

MODULE 2

Introduction to social protection

Duration: 2 hours

Prerequisites: None

Key questions:

1. What is social security?
2. What is social protection?
3. What are the different types of social transfers?
4. What are ILO's standards to realize the right to social security?
5. What are the two dimensions of social security extension?
6. What are nationally defined social protection floors?
7. To what extent is social protection linked with employment and economic growth?
8. What are the ILO's main technical support activities to support social security extension in East and South-East Asia and the Pacific?

Objectives:

This module is an introduction to social protection. It covers the concept of social security and the two dimensions of social security extension: horizontally, to expand social security coverage to as many people as possible, and vertically, to progressively increase the levels of benefits. The module also explains the concept of the social protection floor. It provides an overview of the ILO's Conventions and Recommendations that prescribe standards for the development of national social security systems. It also gives a general idea of the ILO's technical support activities in East and South-East Asia and the Pacific to assist in social security extension.

Overview:

What is social security?

People face contingencies throughout the life-cycle, such as maternity, ill health, sickness, unemployment, work injury, invalidity, old age, and death of the breadwinner, which can put an end to or cause substantial reductions in income. Families may also require medical care and need support for their children's care and education. To meet all these financial needs at different points in people's lives, social security is important.

The ILO defines social security as the protection that society provides for its members: (1) to compensate for the loss of income caused by one of these contingencies (for instance financial support when you are unemployed); (2) to facilitate access to social services (such as health services, education and others) and fulfil basic needs.

What is social protection?

The concept of social protection has been often used to convey a broader institutional notion of risk management than that offered by social security systems. For some, social protection describes measures addressing only the needs of the most vulnerable and excluded populations. Social security is often seen as a select—and thus a non-universal—component of social protection reserved only for those in a formal employment relationship. The concepts of social protection and social security might then be perceived as mutually exclusive, with the suggestion that the former offers the potential to reach out to those who are not covered, or thought to be incapable of being covered easily by the latter. As highlighted by Hagemeyer and McKinnon (2013) in their introduction to the *International Social Security Review (ISSR)* special double edition on extending social security coverage, the wording of the Social Protection Floors Recommendation, 2012 (No. 202) finally puts to rest perceptions of ‘social protection’ and ‘social security’, establishing that they “are actually part of the same social policy concept”.¹

What are the different types of social transfers?

The benefits provided by social security are called “social transfers”. Social transfers can be contributory (financed by the contributions of workers, their employers, and in some cases the State) or non-contributory (financed by taxes). Contributory schemes include mandatory social insurance (e.g. compulsory membership for all private sector workers) and voluntary insurance (e.g. some microinsurance schemes, social insurance schemes for informal sector workers, among others). Non-contributory schemes can be targeted to the poor, categorical (e.g. targeted to the elderly over a certain age, to children of 0–3 years of age, and so on), or universal. These categories are a simplification of reality in which partial contributory schemes also exist. A large share of the contributions is paid by the government in a partial contributory scheme. This is the model for the social security scheme targeting workers in the informal economy in Thailand. Private insurance schemes that do not rely on the principles of solidarity are not part of social transfers.

Thailand’s Social Security Act, B.E. 2533 (1990) (SSA), established a scheme to cover workers in the informal economy under Section 40. The scheme is partially subsidized by the Government, although this subsidy is not embedded in the Law and is subject to change with government policy. The scheme offers two benefit packages:

- Package 1 – For a contribution of 100 baht (THB) per month (THB70 paid by the worker and THB30 paid by the Government), package 1 covers against sickness, invalidity, and death.² The sickness benefit provides THB200 per day limited to 20 days per year and only for in-patient care lasting at least two nights. If the hospital stay is one night, members are not entitled to receive any benefit. Members receive THB400 if they stay in hospital for two nights, THB600 if they stay in hospital for three nights, and so on. Invalidity benefits include income replacement of THB500–1,000 per month for 15 years. The death benefit is a lump-sum of THB20,000.
- Package 2 – For a contribution of THB150 (THB100 paid by the worker and THB50 by the government), package 2 offers a lump-sum payment for old age in addition to the benefits in package 1.

¹ K. Hagemeyer and R. McKinnon: “The role of national social protection floors in extending social security to all”, in *International Social Security Review*, (Geneva, International Social Security Association, 2013), Vol. 66, pp. 3-4.

² THB30 = 1 United States Dollar (US\$).

What are ILO's standards to realize the right to social security?

Social security is a human right as stated in the Universal Declaration of Human Rights (1948), Article 22. To guarantee this fundamental human right, the ILO sets standards that lay down obligations and guidelines for ILO member States to design, draft laws and regulations, and implement their social security systems. Standards are of two types: Conventions and Recommendations.

The Social Security (Minimum Standards) Convention, 1952 (No. 102),³ is considered the ILO's flagship convention and sets fundamental principles applying to all the nine branches of social security. These principles have been recently recalled by the Recommendation on nationally defined social protection floors, 2012 (No. 202).⁴

These principles are reiterated by other instruments which provide more detailed guidelines for the design and establishment of specific social security branches: Employment Injury Benefits Convention, 1964 (No. 121) and Employment Injury Benefits Recommendation, 1964 (No. 121), Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128) and Invalidity, Old-Age and Survivors' Benefits Recommendation, 1967 (No. 131), Medical Care and Sickness Benefits Convention, 1969 (No. 130) and Medical Care and Sickness Benefits Recommendation, 1969 (No. 134), Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) and Employment Promotion and Protection against Unemployment Recommendation, 1988 (No. 176), and Maternity Protection Convention, 2000 (No. 183) and Maternity Protection Recommendation, 2000 (No. 191).

The ILO's social security standards build on the idea that there is no unique model for social security regimes but rather common fundamental principles. The Social Security (Minimum Standards) Convention, 1952 (No. 102) prescribes that social security systems should reflect national cultural and historical values, be built in a progressive manner in a way consistent with national economic and social development plans, and be coherent with national institutional capacities. Convention No. 102 can be applied through the establishment of contributory (e.g. social insurance) or non-contributory (e.g. tax funded), mandatory or voluntary, universal or targeted schemes. Convention No. 102 also discloses that the State shall be responsible for the provision of the benefits stated by law and for the proper administration of social security institutions and services through appropriate implementation and enforcement mechanisms and regular actuarial reviews. In addition, it advocates for a tripartite administration relying on the participation of employers and beneficiaries in the decision-making, supervision and administration of the social security schemes. An important feature of Convention No. 102 is the right to appeal in cases of refusal of benefits or complaints as to its quality or quantity. Equality of treatment between nationals and non-nationals under existing schemes is also a fundamental principle.

Furthermore, the Social Security (Minimum Standards) Convention, 1952 (No. 102) recommends that the costs are borne collectively by way of employers' contributions, employees' contributions, and/or tax resources. Level of benefits should be guaranteed and pre-determined, adjusted in the case of pensions, and payments should be made in a periodical manner. Suspension of entitlements should be restricted to only certain cases clearly stated by law.

³ See Annex 3: Additional reading.

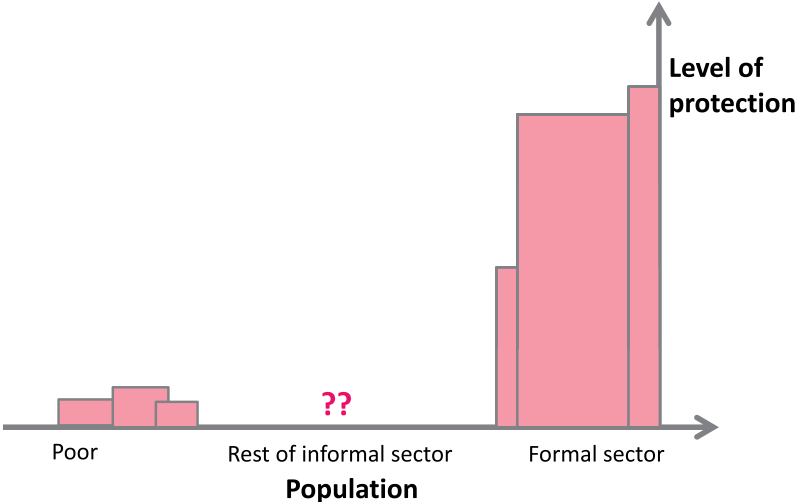
⁴ See Annex 3: Additional reading.

In addition to reinforcing and specifying the rules stated in the Social Security (Minimum Standards) Convention, 1952 (No. 102), the Social Protection Floors Recommendation, 2012 (No. 202) introduces new principles and, more importantly, the universality of social security coverage. Social security guarantees should be comprehensive and cover all residents. Additionally, the fundamental principle of non-discrimination is enriched and extended to gender equality in Recommendation No. 202. The implementation of social security programmes should respond to special needs and promote social inclusion of persons in the informal economy. Recommendation No. 202 promotes financial, fiscal, and economic sustainability with due regard to social justice and equity, respect for the rights and dignity of people, and full respect for collective bargaining and freedom of association for all workers. It also calls for high-quality public services in order to enhance the delivery of social security systems.

What are the two dimensions of social security extension?

The social security staircase describes the social security situation in a given country. The horizontal axis represents the population of the country, which includes three categories: the “poor”, the “rest of the informal sector”, and the “formal sector”. The vertical axis represents the level of protection. For most countries in Asia, formal sector workers (civil servants and private sector employees) already have access to certain levels of social protection. This is symbolized by a bar which is relatively high for this category of the population. The rest of the population – composed of informal economy workers which include the poorest segments of society – usually does not have much social protection. Non-existent and low levels of social protection are represented by no or short vertical bars.

Figure 1. The social security staircase



The extension of social security to those who are not covered is called the horizontal extension of coverage. At the same time, increasing the level of protection for those who already have access to such protection is referred to as the vertical extension of coverage.

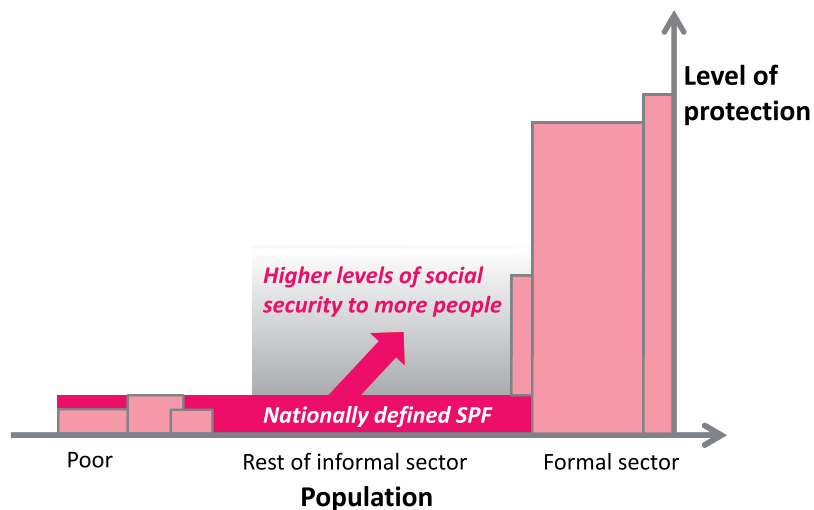
What are nationally defined social protection floors?

For a long time, social security was mainly available to formal sector workers through contributory and mandatory schemes. The ILO and others assumed that the informal sector would shrink and that more and more people would access formal jobs, and thereby mandatory social security coverage. However, this did not happen. Instead of shrinking, the informal sector continued to grow. A new strategy was deemed necessary to expand social security coverage to all who lacked coverage.

A discussion on social security took place at the International Labour Conference (ILC) in 2001, which culminated in a report entitled “Social security: A new consensus”.⁵ The report recommends exploring new paths to expand social security coverage, such as through microinsurance schemes, social assistance, social insurance adapted to informal sector workers, and so on. Over the past ten years, a number of countries have developed various approaches and implemented a number of scattered programmes that cover some informal sector workers, but still leave the great majority without any protection. The horizontal coverage is far from being complete and significant coverage gaps remain. Only a few Asian countries, such as Thailand, have established universal schemes that cover the whole population for certain contingencies.

According to the social protection floor concept, countries should guarantee a minimum set of social security benefits to all their populations (this is the horizontal dimension). The SPF is not a ceiling, which means that once the SPF has been established, countries should also work towards the provision of higher levels of benefits to more and more people (this is the vertical dimension).

Figure 2. The social protection floor is not a ceiling



National floors of social protection should comprise at least the following basic social security guarantees:

- access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability, and quality;
- basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care, and any other necessary goods and services;

⁵ See Annex 3: Additional reading.

- basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity, and disability; and
- basic income security, at least at a nationally defined minimum level, for older persons.

There is “no one size fits all” approach in designing and operating national floors of social protection. Each country should decide how to make it happen through targeted or universal schemes, contributory or non-contributory approaches, and so on.

The SPF concept is elaborated in Recommendation No. 202 that was adopted nearly unanimously by 185 Member States during the 101st Session of the ILC. Recommendation No. 202 reaffirms the role of social security as a human right and as a social and economic necessity, and provides guidance to countries in building SPFs within progressively comprehensive social security systems.

Following the adoption of Recommendation No. 202, “creating and extending social protection floors” became an area of critical importance for the ILO.

In the Asia and the Pacific region, the establishment of social protection floors has increasingly been recognized by all ILO Member States as an efficient approach to combating poverty, inequality, and exclusion, and as a key element of national development strategies. The new regional importance of social protection is confirmed by the Conclusions of the 15th APRM in December 2011, which prioritizes “Reducing poverty and wide inequalities in income and wealth” and “Building effective social protection floors in line with national circumstances”, and the recent adoption by ASEAN Member States of the Declaration on strengthening social protection.

Several countries have included the SPF concept as part of their national social protection strategies. The Royal Government of Cambodia, for instance, strives towards the extension of coverage and the establishment of at least a social protection floor for all. Its National Social Protection Strategy for the Poor and Vulnerable (NSPS-PV) was launched on 5 December 2011 by the Prime Minister. It provides a vision for the development of a coherent social protection system, in a phased approach, starting with the establishment of a social protection floor for all those in need of protection and ensuring that more and more people can enjoy progressively higher levels of benefits. This two-dimensional extension strategy has been implemented in several other countries (such as Thailand, Indonesia, and so on) that have established universal or targeted schemes to provide at least a minimum level of social protection to those who are uncovered, and higher levels of social protection to more and more people.

To what extent is social protection linked with employment and economic growth?

In the past, access to social security was the privilege of formal sector workers. Being a salaried worker protected by the labour law would guarantee access to existing mandatory social security coverage. It was assumed that by formalizing the economy, more and more people would have access to social security.

The SPF reaffirms the idea that all residents – regardless of their contract types or occupations – are entitled to social security. The SPF prescribes universal coverage and delinks access to social security from the condition of being formally employed. At the same time, the SPF creates linkages with employment by increasing beneficiaries’ employability and capacities to access better jobs.

Social transfers – through their direct poverty reduction effect – contribute to increasing households’ consumption, and therefore their demand for goods and services, which impacts the development of the domestic market. Access to social services such as health, education, skills, and nutrition contributes to an increase in individuals’ employability and productivity. Social transfers may in some cases be used to buy productive assets that contribute to expand households’ physical capital. All these effects positively impact the development of the economy which may translate into increased fiscal space for social protection. It is clear that investing in social protection today can be repaid in a few years, through the positive economic effects of this investment.

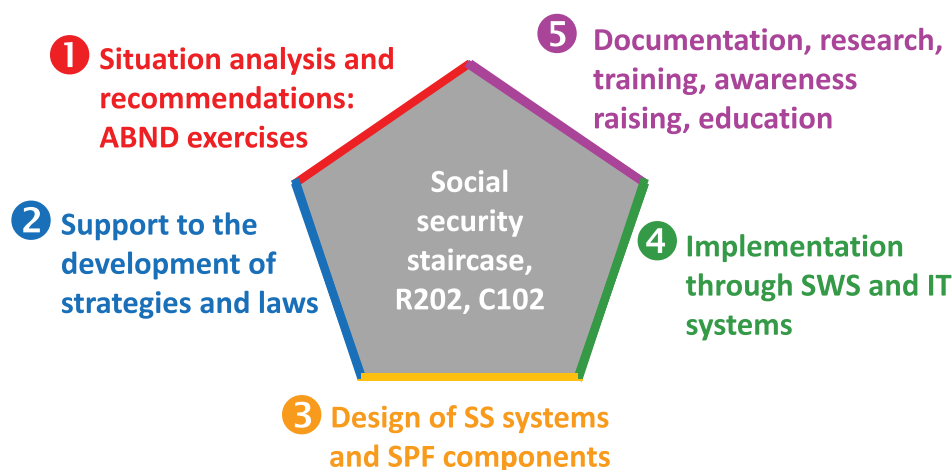
What are the ILO’s main technical support activities to extend social security in East and South-East Asia and the Pacific?

In the East and South-East Asia and the Pacific, the ILO supports Member States on:

- establishing nationally defined social protection floors that provide, to all residents, access to health care and income security across the life-cycle (children, working age, and the elderly); and
- developing higher levels of social security benefits.

To achieve this, the ILO has devised a coherent and comprehensive programme of work in East and South-East Asia and the Pacific, which includes the following complementary dimensions:

Figure 3. The social security pentagon



The first point of the social security pentagon involves conducting evidence-based research, notably through the systematic analysis of the social protection situation at the country level, provision of policy recommendations to complete nationally defined social protection floors, and a preliminary costing and fiscal space analysis for the introduction of the proposed policy options. Social protection ABND exercises have been completed in Viet Nam, Indonesia, Thailand, and, to a certain extent, Cambodia. The next round of ABNDs (2014-15) will be conducted in Lao People’s Democratic Republic, Mongolia, Myanmar, the Philippines, the Solomon Islands, and Vanuatu. All the ABND exercises are based on a similar methodology developed by the ILO DWT-Bangkok. The assessment is the starting point of the ILO’s support to constituents because it provides an overview of the social security situation in the country and concrete recommendations for the extension of social security coverage, both horizontally and vertically.

The second point on the social security pentagon entails supporting the development of national social protection strategies and overarching laws in line with the ILO's two-dimensional strategy for social security extension⁶ and international labour standards related to social security (notably Convention No. 102 and Recommendation No. 202). This has included the development of the NSPS-PV in Cambodia, which was launched by the Prime Minister in December 2011. Policy and technical advisory services are also provided to constituents for the development of comprehensive social security laws in Lao People's Democratic Republic, Myanmar, and Viet Nam. This support will shape the future social security systems in these countries.

Analysis of the social protection situation and the identification of policy gaps may lead to the design and implementation of social security schemes (the third point of the social security pentagon). This work is grounded in social dialogue and includes the provision of actuarial and institutional studies as well as the development of implementation decrees and regulations. Policy and technical advisory services have been provided to support the design and implementation of unemployment insurance schemes in Viet Nam and Malaysia, health insurance schemes in Cambodia and Lao People's Democratic Republic, employment injury schemes in Sri Lanka and Indonesia, old age pensions in Viet Nam, and a long-term care system in Thailand.

The implementation of social security schemes usually requires the design and establishment of management information systems and adapted mechanisms to reach target beneficiaries and ensure transparent and traceable processes. The ILO has contributed to the design of the management information system (MIS) for the social health insurance system in Cambodia and to the conceptualization of an innovative approach called the Social Service Delivery Mechanism (SSDM) in Cambodia and the Single Window Service (SWS) in Indonesia. The SSDM and SWS are "one-stop shops" for the delivery of social protection programmes and employment services. Embedded in government institutions and operated by sub-national administrations, the SSDM and SWS are linked to the central level via a formalized reporting system. This reporting mechanism should ensure the transparency and traceability of the social protection system. It also facilitates better coordination between the local level (responsible for service delivery) and the central/national level (responsible for policy development, planning, monitoring, and evaluation). The design of the SSDM in Cambodia was completed in November 2013, while the design of the SWS in Indonesia is expected to be finalized in 2014. As requested by the Cambodian and Indonesian Governments, the ILO will continue to support the implementations of the SSDM and SWS mechanisms in 2014-2015. The ILO will also support the further development of the existing single window service in Mongolia.

At national and regional levels, knowledge is developed and shared through regional research, publications and technical guides, training programmes, national and regional workshops, web content on the Global Extension of Social Security (GESS) platform, facilitation of UN technical working groups at national and regional levels, and participation in international, regional, and national conferences. The "persons of concern" (policy-makers, final beneficiaries, children, and students) are also educated about social protection through adapted communication tools such as tutorials, games, videos, public service announcements (PSAs), and so on.

The ILO's work is based on the "core of the pentagon" and aims at implementing the guiding principles of the ILO's social security Conventions and Recommendations, notably Convention No. 102 and Recommendation No. 202 in all interventions. The ILO's work is also based on tripartite dialogue.

⁶ See ILO: *Social security for all – Building social protection floors and comprehensive social security systems* (Geneva, 2012).



Takeaway message:

Social security is a fundamental human right. To guarantee this right, the ILO has devised a two-dimensional extension strategy: social security systems shall rely on a nationally defined social protection floor, which would be guaranteed to all residents, based on which higher levels of protection could be made accessible progressively, to more and more people. In East and South-East Asia and the Pacific, the ILO supports the development of social security through a systematic strategy – the social security pentagon – which relies on five complementary dimensions.



textbook



e-box

Resources:

	Master module 2 – Introduction to social protection		
	Presentation – Introduction to social protection		
	Introduction to social protection		
	Part 1 – Terminologies and international labour standards		
	Part 2 – Social security strategies and the social protection floor		
	Part 3 – Quiz game, ILO’s activities in Asia, and brief questions and answers (Q&A)		

e-box available at: <http://www.social-protection.org/gimi/pages/abnd/>