



# Building more inclusive, sustainable and prosperous societies in Europe and Central Asia

A common United Nations vision for the post-2015 development agenda

## Issue Brief 6

### Social protection for all

#### *I. What is at stake?*

##### **The crucial role of social protection for sustainable development**

Investments in adequate social protection pay off in terms of both social and economic development. Social protection systems not only contribute to human security, dignity, equity and social justice, but also provide a foundation for political inclusion, empowerment and the development and strengthening of democracy. Well-designed social protection systems offer essential health care and social services and provide income security for children, adults and older persons by protecting them during sickness or injury, pregnancy, loss of earnings or employment. In times of crisis, the enlargement of national social protection systems not only cushions the impact of the economic downturn on workers and families but also helps to stabilize economies, supporting aggregate demand, facilitating recovery and providing high returns on public investment. Universal, comprehensive and efficient social protection systems are a key instrument in not only alleviating but also preventing poverty: they guarantee income security and access to social services to all in need.

#### *II. The story of the region*

##### **Growing needs for social protection in the region**

Social protection systems in the region, at both national and subnational levels, vary strongly in terms of their comprehensiveness, structure and benefit levels. While members of the European Union (EU) and other high-income European countries allocate, on average, 30 per cent of their GDP to social protection, South-Eastern and Eastern Europe and Central Asia allocate only 15 per cent.

In particular in the Caucasus and Central Asia, large groups of the population are still left without any protection, including young people, unpaid care givers, people with disabilities, rural populations, migrants and ethnic minorities, many of whom are engaged in informal employment<sup>1</sup>. Similarly, the low level of public pension schemes, especially in the Caucasus and Central Asia, is often insufficient to protect older persons from falling into poverty. In the region's advanced economies as well, gaps in social protection coverage are emerging as existing systems are often ill-designed to cover so called "new risk groups" including atypical workers, youth, single parents or the long-term unemployed.

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<sup>1</sup> Issue brief 5: Decent jobs for all.

## **While social protection system are weakening**

Social protection systems within the region have come under substantial pressure in recent years. First, as a result of the crisis, lower contributions due to lost jobs and reductions in social contribution rates pose serious challenges to the systems' financial sustainability. Fiscal consolidation measures impose further cuts in social expenditure programmes. Demographic changes and ageing populations present another, long-term, challenge to social protection systems<sup>2</sup>. This is a concern especially in EU countries, where the number of people older than 65 years compared to the number of people aged 15-64 years is projected to double by 2050. Finally, in a number of advanced economies, there has been a paradigm shift in social policy towards "workfare", namely a system directly linking the provision of social benefits to steps taken for employment or reemployment. This has led to a lower prioritization of universal social protection systems in the last decade.

## **The result is little progress in fighting poverty**

The result of these developments is that little progress has been made in fighting poverty and inequalities in the region. In the EU since the start of the crisis, poverty rates – calculated as the percentage of the population living on an income below 60 per cent of the median income – have increased, and almost 17 per cent of the entire EU population was at risk of poverty in 2011. Although increases in income contributed significantly to the reduction of extreme poverty (below \$2.50 a day) in Eastern Europe, Central Asia and the Western Balkans in the decade before the crisis (1998-2008), extreme poverty increased again during the crisis in many countries. In the region as a whole, groups with a high risk of falling into poverty typically remain households with low-paid or unemployed members, single-parent families, large families, children and people living in rural areas.

## **III. What needs to happen?**

### **Main policy steps**

#### **Social protection is needed more than ever**

In view of the existing coverage gaps and prevailing situations of poverty in the region, well-designed, effective and affordable social protection is needed more than ever. To prevent a resurgence of poverty, countries need to address existing and newly emerging gaps in the extent, scope, levels and quality of coverage of their social protection systems.

To preserve their high standards of social protection, members of the EU and other countries with well-developed social protection systems will need to take measures that balance what is adequate versus what is sustainable, especially in the area of pensions. Reforms to reduce the projected increase of expenditure in pension systems should be directed towards lowering the dependency ratio, thus decreasing the burden on active members of the labour force. This can be done through active ageing policies (including support to upgrading of skills, flexible working time arrangements and appropriate adaptation of workplaces to meet the needs of older persons with disabilities) to promote more employment of older workers and also to activate populations who so far are inactive (starting with young people). Some other countries, especially in the eastern part of the region, still need to rebuild existing social protection *programmes* into comprehensive *systems*.

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<sup>2</sup> Issue brief 2 : Population dynamics.

## Considerations for the new agenda

### Reforming social protection systems to close gaps in coverage and achieve adequacy and sustainability

Going forward, it is essential to continue reforms of national social protection systems to meet increasing demands, expand coverage to all population groups and provide adequate levels of benefits with a view towards ensuring long-term financial sustainability.

The United Nations Social Protection Floor Initiative (see annex) is driven by widespread agreement that provision of at least minimum income security over the life cycle and affordable access to essential social services (like health care, education, water and sanitation) should be a priority of social policies.

Social protection, as a decisive factor for reducing poverty and inequalities, should be one of the key pillars of the post-2015 development framework. All countries could be invited to establish, or expand where they exist, social protection floors which would be tailored to the situation and needs of each country and would have a multidimensional scope, covering both income security and access to basic social services for all segments of the population.

Although social protection is a national-level responsibility, a global framework can help to ensure accountability and share lessons across countries. Governments should set up the overall framework of their national social protection floor in close cooperation with employers' and workers' organizations and NGOs representing other national stakeholders. The global framework would fix targets and recommend types of partnerships needed to implement these targets. A global framework that prioritizes social protection would be the basis for an accountability mechanism whereby national actors can assess progress at the national level, while sharing results and lessons on the global level.

## Annex: The Social Protection Floor

Effective responses to the challenge of ensuring social protection for all require new political and social thinking, based on principles of equity and social justice, universality and respect for human rights. The United Nations Social Protection Floor Initiative can underpin such responses. The narrative around the Social Protection Floor:

- **promotes a broad concept of social protection**, including not just social assistance (e.g., income transfers for those living below the poverty line) and social insurance (e.g., pensions, unemployment, medical insurance) but also access to basic public/social services (e.g., education, health, water/sanitation, energy), as well as protection against food insecurity, natural disasters and other forms of adversity;
- **emphasizes the need to guarantee services and transfers across the life cycle**, including for women, children, the economically active with insufficient income and older persons;
- **pays particular attention to vulnerable groups** by considering key characteristics that cut across all age groups (e.g., gender, socio-economic status, ethnicity, disability, people living with HIV/AIDS, migrants and populations exposed and/or highly sensitive to adverse external effects such as natural hazards and extreme climate phenomena);
- **takes a rights-based approach to these services**, implying that Governments should extend or ratify existing international conventions dealing with these threats to human development and security, as well as align domestic policy frameworks with these conventions; and
- **argues that such measures—or at least movement in their direction—are eminently affordable**. Reference is often made to the examples of India's National Rural Employment Guarantee Scheme, Brazil's Bolsa Família and Mexico's Oportunidades—rights-based social protection programmes that have helped these middle-income countries make dramatic progress in reducing poverty and human insecurity.

In line with the Initiative, the ILO Social Protection Floor Recommendation No. 202, adopted by the International Labour Conference in June 2012, reaffirms that the right to social security is a human right and provides guidance to countries in establishing and maintaining national floors of social protection as a fundamental and priority element of their national social security systems. Such floors should include at least four nationally defined guarantees of transfers in cash and in kind that ensure: (i) effective access for all to at least essential health care, including maternity care; (ii) a nationally defined minimum level of basic income security for children, providing access to nutrition, education and care; (iii) minimum basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and (iv) minimum basic income security for older persons.

The Social Protection Floor Recommendation No. 202 also encourages the countries to progressively build and maintain comprehensive social security systems providing at least the range and levels of benefits set out in the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) while ratifying this Convention.

### **Social protection floors in the region**

In all, some 30 countries have taken measures to introduce elements of a social protection floor. In the countries covered by the UN Economic Commission for Europe, however, this narrative has encountered two sorts of problems. First, in many of the high-income countries that have gone the furthest down this road, the welfare states that embody this model are increasingly under attack from a combination of demographic and economic factors that threatens to make them fiscally unsustainable (particularly in terms of health and pensions benefits). These threats are increasingly relevant for those middle- and low-income countries in the region that are experiencing shrinking, ageing populations or significant external migration of young workers.

Second, whereas the region's developing and transition economies inherited comprehensive pre-1990 social protection systems, the large declines in GDP and employment registered during the 1990s, combined with the collapse of pre-1990 social policy institutions and the adoption of market-based platforms for the delivery of socially sensitive goods and services (e.g., food, health, transport), have made these systems unsustainable. Subsequently, yawning gaps have opened up between the *de jure* rights-based legal standards underpinning national social protection systems and their *de facto* realization. These gaps are particularly large for workers employed in the informal sector—where many labour rights are not observed, and where access to employment-based social insurance systems is problematic—as well as for those who are own-account workers and not working at all.

Overall, social policy reforms during the past two decades have produced patchwork national social protection systems in the region, reflecting varying degrees of institutional capacity for social policy. In most countries, the success of efforts to enlarge social protection to those most vulnerable to income poverty (e.g., female-headed rural households with many children) or social exclusion (e.g., residents of small towns, ethnic minorities, people living with disabilities, or with HIV/AIDS) has been modest.

### **The social protection floor and the post-2015 development framework**

Establishing national social protection floors can serve as a platform for modernizing social protection frameworks in Europe and Central Asia as well as in other regions of the world. It may therefore usefully feed social policy discussions in the context of the post-2015 sustainable development debates.

The logic of the social protection floor suggests that gaps between *de jure* legal standards for social protection and the *de facto* fiscal and institutional capacity needed to meet them should be closed by increasing the latter, rather than relaxing the former. The following considerations are useful in this context:

- The concept of a social protection floor calls for a move towards cross-sectoral approaches to social protection. Continued reliance on “siloed” approaches both reduces the impact of the resources that are available for social protection, and weakens the pro-poor character of policies in many areas, including sustainable resource management, disaster risk reduction or rural development.
- The financial sustainability and the efficiency of social protection floors can be maximized by policy changes combining readjustments in the fiscal space with institutional reforms.
- These reforms must preserve the principle of universal coverage which, in practice, may imply the introduction or improvement of targeted cash transfers and other provisions aimed at reaching effectively the most vulnerable population groups.
- Social dialogue, combined with comprehensive national consultations, is a key factor of success for achieving a broad consensus on the parameters of such reforms.