The need for social security: how big is the coverage gap?

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Structure of the presentation

- All women and men need social security
- Any society, state and economy needs social security
- Coverage gap: those with the strongest needs are most often uncovered
- Conclusions: why the gaps?
All women and men need social security

- Everybody, poor and rich, needs social security, to be able to deal with uncertainty and social and economic risks over the life-cycle
- Everybody is vulnerable, as – without adequate protection - may fall into poverty as a result of employment injury or other sickness, disability, old-age, loss of employment or loss of other income sources
- Some are however more vulnerable than others – in particular those with no income or with low and irregular incomes
- Social security does not just alleviate poverty but through reduced vulnerability enables individuals to take economic risks and thus unlocks economic activity
Any society, state and economy needs social security

- It reduces poverty and income inequality and it is proved that inequality is economically inefficient
- It generates growth as:
  - Raising the incomes of the poor increases domestic demand and, in turn, encourages growth by expanding domestic markets
  - It enhances human capital and productive employment thanks to a better educated, healthy and well nourished workforce
- Promotes peace, stability and social cohesion and facilitates economic change
- It is thus an indispensable part of the institutional tissue of an efficient market economy
- In crisis it not only prevents greater poverty but stabilizes the aggregate demand
- Without social security poverty reduction and development are not possible

The ILO Campaign on Social Security and Coverage for All
Coverage gap: those with the strongest needs are most often uncovered

- Coverage has two dimensions:
  - Horizontal – who is covered?
  - Vertical – how adequate are the benefits and services provided?
- Lower income countries: huge horizontal coverage gap (majority of the world’s population uncovered) but even those minority groups covered are not covered adequately (scope of benefits narrow and level/quality low)
- Higher income countries: still exist here and there gaps in horizontal coverage (domestic workers, temporary workers) and issues in vertical coverage (like inadequate benefits for those with short or broken careers as a result of some recent pension reforms)
Social security coverage map
Global scope of social security coverage

Existence of a statutory programme (or a limited provision) for each branch of social security | Percentage of countries

- One statutory programme at least
- Limited provision | e.g. labour code provision

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<th>Percentage of countries with a statutory programme or a limited provision in the labour code</th>
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<td>Low income</td>
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<td>Work injury - similar to survivors &amp; invalidity</td>
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Effective coverage - pensions
Vertical coverage (pensions): OECD
Conclusions: strategies to effectively close the coverage gap should differ depending on labour market structures and other social cultural and economic factors

- Contributory social security schemes are more effective where there is less myopia in perception of risks (i.e. rather health than pensions)
- Contributory schemes are effective for those with regular incomes well above subsistence level (regular employees, higher income self-employed)
- The quickest strategy to provide basic but wide coverage in largely informal economies is through non-contributory tax-financed programmes
- A mix of non-contributory and contributory measures is most effective in providing universal adequate coverage everywhere
- Creating political will and designing policies through representative social dialogue is a sine qua non condition for investments in social security which are both sufficient in size and efficient in outcomes