

The ILO's campaign to build universal social security coverage

by Assane Diop

International Labour Office

1. Social security is a human right

First of all, social security is a human right. Article 22 of the Universal Declaration of Human Rights states: *"Everyone, as a member of society, has the right to social security"*: Even after almost sixty years that remains a dream for 80% of the global population.

The ILO's campaign for the extension of social security to all has only one ultimate objective: To ensure that this right turns into a reality for all people. To achieve that objective as soon as possible we are promoting the early introduction of a basic and modest set of social security benefits for all residents. This is now the core message of the campaign. To many people that basic set of benefits makes the difference between a liveable and a miserable life, or even the difference between life and premature death. Millions of children under the age of five die every year in Africa alone because they have no access to adequate health care and there is no income to secure their food. We cannot wait much longer. Every day we wait, kills people. In particular we cannot wait till the benefits of economic growth miraculously and by themselves trickle down to the poor. We have to build the "pipes" that ensure that the "trickle" turns into a reliable stream that reaches those in need.

2. The elements of basic social floor for all

We know from long experience in OECD countries that social protection is a powerful tool to alleviate poverty and inequality. And there are good and positive examples of successes with modest universal social security systems in Africa, Latin America and Asia. In Botswana, South Africa, Namibia and Mauritius, for example, basic universal pensions have shown positive poverty alleviation effects. Valuable experience has been gained regarding the potential role of social transfers in combating poverty in countries such as Brazil and Mexico and in parts of India. All experience shows that, implementing basic

social security systems in low-income countries can make an enormous contribution to achieving the First Millennium Development Goal of halving poverty by 2015.

These basic social security systems can consist of four elements:

- access to essential health care,
- child benefits that keep children in school rather than at work,
- some modest form of social assistance for the active population in need and
- universal pensions for the elderly and the disabled.

We consider these to be the social security components of a basic global social floor. Globalisation needs that floor to be fair and be of benefit to all people and not just to the lucky few. A basic social floor increases solidarity within societies and by reducing the dependency of employees from individual employers creates better conditions to organize and negotiate collectively for better working conditions and fairer wages.

3. Basic social security for all is feasible

Even if we have a dream of universal coverage, we are no dreamers. We know that we have to show that it can be done. In order to do so we have to show that such systems are affordable – fiscally and economically – and that benefits can be delivered. Let's deal with these challenges one by one.

We can deal with the question of deliverability fairly quickly. Whoever has seen how the system *Bolsa Familiar* in Brazil provides families with cash if children attend school and do not work – and how the universal pension system in Namibia delivers pensions to the rural population, knows that things can be done if we are willing to invest in a proper administrative system.

Fiscal affordability

The second core issue remains fiscal affordability. Our actuaries have shown time and again that we need less than 2 percent of Global GDP to provide a basic set of social protection benefits to all people that have to live on less than one dollar a day. There is no lack of global resources to use social security as a central tool to combat poverty. There is a lack of political will or understanding at the local, national and international level.

Despite their potential positive effects on poverty, investments in social security have not been part of development strategies in low-income countries. Many development planners have simply assumed – for far too long – that there is insufficient fiscal space in low-income countries to finance social security benefits, and hence, that social security is not affordable in very poor countries. Yet, this latter assumption looks increasingly mistaken as evidence emerges that a minimum package of social security benefits is affordable in even the poorest countries as recent work by the ILO on the costs of a minimum package of social security benefits in sub-Saharan Africa and Asia has shown. There is also real evidence from Africa and Latin America that basic pension systems are affordable. We have shown by calculations for 12 countries in Africa and Asia that a combination of a modest flat-rate pension benefit and a universal child benefit (that possibly could be conditional on schooling) can reduce the poverty head count by 40 per cent in poor developing countries at a cost of 3–4 per cent of GDP.¹ The guaranteed employment scheme in India, that guarantees a minimum number of days of public work at a minimum wage level to the poor, is estimated to cost about 1 per cent of GDP. The order of magnitude of the cost seems manageable. Already in the 1990s Africa spent more than 4% of GDP on social security and total government expenditure presently stands at around 14% of GDP.

Economic affordability

The issue of economic affordability is perhaps the hardest nut to crack in the neoclassical world. In order to convince governments and societies to spend on social protection, we have to challenge the standard myth of conventional development policy, which says: “Countries have to grow first before they can afford social transfer systems or social security systems that have a direct impact on poverty.” We have to show that countries can grow with equity.

1 Cf. ILO: Cash benefits in low income countries: Simulating the effects on Poverty reductions for Senegal and Tanzania, Discussion paper 15, August 2006

We are convinced that developing countries can afford to combat poverty through social security much earlier in their economic development than many people have thought so far. Taking a historical and world-wide perspective, it can be shown that those countries that have been most successful in achieving long-term sustainable growth and poverty reduction have all put in place extensive systems of social security. There may be no strict mathematical proof for the causal link between social security and economic performance but what we know is that the two co-exist in all successful countries. And what is not in doubt is that OECD countries have made the decision to invest heavily in social security – generally more than 20 per cent of GDP – as part of their long-term growth and poverty reduction strategies and they started to do so when they were poor.

They did try – and succeeded in – growing with equity.

We have to show that social security is not a permanent burden on the economy. We can only promote such basic schemes if we could make the case that this can be considered an investment in the social and economic development process. Fortunately, the economic arguments in favour of making resources available for investments in social security are quite easy to make. Even the World Bank (WB) agrees in its World Development report 2005 that poverty is a risk to security and lack of security is a hindrance to the investment climate. Furthermore, people who enjoy a minimum material security can afford to take entrepreneurial risks, and only healthy and not hungry people can be productive, and well-schooled people will be more productive than others.

We also think that investing in a basic set of social security benefits early, will actually cost nothing. And moreover it can be expected to create positive economic returns. Let us just go through a little back-of-the-envelope calculation. We know that the basic conditional cash transfer Programme Oportunidades in Mexico reduces sickness days of adults by about 19%, a major productivity push.

The cash for education programme in Bangladesh increased the lifetime earnings of beneficiaries by 25%, again an indication for a productivity hike. If we assume that we only increase overall levels of GDP by 10% due to productivity increases that are linked to basic social security schemes, then modest schemes should quickly pay for themselves. In the long run – and after some investment in the tax collection mechanisms – the tax revenues would increase in line with growth creating the fiscal space that is needed to finance the benefits.

So basic social security for all, is administratively, fiscally and economically possible.

4. What do we need to move ahead?

What is needed to promote such basic schemes? Essentially four things:

- International standards that define minimum benefits for certain stages of development, that can then be used by national pressure groups to promote the development of national systems, and be built into international development policy agendas.
- National action plans for social protection that draw up a credible and pragmatic roadmap for the development of social security benefits and the creation of new tax and contribution systems that create the fiscal space that is needed. The ILO's campaign is offering help to countries to establish such plans.
- Probably international funding that would help to build national capacities for the design, management and probably transitional co-financing of such development plans.
- Probably most importantly – we need powerful national agents of change. National social movements are needed that places the issue of a national social security floor for all on the national

policy agenda and provides the stewardship during the political decision making process. Trade unions are the biggest and most credible social interest groups in most countries and should be the logical candidates for this role. Trade unions have the most experience as campaigners and negotiators for social reforms

5. Conclusions

Some investments in terms of money but also in terms of changing hearts and minds are needed to achieve social security for all. We would need the full engagement of trade unions in the process of change. There will be no real long-term economic cost to its introduction. And chances are good – going by all experience – that growth will be faster than otherwise if one were to introduce basic social security systems in developing countries fast. There could be a reverse trickle down effect, whereby social progress would trigger growth. And at the same time social security systems would make the lives of people much more decent.

Social security is a win-win proposal for all.

Note:

The text is the slightly modified speech of Assane Diop on the Friedrich-Ebert-Stiftung panel discussion on “*Universal social protection for Decent work – What challenges for trade unions?*” taking place during the World Social Forum in Nairobi, January 2007.

About the author:

Assane Diop is the Executive Director of the Social Protection Sector at the International Labour Office (ILO).

Further Readings:

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Friedrich-Ebert-Stiftung, Internationale Entwicklungszusammenarbeit, Globale Gewerkschaftspolitik

Friedrich-Ebert-Stiftung, Division for International Cooperation, Global Trade Union Program

Godesberger Allee 149, 53175 Bonn, Fax: 0228 883-575

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Dr. Rudolf Traub-Merz, Tel: 0228 883-582; e-mail: Rudolf.Traub@fes.de

Lisette Klöppel, Tel. 0228 883-517, e-mail: Lisette.Kloeppeel@fes.de