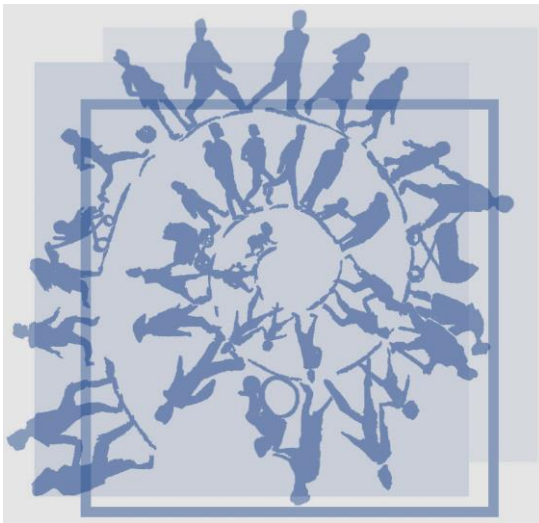


Social Protection *options* and economic and social development



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Just to leave in no doubt, here are my three main messages...

- One: There is no stable society where social security/protection has not been part of nation building
- Two: There is no society that successfully and sustainably contained poverty and inequality without an extensive social protection system
- Three: No economy can grow beyond a certain point without investing in social protection

Structure

- Point One: Social protection works...
- Point Two: The case for social protection in development strategies
- Point Three: (OPTIONAL) Extending SP – The principal options
- Point Four: The great global consensus and the age of austerity
- Point Five: The ABND process in Myanmar (Lou knows more...)

One. Social protection
works---

A working definition: ...

- **Definition:** social protection/social security:

formal or informal income transfers in cash or in kind that

- ascertain access to health and social services and
- income security to cope with certain life risks that could lead to a loss of income (i.e.

- a) social assistance,

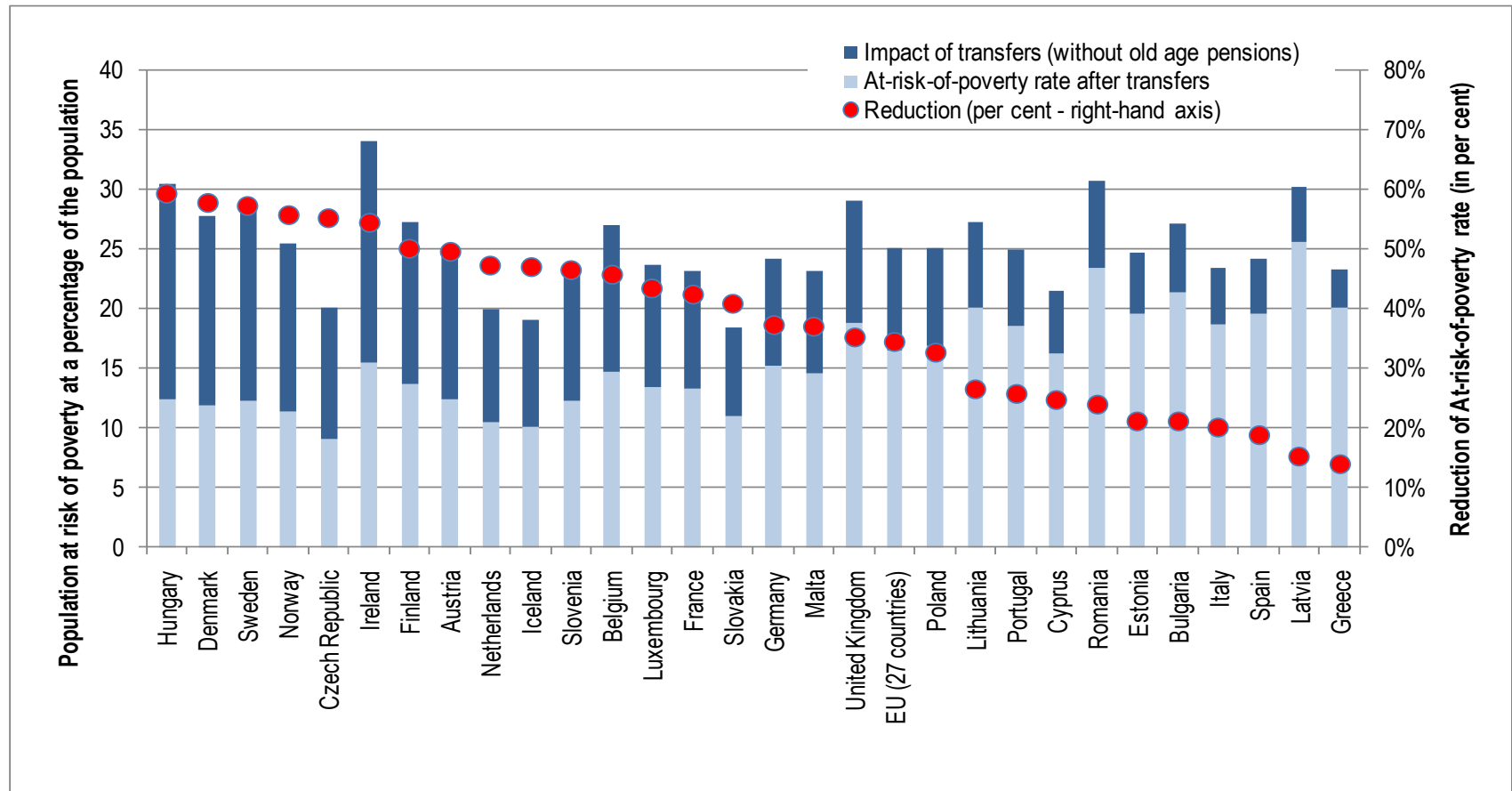
- b) pensions,

- c) short-term cash benefits in case sickness, maternity, unemployment, employment injury...)

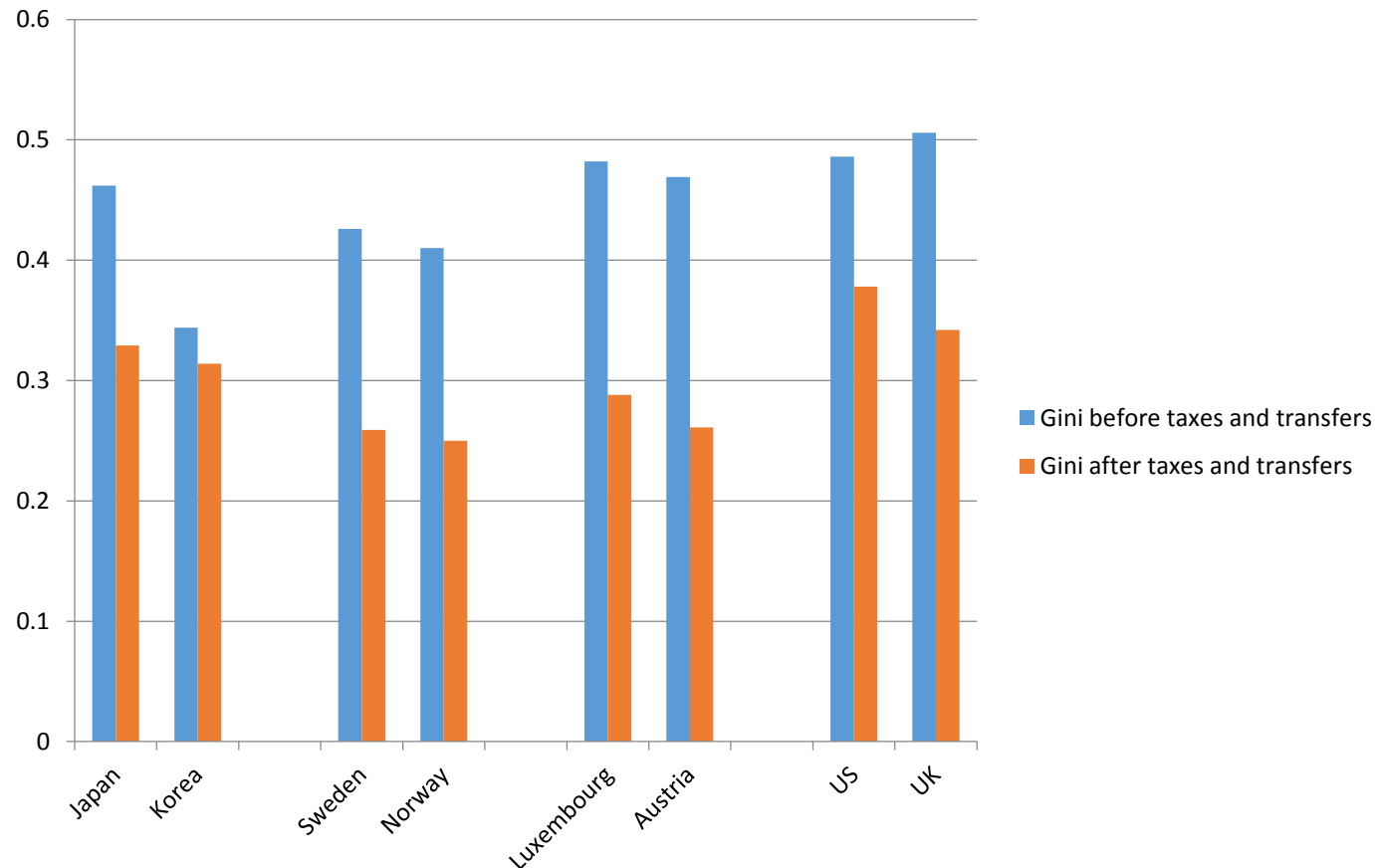
with the aim to reduce insecurity, avert poverty, ensure income smoothing and reduce inequality

The social rationale for social protection ...*It works*

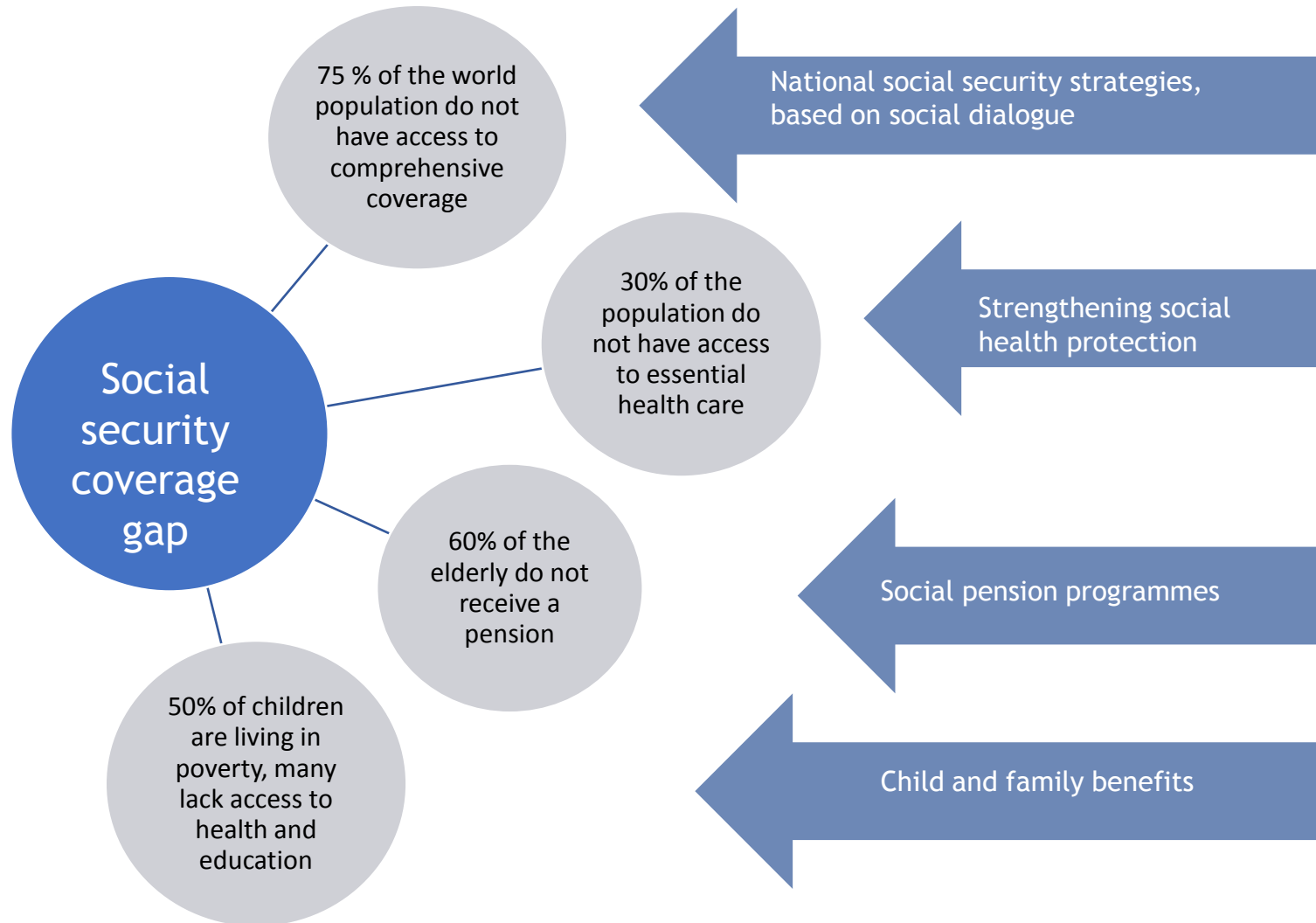
Poverty rates before and after transfers (without old age and survivors pensions) in the European Union, 2008



Impact of Taxes and Transfers in selected OECD countries (end 2000s): Two ways to achieve more income equality (OECD data)



But globally social protection coverage is not what it should be: The global state of social security coverage



Two: The case for Social Protection in development strategies

Social security is a human right

- **Social security is a human right** (Article 22 Universal declaration of human rights)
- Flagship **Convention 102**, 1952
- A number of Conventions specific to **each branch of social security**, and **cross-cutting issues** (equality of treatment)
- **Recommendation 202**, 2012 reaffirms the universal right to social security



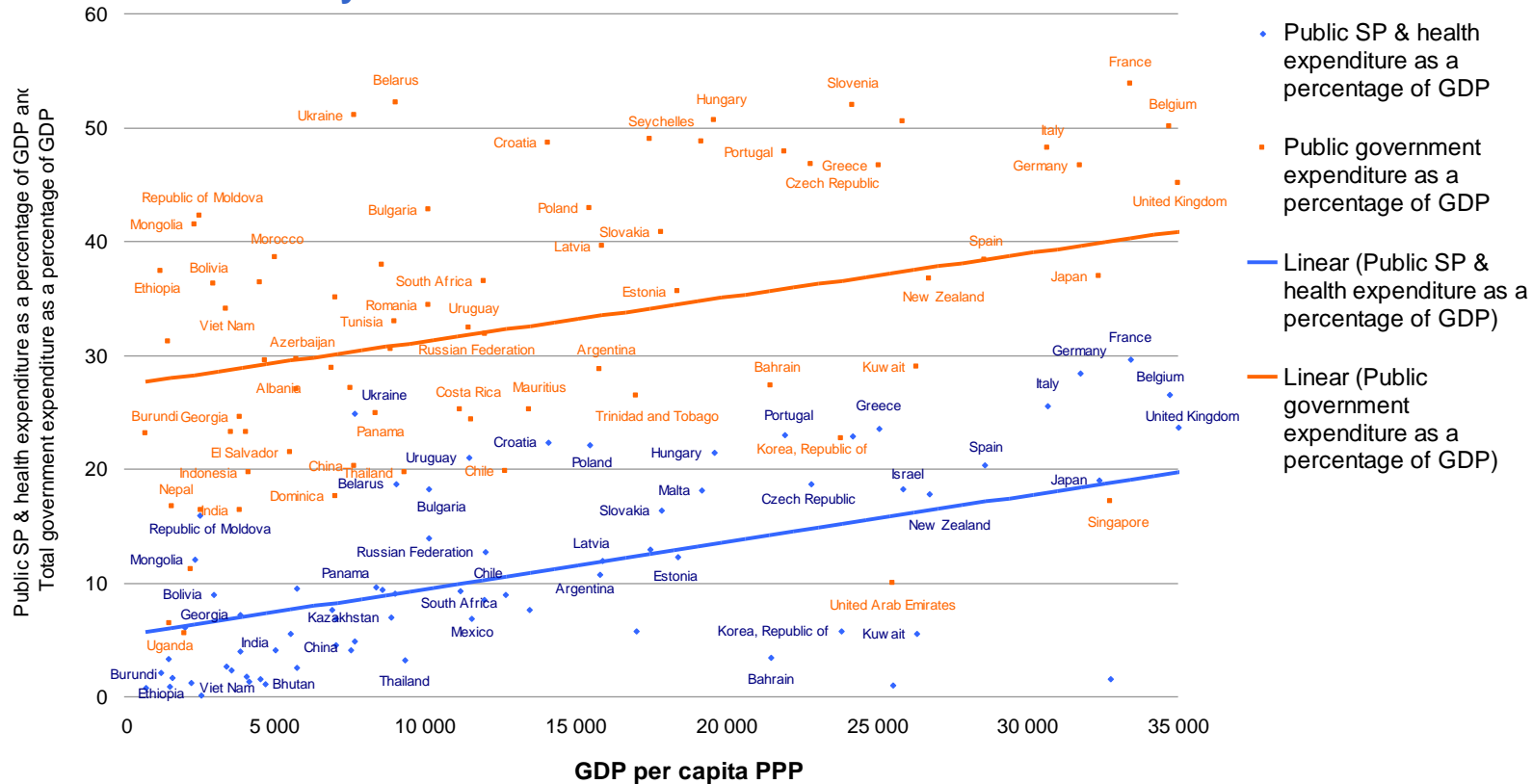
The economic case...

three old myths have to be challenged

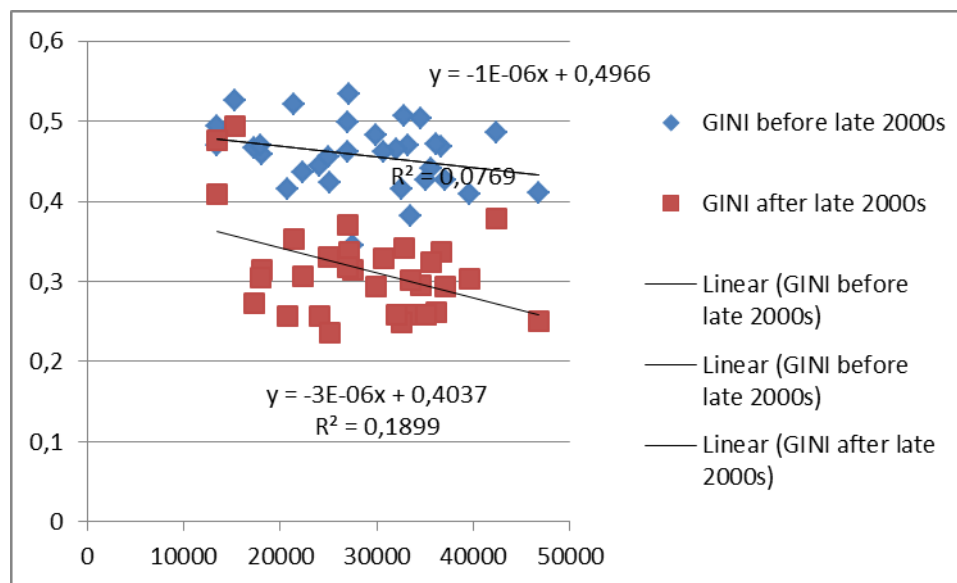
- **The Trade-off myth:** There is a trade-off between economic performance and the level of social security
- **The Trickle-down myth:** The trickle down effect (“the tide raises all boats”) of growth on poverty will automatically reduce poverty
- **The non-affordability myth:** ... developing countries cannot afford even a low level of social security for all

Some of the most efficient economies have high social spending-- where is the proof of trade -off?

Total public expenditure and social expenditure at different levels of GDP per capita, latest available year

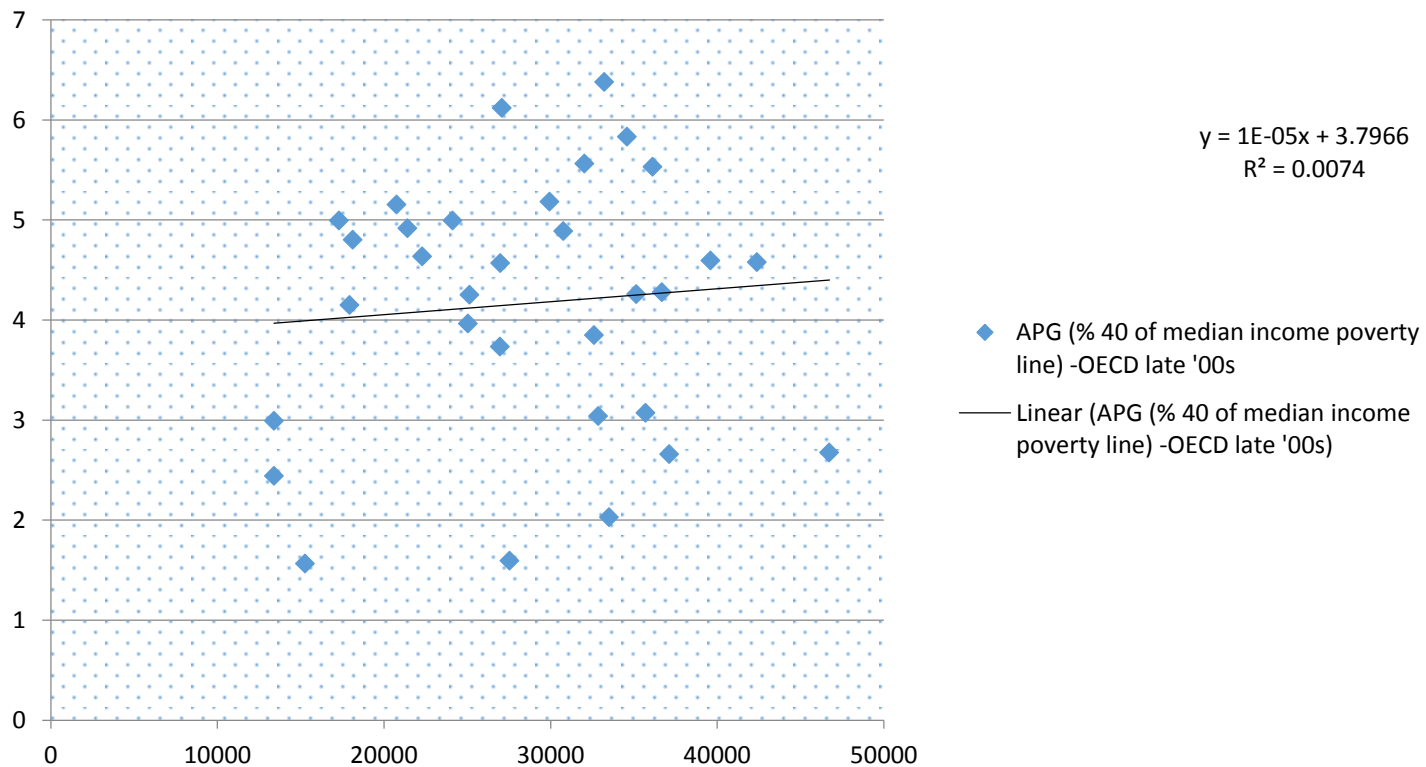


Gini before and after transfers, OECD late 2000s, without Ireland and Luxembourg; Highly efficient economies have low inequality...Tradeoff?

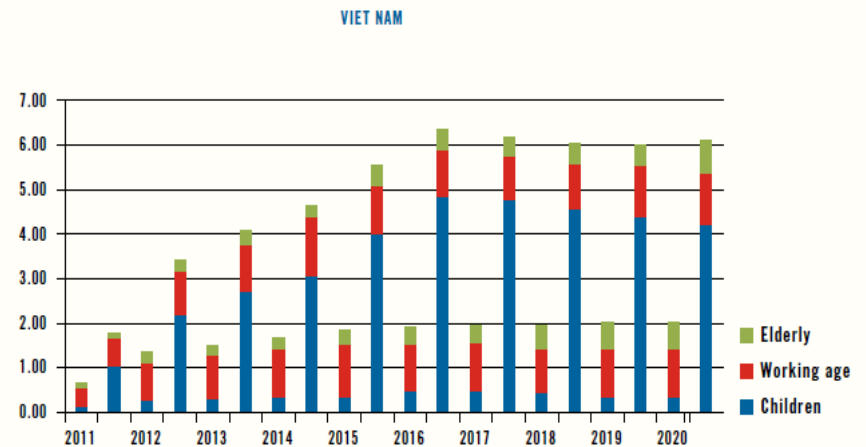
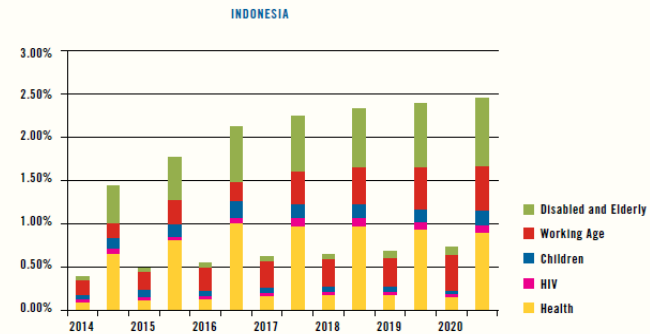
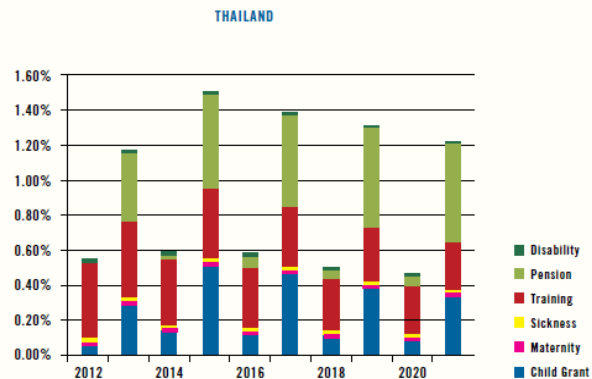
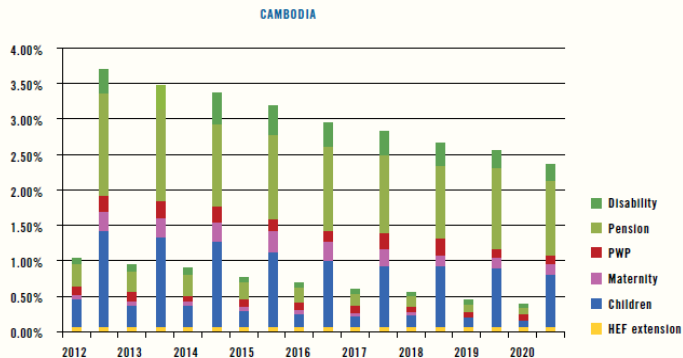


Evidence – poverty and economic performance : Did the trickle down people look at this ?

APG (% 40 of median income poverty line) -OECD late '00s



...and results of feasibility studies show affordability of basic systems in developing countries (Source ILO) :

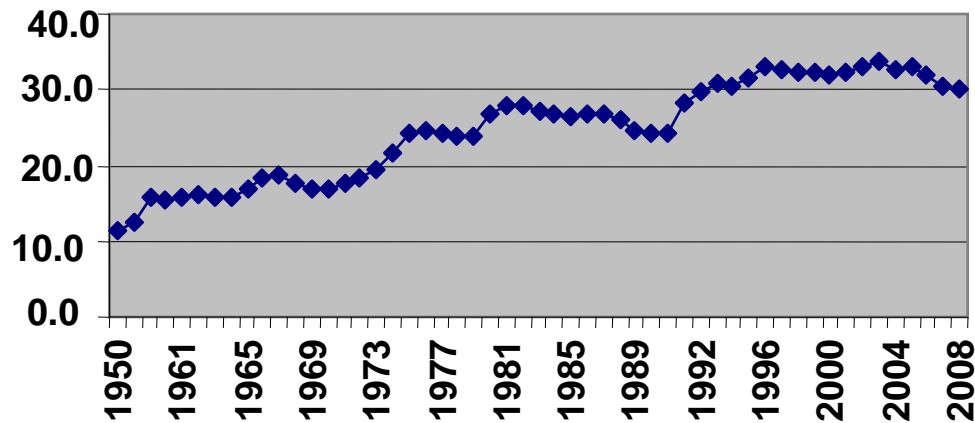


...and real life evidence

Programme	Cost in % of GDP around 2008/09	Effects
Old age		
South Africa, Old-age grant	1.4	"poverty gap of the elderly would be 2/3 larger without pension"
Nambia , Non contributory pensions	0.9	"one or two elderly .. in a household can provide.. a safety net for the entire household"
Brazil, Rural pensions	1.5	"reduced poverty incidence among members of households with a pensioner by about 21%"
Child Benefits		
Brazil, Bolsa Familia	0.3	"accounts for 20 to 25% of reduction in inequality"
Mexico, Oportunidades	0.3	"has been responsible for 21% reduction of inequality"
South Africa, Child support Grant	0.7	"reduced child poverty rate from 42.7% to 34.3"
Transfers for people in active age		
India, NREGA	1.5	"has helped to reduce the intensity of poverty"

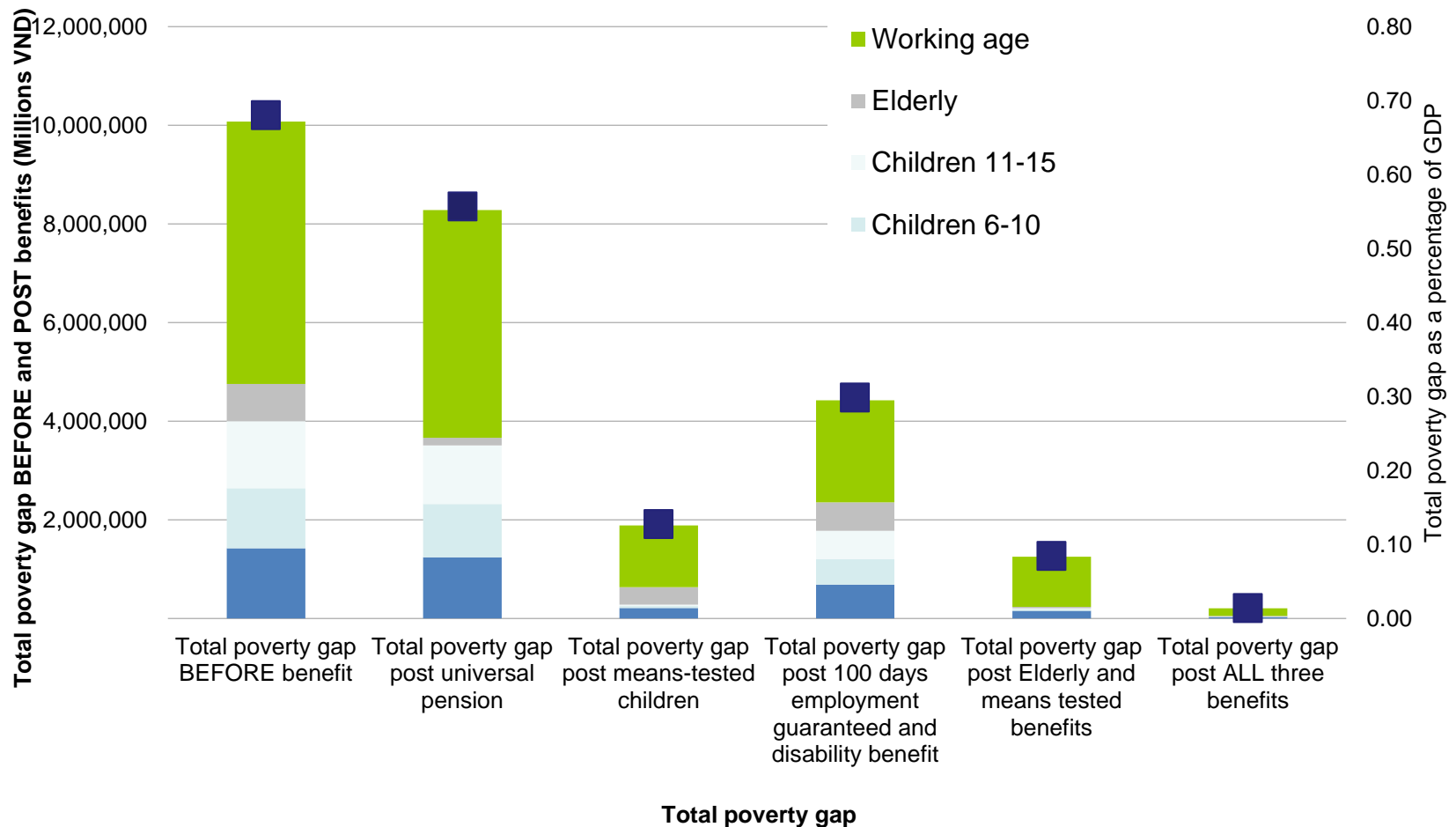
Managing expenditure in the long run: an historical example.....

**Social expenditure in Germany 1950-2008,
in % of GDP**



Assessing potential impacts of a floor of protection in Vietnam (poverty gap in % of GDP)

Total poverty gap (Millions VND) and composition



Three. Extending social security to all - the principal options...

The options - Principal instruments to extend social security

Option 1: Extending classical social insurance

- no cross-subsidization of non-covered part of the population;
- primarily designed for the formal sector and hence will not easily reach more than a portion of the total population, but
- recently showed some potential to extend health coverage to the informal sector through premium subsidization (e.g. Ghana)

The options - Principal instruments to extend social security

- **Option 2: Introducing community based social/mutual insurance schemes**
 - springing up in Africa and Asia, covering 40 million people now
 - offers some possibility to increase resource base largely for health care
 - offers a chance to empower demand side
 - some possibility to tax the informal sector = is a step forward to formalisation, but
 - is no stand-alone solution: requires financial links to national or international sponsor agencies

The options - Principal instruments to extend social security

Option 3: Extending tax financed schemes (conditional, unconditional, means-tested, universal often called social transfers

- can reach out to entire population subgroups (presently worldwide at least 150-200 million people covered)
- requires some basic logistical capacity
- some level of social security can be afforded by all
- probably the biggest potential

The options - Principal instruments to extend social security

Option 4: Extending mandated private insurance (notably in pensions and health)

- may lead to lower coverage due to imperfect enforcement
- may lead to exclusion due to uniform contribution amounts that are independent of income
- generally leads to loss of solidarity due to limited redistributive effects
- generally leads to efficiency losses due to higher admin cost and less effective cost containment
- but relieves the state of some of the burden of social security financing can be afforded by all
- caters better to the need of the better off

What do most countries chose?

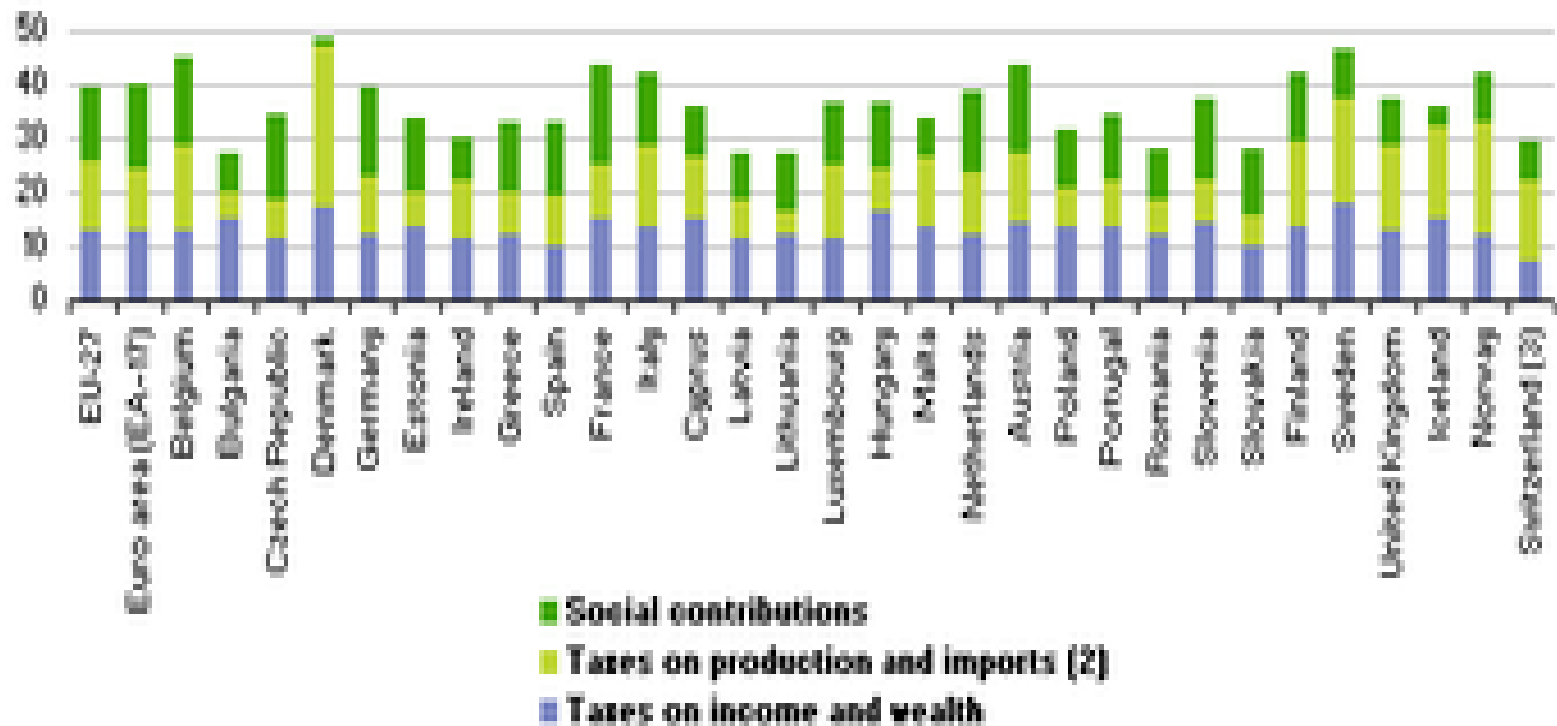
- **THEY OPT FOR A COMBINATION**

because of :

- Inherited historically grown organisational structures (path dependency)
- fiscal policy principles,
- societal values,
- powerful group interests,
- limited administrative capacity ,
- believing in one-sided economic myths

. But only a few adopt explicit universal coverage policies

Again countries opt for a mix of instruments...



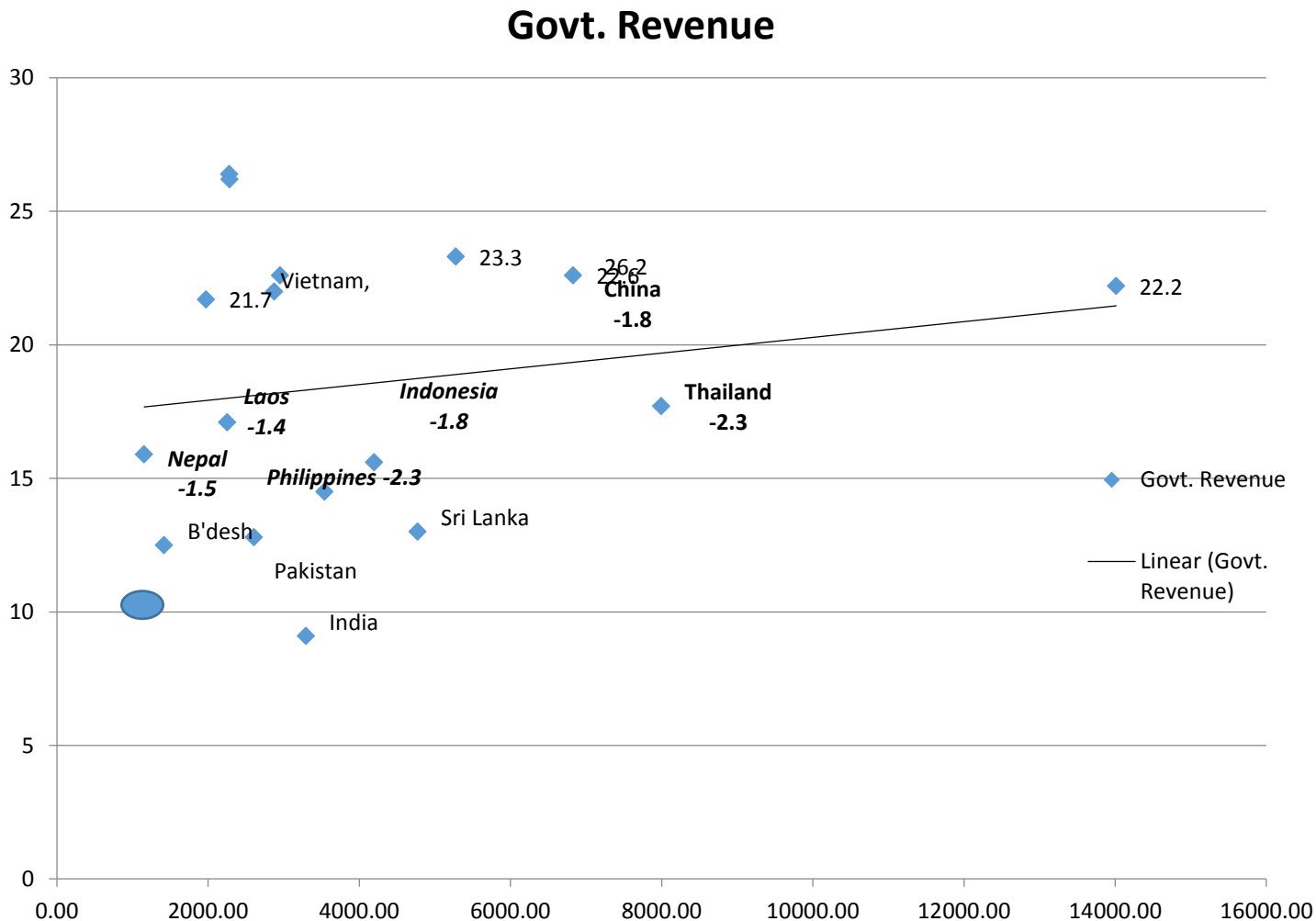
(1) Data extracted on 09/08/2011

(2) Denmark, includes taxes on production and imports paid to the institutions of the European Union.

(3) 2008 data

Source: Eurostat (gov_a_main)

The Asian landscape in revenue and GDP



protection to the informal economy in Asia – completing the national social protection floors by...

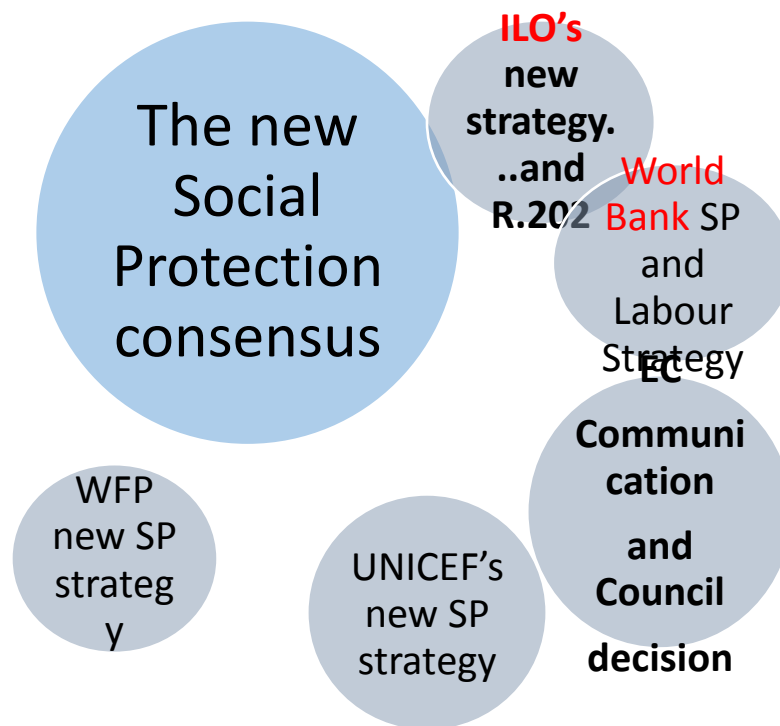
Social Security Guarantee	Options	Objective to achieve
Health security	<ul style="list-style-type: none">• Universal Health Service or National Health Insurance (with earmarked health tax)• Universal social insurance tax- subsidised for low income workers• Combination of social insurance (formal sector) and residual national health service for informal economy	100 % protection of the total population
Income security for children	<ul style="list-style-type: none">• Universal child income transfers (in cash or in kind)• Means tested-or conditional child income transfers (in cash or in kind)	100% of all children in need of protection
Income security for people in adult age	<ul style="list-style-type: none">• Self-targeting employment guarantee schemes for unemployed• social assistance for the sick, disabled• transfers for women in maternity	100% of all people who cannot make sufficient income on the labour market (i.e. people under the national poverty line)
Income security for people in old age	<ul style="list-style-type: none">• Universal tax financed pensions• Means or income tested social assistance pensions	100% of all or all in need of protection

Four. The Great Consensus and the age of austerity

The Global policy background: a consensus and an emerging prevalence of austerity policies...

2012: The year of consensus and parallel action on social Protection

- With R. 202 the global community hence has defined unanimously a comprehensive set of social protection principles, obligations and objectives for all societies.
- R. 202 is not a binding international legal instrument. It remains a recommendation to 184 countries.
- BUT: the political price paid for the swift standard setting action of the ILO was that the SPF was after June 2012 perceived as an agenda owned by the ILO and not the UN as a whole.
- The SPIAC- B , formally chaired by ILO and WB, takes centre stage ...



Summary of the “Great Consensus” – the social and economic necessity of social protection systems...

- We know from more than one century of history of the modern welfare state that social transfers and services are powerful policy instruments to combat poverty, insecurity and inequality and ...achieve the MDGs and hence a **social necessity**
- Social services and transfers are an **economic necessity** to unblock the full economic potential of a country, *only people that are healthy, well educated and well nourished can be productive*
- A minimum level of social protection is **affordable everywhere**
- There is now widespread acceptance that social protection/social security serve as **social and economic stabilisers in times of crisis**
- Countries with existing systems are in a better position to cope with the social and economic fall-out of crises than those who have to introduce new ad-hoc measures

And the *Global coalition* for social Protection floors of 80+ *Global Civil Society Organisations and Trade Union Federations* - representing thousands of NGOs and Trade Unions and hence millions of people – seeks to...

- Build local coalitions to raise local awareness of the SPF
- Participate in national dialogues on the SPF
- Will shortly publish a Civil Society manual for national coalitions on the SPF
- And develops a monitoring system that ...
 - **Identifies legal and de facto gaps in national social protection floors** notably for vulnerable groups in all European Countries across all four social protection guarantees,
 - **Calculates** the cost of closing the gaps = **social deficits** in all countries and notably when austerity measures are being suggested
 - Establishes a national SPF score and a global Index

The SPIAC-B – an effort to institutionalise the great consensus

- **The establishment of the Social Protection Inter-agency Board for Co-ordination (SPIAC-B) responds to the request of the G20 Development Working Group.**
- **The Social Protection Inter-Agency Cooperation Board is a light, lean and agile interagency coordination mechanism - composed of representatives of international organizations and bilateral institutions - to enhance global coordination and advocacy on social protection issues and to coordinate international cooperation in country demand-driven actions.**

....and at the same time we face the age of austerity

Change in government spending in % of GDP (number of countries)						
Income group	2008-2009		2010-2012		2013-2015	
	comp		comp		comp	
	2005-2007		2008-2009		2010-2012	
	contracted	expanded	contracted	expanded	contracted	expanded
Developing	31	101	56	76	68	64
High income	6	43	17	32	26	23
Total	37	144	73	108	94	87
Source: Ortiz and Cummins, 2012						

....and a biased nature of fiscal consolidation...

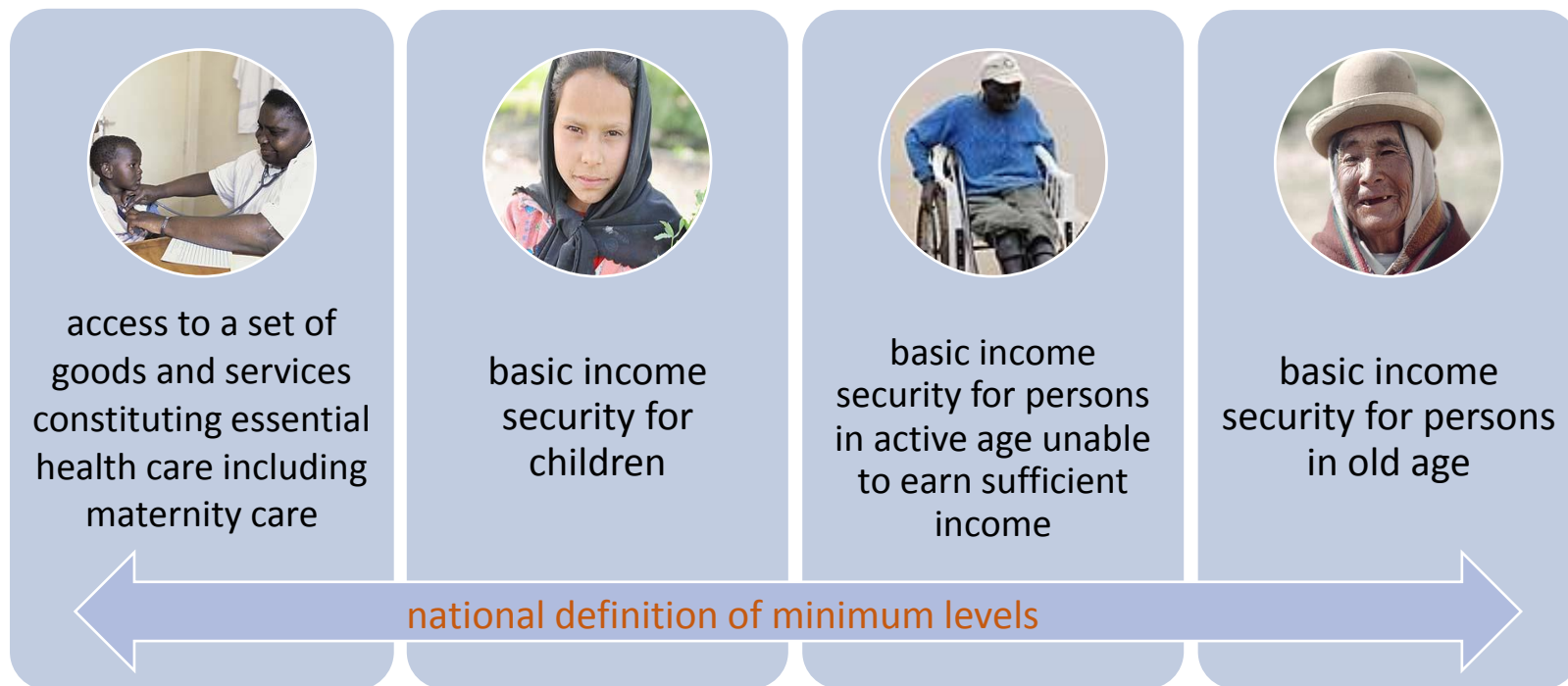
Nature of fiscal consolidation						
Region			Reducing civil service wage bill	Increase of consumption tax	Pensions and health care reform	Social assistance cuts
Developing countries			75	63	47	47
High income countries			23	31	39	39
Total			98	94	86	80
Source: Ortiz and Cummins 2013						

Four . The ILO's ABND process

ABNDs: Follow the Concept of National Social Protection floors: R.202 -

At least four nationally-defined guarantees

The social protection floors should comprise at least the following **basic social security guarantees**: (para. 5)



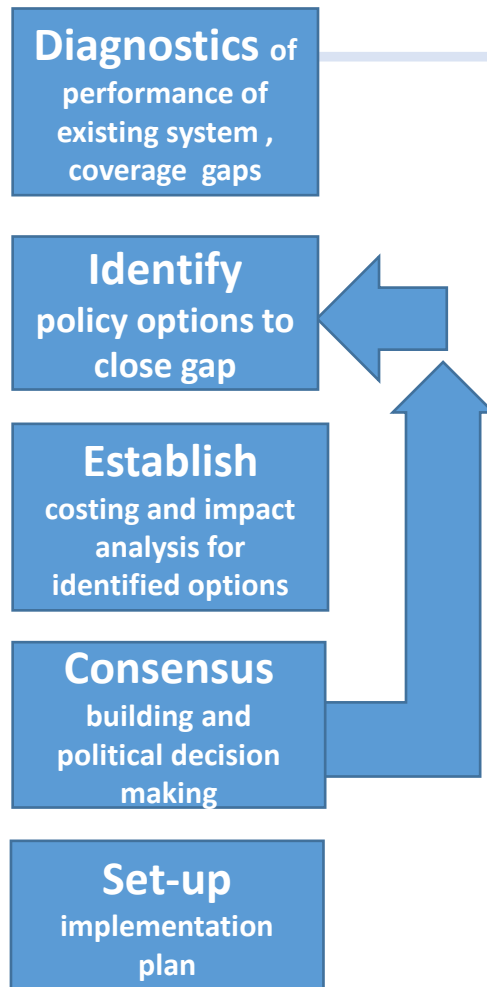
Guarantees should be provided to at least all residents and children, as defined in national laws and regulations, subject to Members' existing international obligations. (para. 6)

A. Assessment Matrix

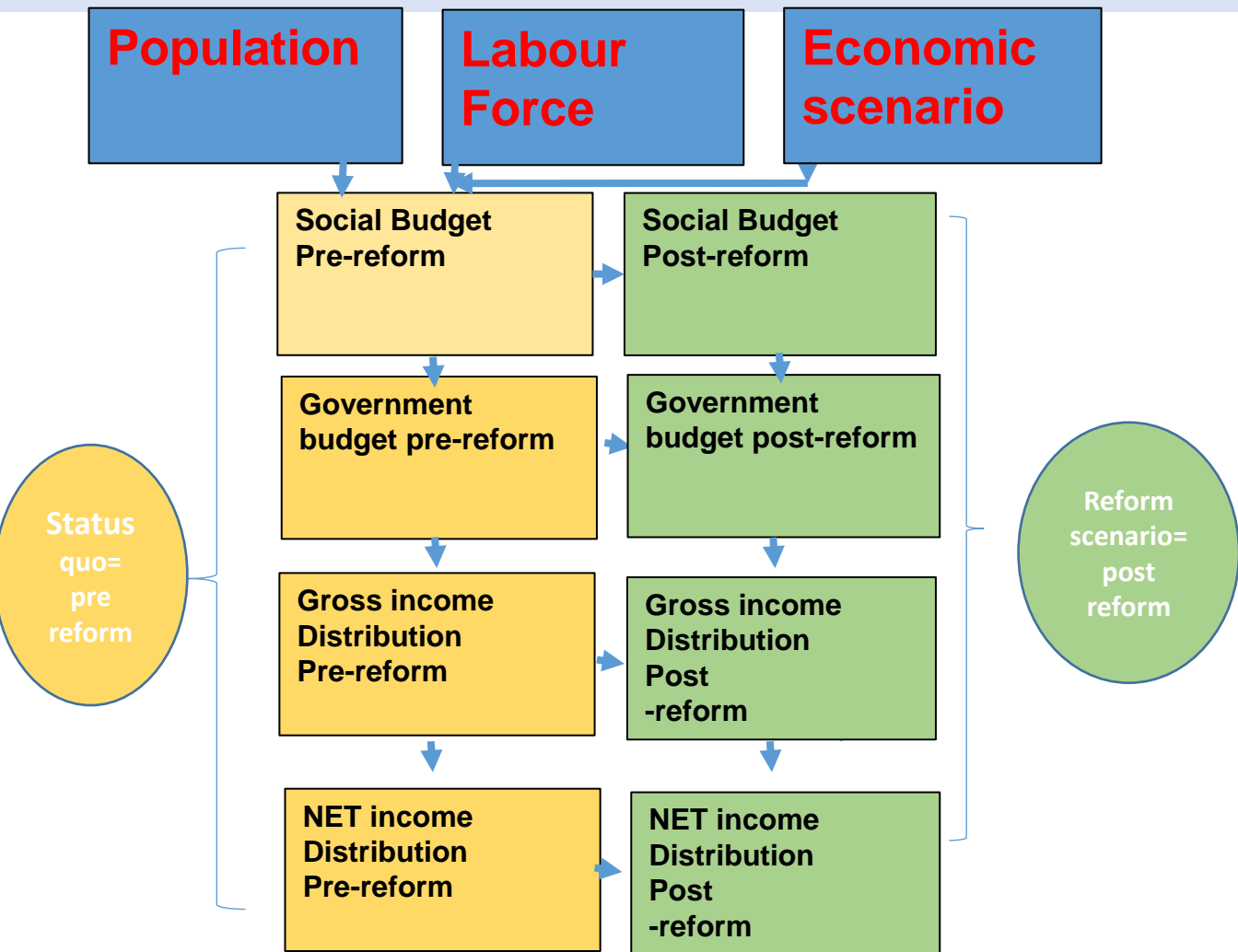
	SPF objectives	Existing SP provision	What is foreseen in the SP Strategy	Gaps		Agencies involved	Priorities
				Design gaps	Implementation gaps		
Health	<p>Describe the present and planned social protection situation, taking into account SP strategy objectives</p> <p>Social Protection Floor template: guarantees and objectives</p>			<p>Identify design & implementation gaps →</p> <p>Basis for the preliminary costing</p>		<p>Mapping & sharing of responsibilities and activities</p> <p>Priority policy options to be decided through national dialogue based on assessment results</p>	
Children							
Working age							
Elderly							

....

THE process = a tale of 10 STEPS



The quantitative model (Rapid Assessment Protocol...)



....and the results (preliminary...)

- DEPENDING ON THE OPTIONS WITH BETWEEN 5% AND 6-7% OF GDP ONE CAN CLOSE MOST OF THE SPF GAP IN THE STATIONRY STATE (MID-2020s), Health +3%, Children +1.0%, Active age +1.6%, old age +1.2%.... But Lou knows better....-
- THIS WOULD REQUIRE A GRADUAL INCREASE OF THE TAX TO GDP RATIO FROM.... To