

Part I

**Monitoring the state of
social security coverage**

This chapter focuses on the basic concepts, definitions and methodology guiding the analytical work of the ILO on social security.

1.1 Basic definitions

The terms *social protection* and *social security* are used in various and not always consistent ways, differing widely across countries and international organizations, and also across time. It is not the purpose of this section to assert any universal definitions; it is rather simply to clarify terms and concepts as they are used in this report and in the ILO.

Social protection

The term *social protection* is used in institutions across the world with a wider variety of meanings than *social security*. It is often interpreted as having a broader character than social security (including, in particular, protection provided between members of the family or members of a local community),¹ but it is also used in some contexts with a narrower meaning (understood as comprising only measures addressed to the poorest, most vulnerable or excluded members of society). Thus, in many contexts the terminology “social security” and

“social protection” may be largely interchangeable, and the ILO (following the European tradition) certainly uses both in discourse with its constituents and in the provision of relevant advice to them.²

In this report, accordingly, reference is made to “social protection” as having the following aspects: (1) interchangeable with “social security” or (2) as “protection” provided by social security in case of social risks and needs.

Social security

The notion of *social security* adopted here covers all measures providing benefits, whether in cash or in kind, to secure *protection*, inter alia, from

- (a) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member;
- (b) lack of access or unaffordable access to health care;
- (c) insufficient family support, particularly for children and adult dependants;
- (d) general poverty and social exclusion.

¹ This usage was reflected in ILO, 2000: *World Labour Report 2000: Income security and social protection in a changing world* (Geneva).

² It may be noted, however, that the ILO does use the institutional title “Social Protection Sector” which comprises a wider range of programmes than social security; the Sector deals with issues including safety at work, labour migration and aspects of working conditions such as hours of work, wages and others.

Box 1.1 Individual and societal need for protection by social security

Everybody needs protection from risks and the insecurity they cause. When this need for protection remains unmet for the individual and for households, numerous negative effects follow. A growing body of evidence indicates that unfulfilled protection results in increasing poverty, higher levels of exclusion from access to health and education, low access to productive activities, an increase in the prevalence of child labour, HIV/AIDS and so on. The need for protection depends to a large extent on several factors that exist at the individual and household level as well as the national level. These include income, sex, age, health status, occupation, employment status, the location of the residence and the workplace; and at the macro level they refer to factors such as political stability, economic trends, price trends and so on.

When considering these various factors, it is relatively easy to identify situations that increase vulnerability and the need for protection. For example, at the individual level these might include being chronically ill or having a hazardous occupation. At the macro level it could refer to a financial crisis or increases in food prices. The poor tend to amass several risk-laden situations simultaneously, so that they face increased insecurity: their low income means they are less able to save and accumulate assets. This in turn renders them less able to deal with a crisis when it strikes; they most often work in the informal economy – an unregulated environment with unsafe working conditions; they may lack basic education (illiteracy) and are often beyond the reach of prevention or health education programmes because they are unaware of their social entitlements. In addition, they may live in remote areas far away from public social services. For poor people, dealing successfully with the risks they face is often a matter of life or death. But risks affect not only the existing poor; they can also plunge the non-poor into poverty. For example, the World Health Organization (WHO) estimates that each year 100 million people fall into poverty as a result of the financial burden of health-related risks, or the need to pay for health-care services.

See also the wider discussion in *Extending social security to all: A guide through challenges and options* (ILO, 2010a).

Social security thus has two main (functional) dimensions, namely “income security” and “availability of medical care”, which are specifically identified in the ILO Income Security Recommendation, 1944 (No. 67), and the Medical Care Recommendation, 1944 (No. 69), respectively, as “essential elements of social security”. These Recommendations envisage that, firstly, “income security schemes should relieve want and prevent destitution by restoring, up to a reasonable level, income which is lost by reason of inability to work (including old age) or to obtain remunerative work or by reason of the death of the breadwinner” (No. 67, Guiding principles, Paragraph 1). Secondly, “a medical care service should meet the needs of the individual for care by members of the medical and allied professions” and “medical care services should cover all members of the community” (No. 69, Paragraphs 1 and 8). This duality is also reflected in the formulation of the Declaration of Philadelphia which speaks of “social security measures to provide a basic income to all in need of such protection and comprehensive medical care”.

Access to social security is, in its essential nature, a public responsibility, and is typically provided through public institutions, financed either from *contributions* or *taxes*. However, the delivery of social security can be and often is mandated to private entities. Moreover, there exist many privately run institutions (of insurance, self-help, community-based or of a mutual

character) which can partially assume selected roles usually played by social security, including in particular occupational pension schemes, which complement and may substitute in considerable measure for elements of public social security schemes. Entitlements to social security are conditional either on the payment of social security contributions for prescribed periods (i.e. *contributory schemes*, most often structured as *social insurance* arrangements) or on a requirement, sometimes described as “residency plus”, under which benefits are provided to all residents of the country who also meet certain other criteria (i.e. *non-contributory schemes*). Other criteria may make benefit entitlements conditional on age, health, labour market, income or other determinants of social or economic status and/or even conformity to certain forms of behaviour. Means-tested *social assistance* is a special case, envisaged under the provisions of Recommendation No. 67 concerning income security.

What distinguishes social security from other social arrangements is that: (1) benefits are provided to beneficiaries without any simultaneous reciprocal obligation (thus it does not, for example, represent remuneration for work or other services delivered); and (2) that it is not based on an individual agreement between the protected person and provider (as, for example, a life insurance contract) but that the agreement applies to a wider group of people and so has a collective character.

Depending on the category of applicable conditions, a distinction is also made between *non-means-tested schemes* (where the conditions of benefit entitlement are not related to the total level of income or wealth of the beneficiary and his family) and *means-tested schemes* (where entitlement is granted only to those with income or wealth below a prescribed threshold).

A special category of “conditional” schemes includes those which, in addition to other conditions, require beneficiaries (and/or their relatives or families) to participate in prescribed public programmes (for example, specified health or educational programmes). In recent years, schemes of this type have become known as conditional cash transfer (CCT) schemes.

Social transfers

All social security benefits comprise *transfers*, either *in cash* or *in kind*, i.e. they represent a transfer of income or services (most often health-care services). This transfer may be from the active to the old, the healthy to the sick, or the affluent to the poor, among others. The recipients of such transfers may be in a position to receive them from a specific social security scheme because they have contributed to such a scheme (*contributory scheme*), or because they are residents (*universal schemes* for all residents), or they fulfil specific age criteria (*categorical schemes*), or they experience specific resource conditions (*social assistance schemes*) or because they fulfil several of these conditions at the same time. In addition, it is a requirement in some schemes that beneficiaries accomplish specific tasks (employment guarantee schemes, public works) or that they adopt specific behaviours (as in CCTs). In any given country, several schemes of different types generally coexist and may provide benefits for similar contingencies to different population groups. The more specific characteristics of these different schemes are outlined below.

In contributory schemes the contributions made by beneficiaries directly determine entitlement to benefits (acquired rights). The most common form of contributory social security scheme is of a statutory *social insurance* scheme for formal wage employment and, in some countries, for the self-employed. Other common types of contributory scheme, providing – in the absence of social insurance – a certain level of protection, include national provident funds that usually pay a lump sum to beneficiaries when particular contingencies occur (typically old age, invalidity or death). In the case of social insurance schemes for those in wage or

salary employment, contributions are usually paid by both employees and employers (by and large, employment injury schemes are fully financed by employers). Contributory schemes can be wholly financed through contributions but often are partly financed from tax or other sources, either in the form of a subsidy to cover the deficit, or in the form of a general subsidy supplanting contributions altogether, or subsidizing only specific groups of contributors or beneficiaries (those not contributing because they are caring for children, studying, in military service, unemployed, or have too low a level of income to fully contribute, or receive benefits below the minimum because of low contributions in the past).

Insurance schemes, in the context of social security, refer to schemes that guarantee protection through an insurance mechanism. Insurance is based on: (1) the prior payment of premiums or contributions, i.e. before the occurrence of the insured contingency; (2) risk sharing or “pooling”; and (3) the notion of a guarantee. The premiums paid by (or for) insured persons are pooled together and the resulting fund is used to cover the expenses exclusively incurred by those persons affected by the occurrence of the relevant (clearly defined) contingency or contingencies. It is common that contributory schemes make use of an insurance vehicle (usually social insurance), but the reverse is not necessarily true (national provident funds, for example, do not generally feature risk-pooling). It should be noted that social insurance is distinguished in strict technical terms in that the risk-pooling is based on the principle of solidarity, as against insurance arrangements of a more familiar, commercial type, based on individually calculated risk premiums.

Many social security schemes of the contributory type are presented and described as “insurance” schemes (usually “social insurance schemes”), despite being in actual fact of mixed character, with some non-contributory elements in entitlements to benefits; this allows for a more equitable distribution of benefits, particularly for those with low incomes and short or broken work careers, among others. These non-contributory elements take various forms, being financed either by other contributors (redistribution within the scheme) or by the State.

Conversely, non-contributory schemes or social assistance schemes normally require no direct contribution from beneficiaries or their employers as a condition of entitlement to receive relevant benefits. Non-contributory schemes include a broad range of schemes including universal schemes for all residents and some categorical or means-tested schemes. Non-contributory

Box 1.2 An introduction to the terminology

Contingencies are events that might or might not occur (having an accident or winning the lottery, for example). *Hazards* (often mis-termed as risks) are contingencies that are perceived as having a negative effect on individuals, groups or societies or even more complex entities, such as the environment. Hazards include a broad range and variety of contingencies such as flood, earthquake, conflict, loss of job, the death of an income-earning household member or chronic illness. The term *risk* should describe exclusively the probability that a contingency or a hazard occurs. Unfortunately it is often used in literature as a synonym for hazard and at the same time as probability that a contingency occurs and that has a negative connotation.

You are *exposed* to a hazard or a contingency if a certain event can occur and affect you – for instance, living in an environment where a certain illness can be contracted. If you move to a country where that particular illness does not exist, you are no longer exposed. You are *vulnerable* to a certain hazard if you have no means of coping with the consequences of that hazard once it has occurred: for example, not being able to afford medical care that can help you regain your health. If you are vulnerable to a certain hazard then you are in need of a protecting mechanism that reduces your vulnerability. *Social security* makes you less vulnerable to the financial consequences of certain hazards if and when they materialize, i.e. it provides security or reduces insecurity. Apart from what can be done through accident or illness prevention, the direct contribution of social security to reducing exposure to hazards is of course limited.

Not all hazards are unforeseeable and beyond our control. For example, the probability of contracting a certain illness can be reduced by health-conscious behaviour, the hazard of unemployment by moving to a region where your skills are in greater demand, and your family's exposure by sending them out of a country that is beset by political unrest or poor health conditions. If you are paying insurance contributions that entitle you to a cash benefit should a certain contingency occur, this would help to mitigate the impact of that hazard. If your society provides you with social assistance benefits should you fall into poverty, these benefits – if adequate – may help you to cope with the hazard once it has occurred. The whole portfolio of strategies and arrangements, ranging from risk reduction, avoidance or prevention to hazard mitigation and coping, is called by the World Bank *social risk management* and should strictly be called *social hazard management*.

Source: Based on Cichon et al., 2004.

schemes are usually financed through tax or other state revenues.

Universal schemes for all residents provide benefits under the single condition of residence. Such schemes are mostly put in place to guarantee access to health care. They are generally tax-financed, but may require a co-payment by users of health services; sometimes with exemption for the poorest (typically the latter may receive vouchers).

Categorical schemes target specific groups (categories) of the population. The most frequent forms of categorical schemes are those that transfer income to the elderly above a certain age or children below a certain age. Some categorical schemes also target households with specific structures (one-parent households, for example) or occupational groups such as rural workers. Categorical schemes may also be grouped as universal if they cover all residents belonging to a certain category, or include resource conditions (as in social assistance schemes). They may also include other types of conditions such as performing or accomplishing certain tasks. Most categorical schemes are tax-financed.

Means-tested schemes target people whose means (usually their assets and income) fall below a certain

threshold. Such targeted schemes are very diverse in their design and features. This diversity may manifest itself through the methods of targeting that are employed, the supplementary conditions required for beneficiaries to access benefits and the inclusion of other interventions that are delivered on top of the actual income transfer itself.

Conditional cash transfers (CCTs) are social assistance schemes that provide cash to families subject to the condition that they fulfil specific “behavioural” requirements. This may mean they must ensure their children attend school regularly (typically 85–90 per cent attendance) or that they utilize basic preventative nutrition and health-care services; CCTs are usually means-tested.

Employment guarantee schemes ensure access to a certain number of workdays a year to poor households, generally providing wages at a relatively low level (typically at the minimum wage level if this is adequately defined). Such programmes generally take the form of “public works” activity.

Social security schemes, programmes and measures should be seen as a distinct body of rules and, therefore, characterized by at least a certain degree of “formality”, supported by one or more social security institutions

governing the provision of social security benefits and their financing. It should, in general, be possible to draw up a separate account of receipts and expenditure for each social security scheme. It is often the case that a social security scheme provides protection against a single risk or need, and covers a single specific group of beneficiaries. Typically, however, one institution will administer more than one benefit scheme.

All the social security schemes and institutions in a country are inevitably interlinked and complementary in their objectives, functions and financing, and thus form a national social security system. For reasons of effectiveness and efficiency (and the ILO will always recommend this to its constituents), it is essential that there is a close coordination within the system, and that – not least for coordination and planning purposes – the receipts and expenditure accounts of all the schemes are compiled into one social security budget for the country so that its future expenditure and financing of the schemes comprising the social security system are planned in an integrated way.

The social protection floor

The origin of this concept dates back a number of years. The idea of a “socio-economic floor” and its relationship to social protection was emphasized in the report of the World Commission on the Social Dimension of Globalization, which stated: “A minimum level of social protection for individuals and families needs to be accepted and undisputed as part of the socio-economic floor of the global economy” (WCSDG, 2004, p. 13). Since then, the term “social floor” or “social protection floor” has been used to mean a set of basic social rights, services and facilities that the global citizen should enjoy. The term “social floor” corresponds in many ways to the existing notion of “core obligations”, to ensure the realization of, at the very least, minimum essential levels of rights embodied in human rights treaties.

The United Nations (2009a) suggests that a social protection floor could consist of two main elements that help to realize respective human rights:

- services: geographical and financial access to essential services such as water and sanitation, health, and education;
- transfers: a basic set of essential social transfers, in cash and in kind, as aid to the poor and vulnerable to provide minimum income security and access to essential services, including health care.

In the context of its campaign to extend social security to all, the ILO is promoting the social transfer component of the social protection floor, that is, the social security floor, a basic and modest set of essential social guarantees realized through transfers in cash and in kind that could ensure a minimum level of income security and access to health care for all in need. The goal of such a basic set of guarantees is a situation in which, in all countries:

- all residents have the necessary financial protection in order to be able to afford and have access to a nationally defined set of essential health-care services, whereby the State accepts the general responsibility for ensuring the adequacy of the (usually) pluralistic financing and delivery systems;
- all children have income security, at least at the nationally defined poverty level, through family or child benefits aimed at facilitating access to nutrition, education and care;
- all those in active age groups who are unable to earn sufficient income in the labour market should enjoy a minimum level of income security through social assistance or other social transfer schemes (such as transfer income schemes for women during the last weeks of pregnancy and the first weeks after delivery), combined with employment guarantees or other labour market policies;
- all residents in old age or with disabilities have income security, at least at the nationally defined poverty level, through pensions for old age and disability.

The level of benefits and scope of population covered (for example, age eligibility for old-age pensions) for each guarantee should be defined according to national conditions (potential fiscal space, demographic structure and trends, income distribution, poverty spread and gap, and so on), political choices, characteristics of groups to be covered and expected outcomes. In no circumstance should the level of benefit be below a minimum that ensures access to a basic basket of food and other essential goods and services.

1.2 The scope of social security as defined by ILO standards and by other international organizations

ILO Conventions, Recommendations and other guiding mechanisms

The ILO is a standard-setting organization. International labour standards take the form of either Conventions or Recommendations, which cover a broad range of subjects including fundamental rights at work (freedom of association and the right to collective bargaining, elimination of forced labour, abolition of child labour and elimination of discrimination in respect of employment and occupation),³ the employment relationship and industrial relations, conditions of work (wages, hours of work, occupational safety and health), and social security as well as other related social policy areas. International labour standards are adopted on a tripartite basis by the International Labour Conference (ILC). While Conventions are open to ratification by member States and create legal obligations stemming from ratification, Recommendations cannot be ratified; they usually accompany Conventions and serve as non-binding guidelines for their application, but can also stand alone. A Convention enters into force when ratified by a specified number of governments and, from that moment, it is considered binding upon ratifying States. A Convention which has not been ratified by certain States should be regarded by those States as having the same status, legal force and effect as Recommendations.

Under the ILO Constitution, States have the obligation to report periodically on the application in national law and practice of the Conventions they have ratified. Such reports are then examined by the competent ILO supervisory bodies, the Committee on the Application of Conventions and Recommendations and the ILC Committee on the Application of Conventions and Recommendations, which sit on a yearly basis.

ILO Conventions and Recommendations in the area of social security are the main references when looking at social security coverage both globally and in specific countries and therefore will be used as such for the purpose of this report.

Since the establishment of the ILO in 1919, the ILC has adopted 31 Conventions and 23 Recommendations

on social security.⁴ The first international Convention on social security (maternity protection) (No. 3) was adopted at the First Session of the ILC in 1919, while the most recent, which revised earlier standards on maternity protection, was adopted in 2000. In 2002 the ILO Governing Body confirmed six out of these 31 Conventions as up-to-date social security Conventions. These are:

- Social Security (Minimum Standards) Convention, 1952 (No. 102);
- Employment Injury Benefits Convention, 1964 (No. 121);
- Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128);
- Medical Care and Sickness Benefits Convention, 1969 (No. 130);
- Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168); and
- Maternity Protection Convention, 2000 (No. 183).

In addition, the Equality of Treatment (Social Security) Convention, 1962 (No. 118), makes provision for the equality of treatment between national and non-national workers with regard to coverage by the branches of social security, as well as provisions of benefits abroad and maintenance of rights in course of acquisition (see box 1.3). The Maintenance of Social Security Rights Convention, 1982 (No. 157), also covers the latter in a broader way. The Statistical Annex of this report includes tables presenting the level of ratifications of the ILO social security Conventions.

ILO Recommendations provide policy guidance issued by the International Labour Conference that all member States should seek to comply with but are not ratifiable in nature. Their scope is often wider and more conceptual than that of Conventions, which have direct relevance for national legislation.

The adoption of the Income Security Recommendation, 1944 (No. 67), and Medical Care Recommendation, 1944 (No. 69), by the ILC were important milestones in the development of international legal instruments in the field of social security. For the first time in history, guiding principles were established in a comprehensive way for eight social security contingencies and medical care, to be provided by social insurance complemented by social assistance. Universal coverage

³ ILO Declaration on Fundamental Principles and Rights at Work, 1998.

⁴ For a wider discussion see for example ILO, 2008c.

Box 1.3 Social security for migrant workers

In 2004 the 92nd Session of the International Labour Conference, in its resolution on a fair deal for migrant workers in the global economy, identified as an acute necessity the adoption of specific measures to protect the social security rights of migrant workers. Migrant workers – estimated globally at 105.5 million in 2010 – are often denied access to social security coverage in destination countries due, especially, to the insufficient duration of their periods of employment and residence. Restricting social security coverage to nationals or permanent residents is another constraint faced by migrant workers. Importantly, migrant workers in irregular situations and/or working in the informal economy are excluded from social security coverage. At the same time, these workers risk the loss of entitlement to social security benefits in their countries of origin due to their absence.

The barriers to social security coverage faced by migrant workers worldwide need to be reduced; this is particularly necessary in times of crisis. Migrant workers and their families are among the most vulnerable as they are often the first hit in case of economic crisis. In destination countries, migrant workers are employed for the most part in construction, hotels and restaurants, and manufacturing; three sectors that have suffered severe job cuts during the current economic downturn. The economic crisis affects not only the volume of employment in general but also its quality. In origin countries, as a result of the crisis, the significant drop in financial remittances is likely to have an impact on the protection they provide to families of migrant workers.

An international legal framework has been set up for the protection of migrant workers,¹ with specific instruments related to their social security. These instruments were designed to coordinate different national social security schemes and to safeguard migrant workers' social security rights by promoting equal treatment between nationals and non-nationals and maintenance of social security rights acquired and in course of acquisition.² The non-binding ILO Multilateral Framework on Labour Migration (2005)³ calls for the conclusion of social security agreements. These are treaties which coordinate the social security schemes of two or more countries to ensure the portability of social security entitlements. There are also other mechanisms, such as the inclusion of social security provisions in temporary labour migration programmes, and voluntary insurance schemes offered by national social security systems of origin countries to their migrant workers abroad and to their family members.

¹ The Migration for Employment Convention (Revised), 1949 (No. 97); the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143); and the United Nations Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (1990). ² The specific related instruments are the Equality of Treatment (Accident Compensation) Convention, 1925 (No. 19); the Equality of Treatment (Social Security) Convention, 1962 (No. 118); the Maintenance of Migrants' Pension Rights Convention, 1935 (No. 48) (shelved); and the Maintenance of Social Security Rights Convention, 1982 (No. 157) and its accompanying Recommendation, 1983 (No. 167). In addition, the Social Security (Minimum Standards) Convention, 1952 (No. 102), contains the obligation of equality of treatment of non-national residents for the social security branches included in the ratification process (Art. 68). ³ As part of its Decent Work Agenda, the ILO Multilateral Framework on Labour Migration provides principles and guidelines for a rights-based approach to labour migration.

of social security was pursued, and the classical limitation of the applicability of ILO instruments to workers in the formal sector was given up. This new approach was laid down in Recommendation No. 67 by establishing the main features of income security schemes. The Recommendation further expresses the objective to extend social security to all workers and their families, including rural populations and the self-employed. It also establishes the principles of social assistance, along the following lines:

- general measures of assistance to secure the well-being of dependent children;
- special maintenance allowances at prescribed rates for invalids, aged persons and widows if they are not compulsorily insured;
- general assistance for all persons who are in want and do not require internment for corrective care.

Recommendation No. 69 is based on the principle that the availability of adequate medical care constitutes an essential element of social security. It indicates that medical care services may be provided in two ways: either through a social insurance service with supplementary provision by way of social assistance, or through a public medical care service. The medical care service should cover all members of the community, whether or not they are in paid employment.

In addition to Conventions and Recommendations, the ILO's Governing Body regularly develops policy-guiding frameworks on specific policy issues that are relevant for a number of member States and whose implementation depends mostly on national or bilateral action, as is the case of migrant workers described in box 1.3.

For any discussion on the scope of social security by the ILO, the point of reference is the *nine branches*

of social security as originally defined by the Social Security (Minimum Standards) Convention (No. 102) in 1952 and later in a similar way by the European Code of Social Security in 1964. In line with the definition adopted in section 1.1, we add here a tenth branch of general income support or general social assistance schemes, as defined in Recommendation No. 67. The latter play an important role in national strategies to close the coverage gap in developing and economically emerging countries. Leaving this dimension out would mean to neglect a number of recent important initiatives in these countries that first and foremost seek to alleviate poverty. It would also give a picture of the global state of development of social security which would be too focused on industrialized countries, particularly Europe.

The extended operational definition of social security that is relevant for the analysis in this report thus comprises ten elements:

- (1–2) protection in *sickness*, including:
 - (1) medical care, as defined in Part II of Convention No. 102 and by Convention No. 130;
 - (2) income support in the form of cash sickness benefits, as defined in Part III of Convention No. 102 and by Convention No. 130;
- (3) protection in *disability*, including income support but also medical care, rehabilitation and long-term care – income support invalidity benefit as defined in Part IX of Convention No. 102 and by Convention No. 128;
- (4) protection in *old age*, including income support and long-term care – income support old-age benefit as defined in Part V of Convention No. 102 and by Convention No. 128;
- (5) protection of *survivors* in case of death of a family member (“breadwinner”) – income support benefit as defined in Part X of Convention No. 102 and by Convention No. 128;
- (6) protection in *maternity*, including medical care and income support maternity benefit, as defined in Part VIII of Convention No. 102 and by Convention No. 183;
- (7) protection in “responsibility for the maintenance of *children*”, including the provision in kind to, or in respect of, children, of “food, clothing, housing, holidays or domestic help” and of cash income support family benefits as defined in Part VII of Convention No. 102;

- (8) protection in *unemployment*, including income support in the form of unemployment benefits, and also other labour market policies promoting employment – income support benefits as defined in Part IV of Convention No. 102, and income support and other labour market policies as defined by Convention No. 168;
- (9) protection in case of *employment injury*: medical care, rehabilitation and income support in the form of sickness, invalidity or survivors’ benefit as defined in Part VI of Convention No. 102 and by Convention No. 121;
- (10) general protection against *poverty* and *social exclusion* through social assistance that provides protection to all residents without sufficient other means of income from work and not covered (or not covered sufficiently) by social security branches listed above.

There are at least three other international classifications of the scope of social security that are fully captured by the above extended definition of social security.

European Commission

In its European System of Integrated Social Protection Statistics (ESSPROS), EUROSTAT defines eight *functions* of social protection (European Commission, 2008):

- (1) sickness/health care;
- (2) disability;
- (3) old age;
- (4) survivors;
- (5) family/children;
- (6) unemployment;
- (7) housing;
- (8) social exclusion not elsewhere classified.

This classification adds two functions not covered explicitly by ILO Conventions:

- The *housing* function includes three benefits in kind: (a) rent benefit, defined as a current means-tested transfer granted by a public authority to tenants, temporarily or on a long-term basis, to help with rent costs; (b) social housing provided on a means-tested basis on non-commercial terms (that

is, rents below the normal market price) by public bodies or private non-profit institutions that own low-cost or social housing; (c) a means-tested transfer by a public authority to owner-occupiers to alleviate their current housing costs: in practice this often means help with paying mortgages and/or interest.

- The *social exclusion not elsewhere classified* function includes all other benefits, mainly of the social assistance type, not referring to any clearly identifiable risks or needs covered by other functions but targeted at the “socially excluded” or “those at risk of social exclusion”. General as this is, target groups may be identified as destitute people, migrants, refugees, drug or alcohol addicts, or victims of criminal violence, among others.

The specificity of the ILO mandate in social security and its historical evolution requires that social security in cases of “employment injury” and “maternity” are treated as distinct separate functions. In the European Commission approach these are however integrated into other functions: maternity income support under the *family/children* function; and in case of employment injury: employment injury sickness benefits under the *sickness* function, employment injury invalidity benefits under the *disability* function, and employment injury survivors’ benefits under the *survivors* function.

Organisation for Economic Co-operation and Development (OECD)

For the purposes of its SOCX database (OECD, 2009a) and similar to the European Commission, the OECD has adopted the following classification of nine *policy areas* in social protection:

- (1) old age;
- (2) survivors;
- (3) incapacity related;
- (4) health;
- (5) family;
- (6) active labour market programmes;
- (7) unemployment;
- (8) housing;
- (9) other social policy areas.

The main difference from the EU classification is that the OECD adds labour market programmes not

covered by the core ESSPROS database (the *unemployment* function in ESSPROS covers only unemployment benefits and similar income support, severance payments and similar payments, pre-retirement benefits and other pensions awarded in case of early retirement for labour market reasons, and all refunding of training costs and of other employability-enhancing measures provided to the unemployed),⁵ including indirect measures such as wage subsidies, into a separate policy area: *active labour market programmes*.

United Nations

The above two classifications are similar to the United Nations Classification of Functions of the Government (COFOG), adopted also by the IMF in its *Government Finance Statistics* manual of 2001. Under COFOG, however, what is covered by *social security* or *social protection* by the ILO, European Union and OECD is split into two separate main functions:

- (1) health;
- (2) social protection.

The *social protection* main function is then classified into nine categories:

- (a) sickness and disability;
- (b) old age;
- (c) survivors;
- (d) family and children;
- (e) unemployment;
- (f) housing;
- (g) social exclusion not elsewhere classified;
- (h) research and development in social protection;
- (i) social protection not elsewhere classified.

So long as disaggregated data are available (at the individual benefit or at least scheme level) there are no problems in converting data sets from one classification to another.

⁵ There exists however another database in EUROSTAT, the Labour Market Policies database, which covers all kinds of labour market programmes; this includes data on expenditure and on participants in these programmes.

1.3 Coverage concepts and measurements

Some more definitional clarifications are in order at this point. People enjoying the protection guaranteed by the ten elements presented in the ILO extended operational definition (p. 20) and at least at a minimum level of benefits as defined by the Social Security (Minimum Standards) Convention, 1952 (No. 102), are considered here to enjoy *comprehensive social security protection*. Those enjoying only a basic level of income security (guaranteeing income at the level of the poverty line) at all stages of the life cycle as well as access to essential health services are considered to benefit from *basic social protection* (the social protection floor). Those benefiting from coverage in some of the ten branches, not all of which provide comprehensive or basic coverage, are considered to enjoy only *partial basic or partial comprehensive coverage*. The ultimate objective of all ILO standards is to provide as many people as possible with comprehensive protection; the intermediate objective is to provide all people with at least a basic level of protection.

In each category of social security benefits, coverage is a multidimensional concept with at least three elements:

Scope. This is measured here by the range (number) and type of social security branches (see discussion above) to which the population of the country has access. Population groups with differing status in the labour market may enjoy different scopes of coverage, and this factor must be taken into account in assessing scope.

Extent. This usually refers to the percentage of persons covered (by gender, age, labour market status) within the whole population or the target group, by social security measures in each specific branch.

Level. This refers to the adequacy of coverage by a specific branch of social security: for example, it can be measured by the level of cash benefits provided, where measurements of benefit levels can be either absolute or relative to selected benchmark values such as previous incomes, average incomes, the poverty line, and so on. In social health protection it may measure the amount of health-care costs covered by existing financial protection mechanisms. The level of coverage can also be measured by the quality of services provided. Specific aspects of coverage in social health protection also relate to issues such as availability of services and drugs, taking into account the physical existence of health-care facilities, health work force, equipment and so on. These aspects will be discussed in more detail

in Chapter 3. Measures of quality are usually relative and may be objective or subjective – for example, the satisfaction of beneficiaries measured against their expectations.

In measuring all the above three dimensions of coverage a distinction is made between *legal coverage* (or *statutory coverage*) and *effective coverage*. A population group can be identified as legally covered if there are existing legal provisions that such a group should be covered by social insurance for a given branch of social security, or will be entitled to specified benefits under certain circumstances – for instance, to an old-age state pension on reaching the age of 65, or to income support if income falls below a specified threshold, or to national health services when sick. On the other hand, effective coverage is measured, for example, by the number of people actually contributing to social insurance in a given branch, or the number of beneficiaries of any pension benefits among all residents over 65 years of age, or the number of beneficiaries of some kind of income support among all those unemployed or all below the poverty line. Effective coverage is usually different from legal coverage, and often lower, largely due to various governance problems in implementing the legal provisions and also to gaps in funding, for instance, in social health protection.

Legal coverage

Estimates of the *scope* of legal coverage usually measure the number of branches of social security by which – according to existing legislation – a population or its specific groups is covered. The list of the nine branches covered by ILO Convention No. 102 may be used as a comparator.

Estimates of the *extent* of legal coverage use both information on the groups covered by statutory schemes for a given branch in national legislation, and available statistical information quantifying the number of persons concerned at the national level. The legal extent of coverage rate for a given branch of social security is the ratio between the estimated number of people legally covered and – as appropriate – the total number of employees (that is, wage and salary workers), the total number of employed persons (including employees and the self-employed), the total number of economically active persons (including or not including their dependants), or the total population. For example, since Convention No. 102 allows a ratifying country to provide coverage either through social insurance or through

universal benefits or through means-tested benefits, it also formulates alternatives to minimum requirements for the extent of coverage, as follows: (a) prescribed classes of employees, constituting not less than 50 per cent of all employees; or (b) prescribed classes of the economically active population, constituting not less than 20 per cent of all residents; or (c) all residents whose means during the contingency do not exceed prescribed limits.

The legal *level* of coverage rates for specific branches of social security is usually measured (for cash benefits) by benefit ratios or replacement ratios calculated for specified categories of beneficiaries, using benefit formulas or benefit amounts specified in the legislation. For example, Convention No. 102 sets minimum replacement rates for cash benefits in seven of its nine branches. It specifies that such minimum rates should apply to a defined “standard” beneficiary meeting qualifying conditions, and be guaranteed at least to those with earnings up to a certain prescribed selected level.

Effective coverage

Measurements of effective coverage should reflect how in reality the legal provisions are implemented. Effective coverage is usually different from and lower than legal coverage because of non-compliance, problems with enforcement of the legal provisions, or other deviations of actual policies from the text of the legislation.

Measurements of effective *scope* of coverage in a country reveal the number of social security branches for which there is relevant legislation that is actually enforced: that is, whether in all such branches the majority of the population legally covered is also effectively covered (as measured by effective extent of coverage; see below).

Effective *extent* of coverage measurements should tell us the actual number of protected persons as a percentage of those expected to be protected according to the legislation – for example, the percentage of those actually contributing to social insurance as compared to the number of those who should be contributing according to the law; or the number of those who actually receive benefits as compared to the size of the target group (the percentage of unemployed receiving benefits, percentage of elderly persons receiving pensions, percentage of the poor receiving social assistance benefit, and so on).

Measurements of the effective *level* of coverage would identify levels of benefits (usually related to

certain benchmark amounts) actually received by beneficiaries, such as unemployment benefits or pensions paid, compared to average earnings or to the minimum wage or the poverty line. In the case of contributory pension schemes, the effective level of coverage may also relate to future benefit levels. For example, if the self-employed are obliged to pay contributions based on declared income, and in practice they all contribute only at the level specified as a minimum contribution, the effective level of coverage can be measured by a ratio between declared income and estimates of the average actual income level.

When measuring effective extent of coverage a distinction also has to be made between coverage measured in terms of *protected persons* (those who have benefits guaranteed but are not necessarily currently recipients of such benefits – such as persons who actively contribute to social insurance and are thus guaranteed benefits for a specified contingency: for example, when they reach retirement age they will be entitled to an old-age pension) and coverage measured in terms of *actual beneficiaries*. In the first case, an adequate indicator of coverage is the percentage of those protected (such as active contributors) within a relevant reference group (such as employees, employed, or economically active population); an example is the percentage of employed persons contributing to a pension scheme. In the second case, the indicators show the percentage of beneficiaries within a target group (for old-age pensions this would be the percentage of all persons older than a certain age, such as the official retirement age) who actually receive benefit.

When assessing coverage and gaps in coverage, distinctions are to be made between coverage by (i) contributory social insurance, (ii) universal schemes covering all residents (or all residents in a given category), and (iii) means-tested schemes covering potentially all those who pass the required income or means test. In the case of social insurance it makes sense to look at the numbers of those who are actually members and contributors to such schemes and who thus potentially enjoy – sometimes with their dependants – coverage in case any of the contingencies covered by their social insurance actually happen. These people fall into a category of persons “protected” in case of a given contingency. The concept of *protected persons* may also apply where people are covered by universal or categorical programmes: if there is legislation specifying that all residents or all residents in a given (e.g. age) category are entitled to certain benefits or have free access to health or other social services, it can be said that all those

specified by law are “protected” in case of the given contingency. It is, however, rather difficult to specify who is in fact “potentially protected” in the case of income- or means-tested benefits or conditional cash transfers. If coverage is largely based on such programmes, the concept of protected persons cannot be applied; only measuring coverage in terms of actual beneficiaries makes sense, and must be related to the size of certain target groups such as children, the elderly, the unemployed or the poor.

The above measures of extent and level of coverage give partial indicators applying only to specific branches of social security (and sometimes even only to specific schemes or types of scheme). Of course, it is tempting to try to establish an aggregate indicator or index for a country which would reflect overall social security coverage in that country. One possibility is to use a set of partial indicators (quantitative and qualitative) to calculate such an index by applying statistical methods similar to those used in building the UNDP Human Development Index (UNDP, 2008). A compound coverage indicator has to be a function of the three types of partial indicators discussed above:

- *scope* of social security branches available, relative to all the branches needed;
- *extent* of coverage by percentage of the population protected for different contingencies and needs; and
- *level* of protection, measured by replacement rates and so on.

Such an index has been developed recently by the Asian Development Bank and calculated for all its member countries.⁶

When it is not possible from the data to construct the necessary partial indicators in all areas, the total amount of social security expenditure (measured as a ratio of GDP or of total public spending) may be used as a proxy aggregated indicator of coverage, as the aggregate social security expenditure in the country is also a function of all the three dimensions of coverage.

Since the identification of gaps in coverage, together with the reasons for their existence and ways of filling them, are the main objectives, the following questions need to be answered:

- Who are those not currently covered but in need of coverage?
- What are their needs?

- What risks do they face?
- What are the options for extension of coverage to them?
- What is their status regarding employment?
- What is their ability to contribute?
- What are the potential costs of increasing coverage?

The main sources of this information are: country legislation; data on protected persons, beneficiaries, benefits provided, costs and financing from the registers and accounts of the institutions administering the social security scheme; and, last but not least, household survey data from regular Labour Force Surveys (LFS) and Household Budget Surveys (HBS) or surveys of similar type, or from surveys specially designed to monitor coverage and impacts of social security.

To summarize, a number of issues have to be taken into account when measuring coverage:

1. Social security coverage can be directly measured only separately for each of the specific branches such as health care, old age or unemployment; or even for a group of specific schemes within each branch. Aggregate coverage measures such as the ADB Social Protection Index can be built only by aggregating the separate coverage indicators for all social security branches.
2. Coverage by social security schemes against specific social risks and contingencies can be understood in two ways: *potential* coverage, measured by the number of persons potentially protected if a given contingency occurs (for example, those covered by social insurance schemes, or contributors to such schemes), and *actual* coverage, measured by the number of beneficiaries actually receiving benefits or utilizing services. These two concepts are complementary to each other and should be assessed separately.
3. Legal versus effective coverage. Though people may be legally covered, enforcement of the legal provisions may be incomplete, so that effective coverage is usually lower than legal coverage.
4. In measuring the extent of coverage it is important to choose the right numerator and denominator. Ideally, the absolute number of persons covered for a specific risk is divided by the size of the population group that is targeted by the specific policy or benefit. For example: to measure the extent of actual coverage by old-age pensions, the number of

⁶ See Chapter 7 of this report, and also ADB, 2006, 2008.

pensioners should be related to the total number of older persons where both numerator and denominator can be restricted to a given age bracket, such as 65+ (or above any other legal retirement age).

5. There is a trade-off between national circumstances (and relevance of the indicator at the national level regarding, for example, the retirement age) and international comparability.
6. Both administrative and survey data are necessary to a full assessment of coverage. Administrative data are needed to assess potential and actual effective coverage rates. However, the availability and quality of such data vary across countries, and across schemes within countries. Very often, administrative data trace certain administratively registered events (such as payment of contributions or benefits) rather than the persons behind such events. This leads to double counting, in particular when aggregating administrative data, as a person can be contributing to the same scheme from more than one job, or to more than one scheme covering the same contingency, or be receiving similar types of benefit from more than one source.
7. Household survey data are particularly important in assessing the level and quality of coverage and its impacts. Also, only household survey data can help to assess the nature of the coverage gap, the characteristics of population groups not covered, and in particular the consequences of their lack of coverage and their need for specific types of coverage. Unfortunately, many regular household surveys

still either lack information relevant to assessing coverage, or the questions asked are so various that international comparisons are not possible. Special surveys, too, are rare and also not internationally standardized.

This chapter has presented a recommended approach to measuring coverage. Unfortunately the data available are still very limited, and so in the following chapters in Part I of this report, which assesses coverage using various indicators, it has proved impossible to follow the recommended approach fully. Instead, the present report is limited to a detailed assessment of coverage in selected branches of social security only, and does not fully measure all dimensions of coverage; moreover, data are available for too few countries for an assessment of the level and quality of coverage in most of the social security branches. This first report therefore presents regional estimates for selected indicators of coverage based on available data. These regional estimates are calculated only when data availability ensures that countries included represent at least two-thirds of the total population for a given region. Regional averages are weighted, depending on the indicator, by total population, the working-age population or the economically active population. Owing to the limitations in data availability most of these regional estimates are calculated for the latest available year, which is not necessarily the same for all the countries included. In the next editions, as data availability improves, so improvements in the accuracy of global and regional estimates may be expected.