the reliance of every society, state and economy on social security, in reducing poverty and income inequality - which is economically inefficient, in generating growth and productive employment, and in promoting peace stability and social cohesion, all of which are indispensable to the fabric of an efficient market economy.
39. Mr Hagemeyer next turned to an analysis of the "coverage gap", an issue which itself stands to be analysed in a two-dimensional framework, "horizontal" (assessing who is covered) and "vertical" (assessing the adequacy of benefits provided). In lower-income countries, huge gaps are observed in the horizontal dimension of coverage, and even for those who are covered, benefits provided with narrow scope, at low levels, and of poor quality. In higher-income countries, on the other hand, while some remaining gaps are observed in the horizontal dimension of coverage, the main issues tend to concern the vertical dimension, especially for example for workers with broken contribution records. In the fourth and final section of his presentation, Mr Hagemeyer listed some significant comments and conclusions: that contributory social security schemes are most effective where there is least myopia in the perception of risks (for example, risks in relation to health are better understood in general than those relating to pensions); that contributory social security is most effective in general for those with a regular income of a good level; and that in the case of a largely-informal economy the most direct method of providing

wide but basic social security coverage is through tax-financed non-contributory benefits. He argued that in general a mixture of contributory and non-contributory measures are most likely to be effective in providing universal and adequate coverage everywhere. In conclusion Mr Hagemeyer noted that the process of generating political will within a country, together with representative social dialogue, represents a sine qua non condition for progress towards investments in social security which are both sufficient in size and efficient in outcomes

40. The second presentation of the session was given by **Mr Bengt Sibbmark, the expert representing the Government of Sweden**. He noted that his presentation would, at least in part, reflect his personal views, and should not necessarily be taken to represent the position of the Swedish Government. He began by presenting a historical overview of the growth of the comprehensive social security system in Sweden, beginning with the introduction of a scheme of work injury benefits in 1901, at which time Sweden was in fact a poor country, and in parallel with its development as an industrial country. Mr Sibbmark noted the fact that the Swedish social security model is one which ensures individual rights, and a minimum level of support, with coverage of the entire population. The schemes are designed around social insurance mechanisms, and the element of political representation is important in the way in which the government has steered their development.
41. Mr Sibbmark commented on the weight of the social insurance system in the economy of Sweden, which (excluding unemployment insurance) equates to around 15 per cent of GDP. The pension replacement rate represents approximately two-thirds of income, with indexing, and financing relies on, in addition to employers' contributions, employee contributions and some state financing. Around half of the total costs relate to old age pension payments, about third of costs to illness and disability benefits, and fifteen per cent to family and children benefits. Mr Sibbmark noted that as a compulsory system, administration is efficient and its cost relatively low, He presented statistics showing that the relative cost as a proportion of GNP, and so the cost to the government, has fallen over time. In conclusion, he noted the illustration provided by Sweden that economic development and social security go hand in hand.
42. The third presentation of the session was made by **Mr Trevor Kaunda, the expert representing the Government of Zambia**. He began by describing Zambia, a landlocked country of 12 million people, of whom two thirds live in rural areas and of whom a relatively high proportion live in poverty or extreme poverty. While Zambia remains underdeveloped, it has enjoyed stability and a modestly encouraging level of economic growth in recent years. Since the country gained independence in 1964, the Government has taken various initiatives to strengthen the system of social protection, and social protection now represents an important aspect of government policy in relation to reducing poverty (within its efforts to achieve the Millennium Development Goals - MDGs) and economic development. There are three currently-existing social insurance schemes providing old-age benefits, but these are not accessible to the large majority (almost 90 per cent) of employed workers who are found in the informal economy. In regard to health provision, the government is currently endeavouring to upgrade the quality of services, particularly in rural areas, to extend maternity services, and where necessary to arrange for the waiving of user fees. Studies have been undertaken to assess the prospects for introducing a social health insurance scheme for public sector workers. The main part of Mr Kaunda's presentation focused on the considerable range of social assistance schemes which have been implemented in Zambia, which include not only the Public Welfare Assistance Scheme (PWAS), the School Feeding Programme, and the Fertilizer Support Programme, but a notable set of social cash transfer schemes. Of five pilot schemes in place in selected localities, four target the poorest 10 per cent of households in their respective communities. The fifth pays a (fixed) old-age pension to all persons aged 60 years and over. The Ministry of Labour and Social Security plans to take over the

administration of this scheme in 2011, with, in principle, the objective of scaling up to a national universal pension over a 5-year period.

43. Mr Kaunda briefly outlined the Zambian government's strategy for the extension of social protection, within a social protection policy framework based on a 4-pillar approach combining social assistance, mandatory government social insurance scheme(s), occupational pension schemes, and voluntary pension savings through personal/individual accounts,.
44. Mr Kaunda ended his presentation by providing an overview of the Social Protection Expenditure and Performance Review (SPER) report, prepared for the Zambian government by the ILO Social Security Department and ILO Country Office in Zambia. Amongst the key findings, the report highlights the difficulties of funding social protection internally, with until now only marginal improvement in the fiscal space for social protection despite substantial debt relief, and the high level of reliance on donor funding, particularly for health care. The recommendations made in support of social protection policy development include the carrying out of a detailed public expenditure review, the need to coordinate social protection policies with youth employment strategies, and realising the potential to extend both non-contributory and contributory coverage.
45. The Chairperson now invited observations on behalf of the Employers' and Workers' groups. **Mr Bernard N'Doumi, the expert representing the Employers, Ivory Coast**, speaking on behalf of the Employers, and acknowledging the need for social security, focused his comments on poor and developing countries. Noting the many workers in the informal economy are currently excluded from social security schemes, he raised the question as to how resources can be captured and emphasized the need for greater efforts in that regard. He noted the importance of identifying vulnerable people and of determining in a responsible manner their priority needs, which he felt are likely to include health, education and sustainable employment.
46. Observations on behalf of the workers' group were presented by **Mr Grant Belchamber, the expert representing the Workers, Australia**. Noting that a broad consensus exists amongst ILO constituents as to the need for social security, he noted once more its role as both a human right and an effective economic development tool, which can result in a reduction in poverty and inequality. He drew attention to those who are especially vulnerable, notably those who suffer ill health, invalidity and the elderly, for whom which social security is of particular importance, and offers the possibility of overcoming inter-generational and other poverty traps. Commenting on its character as an investment in social and economic development, and its basis in solidarity, he spoke of social security as a fuel for growth and development. Noting that contributory and non-contributory schemes have different strengths in relation to different contingencies and types (for example, universal) of benefits, he would advocate mixed systems in this regard. He concluded by recalling the maxim that a scheme of and for poor people only is likely to be a poor scheme.
47. Mr Gabas now opened the discussion to contributions from the floor. **Mrs Chantana Boon-Arj, the expert representing the Government of Thailand**, commented on the value of a multi-pillar structure, which had enabled Thailand to approach universal coverage.
48. **Mr Albert Owuor Odera, the expert representing the Employers, Kenya** suggested that the ILO should draft a set of guidelines which countries could use to guide the development of national policy in relation to the extension of coverage, taking account of national priorities and the need to ensure effective governance of schemes.
49. **Ms Rebecca Dillender, the expert representing the Government of the United States**, reflecting on the earlier discussion at the International Labour Conference of 2001, and the

specific conclusions that, while there is general agreement on the need to achieve social security coverage for all, there is no single model applicable to all countries, but that solutions are to be found in the framework of a mixed system with both contributory and non-contributory elements. She argued that the ILO is well-placed to document “best practices”, to identify the factors which have enabled different countries to achieve extension of coverage successfully, and to disseminate that experience, using for example the vehicle of the Decent Work Country Programmes.

- 50. Mr Irigoien (Peru)**, noting that social security is a subject in which development is always ongoing, remarked on the success of many countries in finding a “steady path” for the extension of coverage, and the need for clear political decisions and programmes which will ensure that the benefits of social security are maximised.
- 51. Mr Kofi Asamoah, the expert representing the Workers, Ghana**, spoke regarding the new directions being taken to extend coverage, with special emphasis on the informal economy, in both the pension and health fields. The initiative in health insurance is of particular interest, using a combination of vehicles, “District Mutual”, “Private Mutual” and “Private Contributory”, which take advantage of both mutual and commercial approaches, and a significant element of financing from the proceeds of indirect taxation. Notwithstanding a range of challenges, effective progress is being made towards coverage of those in both the formal and informal economies.
- 52. Ms Mittal Shah, the expert representing the Workers, India**, spoke about the need for a broad interpretation of social protection, which would take account of the particular needs of children, including for example those relating to nutrition and education. She also commented on the need to link social security provision, for example in regard to child care, to the working conditions of women.
- 53. Mr Tow Hui (Michael) Chiam, the expert representing the Employers, Malaysia**, observed that conditions differ markedly between countries, taking as an example the variation in family size, which could have a significant impact on the overall costs to be met by the contributors to social security schemes. He also remarked on the need to identify and balance the respective responsibilities of the state and private sector in relation to social security systems.
- 54. Mr Indalecio Fidel González Pravia, the expert representing the Workers, Nicaragua**, spoke regarding the interpretation of the concept of a social protection floor, in the context of the role and activities in countries such as his own of multi-national corporations and organizations, and whose approach may not necessarily reflect prevailing universal or minimum standards. He suggested the need to review a range of issues including labour rights in this light, and to emphasize in particular the role of social security in meeting the social needs of children.
- 55. Mr Sipho Ndebele, observer representing the Government of South Africa**, remarked that some aspects of the presentation given by Mr Sibbmark might be interpreted as suggesting a rather negative overall view of social security, and asked for some clarification of his views. Mr Sibbmark replied that he was happy to state that he holds a view which is by no means negative.
- 56. Mr Jürgen Matthes, the expert representing the Employers, Germany**, pointed out that, while the discussion so far regarding the financing of social security had tended to focus on the issue of fiscal space, there are other important aspects, not least that of opportunity costs. Scarce fiscal space itself might be more effectively used to reduce poverty when it is used for supply-side investment in infrastructure or education in order to improve the capacity of a developing country to create growth and to integrate into the world economy.

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57. A brief discussion between *Mr Bel* and *Mr Sibbmark* highlighted the issue of sequencing in the development of social security systems; like many other countries, Sweden had begun the development of its system (on the foundation of occupation-specific initiatives already taken during the 19th century) with the introduction of a scheme of work injury benefits, followed later by pension, then sickness and eventually child benefits.
58. *Mr Albrecht Otting, observer representing the Government of Germany*, noted that Germany had been the first country to introduce a system of social security based on social insurance, and had built up its system in a way which corresponds closely to the framework outlined by Mr Hagemeyer in his presentation.
59. *Dr. Gerhard Buczolic, observer, representing the Government of Austria*, referring to the various characteristics of the social security system, emphasized its general approval by the citizens of the country. He emphasized the role of social security in alleviating poverty and in promoting Austria's economic advance.
60. *Ms Emilia de la Roca, observer, representing the government of Argentina*, noted the trend in recent times towards seeing social security not as a consequence, but as an instrument of development, as exemplified by the Swedish experience. She drew links with issues in the broader field, including that of job losses, and observed the need for complementarity of approaches - in terms not only of mixed systems combining contributory and non-contributory schemes, but also in ensuring adequate coverage of both the better-off and the less well-off.

(d) Addressing specific elements of social security coverage

- (i) Presentations and panel discussion: how to achieve universal coverage and adequate benefit levels in health care

61. The thematic presentation for this session was given by *Ms Xenia Scheil-Adlung, Health Policy Coordinator in the ILO Social Security Department*. She began by addressing the question as to what is meant by universal coverage in social health protection. This cannot be answered simply in terms of legal or statutory coverage, which is of no value without a functioning health care infrastructure and a benefit package that responds to the needs of the covered population in such a way as to ensure the avoidance of impoverishment. In fact, effective access comprises aspects of availability, affordability, financial protection and information in relation to a set of quality services, which must be defined by each country. Ms Scheil-Adlung next presented an approach to measuring overall deficits in effective social health protection, in terms of five indicators, comprising the deficit in formal coverage (as measured through the percentage of population legally entitled to health protection coverage), the deficit in availability and quality of health care (which can be assessed in two ways - by the gaps in health workforce and in terms of per capita health spending), the deficit in affordability and financial protection (which can be measured by out-of-pocket payments) and deficits in health status. In countries with very high levels of vulnerability most of these deficits are at levels of 80% or more.
62. Ms Scheil-Adlung explained that, in order to address these deficits, many countries combine elements of different systems, which may include components of universal access, social health insurance, micro-insurance schemes and vouchers. The main advantage of such a pluralistic approach is that it accumulates funds from multiple sources. However, it is often the case that the different mechanisms are insufficiently coordinated, so contributing significantly to the coverage deficits. Therefore, ILO suggests developing a national coverage plan for each country, which can rationalize the use of existing schemes and mechanisms. She went on to ask whether the achievement of universal health coverage is possible in an acceptable time frame, and presented evidence from a number of countries such as Thailand and Korea (in contrast to earlier experience in, for example, Germany and

France) suggesting that a high level of extension can indeed be achieved within a period as short as 20 years.

63. In her concluding comments, Ms Scheil-Adlung noted that, at a global level, social health protection is under-utilized, especially when considering the impact that a basic guarantee of access to adequate health services – forming an integral part of a global social protection floor - could have on poverty and overall health status, and contributing to the important objectives of achieving equity in access to quality benefits, generating adequate funding for health care coverage and allowing for coordinated use of multiple financing mechanisms. Its introduction should be accompanied by the development of national capacities to organise, manage and extend social health protection.
64. The second presentation was made by *Mr Alpha Ndiaye, the expert representing the Government of Senegal*, illustrating the issues in planning for extension of social health protection in a country which has yet to achieve universal coverage. He explained that, while a variety of schemes exist, both contributory and non-contributory, statutory and voluntary, and using both state and private financing, coordination is lacking. The system also includes some special measures to deal with “incidental” coverage needs, including medical costs in case of traffic accidents.
65. A notable feature is the system of contribution waivers for vulnerable groups, notably the scheme named “Plan Sésame” which provides for those over 60 years of age. Treatment without charge is provided for specified conditions, including tuberculosis, leprosy and HIV/AIDS, as are delivery facilities, and all provision is free of charge for those assessed as “destitute.” There is an extensive network of mutual health organizations operating in the country, although their management capacities are generally weak.
66. Mr Ndiaye explained that the national strategy for extension of coverage for health care is designed around three “axes”: firstly the free-of-cost initiatives already mentioned and which will be further developed, secondly a special regime for rural areas based on the formation of and strengthening the mutual health organizations, and thirdly the creation of a common national purchasing fund. Challenges include the rising costs of medicines, contracting policies, and governance issues relating to parts of the system. In summary, the strategy is one of working towards universality through pluralism.
67. The second country illustration, that of Thailand, was presented by, *Ms Chantana Boon-Arj, the expert representing the Government of Thailand*. Having briefly profiled her country, Ms Boon-Arj stressed the government's strong political commitment to extending social security coverage, and, specifically, access to health care. From the beginning in 1961 of the era of national socio-economic planning, health has been considered to be an important aspect of long-term investment for economic growth, and access to basic health care services is assured under the 1977 updated version of the constitution. She went on to describe the progressive development of social health protection in Thailand, which today includes three schemes: the Civil Servants' Medical Benefit Scheme (CSMBS), the Social Security Scheme (SSS) and the Universal Coverage scheme (UC). The total budget of these three social protection schemes amounted to 1.8% of GDP in 2007. Ms Boon-Arj described the differing benefits provided under the three schemes in some detail, together with an outline of the financing methods. The UC scheme is of particular interest, offering coverage to some 80 per cent of the country's population on a non-contributory basis, financed entirely by tax revenue. Control is exercised through the requirement that all patients must begin the consultation process through a primary care unit. Providers are paid through a mix of capitation (for outpatient care) and Diagnosis Related Group (DRG) methods (for inpatient services), and disease management programmes are in operation for specific conditions including HIV/AIDS, leukaemia and lymphoma, and cardiovascular disease. Ms Boon-Arj summarized Thailand's approach as one which is pluralistic, combining contributory and non-contributory schemes, and noted the achievements of the

system, including the near-complete coverage, equitable access, and high levels of participants' satisfaction. The economic crisis and its impact on the financing of the schemes poses the most significant short-term challenges, while in the longer term the schemes face several challenges relating to the insurance coverage of some marginalized groups and the harmonization of public health insurance schemes, for example to use a common database. Thailand also needs to explore new sources of health care financing which are more stable and sustainable.

68. Following the three presentations by the panelists, the Chairperson, Mr Gabas, invited observations from, firstly, the representatives of the Employers' and Workers' groups.
69. **Mr John Pask, the expert representing the Employers, New Zealand**, spoke on behalf of the Employers' group. He took as his starting point the need to consider the provision of health care, not in isolation from the rest of the economy nor as an end in itself, but as an important aspect of a strategy the aim of which is to support entry and/or re-entry into the labour market. The fundamental economic problem is that resources are limited, and the need is therefore to ensure that the available resources are used efficiently, while keeping in mind a range of considerations, in particular the need to preserve competitiveness. Controlling the growth of costs of social security (and especially health care) may be difficult in the circumstances of rapidly ageing populations. Mr Pask suggested that in New Zealand, for instance, which almost uniquely amongst developed countries funds health care very largely out of general tax revenue, recent changes in the regulation of health care may have led to higher costs, through the weakening of disincentives for over-consumption of health care. Nevertheless, he acknowledged that health protection is a key aspect of social security. In order to realise health protection on a sustainable and efficient basis, he advocated measures including copayments, which should enhance the sense of personal responsibility amongst participants and an important role for private insurance.
70. Further observations on behalf of the Employers' group were offered by **Mr Sami Silini, the expert representing the Employers, Tunisia**, who reminded the meeting of the scope of the ILO's mandate in relation to the world of work, and questioned whether some of the health care issues brought forward for discussion, such as medical training, might not lie outside that scope.
71. Speaking on behalf of the Workers' group, **Ms Yacob (Singapore)**, emphasised the crucial role of health protection in social security. She pointed out two key challenges. Firstly, affordability and costs of health care represent a major concern for both rich and poor, but for the poor in particular high out-of-pocket payments are a significant driver of poverty. Protection against high health care expenditure cannot be achieved through savings alone, therefore, redistribution through a combination of tax-funded and contributory insurance schemes is the key to achieving universal coverage, especially for rural and poor populations. Secondly, health care services must be of good quality, necessitating skilled and adequately-paid manpower, and efforts to resist a "health brain drain" of trained staff.
72. Ms Yacob offered to the meeting two sets of "debating points". Firstly, she emphasised that a good healthcare system is not dependent on the level of development of a country but is a political choice and a responsibility of the state. This means that not only must attention be paid to the question of resources but also to issues of basic human decency. Strategies must seek the extension of coverage for health care in both the horizontal and vertical dimensions. Ms Yacob asked the question as to where, if we do not maintain the health of a nation's children, the next generation of workers will be found to ensure future prosperity? Secondly, she re-emphasized the need to address the specific situation in each individual country. In this context, she suggested the need for the role played by the ILO to include an "aspirational" aspect.
73. The Chairperson now opened the discussion to the floor.

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74. *Ms Dillender (United States)*, encouraged the ILO to work with other international organizations, which may offer comparative advantage in various aspects of health systems and health protection.
75. *Mr Irigoien (Peru)* suggested that, while many countries have excellent laws promoting improved coverage, there remain rather few new ideas in regard to funding.
76. In reply, *Mr Ndiaye* said that while aid that funding social protection in a poor country is indeed difficult, new initiatives do exist. He cited the example of the Senegalese scheme for coverage those in the “third age”, i.e. elderly, category. *Ms Boon-Arj* agreed regarding the funding challenge; therefore there is particular value in drawing on multiple, complementary funding sources.
77. *Ms Scheil-Adlung* reiterated the role of social health and its financing as an investment in the productivity of a country's workforce. In reply to Ms Dillender, she confirmed that the ILO has indeed developed cooperative arrangements with other agencies, notably the World Health Organization, and in particular through the well-established consortium.
78. In further discussion, *Mr Barde (Switzerland)* observed that health may be seen as the most complicated element of social security, if only by reason of the multitude of actors. It is of key importance to ensure mutual understanding and agreement between all stakeholders. He suggested that, it being obvious that the state cannot fully fund the health system, those covered must play a role in funding the health system through a mix of tax- and contributory funding. Their participation not only raises additional revenue but also contributes to a higher degree of responsibility amongst the beneficiaries in limiting health care expenditures and monitoring the quality of services.
79. *Ms Roca (observer, Argentina)* agreed with Mr Barde's observation that the complexity of health protection makes it particularly important that the broad participation of many actors in designing and implementing coverage extensions strategies is ensured.
80. *Mr Otting (observer, Germany)* drew the distinction between two different concepts, one of “comprehensive” health care and the other of “essential” health care. Assuming that the focus of the meeting is in fact on essential care, it is pertinent to ask whether the elements of such care are to be limited to those needed to maintain and guarantee public health.
81. *Mr Geoffrey Omondihe, observer representing the Government of Kenya*, raised two questions in the context of the foregoing discussion. Firstly, he asked whether, given that such discussion had revolved around the situation of a typical worker in a specific nation state, the ILO would be able to offer advice on the special issues facing migrant workers. Secondly, he asked whether, noting the importance of striving for policy coherence, the ILO has been able to detect evidence of any significant paradigm shift.
82. *Mr Ndebele* noted that the issue of quality of service lies at the core of effective delivery of social security provision.
83. Finally, *Ms Roca*, noting the comments of a few earlier speakers regarding the scope of social security health care, observed that care in public hospitals should certainly not be limited to basic provisions.
84. This brought to a close the technical discussions for Day 1 of the meeting. Before closing the day's proceedings, and taking into account minor observations by Ms Yacob and Mr Cichon, the Chairperson read the preliminary draft of his conclusions and observations arising from the day's deliberations.

(ii) Presentations and panel discussion: how to achieve universal coverage and adequate benefit levels for the protection of children, poor workers and the unemployed

85. The Chairperson, **Mr Gabas** opened the second day of the meeting by reading the draft of his conclusions and observations arising from the first day's deliberations, and **Mr Barde** indicated some points of clarification in regard to the Employer's group perspective.
86. Mr Gabas then invited the first of the three presenters for the day's first session, **Mr Philippe Marcadent, Social Protection Sector, ILO**, to begin. Mr Marcadent presented some major findings from a survey of 155 country programmes, relating to, firstly, child allowances and family benefits, and secondly provision for the unemployed and the working poor. A particular highlight in relation to child benefits is the strong development, over the last decade, of programmes of conditional cash transfers, for example a range of rather well-known programmes of, mostly, conditional cash transfers in Latin American countries including Brazil, Ecuador, Mexico, and Peru, which are observed to have had generally positive outcomes as regards children's educational and health status, and in prospectively reducing child labour. Strategies for the unemployed and working poor tend to differ as between the more developed countries (in Europe, for example, a feature has been the development of Minimum Income Guarantee schemes) and developing countries (where recent specific initiatives include Employment Guarantee Schemes such as that of India, but more generally integrated programmes have been designed, for example in Bangladesh and Chile, to target and where possible emancipate the extreme poor). Complementary active support measures can develop capabilities and provide access to productive opportunities (for example through microfinance, cooperatives or small-scale entrepreneurship).
87. Noting that a point of convergence between basic social security policy and employment policy has been emerging in the field of cash transfers in recent years, Mr Marcadent pointed out the obvious scope for the ILO to develop a stronger and more innovative role in this field. He listed several preliminary conclusions as to the conditions for success in these policy fields: firstly the need to promote employment-related macroeconomic development with a focus on job-rich growth and transition to formal employment; secondly, the need to improve the availability of social services of appropriate quality; thirdly, the need to focus efforts towards coverage of those most in need and vulnerable since these people are often the most difficult to reach; and fourthly the need to improve integration and coherence of policies and interventions within and between the social security systems and other social and economic areas..
88. The meeting agenda now called for a presentation of country experience regarding social protection of children, the working poor and the unemployed on the part of Brazil. In view of his chairmanship duties, Mr Gabas delegated this task, which he would otherwise have undertaken himself, to **Mr Helmut Schwarzer, expert representing the government of Brazil**. Mr Schwarzer began by remarking that, while contributory schemes of social security have important advantages especially as regards financing, solidarity and the realization of social entitlements, and can be effective in regard to poverty reduction, if universal coverage is to be achieved it is nevertheless necessary that contributory schemes be supplemented by other mechanisms. Accordingly, Brazil has opted for a mix of contributory and non-contributory elements, the latter including basic universal tax-financed benefits and the subsidizing of contributions for low-income households, in the context of a policy approach which treats poverty alleviation as a public good. He then enumerated several programmes which Brazil has put in place for the working poor, and which have already led to significant increases in coverage, including a simplified plan providing basic benefits for small and self-employed entrepreneurs with low incomes, and provisions for income tax relief designed to encourage the formalization of domestic employment. For the poor who are either elderly (above 65 years of age) or disabled, the

Social Assistance Plan provides conditional income benefits at the rate of the minimum monthly wage to (by July 2009) some 3 million beneficiaries. In total, the contributory and non-contributory social insurance and social assistance programmes provided over 26 million benefits in 2008, up from 19.6 million in 2000, and are estimated to have lifted over 22 million people above the poverty line. A scheme of unemployment insurance provides formal economy workers with benefits for up to seven months, at a cost amounting (in 2008) to 0.5% of GDP, while non-insured unemployment protection is provided for other groups of workers (for example domestic workers, artisans and fishers); these schemes are complemented by skill training programmes.

89. Mr Schwarzer went on to outline the extensive system of social protection put in place for children, which complements contributory family and maternity benefits for formal economy workers. The most prominent program is Bolsa Familia, which targets in particular poor families with children and provides direct income transfers on a conditional basis to meet needs relating to health, education and others. An explicit objective of the programme is to break the cycle of intergenerational poverty. Bolsa Familia currently mobilizes resource amounting to about 0.4% of GDP. In concluding, Mr Schwarzer commented on the administrative system which relies on a partnership between the national government and the municipalities.
90. The third presentation, entitled “Recent efforts at enhancing social security for unorganized workers in India”, was delivered by **Mr Prabhat Chaturvedi, Secretary, Ministry of Labour and Employment, to the Government India**. Mr Chaturvedi began by noting that some 94 per cent of India's total workforce of 460 million are found in the unorganized sector, roughly equivalent to the informal economy, and that research indicates that expenses related to health care represent a major driver of poverty in India. His presentation would focus, accordingly, on two initiatives pursued by India in recent years to extend coverage to this large majority: firstly to achieve employment security through the National Rural Employment Guarantee Scheme (NREGS), and secondly to achieve health security through the Rashtriya Swasthya Bima Yojana (RSBY).
91. Mr Chaturvedi set out the objectives of the NREGS, the primary objective of which is to supplement rural employment opportunities, while secondary objectives include the regeneration of the natural resource base for sustainable rural livelihoods. These objectives are pursued with a view to strengthening “grassroots”-level processes of democracy and improving transparency and accountability in governance. NREGS was started in 2006/07 and implemented progressively on a state-by-state basis. In the first year, 21 million households took advantage of employment opportunities, and the programme expenditure amounted to the equivalent of about US\$ 1.92 billion. By 2008/09, the scope of the employment programme had extended to 44.9 million households and the programme expenditure equated to US\$ 5.9 billion. In the current budget year, the budget for NREGS is expected to represent 3.6% of the central government budget or 0.5% of GDP. NREGS is associated with several positive trends, notably an increase in the level of the agricultural minimum wage and strengthening of workers' bargaining power with employers. Meanwhile, “distress” migration from rural areas appears to have decreased, and financial inclusion in rural areas to have increased, with some 69 million bank accounts being opened. A range of incidental benefits have been observed, including the promotion of the Green Jobs agenda.
92. Turning to the RBSY, Mr Chaturvedi explained that this is a health insurance scheme, designed to cover poor households in the unorganized sector for health services including not only hospitalization and outpatient care, but also some level of transport costs, while avoiding the exclusions (relating, for example, to pre-existing medical conditions) which are common in other such schemes. The programme allows to access 3000 contracted hospitals across the country, with funding shared between the central government (75%) and the states (25%). Those covered, currently numbering about 20 million persons in 18

states of the Indian federation, pay a relatively modest annual registration fee. It is planned that the extension of coverage through RSBY will be accompanied by investments in upgrading and extending health care infrastructure and by improvements in overall administrative efficiency. It is projected that RSBY should achieve coverage of all families living below the poverty line (presently 60 million families) by 2013-14, by which time the recurrent annual cost is expected to be equivalent to about US\$ 780 million.

93. In the usual manner, Mr Gabas the Chairperson next invited observations from the Workers' and Employers' groups.
94. Speaking on behalf of the Workers' group, *Ms Mittal Shah (India)* reminded the meeting of the high priority that work and income security have for the informal economy workers and their families. The aim of any labour and social security policy must be to contribute to achieving full employment at the household level. She commended the Indian Government for establishing the NREGS and for their rights-based approach to employment and social security. However, she cautioned that much work remains to be done and pointed out several key aspects of future improvements of social security for the unorganized sector (informal economy). Community involvement in deciding the type of public works projects selected for employment under NREGS should be deepened, and . “workers facilitation centres” should be set up to simplify registration, access to employment and dissemination of information under this scheme.
95. Ms Shah observed that there is a need for a greater degree of convergence amongst the various ongoing social security development projects, with regard to both the horizontal and vertical dimensions of coverage, and a review is needed as to whether targeting represents an adequate approach to reaching out to all poor workers. Employment-related protection programmes should be extended to skills building programmes, which can contribute to re-entry of the unemployed to the workforce. Care is needed to limit the possibility of damage to schemes through corruption, and to ensure that social protection systems promote the sharing of the fruits of prosperity.
96. *Ms Wang Xuemeih, the expert representing the Workers, China*, added some comments on recent experience in China, which has seen the establishment of a social security system, planned to become comprehensive, to protect workers and their families. In recent times, particular attention has been paid to the need to support workers who have left their jobs and find themselves in difficult circumstances..
97. *Ms Maria Julia Reis Nogueira, the expert representing the Workers, Brazil*, added a few comments in a similar vein.
98. Speaking on behalf of the Employers' group, *Ms Lynn Dudley, the employers' representative, the United States*, emphasized the fact that that, while social security by itself is a goal worth supporting, the need to design, develop and manage social security according to the specific characteristics of a country remains paramount. Furthermore, she pointed out that a clear distinction must be made, between a social floor (or “safety net”) and a broader social insurance system, including differentiation with regard to benefits, cost control and financial sustainability.
99. *Mr Chiam (Malaysia)* added some further remarks on behalf of the Employers' group, pointing out the differing responsibilities and different viewpoints of the various stakeholders, including NGOs, and the variety of impacts resulting from the recent global economic crisis. He asked whether any country can, in fact, afford complete coverage, and noted that, while the ILO conventions on Social Security provide good guidance, they remain poorly ratified. The business community in many countries sees social security as something of a “Pandora's Box”, remaining to be convinced of the effectiveness of, and the affordability and sustainability of strategies for the extension of coverage.

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100. The open discussion in this session of the meeting proved to be relatively short. **Mr Ndebele (observer, South Africa)** expressed his concerns that, firstly the centrality of the role of governments in relation to social security is fading, and secondly that he sensed a lack of adequate solidarity amongst countries.
101. **Ms. Boon-Arj (Thailand)** commended the Brazilian delegation in relation to the presentation of that country's experience.
102. **Mr Francisco Arnau Navarro, observer representing the Government of Spain**, emphasized the significance of the Ibero-American (Governmental) Convention on Social Security, now being ratified by Spain, as an example of cooperation between nations, which effectively extends universal coverage on a geographical basis to some 600 million people, and he asked that this be mentioned in the conclusions.
103. **Ms Roca (observer, Argentina)** drew attention to the increasing focus on a rights-based approach to social security in Argentina, and the importance of universal access for children.
- (iii) Presentations and panel discussion: how to achieve universal coverage and adequate benefit levels for persons in old-age, for persons with disabilities and for survivors

Presentations

104. Opening the thematic presentation for this session, **Mr John Woodall, ILO Social Security Department**, observed that the benefits now under discussion form a group by reason of their “natural” form of payment as pensions. Rather than a technical discussion, he proposed to review a few central issues, as a starting point for discussion. To begin with, the term “adequacy” must be understood not only in the context of finding a balance between coverage needs and affordability must also be viewed as having several aspects, relating respectively to the coverage during their working lifetime (typically as contributors) of potential beneficiaries, the coverage of those who should receive benefits (once they have reached old age or become disabled) and finally in terms of the amount of benefits. He drew attention to the statistical analysis included in the Office report for the meeting, which had been prepared by Ms Florence Bonnet of the ILO Social Security Department, which shows inter alia that many pension schemes around the world are in fact failing the test of adequacy as assessed in relation to each of the three aspects. To improve the situation, it will be necessary to work in both the horizontal and vertical dimensions of pension coverage, as described in earlier presentations.
105. Mr Woodall identified four corner-stones or elements of a guiding framework for the extension of coverage. These are: universality of access to old age, disability and survivors pensions - in that context the social protection floor provides an appropriate means of establishing the foundation of this universal access; secondly, the necessity to build a progressive structure; thirdly a pluralistic approach (to take advantage of mandatory or voluntary, public or private, funded or PAYG, vehicles as appropriate); and lastly the need for an “outcome focus”. Whereas in the past pension scheme advisors have tended, even if for valid reasons, on technical issues, it has now become vital to refocus attention on the outcomes of these schemes, in particular as regards their impact on poverty reduction.
106. The first presentation of a country's experience was made by **Mr Joseph Piacentini, the expert representing the Government of the United States**. He explained that the US Retirement System is built on three pillars: the social security system, voluntary occupational (job-based) pensions, and individual savings. The Social Security System was established in 1935 as a response to the high rate of poverty amongst the elderly during the Great Depression, initially targeting workers employed in industry and commerce and was

then progressively extended to the whole population. The social security system is mandatory, has achieved near-universal coverage (96 per cent, or 162 million workers) and provides lifelong income support. It is financed through contributions (sometimes seen as a flat-rate “tax”) on earnings, shared between employers and employees. There are almost 51 million beneficiaries. Full benefits can be claimed at age 67 years old, but benefits may be paid at a reduced rate from age 62. The replacement rate is proportionately higher for those at lower earnings levels. Projections indicate that benefits will be higher than income by 2016, so that the accumulated Trust Fund will then start to be depleted. However the social security system has built up reserves that will cover the expenditure during 21 additional years (until 2037). For long-term stability, there will be a need to increase contributions, by an amount estimated amount of 2 per cent.

- 107.** The “second pillar” comprises some 700,000 voluntary, funded occupational pension schemes. About two-thirds of workers presently have access to such pension schemes offered by their companies, but only about one half of workers actually participate at present. Schemes are of either the defined benefit (DB) or individual-account defined-contribution (DC) types. Under DB schemes, the fund, and thus the sponsoring company bears risk arising from investment under-performance, whereas under the DC arrangement employees bear this risk. Over the past 30 years, defined benefit plans have been decreasing (in both numbers of schemes and of total participants) and defined contribution plans have been increasing rapidly, but the growing gap between access and participation is a matter for concern. The “third pillar” comprises voluntary private saving arrangements in special retirement savings accounts. Saving rates are traditionally low in the US and have moreover decreased over the past 30 years from 10% to 3% of individual income, and participation is concentrated within the category of high earners who benefit from tax incentives.
- 108.** *Mr Sagren Govender, the expert representing the Government of South Africa*, then made a presentation on the experience of South African in achieving universal access to a social protection floor. He began by commenting on the need to find a viable and sustainable model to enable the achievement of the desired objectives, and commented on the importance of both the ILO Global Campaign and of the social protection floor. Describing the socio-economic context of South Africa, he explained that the country is characterized by high levels of social and economic inequalities, with the result that more than half of the population are unable to participate fully in the modern economy. Not only is social exclusion widespread, but also unemployment is at high levels, with more than 7.3 million people unemployed in 2007, of whom 35% were below the age of 25. He stressed the importance of prioritizing the policy options that have the greatest impact on poverty, taking careful account of issues such as the transitional costs involved, and possible negative impacts in relation, for example, to employment and employment practices, investment behaviour and tax avoidance.
- 109.** Mr Govender noted that non-contributory social security schemes should provide benefits to sufficient to keep the beneficiaries out of poverty. In South Africa these programmes are presently reaching 12.4 million beneficiaries through 3 programmes: a child support grant; a state old age grant; and a disability grant. He made the point strongly that the debate within the country on essential social security cannot be postponed, but is a matter of urgency. He noted the value of the fact that the public social security programme is complemented by provisions through some 13,000 private-sector occupational schemes, although some concerns exist as to issues regarding the efficiency of the system. Particular, special arrangements exist for certain industries, notably mining.
- 110.** Mr Govender went on to speak of numbers living in poverty in the country – 27 million out of the total population of the country – and the efforts needed to put in place appropriate social security provisions, which will require detailed analysis of their situation, He presented new policy considerations aimed at extending coverage to so-far uncovered and

vulnerable groups. For example, it is proposed to implement progressively a comprehensive system of child support that should support 62% of the people in poverty, with major impacts in reducing vulnerability. He also noted proposals regarding youth employment support for those aged 19 to 24, in order to facilitate their entering into the labour market. Finally, he described proposals in regard to the old age benefits, under which it is proposed to transform the means-tested old age benefit into a universal benefit. The total scope of funding of social security represents about 3.3.% of GDP, with Mr Govender felt, some scope at least for increase in the foreseeable future.

- 111.** Presenting observations on behalf of the Employers' group, *Mr Barde (Switzerland)* observed the need for a general increase in (effective) retirement ages. This may require the provision of specific incentives for people to work longer than hitherto. He commented also on the contrasting approaches to pension scheme design, by way of redistribution as against “capitalization” (i.e, broadly, provision through individual savings accounts), and he scope for spreading risks through a multi-pillar approach, combining mandatory and voluntary components. Turning to disability benefit provision, he remarked that certain gaps or weaknesses in systems of provision through insurance have become increasingly evident. Moreover, there has been an increasing tendency to blur the distinction between benefits granted by reason of disablement and those granted on early retirement, which should be reversed, with a stronger separation in the recognition of these contingencies, and hence improved financial control, The priority in present conditions should be to promote employability and reinsertion into the labour market..
- 112.** *Mr Guillermo Arthur, the expert representing the Employers, Chile*, added some further comments, noting that coverage levels depend on the specific characteristics of national labour markets, particularly in terms of the proportional divide between the formal and informal components of the economy. He thus highlighted the importance in general of, on the one hand, seeking to improve the degree of formalization, and on the other to ensuring that social security does not impede progress towards formalization. There is need to improve standards of education and training, and Mr Arthur expressed the view that young entrants to the labour market are often poorly-equipped in this regard. From a social security perspective, a major advantage of formalization lies in the capacity of formal employees can and should contribute for their own benefits.
- 113.** *Ms Celien Vanmoerkerke, the expert representing the Workers, Belgium*, speaking on behalf of the Workers' group, stressed that while the aging issue affects all countries, there remain countries without social protection for the elderly. Many fall into severe poverty after retirement. Ms Vanmoerkerke highlighted the links between levels of coverage and countries' labour market, wealth and growth levels. She underlined that lack of scope for the poor and vulnerable to accumulate contributory pensions, and stressed therefore the need to establish universal pension schemes in order to avoid social exclusion. She also mentioned the need for pension schemes evolve so as to reflect increases in life expectancy. She highlighted, moreover, the difference in career patterns between men and women, which should be recognized in the design of benefits, not only for women pensioners but also for survivors. and that this implies differences in terms of entitlements to old age benefits. She noted the need to facilitate the integration of people with disabilities into the labour market, but also their need at the same time for income support.
- 114.** *Mr Sbusiso Henry Gumede, the expert representing the Workers, South Africa*, added some observations on the value of cash grants for the elderly, illustrating his remarks by reference to the Old Age Grant paid in South Africa to some 10 million beneficiaries.
- 115.** Following the invitation of the Chairperson to comments from the floor, *Ms Dillender (United States)* commented that one area of discussion to which relatively little attention is paid in the technical paper for the meeting is that of issues in integrating new pension

programmes with existing ones, in such a way as to enhance coherence of and synergies within systems, and avoid duplication.

- 116. Mr Irigoien (Peru)** commented on the need to address those who are excluded from statutory social protection schemes, in the course of seeking to fulfil the objective of universal coverage. A recent initiative in Peru has been the establishment of a programme specifically for workers in small and medium-sized enterprises (SMEs) the costs of which are shared between the State and the enterprise concerned.
- 117. Ms Bethan Emmet, observer representing HelpAge International,** spoke in support of advocacy for universal social pensions, which she wished to see implemented as part of the social protection floor. Such pensions can meet the need to accord pension rights to those who may lack access to social security pension schemes during their working lives, and on reaching old age without pension entitlements based on contributions are otherwise likely to find themselves in poverty. The provision of pensions allows elderly people, who are likely to be beyond their productive years, to leave the workforce and so enhance average levels of productivity in the economy as a whole. Ms Emmet noted that universal pensions represent in fact a pragmatic and cost-effective approach to income transfers for the elderly, being in general affordable, simple and easily managed; such schemes have been implemented to date in a number of countries including Bolivia, Lesotho, Namibia and Nepal.
- 118. Mr Otting (observer, Germany)** raised two points of a rather technical nature. Firstly, he cautioned that the use of voluntary, contributory pension insurance as the single or major mode of access is unlikely to be successful in achieving universal coverage, owing to the generally poor levels of joining such schemes. Secondly, he commented on the (potential) provision of survivors' benefits in the context of a universal scheme, which have to some extent the character of, and should be distinguished as, representing a derived rather than a direct, individual right. The question then arises as to whether it is intended, or appropriate that such benefits should be treated as a part of the social protection floor.
- 119. Ms Roca (observer, Argentina)** spoke about the importance of the concept of universalism in pension provision. Argentina is approaching this objective, having already achieved coverage of 90 per cent of the population over 60 years of age and continuing year-by-year increases in the numbers of beneficiaries. However, she stressed the potential risks if the benefit system becomes "disconnected" from the wider labour market.
- 120.** Taking up the opportunity offered by Mr Gabas for brief , concluding remarks, **Mr Barde,** supported by **Mr Arthur,** highlighted once more the fact that the challenges faced vary greatly from one country to another, reflecting in particular their respective demographic, economic and labour market conditions, while **Ms Yacob** reiterated the fact that 80 per cent of elderly people in developing countries lack any pension provision and, especially in the wake of the global economic crisis, many senior citizens face the undesirable situation of being forced to return to work.

(e) Presentations and panel discussion: how to finance, deliver and govern investments in social security

- 121.** The final area of technical discussion for the meeting focused on the issues of finance, delivery and governance of social security schemes, with the panel of presenters made up of Mr Cichon, Mr Zhongxing and Ms Filip.
- 122. Mr Cichon, the Director of the Social Security Department of the ILO,** gave the thematic presentation introducing this panel discussion, entitled "A new deal for people in a global crisis – social security for all: making the economic and affordability case." The

presentation covered four aspects: the economic necessity of social security, the fiscal affordability of social security, financing strategies, and delivery and governance issues.

- 123.** Mr Cichon began by recalling the need, if any economy is to grow, for a productive workforce, and went on to show the evidence, including figures for the OECD countries, indicating that access to broad social provision is positively correlated with growth. Thus the supposedly inescapable trade-off between productivity and equity is in fact a myth. He noted that, not only does access to social health protection and education thus greatly improve productivity levels, but also the social security system acts to stabilise domestic demand in times of crisis.
- 124.** Mr Cichon went on to review the ILO's research, looking at the estimated cost of a hypothetical, basic social security package, comprising modest old-age pensions, child benefits, health care, unemployment and social assistance benefits, which found that social security provision is likely to be fiscally affordable in each of a sample of 12 selected African and Asian countries, the total cost being estimated at 5.5 per cent of GDP in Burkina Faso and less than 2.0 percent in Viet Nam. As regards affordability, Mr Cichon commented that a window of opportunity may be opening up in a range of countries, particularly in sub-Saharan Africa, with some, at least, growth of fiscal space, reflecting increased levels of domestic revenue over the decade to 2006, and particularly strongly in the period following the Monterrey
- 125.** Mr Cichon outlined strategies by which countries may increase their resources, through both domestic means – broadening the tax base and improving the efficiency of collection, reducing tax evasion and avoidance – and international linkages, including project-based activities to build national delivery capacity, international financing of health care goods, and people-top-people partnerships, as exemplified by the Global Social Trust.
- 126.** He asserted that, with the exception of a very few “failing states”, all countries are capable of delivering some social security benefits. However, investments in logistical infrastructure and modern technology are often required to ensure efficient delivery of benefits. In addition, pragmatic decisions are needed with respect to the choices between universal and targeted options and conditional and unconditional cash transfers. The governance issue is at the very heart of any successful social security benefits implementation, and effective social dialogue is vital to the achievement of national consensus on benefits priorities and design and to monitor the effectiveness and efficiency of benefit delivery.
- 127.** *Mr Yan Zhongxing, the expert representing the Government of China*, made the next presentation, describing the experience regarding the extension of social security coverage in China which, he noted, is a matter of high priority for the Government. The strategy for the extension of coverage comprises a range of aspects, from the strengthening of legislation, through the fine-tuning of policies, to special government interventions, the strengthening of inspection and improving the services provided to participants. He highlighted the importance of the laws and regulations as the legal basis for social insurance coverage, while policy development will be directed to progressively filling coverage gaps through the growth of membership of the social insurance schemes. Meanwhile, in practical terms, it is expected that improvements in the contribution collection system will represent a key factor
- 128.** Mr Zhongxing highlighted a number of ways in which the Government expects to increase its own financial commitment to the social security system, including the provision of subsidies to support the participation of urban residents in medical insurance schemes, the provision of similar subsidies for medical insurance for farmers, and also relating to old-age insurance for farmers, the provision of special subventions to resolve a specific long-standing problem relating to the medical insurance for retirees of bankrupt enterprises, and

the provision of subsidized social insurance for laid-off workers. He noted that, at both the central and local government levels, there has been an unbroken trend of increases year by year in government expenditure on social security, at an average annual between 2003 and 2007, for example, of the average annual increase rate for government expenditure on social security reached 19.4 per cent.

- 129.** In recent years, a few specific initiatives have been taken towards the objective of extending social insurance coverage, including a special programme for migrant workers and a programme to strengthen the system of inspection, which should encourage increased participation by enterprises in the social insurance schemes. Further improvements at the administrative level will be aimed at aimed towards ensuring that social insurance agencies will provide enhanced service for participants and participating organizations. In summary, the effort towards extension of coverage is focused on both the public and private sectors, and towards both urban and rural residents, with the aim of achieving universal coverage by the year 2020.
- 130.** The final presenter in this session was *Ms Magda-Simona Filip, the expert representing the Government of Romania*, who began by highlighting the agreement of Romania earlier in 2009 to ratify convention No. 102, and indicated that her presentation would follow two themes, describing firstly the recent trend of development of the system of social protection in the country, and secondly the financing system adopted.
- 131.** Ms Filip described the developments of a socio-economic nature over the period 1989 to 2008, taking place against a background of economic difficulties and challenges facing Romanian society, including the rising numbers of Romanians who migrate to other EU countries in search of work. In that time, Romania has seen the establishment of new social insurance and social assistance systems, the design and implementation of a range of reforms, and the development of its social security institutions. She went on to describe the legal and organizational structures on which the country's social security system is based, beginning with a review of the major laws passed by the parliament in recent years. Following a reform process, she outlined the main aspects of the new pension system, which reflects both parametric changes and a new method of benefit calculation. While both the absolute and relative level of average benefits had been falling since the 1990s, they have increased markedly over the last two years. One particular challenge relates to pensions for farmers, who receive benefits according to the general formula, but who pay low average contributions.
- 132.** Ms Filip explained the development of a policy that should provide for a minimum income guarantee for the elderly, and which has been operational since April 2009, through the payment of a minimum guaranteed social pension. It remains to be seen how effective this will be in reducing poverty. She also remarked upon the successful introduction of a privately managed pension fund, and the design of the system under which compulsion to join becomes over time progressively more strict. The demographic transition and ageing of the membership of the schemes present major challenges, reflected in the fact that the number of contributors to the system and the number of those benefiting have now become almost equal; this may lead to financing problems in the future. The low rate of contribution collection may, however, stem from the fact that not only is the number of those among the self-employed who choose to contribute very low , but also these contributors tend to declare their income for the purposes of the insurance scheme at the minimum level. She observed that both the income and the expenditure of the social insurance budget are felt to be at relatively high levels, of some 7 to 8 per cent of GDP, with, potentially, supposed negative impacts on business and employment in Romania. Overall, social protection expenditure for the year 2006 accounted for 14.2 per cent of GDP , and has been following a generally rising trend over the last 20 years.

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- 133.** In conclusion, Ms Filip observed that the general government expenditure has grown to represent as much as 19% of total social protection financing, leading to two specific challenges: firstly the need to achieve a balance between the rate of contributions and the level of benefits in order not to impede development and growth of the country, and secondly to increase the quantum of contributions (by increasing the employment rate).
- 134.** In presenting observations on behalf of the Employers' group, *Mr Matthes (Germany)* remarked upon the aspects of similarity between the experience of Romania and that of Germany. He emphasized the view that, in fact, high rates of employment and growth offer the best route to minimise poverty, while excessive costs of social protection have negative impacts in terms of unemployment, on growth and on the competitiveness of a country's economy. He commented on the experience in Germany, following reunification, when increases took place in socially-related labour costs at the same time as a significant fall was registered in the competitiveness of the economy, which was followed by a steep rise in unemployment. Similar factors are of importance now to developing countries, which depend on export earnings and must equally face issues of competitiveness.
- 135.** In calling for a scaling down of the social spending burden, he noted also the connected issues of demographic change and of high taxation as a disincentive to competitiveness.
- 136.** *Mr Arthur (Chile)*, presenting additional observations on behalf of the employers' group, commented on the comparative features of non-contributory, tax-financed pension schemes as compared with contributory schemes supported by invested funds, and the problems which may arise when the balance of the relative proportions of workers and beneficiaries changes. He suggested that this issue lies in part behind the trend towards funded systems. He noted also the way in which policy changes, such as an increase in retirement age, may impact on funded or unfunded schemes, and suggested that funding allows the overall long-term cost of a scheme to be cheaper than the unfunded alternative; in this context he spoke also of the benefits of performance measurement, particularly in the case of schemes which switch from PAYG financing to (partial) funding, and in the light of the global financial crisis. In addition, a scheme based on "capitalization" (individual accumulating accounts) offers the advantage of giving insured members a heightened sense of ownership.
- 137.** *Ms Yacob (Singapore)*, speaking on behalf of the Workers' group, began by congratulating Romania for their approach and decision to ratify Convention No. 102, which retains its relevance as an international instrument for the development of adequate social security benefits. She noted that the financial crisis has led in many countries to income gaps opening up, for example in China. In times of crisis, she remarked that, more than ever, governments need to uphold the value of putting people first. She also referred to the earlier presentation on the experience of South Africa, which had highlighted the central role played by governments in the development of social security and the importance of political will. This must be complemented on the side of the members by strengthened solidarity and a sense of individual responsibility.
- 138.** Noting that a consistent theme of the various country experiences presented to the meeting had been the value of combining a range of financing modes, Ms Yacob highlighted the case of Brazil, where fiscal space had been opened through the mobilizing of various types of taxes. Brazil also offered a notable example of a country in which inequality, as measured by the Gini coefficient, had been reduced.
- 139.** Ms Yacob next commented on the potential role of the international community in providing development assistance in support of the effort to build a social protection floor. She noted the work recently undertaken by the ILO in the form of costing studies of basic social security packages, one for countries in Africa and one for Asia, together with the fact that ILO is providing technical assistance on a continuing basis to a range of countries

(presently including India and Thailand) and asserted that this effort should continue and be intensified. The ILO should also maintain its effort in training activities and help Governments to develop capacity at the national level. She mentioned in addition the importance of governance, by way of ensuring transparency and the involvement of the beneficiaries and trade unions. The example of India shows the importance of union involvement in the design, implementation and evaluation of the 100 days employment guarantee scheme, NREGS.

- 140.** Beginning the general discussion, Mr Bel (Netherlands) urged the meeting to keep in mind that the building of a social protection floor should be seen in terms of a strong “business case”. While he agreed with earlier speakers on the fact that factors such as ensuring employment creation, international competitiveness and economic growth are very important, he said that he could not agree with the implicit message - conveyed by stressing the importance simply of growth and employment - that one could not achieve economic growth on the basis of social spending. Mr .Bel referred to the example of his home country, the Netherlands, which had succeeded in maintaining its international competitiveness, with a very strong economy and sound social policy at the same time.
- 141.** *Mr Irigoin (Peru)*, speaking in support of the concept of a social protection floor, felt that a good deal of common ground exists in fact between the Employers’ and Workers’ groups in this regard, and urged that they express their agreement to the greatest possible extent.
- 142.** *Ms Dillender (United States)* began her comments by referring to the background paper which the ILO had prepared for the use of the delegates, and which she considered to represent an up-to-date review of current research and opinion, including that regarding the concept of the social protection floor and its extension to the entire population. She wished, however, express some concerns, and request clarification, in four particulars. Firstly, she observed that the costing of the basic benefit package is in the nature of a “black box”, being largely dependant on the specific benefits included and the exact specification population to be covered. While the basic pension benefit might be costed fairly precisely, at around 1 per cent of GDP in most developing countries, the health care component may cost significantly more, and the ILO’s commentary regarding the prospects for international donor financing should be supported by further evidence. Secondly, Ms Dillender reminded the meeting that some 30 countries had already implemented selected components of the basic package, and asked that information should be shared as to the experience to date, in terms for example of effectiveness in reaching the targeted populations, the impact on livelihoods and the total costs incurred. Thirdly, she observed that the background paper provides relatively little information as to the administrative capacity of specific countries with regard to the implementation of the components of the social protection floor, nor as to the expected levels of compliance, in the light of experience in existing schemes, amongst employers and employees. Lastly, Ms Dillender remarked on the need to establish priorities, and the ILO’s role in doing so, for the extension of coverage and increasing participation, for example among employees of small enterprises, the self-employed and agricultural workers.
- 143.** *Mr Sibbmark (Sweden)* expressed his support for the comments made by Mr Bel, concerning the likelihood that the development of social security and the competitiveness of a country’s economy can go hand in hand. Mr Sibbmark observed that Sweden also represents an example of a country faring well economically at the same time as maintaining a strong due to the social system. He went on to add some comments concerning the problems which are likely to arise if a change is made in a country’s social security financing system from PAYG (as is largely the case for the Swedish system) to one of partial or full funding.
- 144.** *Ms Boon-Arj (Thailand)*, referring by way of example to experience in her country, spoke about the importance of ensuring that social protection schemes must make provision for

those in the informal economy. In the light of a possible initiative to implement a universal pension in Thailand, she remarked on the mixed pension system presently prevailing, and the fact that during the economic crisis it has been possible to assist the elderly through a relaxation of the means-testing provisions governing social assistance benefits.

145. The Chairperson, **Mr Gabas (Brazil)** next took the opportunity to address the meeting, to share his long experience of working in the Brazilian social security system. He spoke about the political and institutional basis of the system, including the unique conceptual basis reflected in the Brazilian Citizens' Constitution of 1998, which first envisaged the provision of health care on a universal and free-of-charge basis. He commented on the Bolsa Familia programme, which, despite some criticism in the past, has proved its value in regard, notably, to poverty alleviation, and more recently has played a role as an automatic stabilizer in the recent unfavourable economic climate, and in the light of the need to ensure that everyone at least has food and shelter. A reduction in the level of inequality in the overall distribution of wealth is seen as further successful achievement. He added some brief comments on the manner in which the social insurance system is complemented by private provisions, from which however opting-out is possible.
146. **Mr Navarro (observer, Spain)**, commenting on the declining ratio of contributors to beneficiaries in many countries, as exemplified by Romania and highlighted in Ms Filip's presentation, suggested that the long-term solution would lie in a programme of job creation. He referred to the experience over a period of some 20 years in Spain, during which pressures to resolve scheme financing through conversion from a PAYG to a funded system had been resisted and consensus between all parties had been reached at the political level. He commented favourably on the documentation for the meeting, but expressed his view that greater emphasis could be placed on the role of social security as a driver of economic growth.
147. **Ms Roca (observer, Argentina)** discussed various aspects of the investment of funds in the Argentine pension system. The global financial crisis had led to significantly reduced returns, and Ms Roca felt that an over-emphasis on funding, at the expense of basic social security principles of solidarity and redistribution had proved to be ill-advised. She concluded that Argentina's experience held lessons that should be taken into account when discussing measures of privatization in other systems around the world.
148. **Ms Filip** spoke to clarify a possible misunderstanding, and explained that there is no plan on behalf of the Romanian government to change the existing PAYG financial basis to a funded system.
149. **Mr Otting (observer, Germany)** expressed the view that the provision of universal pensions should be financed through taxation, and specifically indirect taxes, which should not, at least in a direct manner, have an adverse impact on employment. He pointed to the example of Brazil as offering a model for tax financing through specific taxes (for example value-added tax on petroleum products) which has been endorsed for programmes including the Bolsa Familia; although Mr Gabas explained in the discussion that steps had been taken to shift the burden of financing the Brazil system towards reliance on taxes on petroleum products, this switch is yet in fact to take place. Mr Otting noted that the system in Germany is funded partly by contributions and partly by taxes. He referred to the earlier comments by Mr Matthes on the experience in the early 1990s in Germany, and while agreeing that the system came under considerable financial pressure at that time, he explained that this had been offset to a large extent by increased income from taxes, such as the Value added Tax, without directly affecting labour costs.
150. Summarizing the views of the Employers' group in the light of the discussion, **Mr Barde (Switzerland)** stressed the fact that the employers were not opposed to social protection, contrary perhaps to impressions given or gained during the preceding discussion, but that

they found it necessary to view the issue from the perspective of employability and competitiveness. He did, however, emphasize the primary role of good governance in the development of social security.

151. **Mr Arthur** added further comments on the advantages perceived for individual, funded schemes of saving for old age, despite adverse experience in times, such as the present, of economic crisis, as compared with PAYG financing, a system which he felt could not in present conditions be considered sustainable, and which in his stated opinion lowered people's expectations.
152. Some discussion ensued between **Mr Arthur** and **Ms Roca** as to the merits, or otherwise, of the "capitalization" approach, as exemplified by that of Chile, in the system of Argentina.
153. **Ms Yacob** presented the summary of the views of the Workers' group. She highlighted the views expressed in the foregoing discussion which reflect the "business case" for social security, in the context of which social security and economic growth can go hand in hand. She expressed the view that, moreover, the business case includes the development of the social protection floor, and concluded by reminding the meeting of the need to put people and their needs for decent lives and decent work at the centre of the discussion,
154. **Mr Cichon** made a brief response to the challenges posed by Ms Dillender. With regard to evidence as to the costs of the proposed basic schemes, he pointed to some details in the technical report (page 100), and noted that the results of further work will appear before the end of the year, in the form of a compendium of studies of social security schemes. He agreed with Ms Dillender's view that in the long term no social security scheme can rely solely or partly on international donors. He added that the financing of social security programmes must primarily come from domestic resources. Nevertheless, international aid can play a valuable and efficient role in circumstances where transitional support may be required. He also agreed with Ms Dillender that in establishing development strategies, the issue of enhancing compliance should be treated as a priority for action. He acknowledged the fact that the background paper lacked extensive information on the administrative feasibility of delivering new social security benefits, but noted that that additional efforts will be made by the Office in the future in this regard.
155. At this point, the Chairperson concluded the discussions for Day 2 of the meeting.

Concluding discussions and closing of the Meeting

156. Resuming the work of the meeting on Day 3, Mr Diop introduced **Mr Hans-Horst Konkolewsky, Secretary-General of the International Social Security Association (ISSA)**, who gave a short address on behalf of his organization. He stated that the extension of social security coverage is a key priority, and the meeting timely, for ISSA, as it also works towards this objective. There is an urgent need to move quickly, and a variety of vehicles available. Countries must adopt flexible approaches, which avoid unintended competition between schemes, and a key to success will be the building of institutional capacity. He commented on the need for greater outreach to the informal economy, especially as regards coverage for health care, emphasized the aspects of governance and delivery. In closing, he assured the meeting that the member organizations of ISSA would extend their unconditional support to the effort to increase coverage.
157. A second address was delivered to the meeting by **Ms Cynthia van der Louw of the European Commission, Brussels**, who began by observing that the current global crisis has highlighted the dual role of social security in not only combating poverty but also in stabilizing demand; in a range of instances social security systems have played a valuable

role in acting as automatic stabilizers. In a number of European Union (EU) countries, reforms have taken place, often by way of response to the phenomenon of demographic ageing. However, social security should also be seen as a component of Decent Work, a concept fully endorsed by the EU. What stands to be done, thus, is some shaping of the process of globalization, in a fair manner. The EU has long collaborated with other international agencies, and its present cooperation activities in association with the ILO include a programme for social inclusion and social protection of vulnerable groups entitled “Investing in People.” She concluded that the EC believed that the proposal of the ILO for extension of social security should find strong support.

158. The Chairperson, *Mr Gabas (Brazil)* next spoke to the meeting, indicating that it is hoped that the key output of the meeting will be a document setting out, not final conclusions as such, but his (as Chairperson) views, perspectives and observations reflecting the rather different viewpoints of the Employers', Workers; and (where relevant) Government groups.

159. *Mr Barde (Switzerland)* stated that, firstly, he wished to thank Mr Gabas, the Chairperson for the manner in which he had carried out that function, allowing the views of each of the various groups to be heard. He remarked that all present share a common fundamental objective, namely to extend and improve social protection coverage. The debate amongst participants is simply about the means to achieving this objective. The employers' group will certainly take proper note of the report, to be presented at the forthcoming session of the Governing Body.

160. Mr Barde stated that, while he realized the difficulties of achieving an acceptable draft, in his view, the document comprising the Chairperson's Conclusions as it stands following the discussions to date reflected well the different opinions presented in the course of the meeting. On a number of points, he would, however, reiterate and explain certain aspects of the viewpoint of the Employers' group, as follows:

- In relation to the draft text stating that “... the existence of social security generates growth and stability...” Mr Barde explained that this is understood by the Employers as having the sense that social security generates stability, which in turn is a prerequisite for growth; in other words with a particular sequence of causality.
- In relation to the draft text on financing and affordability, Mr Barde, recalling the adage that an optimist may be defined as a lucid pessimist, stated that his view and that of the group is less optimistic as to the outcome for social security in the immediate future.
- In relation to the comments, relating to social security provision in the field of health care , on the need to improve infrastructure such as hospitals and roads to ensure access, Mr Barde observed that such development entails costs.
- In relation to the draft text urging that a balance be sought and struck between the objectives of meeting strict social security needs and the associated costs, the Employers' group would reiterate that it is simply not possible to disregard the issue of competitiveness.
- In relation to the draft text concerning the two-dimensional approach to the extension of coverage, and the need for formalizing the basis for the work of the Office in the “horizontal” dimension, Mr Barde stated the Employers would prefer a pragmatic approach , and one within which a clear distinction may be made between “social security” (in relation to which the social partners act jointly) and “social assistance” (in relation to which, in his view, governments take the main role).

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- 161.** In closing, Mr Barde expressed his thanks for the meeting and for the concluding document, subject to the caveats outlined above.
- 162. Ms Yacob (Singapore)** made the concluding remarks on behalf of the Workers' group, and began by expressing gratitude for what she felt had been a high quality discussion and a useful and enriching debate. She focused on social security as a human right, as reflected in both the Universal declaration of Human Rights, and the recent Global Jobs Pact, but observed that the question now to be asked is: "how do we get there – how do we address the 'how and why' of building the social protection floor?" She asserted that what is needed is the establishment of this objective at a higher level than hitherto in countries' overall framework of priorities. Nevertheless, she was happy that the meeting had established that consensus exists around the need for social security. She drew attention once more to the experience of countries such as Brazil, and the observations of a number of government experts, showing that the development of social security can go hand in hand with economic growth like the Employers' group, the Workers would wish to enter a few caveats in relation to the draft, as it stood at that point, of the Chairperson's Conclusions, as follows:
- In relation to the draft paragraphs concerning health care, the workers would wish to reiterate that the optimum financial system would be through tax-financed schemes, in view of the lack of contributory capacity amongst the poor.
 - The Workers find the image of the social protection staircase to be helpful, along with the concept of horizontal and vertical dimensions of extension of coverage. In this light, further progress would be best supported in the framework of a Recommendation to provide for the horizontal dimension, and so complement the vertical dimension as it provides expression for Convention No. 102.
 - No country can afford to ignore the needs of children, and considerations of their welfare should be made explicit.
 - In relation to the paragraphs of the draft Chairperson's Conclusions which relate to the affordability of social security, the Workers note should be taken of the progressive work undertaken by the ILO on the basic benefit package for the social protection floor.
 - Two issues which had been raised in the discussion but had not, perhaps, found full recognition in the draft text as first presented are those of social dialogue and the gender dimension; since both are non-controversial, Ms Yacob would hope for their inclusion in the final draft.
- 163.** Finally Ms Yacob expressed her thanks to all concerned, but in particular to the chairman, noting especially his role, having remained calm and steady throughout, as a "stabilizer" !
- 164. Mr Chaturvedi (India)** spoke briefly, on behalf of the group of Government experts, to offer congratulations to the Chairperson, and thanks to the Employers' and Workers' representatives, who had participated in a lively debate. Some minor suggestions on behalf of the group of Government representatives had been offered for inclusion in the draft of the Chairperson's Conclusions.
- 165. Mr Ndebele (South Africa)** wished to add his appreciation, and to add a note that the meeting would help greatly in the taking forward a recommendation on this subject, adopted in 2007, that all African countries should meet on a regional basis in February 2010.

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- 166. Mr Bel (Netherlands)** commented that the meeting represented an important step in advancing social security within the ILO's agenda, and in preparation for the proposed discussion to be held at the International Labour Conference of 2011, and he felt that the Netherlands had played an active role in bringing that about. He expressed his happiness that a broad consensus had been found on the goal of extending coverage, and that the meeting had successfully grappled with the full complexity of the subject of social security and the surrounding issues, with a good debate and sharing of information on the practices in many countries, both developed and developing.
- 167. Mr Cichon** expressed his own thanks to all concerned, but in particular to the Chairperson, Mr Gabas, and his own team, Messrs Schwarzer, Lustosa de Alencar and Leme.
- 168. Mr Gabas** commented that his work seemed not yet to be finished! Following brief exchanges and consultations on the detailed, final draft of his Conclusions, and some issues regarding aspects of translation, he read the draft to the meeting.
- 169.** Mr Gabas then concluded with a broad vote of thanks, and some closing reflections on the experience in his own country of Brazil, where sweeping changes had been achieved for the poorest, reflecting in particular leadership at the highest level of the State, and social policies which had enabled the country to emerge rapidly from crisis.
- 170.** Finally, *Mr Gabas* and *Mr Diop* jointly brought the meeting to its close.