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Extending social security: Policies for developing countries

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One of the key global problems facing social security today is the fact that more than half of the world's population is excluded from any type of statutory social security protection. Those thus affected work largely in the informal economy, and are outside the scope of contribution-based social insurance schemes or tax-financed social benefits. In low-income countries in, for example, sub-Saharan Africa and south Asia, generally more than 90 per cent of the population is not covered, while in middle-income developing countries this percentage ranges between 20 and 60 per cent. It is estimated that, worldwide, only 20 per cent of populations enjoy adequate social security.

Social security is a universal need and is recognized as a basic human right, in both ILO Conventions and United Nations charters such as the International Covenant on Economic, Social and Cultural Rights. The consensus between governments, employers and workers reached at the International Labour Conference in 2001 (ILO, 2001) placed the extension of social security high on the ILO agenda and asked it to launch the Global Campaign on Social Security and Coverage for All. The Conference considered that, with the advent of globalization and structural adjustment policies, social security had become more necessary than ever, and that the highest priority should be given to policies and initiatives to extend social security protection to those who have none.

The first section of this article will examine the role of social security in the overall context of globalization, adjustment and poverty, and will define the concepts of social security and coverage. The second section will review examples of successful approaches and practices of the extension of social security in developing countries for three main social security programmes: social health insurance, contributory pensions,

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and tax-financed social benefits. In conclusion, some central policy conclusions and strategies for the future will be presented.

Social security and coverage: Context and concepts

Classical development theory traditionally anticipated that all workers would sooner or later find themselves in secure formal-sector employment, as a result of economic growth. However, the experience of developing countries – and more recently of the transition and developed countries as well – has shown quite the contrary. Even in countries with high economic growth, increasing numbers of workers find themselves in less secure employment, e.g. the self-employed, casual and homeworkers. In many developing countries, structural adjustment policies have contributed to a decline in the small percentage of the working population in the formal economy. Successive waves of structural adjustment programmes have also led to wage cuts in both public and private sectors, thereby eroding the financial base of statutory social insurance schemes. At the same time, some of these schemes have suffered from bad management and poor governance, both factors that have often seriously reduced members' trust. Furthermore, structural adjustment programmes have often resulted in severe cuts in social budgets. While in some Asian countries there is universal health insurance coverage (e.g. in the Republic of Korea) in most (low-income) developing countries, governments cannot guarantee access to free health and education. As a result, there is greater demand for community arrangements to finance and organize these social services. It is often more efficient to be part of a community-based insurance or financing scheme than to have to face health and possibly also education costs individually.

As a result of structural adjustment, socio-economic changes and low levels of economic development, there has been an emergence of large vulnerable groups who cannot contribute to social insurance schemes and who – if they fall into poverty – must in principle rely on tax-based social benefits. These people generally subsist outside the labour force: they are the disabled and the elderly who cannot count on family support, and who have not been able to make provision for their own pensions.

When much of east and south-east Asia was hit by a severe financial crisis in 1997, some countries (e.g. Indonesia, Thailand and Viet Nam) learned that the limitations to their social security systems – which relied on traditional family support to fill the gaps – aggravated an already grave economic situation. Unemployment soared and millions fell through the safety net and into poverty. However, once the crisis had abated, countries in that region recognized the need to improve social security systems by covering more risks and more people.

The basic reason for exclusion from statutory social security coverage is that many workers outside the formal economy are unable or unwilling to contribute a relatively high percentage of their income to financing social security benefits that do not meet their priority needs (van Ginneken, 1999a). In general, they give greater priority to their more immediate needs, such as health and education, notably because structural adjustment measures have reduced or eliminated access to free health care and primary education. When it comes to the various pension benefits, they opt for survivors' and disability schemes, rather than old-age schemes. In addition, access to the statutory social security schemes is restricted by a host of factors such as legal restrictions, administrative bottlenecks, and problems with compliance.

The concept of social security

ILO research on the informal sector has demonstrated that a broad perception of social security is required in order to respond to the realities faced by informal-economy workers, who constitute the majority of the world's labour force. The goal and concept of decent work match this broader concept of social security. In his first Report to the International Labour Conference, the ILO's Director-General, Juan Somavia, introduced the Decent Work for All strategy, which established as the primary goal of the ILO "to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity" (ILO, 1999, p. 3). This strategy takes a broad approach to the concept of work, thus including not only (paid) employment, but also work at home so as to take gender roles into consideration.

An essential feature of the decent work approach is that everybody is entitled to basic social security – a right moreover already laid down in article 9 of the United Nations' International Covenant on Economic, Social and Cultural Rights. A decent work strategy therefore aims at universality of coverage, which is also reflected in the consensus on social security that was reached by the International Labour Conference in 2001.

Social security is defined in this article as "benefits that society provides to individuals and households – through public and collective measures – to guarantee them a minimum standard of living and to protect them against low or declining living standards arising out of a number of basic risks and needs" (van Ginneken, 2003, p. 5). The first element in this definition establishes that people derive individual rights and entitlements from social security. The second element defines the social element in social security: that it is provided within the context of public or collective – and often voluntary – not-for-profit arrangements. The third element makes it clear that the aim of social security is protection, and thus that its role should not be confused with policies promoting employment and the economy. Finally, it makes the point that social security is concerned not only with a limited range of contingencies, but also with reducing the impact on household budgets of expenditure on basic needs such as medical care, education, housing and food.

The two main components of social security are social insurance and tax-financed social benefits. Tax-financed social benefits are usually targeted at the needy, and are often awarded on the basis of an income and/or asset test. Social insurance is financed by contributions, and its benefits are awarded when a specific risk or contingency occurs (see table 1). Statutory social insurance is compulsory for the whole population or for a particular group, because non-insurance would create external costs (such as adverse selection and moral hazard) and because it maximizes the opportunity for risk-pooling. In most statutory health and unemployment insurance schemes, contributions are income-related, which implies breaking the link between contributions and individual risks and some cross-subsidization of the poor by the better-off. In statutory pension insurance schemes, there is usually a closer link between contributions and benefits. Most voluntary social insurance schemes, such as microinsurance (Dror and Jacquier, 1999) and community-based schemes, are relatively small and tend to be characterized by flat-rate contributions. They provide risk-mitigating mechanisms for workers outside the formal economy and have their own ways of dealing with external costs. Private for-profit insurance usually operates on the basis of risk-rated premiums and uses full-funding techniques. Statutory social security fulfils a redistributive function and covers contingencies, such as unemployment, inflation and important medical risks, that the private for-profit sector would not be able to insure (Barr, 1992).

Table 1 lists the basic needs and capabilities as well as the basic risks related to employment capacity, family cohesion and neediness. It builds on the concepts developed by Sen (1999) who identifies poverty in terms of capability deprivation. Clearly the satisfaction of basic needs and the build-up of basic capabilities enhance people's employment capacity, contribute to family and social cohesion, and reduce neediness. Table 1 also lists the various social security measures and other social policies that can have an impact on these needs and capability deprivations.

People cannot contribute to society and to their own well-being unless they have the capacity to do so and can satisfy their basic needs. This fact justifies government intervention and financing in health and education services, as well as in food and housing. Social security mechanisms can play an important role in the financing of – and provision of access to – these services. Social insurance often plays an important part in the financing of health care, and government subsidies can improve

Table 1. Social security and other social policies

Needs, capabilities and deprivation	Social security	Other social policies
Risks related to employment capacity, family cohesion and neediness		
Un(der)employment	Unemployment (insurance) benefits	Employment guarantee; regulatory and other labour market policies
Sickness, injury, disability and death	Social (insurance) benefits	Care, rehabilitation and reintegration; safety and health at work
Old age	Social (insurance) pensions	Home help; old people's homes
Family cohesion	Maternity, child and family benefits	Crèches; parental leave
Neediness	Tax-financed benefits	Social work; anti-poverty policies
Basic needs and capabilities		
Food	Food stamps and subsidies	Food aid
Health care	Health insurance	National health service; health policy
Housing	Rent and energy subsidies	Social housing
Education	Fee waivers	School meals and books; education policy

access to food, education and housing. The main function of social insurance is to make provision for various capacity deprivations (contingencies), to avoid getting into debt, and to render household expenditure more predictable. The main functions of tax-based social benefits are to support low incomes and to reduce household expenditure on basic items.

The concept of coverage

A social security scheme is built around four constituent parts: coverage, benefits, financing and administration. Each of these has certain components for which indicators can be established (see table 2). All these components influence how effectively social security can be extended.

Coverage is defined in terms not only of the number of persons affected, but also of its scope (contingencies and basic needs) and benefit levels. As shown in table 2, how successfully a scheme extends its coverage is determined by the design and choice of benefits, financing structure and the quality of its administration.

There are various ways of measuring efforts to extend the personal coverage of social security schemes. In the case of social insurance, the most common way is to calculate the number of actually contributing and insured persons as a percentage of the legally targeted population.

Table 2. Constituent parts of social security schemes

Constituent parts	Principal aspects for which indicators can be established
Coverage	Personal (legal) coverage: contributing and insured persons, beneficiaries
	Traditional contingencies: old-age, maternity, disability, health costs, survivors, employment injury, family, unemployment and subsistence
Benefits	Conditions of entitlement: personal coverage, contribution history, income and assets and definition of contingency
	Level of benefits: flat-rate, earnings-related (subject to ceiling)
Financing	Sources of financing: state subsidies, employers' and workers' contributions, contributions by beneficiaries
	Level of contribution: flat-rate or earnings-related (subject to ceiling)
Administration	Delivery of benefits: prompt and accurate payment, awareness of entitlement conditions
	Contribution collection: compliance
	Organization and management: public-private mix; efficiency and administrative costs

In the case of most social insurance benefits, it is also possible to measure their effectiveness in terms of beneficiaries. The beneficiary rate can be defined as the percentage of the legally entitled target group that actually receives benefits. In the case of tax-financed social benefits, effectiveness can be defined as the number of actual beneficiaries as a percentage of those who in principle fulfil the criteria for obtaining benefits (the take-up rate). It would also be useful to assess the percentage of the poor who do not receive tax-financed social benefits (poverty incidence), as well as the amount of money needed to lift everybody, within a certain group, out of poverty (the poverty gap).

Social security coverage: Trends and policy review

This section presents examples of successful approaches and practices adopted in the extension of social security. Policy issues for three key programmes are reviewed: social health insurance, contributory pensions and tax-financed social benefits. Unemployment insurance is not included here, because this programme is mainly relevant for middle-income developing countries where a large part of the labour force works in urban areas and in the formal economy. This review focuses on developing countries, defined here as low-income countries (e.g. in sub-Saharan Africa and south Asia) and middle-income countries (most of the remaining developing countries).

Social health insurance

In extending social health insurance, most developing countries followed the strategy of "gradual implementation". This meant that compulsory coverage was limited according to various criteria such as geographical area, size of undertaking, category of dependant and type of medical benefit. Countries, such as the Republic of Korea and Taiwan, China, achieved universal coverage through the extension of social health insurance, whereas some Latin American countries (e.g. Chile and Costa Rica) achieved virtually universal coverage through a combination of social insurance and access to government (public) facilities. Probably the most striking example is the Republic of Korea, which achieved universal health coverage within a 12-year period, between 1977 and 1989 (Kwon, 2002).

The success of these countries in this area is primarily due to their political commitment, but it could only be achieved once they had reached a relatively high level of economic development, were largely urbanized and had large wage sectors relative to informal sectors (van Ginneken, 2003). Still, there is considerable variety in the choices made by these countries. The Republic of Korea opted for a relatively limited benefit package, fairly low contribution rates and relatively high co-payments compared with Taiwan, China. The examples of the Republic of Korea and Costa Rica also show the complex balance of participation between wage earners and the self-employed, the latter largely paying relatively low contributions and having greater opportunities to under-declare their incomes. Finally, it is also noteworthy that in Costa Rica progress towards universal coverage started with a change in the Constitution in the early 1960s.

A wide range of middle-income countries are striving for universal coverage. Some of them (e.g. Colombia) have preferred fast-track implementation while others (e.g. Tunisia) have adopted a gradualist approach. Colombia's rise in social health insurance coverage seems to have come to a halt as a result of exploding public health expenditure. This is probably due to the fact that the introduction of "demand subsidies" did not remove the "supply subsidies" to public hospitals. The achievement of universal coverage in Tunisia will probably depend on the continuing application of effective compliance mechanisms. In order to achieve universal coverage, Thailand and Viet Nam are experimenting with health care systems that provide access to care and are backed up by government-financed, risk-adjusted capitation fees.

For middle-income countries striving for universal coverage, the key policy question is the level of compulsory insurance coverage at which it becomes feasible to extend a standard level of benefits to the whole population. A related question is whether progress inevitably depends on the growth of formal-sector employment and/or whether voluntary schemes for workers in the informal economy might play a role. Viet Nam's experience with commune-based health insurance schemes may provide an interesting example for other countries. In all circumstances, the government must finance part of the extension, in particular that involving the self-employed and other low-income workers.

Generally speaking, no more than 5 per cent of the labour force is covered by statutory social health insurance in low-income countries. In most of these countries, governments do not provide free or subsidized access to basic health care, and this has contributed to the emergence of community- and area-based health insurance schemes. The main advantage of these schemes is that they improve health expenditure efficiency (the relation between quality and costs of health services). The success of these schemes has depended on the characteristics of the bodies (based on occupation, sex, area or religious affiliation, for example), on scheme design and on the context in which they operate (Atim, 1998).

Since most of these schemes are fairly small, it is important to know the forms of partnership that enable the coverage to be expanded. One option is that such schemes form organizations among themselves, which enables them to achieve various objectives, e.g. a stronger negotiating position in relation to the government as well as to public and private health providers, or sharing of knowledge and greater financial stabilization through mechanisms such as reinsurance (Dror and Preker, 2002). Such an association of groups can grow into a professional organization with a beehive structure. In other words, for a small fee the professional organization can advise individual associations how to set up and manage their schemes (van Ginneken, 1999a).

Steinwachs (2002) has proposed a new way of dealing with the compulsory affiliation of workers under statutory national health insurance schemes. Commenting on the situation in Tanzania, she was in favour of the State accepting that – under the general umbrella of compulsory affiliation – people can choose to affiliate to either a state-initiated scheme, the national social security fund or the national health insurance system, or to a certified health insurance scheme. This would have various advantages, for instance:

- formal-sector employees would provide greater income stability to certified health insurance schemes;
- there would be greater competition between schemes over quality and costs; and
- a wider network of health insurance schemes would provide the opportunity for greater use of different health providers all over the country.

Of course, such an approach would require the State to keep track of the active affiliation of all the workers concerned and to set up a rigorous certification and quality control process.

The role of the government is critical for community-based schemes to be successfully upscaled. Local government must play an important role in the establishment of area-based social security schemes, in partnership with local civil society groups. At national level, the government is best placed to ensure that an isolated but successful approach can be replicated in other occupations, sectors and areas. Moreover, it can create an enabling environment for the development of community-based schemes. Four possible forms of government support can be distinguished here (Carrin, Desmet and Basaza, 2001):

- promotion of health insurance through recommendations concerning design (benefits package, affiliation and administration) and the establishment of a management information system;
- monitoring the performance of community-based schemes, possibly within the context of legislation on the efficient and transparent administration of schemes;
- undertaking and organizing training based inter alia on the promotion and monitoring activities mentioned under the two points above; and
- co-financing access by low-income groups to health insurance, possibly through subsidies (for instance, capitation fees) or matching contributions.

Contributory pensions

Many developing countries are planning or implementing major changes in their national pension schemes. Some are moving from pay-as-you-go (PAYG) schemes to fully-funded individual savings accounts, while others are moving from provident schemes (which supply lump-sum payments at retirement) to a social security scheme providing periodical benefits. Pensions comprise three major contingencies: old age, disability and survivorship.

In Latin America, in particular, pension reforms have changed the principles on which the financing and administration of pension schemes are based. The old principles of solidarity, redistribution, public administration, defined benefits and partially-funded financial schemes have been replaced by defined contributions, fully-funded individual capitalization accounts, private-sector pension fund administrators (with separated financial statements) and a state-guaranteed minimum pension.

Pension reforms in Latin America have not changed the substantial differences in coverage between countries, and overall coverage has probably declined over the past 20 years (Mesa-Lago, 2001). The pioneers (Argentina, Chile and Uruguay) cover 60-80 per cent of the labour force, while the rest with a much larger informal economy cover less than 30 per cent thereof. These pension reforms were supposed to improve coverage by reducing evasion and non-compliance, in the belief that workers would be more attracted by accumulated pension savings than by the benefits provided by PAYG schemes. In fact, evasion and non-compliance may well have increased. Moreover, funded schemes are characterized by excessive administrative and marketing costs. Nevertheless, both funded and PAYG pension systems are faced with largely the same problem as regards the extension of coverage: the fact that in many countries a large (and often growing) part of the labour force works in the informal economy.

Attempts by governments to integrate self-employed workers into the statutory pension insurance programmes have had mixed success. Usually, the self-employed are not prepared to pay "twice", i.e. both workers' and employers' contributions. However, the example of Tunisia shows that good enforcement and a more accurate estimation of self-employment income can lead to the effective extension of coverage (Chaabane, 2002). The inspection system of the National Social Security Fund carries out on-the-spot inspections as well as audits of large enterprises with a view to detecting under-declaration and fraud. Enterprises face heavy financial penalties imposed by law. As in many other countries, self-employment incomes are often under-declared in Tunisia. As a result, realistic income scales have been estimated for different categories of self-employed, taking into account the occupation of the insured person as well as the size of the firm or farm. Self-employed persons have to pay their contributions on the basis of these scales, unless they can prove that they earn lower (or higher) levels of income. In 1996, these measures, together with a thorough campaign to raise awareness among the employers' and workers' organizations, led to almost 70,000 new affiliations over a two-year period.

Some special schemes for these workers have also been successful, particularly if the government concerned was willing to subsidize them and if such schemes could be supported by earmarked taxes. India, for instance, has achieved the successful coverage of about 400,000 mainly home-based beedi workers under the Employees' Provident Fund Act, financed by an earmarked tax (Jain, 1999). China has also facilitated the entry of the self-employed and informal-economy workers by adapting the benefit and contribution structures to the particular circumstances of urban and rural workers. Egypt is one of the countries that has prescribed minimum insurable earnings levels for different occupations so as to give the self-employed a degree of choice in their contribution liability.

Middle-income countries could aim at covering the population as a whole through the extension of a statutory pension insurance programme. Low-income countries can probably achieve significant increases in pension coverage through intermediary institutions, such as microfinance institutions (MFIs). MFIs could play an important role in making life insurance, and eventually pensions, accessible to low-income households. They are generally trusted institutions and have already built up credit and savings channels for poor clients, frequently at a relatively low cost. MFIs could either manage the insurance business themselves or become intermediary agents with outside insurance companies.

For both low- and middle-income countries, some of the following conclusions may apply (Bailey and van Ginneken, 2000):

- considering a revision of the statutory scheme to facilitate partial membership;
- strengthening administrative capacity (compliance, record-keeping and financial management);
- undertaking education and public awareness programmes to improve the image of the social security system;
- extending coverage within a prescribed timetable to all persons working as employees except in special groups, such as domestic servants, family workers and casual workers; and
- opening up new "windows" and offering benefits that suit the needs and contributory capacity of non-covered groups.

Tax-financed social benefits

Many people – those working in the informal economy or those without any labour market attachments – have little or no contributory capacity. As a result, tax-financed social benefits provide their only prospect for social security coverage. A considerable number of developing countries have set up tax-financed social benefit schemes that provide basic income security for those in need.

In many developing countries, tax-financed social benefits are targeted to categorial groups (elderly people, widows and children) with few or no potential links with the labour market. Benefit levels are frequently lower than the poverty line, mainly because of the lack of public funds, but this also serves to maintain incentives for contributing to social insurance (in Latin America). Even though social benefit levels are low in most developing countries, they appear to be a welcome supplement to family income, and encourage the integration of children and elderly people within the household.

Tax-financed social benefits can be targeted at people in poverty via four mechanisms: on the basis of income, on indicators other than income, on community assessment and on self-selection (Devereux, 2002). In developing countries, it is often difficult to obtain a precise idea of incomes, so that targeting on the basis of indicators and self-selection is generally more appropriate. Community assessment may be biased as a result of local power dynamics. The important thing is to make sure that the test is simple and clear-cut, so that local government officials and beneficiaries can comply and that possibilities for abuse are reduced to the minimum.

Over the past 30 years, Brazil has steadily been improving its pension system, with the goal of reducing poverty among the country's elderly. A key initiative has been the enhancement of tax-financed "social pensions", targeted primarily at rural areas (Schwarzer and Querino, 2002). Today, nearly 80 per cent of Brazilians over the age of 60 receive social pension benefits; as a result, the poverty rate for that age group (10 per cent) compares favourably with the 30 per cent poverty rate for the under-60 population.

The effectiveness of social pensions has been enhanced in recent years by a number of initiatives, including lowering the minimum age to receive benefits in rural areas from 65 to 60 years of age for men, and to 55 years for women. Further, women obtained independent access to the pensions – a major victory for the rural women's movement in Brazil. Social pensions are also becoming more widely available in urban areas, where the age of entitlement to receive benefits was recently lowered from 70 to 67 years, and a new programme to assist disabled persons was added.

Social pensions have a strong impact on the local economy and family welfare, particularly in rural areas. The electronic banking card which each beneficiary receives is often used as a proof of creditworthiness, since in small villages retired people are among the few persons who can count on a regular income. Moreover, the pension benefit has strengthened the role of the elderly within the household and in rural communities. This is particularly evident in the case of women, who now have an income source of their own.

The backbone of Namibia's pension system consists of tax-financed benefits, administered by the Ministry of Health and Social Services and paid universally to people over the age of 60, as well as invalids and disabled people (Schleberger, 2002). This universal pension of about US$25 a month has proved a major source of economic support to Namibia's poor – particularly since the Government took steps to make sure that pensions and other grants were paid on time, reliably and conveniently to eligible beneficiaries. To achieve this, the Ministry issued "smart cards" with the beneficiary's photograph and a fingerprint immediately verifiable by a machine. Crews headed by a paymaster travel regularly to thousands of "pay points" around the country, carrying with them automated teller machines similar to those found in banks. Beneficiaries bring their smart cards, have their identity checked and receive their benefits on the spot.

In many rural households, such pensions represent the only regular cash income. They are often the funding source for basic items such as school fees and medicines. In addition to bolstering the security and credibility of the pension system, Namibia's new method of benefits distribution has also greatly improved access to pensions for many elderly Namibians who, for many different reasons, used to find it difficult to receive their payments.

There is considerable variation in the mix of central and local government responsibility for the financing and administration of tax-based social benefits. The mix suited to one country is not necessarily right for another country, since there are differences in levels of economic development, in values and in government administrative capacity and structures (federal vs. unitary state, for example). Moreover, the right mix depends on the role of these benefits within the overall context of anti-poverty policies. Nevertheless, it is generally better for tax-financed social benefits to be funded mainly by the central government. This guarantees that people in all regions of the country have access to the same basic benefits which, if necessary, can be adjusted for differences in cost of living. Local and regional governments can add other benefits (often in kind) to this basic benefit, for example, for housing, food or work.

Tax-financed benefit programmes (social assistance, in particular) are often subject to political pressure. The middle classes are usually the primary beneficiaries of public social spending, with the poor left out and the rich having alternatives in the private sector at home or abroad. Spending that is narrowly targeted on the poor may not be supported by the middle class, which is often the government's most vocal and politically important constituency. Alternatively, arguments in favour of fiscal rigour may lead to the conversion from universal to means-tested benefits. Finally, the choice of beneficiaries and implementation of the programme may be directly influenced by the National Congress, as in the example of Argentina (Bertranou and Grushka, 2002). It is therefore important to aim for broad-based social security schemes that have the support of the majority of the population. Such schemes should have a strong social insurance component, complemented by cost-effective tax-financed benefits.

There is a growing international consensus on the need for international financing of temporary social assistance measures for countries affected by wars, disasters and other crises. However, there is also a need to start thinking more systematically about the global financing of basic social security. According to recent estimates, it would take about 2 per cent of global GDP to lift every one of the 1.3 billion poor people out of poverty.

The ILO is currently examining the feasibility of a "Global Trust Fund" or "Global Social Net" which, by providing basic social security, aims to lift people in the poorest countries out of poverty faster. The objective is to provide over the next ten to 20 years some form of social security to approximately 100 million people who are now excluded from all forms of it. The main benefits supported through such a trust would be combined national and community initiatives to provide basic health and anti-poverty income support benefits. The financing is expected to be provided by voluntary social security contributions from wealthier countries. The programmes would be run by existing social administration institutions in the recipient countries.

Policy conclusions

Only one in five people in the world has adequate social security coverage, while half the world's population is without any social security protection. Such people are often unable to pay their medical bills; they are not entitled to a pension in old age or in case of disability; they are not protected when unemployed; and they are not entitled to basic social support when everything else fails. Yet, access to social security is a recognized human right.

A large proportion of the population in the developing countries does not enjoy any social security protection at all or is covered only very partially (Beattie, 2000). Informal economy workers are not covered for social security for a variety of reasons. One is the very great difficulty of collecting contributions from them and, as the case may be, from their employers. Another problem is that many of these workers find it difficult to contribute what represents a relatively large share of their income to financing social security benefits; and that they are unwilling to do so when these benefits do not meet their priority needs. Their most immediate priorities usually include access to health care, particularly where structural adjustment measures have reduced access to free services. They feel a lesser need for pensions, as for many of them old age seems very remote and the idea of retirement perhaps unreal. Unfamiliarity with social security schemes and distrust of the way they are managed add to their reluctance to contribute.

This article has demonstrated that low social security coverage is attributable to the low financial resources available for the social sector, particularly in low-income countries. Largely as a result of structural adjustment policies applied over decades, the vast majority of these countries do not provide free health care to their population, and this is the main reason for the emergence of community-based schemes. Moreover, both these and the middle-income countries usually have very modest tax-financed benefit schemes for persons who have not been able to protect themselves through social insurance programmes. Some of the national public expenditure now urgently needs to be redirected towards the social sector, and new international resources are also needed to fund basic social security for the poor.

Globalization and financial crises have shown how vulnerable social security systems can be. The 1997 Asian financial crisis showed that countries can improve their social security systems by covering more risks and more people. There is a great need for broad-based social security systems that have the support of the majority of the population. Such schemes have a strong social insurance component, complemented by cost-effective tax-financed benefits.

At national level, there are three basic policy approaches to extending social security. The first is to extend and adapt statutory social insurance schemes. Some middle-income developing countries have achieved significant increases in, and sometimes full, coverage for social security programmes such as health insurance. Important contributing factors were a political commitment, public resources and a mobilized labour force. Other countries have tried to adapt the benefit and contribution structure to the priority needs and contributory capacity of workers in the informal economy. In some, this was achieved within the context of statutory social insurance schemes; in others, through special public schemes for workers, such as the self-employed, domestic workers and workers in agriculture or construction.

The second approach is to foster contributory – often community-based – schemes for workers in the informal economy, particularly in low-income developing countries. For various reasons, such countries have weak statutory social insurance schemes that often do not provide a sufficient base for significant extension of coverage in the foreseeable future. It is in these low-income countries that new micro-insurance and community-based schemes have emerged. So far, coverage of these schemes has remained low, but with proper technical and institutional support, they could achieve significantly improved coverage in future, particularly in a context of local and area-based strategies to reduce social exclusion.

In this connection, one particular idea requiring testing is the feasibility of area-based social security schemes (van Ginneken, 1999b). These schemes aim at full coverage within an area and are run mainly by the (local) government in partnership with a variety of other institutions. In comparison with sector- or occupation-based schemes, area-based schemes have the advantage that administration costs are low, and that local participation and control can be included in the design of the scheme. In addition – and most importantly – coverage could be extended to other areas relatively quickly, because governments would be able to replicate the schemes in similar conditions.

The third approach is to promote tax-financed social benefits for vulnerable groups which may not be able to benefit from contributory schemes. Public resources for such benefits are often scarce, particularly in low-income developing countries, but ways of operating such benefits will have to be found, with the help of additional international resources. Such benefits could focus on the elderly, HIV/AIDS victims, or children (on condition that they also attend school).

Finally, it is most important to ensure linkages between these three approaches (Reynaud, 2002). This can be achieved through social dialogue at both national and local levels. The aim of such dialogue is to develop and test new ways of reaching out to workers in the informal economy. Such dialogue could then lead to the formulation of national strategies to achieve at least basic social security for all.

An international strategy is also needed to support national strategies to extend social security. One important step towards an international strategy would be to achieve agreement on objectives. Many developing countries aim at universal social security coverage in key areas, such as health and pensions. Some countries have achieved this and others are on the way to doing so. In order to focus public – and policy-makers'– attention, international indicators of social security coverage need to be developed that can subsequently be used to form the basis for a Millennium Development Goal, as defined by the United Nations.

A key element in this strategy must be the Global Campaign on Social Security and Coverage for All, which was launched by the International Labour Conference meeting at its 91st Session, in 2003 (ILO, 2003). The principal aims of the campaign are to show that there are cost-effective ways of extending social security and of developing new mechanisms especially appropriate to low-income developing countries. Various middle-income countries have shown that full coverage for pensions and health insurance is feasible, or is about to be achieved. In developed countries, the emphasis is on vulnerable groups and on maintaining adequate levels of social security protection. International support is needed for low-income countries to achieve basic social security coverage, as a major element in their efforts to reduce and then eliminate poverty.

The campaign supports these national and international efforts in three different ways:

(i) by testing and developing various mechanisms to extend social security, in a process of experimentation and dialogue; account will be taken of the great variety of contexts and national experience;

(ii) by providing technical assistance: the ILO is already assisting more than 30 countries with the help of donor governments and institutions; future technical assistance will focus on diagnosis, training, strengthening institutions, policy discussions and policy advice; and

(iii) by disseminating information and publications; organizing workshops; and informing policy-makers and the public on progress made and on issues to be resolved.

The idea for a global campaign results from a global consensus reached between governments, and employers' and workers' organizations. They support the campaign; they will be the main architects of their national and international policies; and they will do everything to make those policies work. However, such a campaign cannot be successful without the support of ordinary people and of many other key actors, such as the international organizations, national institutions, donors and various civil society groups.

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