
ESS Extension of Social Security

Social Security, Poverty Reduction and Development

**Arguments for enlarging the concept and coverage of
social security in a globalizing world**

K.P. Kannan

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Global Campaign on Social Security and Coverage for All

International Labour Office . Geneva

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Summary

This paper is written as a think piece to strengthen the ILO's campaign to promote the extension of the coverage of social security. In so doing, the paper has attempted to put forward a number of arguments for enlarging both the concept and the coverage of social security especially in developing countries. It argues that social security should address the twin problems of deficiency and adversity. As such the concept of social security has been enlarged to include, what may be called, Basic Social Security (BSS) to take care of deficiency and Contingent Social Security (CSS) to meet contingencies. Without addressing BSS, it is unlikely to meet with success in the case of extending CSS. To strengthen the argument the lessons from the historical experience of western countries have been highlighted. The historical experience also shows that issues of social security have received the attention of the state much before industrialization and graduation into rich countries. There is also evidence to show that extension of social security has been possible mainly by state intervention of one kind or another.

Having argued for the extension of BSS, the paper also deals with the extension of CSS. This is best done through the informal economy, which employs a large majority of workers in developing countries. While the primacy of the role of the state has been highlighted, the paper has developed a typology of various social security models that could be used to study and understand the existing arrangements as well as the potentialities for extension of social security in the developing countries. It is hoped that this typology could be used with reference to the specific context of countries and/or regions.

Finally the paper has made a number of suggestions for the study of alternative models and analysis of public policies for extension of social security. The need for documenting best practices has been emphasized.

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The subject of social security for the labouring poor has been one of my areas of interest and work for the past several years. I have had the benefit of discussing this subject with a number of persons over the years. These have influenced my thinking on the subject. In particular, my work during 2002-03 as a member of the Technical Secretariat of the World Commission on Social Dimension of Globalization constituted by the International Labour Organization gave me an opportunity to discuss several issues on the social dimension of globalization with a number of experts and scholars from different parts of the world. These discussions were continued with my colleagues at the Center for Development Studies, Trivandrum (India) as well as others while writing this paper.

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Abbreviations

BSS	Basic social security
CSS	Contingent social security
GDP	Gross Domestic Product
OECD	Organization for Economic Co-operation and Development
ILC	International Labour Conference
ILO	International Labour Organization
IMF	International Monetary Fund
NGO	Non-governmental Organization
SEWA	Self Employed Women's Association
SEWU	Self Employed Women's Union
UNESCO	United Nations Educational, Scientific and Cultural Organization

1. Why the concern on social security?

Two competing paradigms dominated discussions on the theory and practice of development for a good part of the twentieth century especially since the Second World War. One was based on the ideology of capitalism as it evolved in Western Europe and North America and the other on the ideology of socialism as it was practiced in the former Soviet Union. Both had important variations especially with regard to the public provision of what may be called a broad range of social security requirements. The specific historical context of struggles and subsequent independence from colonial domination attracted a good number of developing countries to the model followed by the Soviet Union in so far as the role of the state was concerned in providing, what we shall later define, basic social security. However, given the structural characteristics of these economies, their overall economic backwardness prevented them from institutionalizing social security arrangements to meet contingencies. The formal socialist regimes however provided both basic social security and social security to meet contingencies since they did not recognize private property nor permitted the full play of the market mechanism in economic transactions. The capitalist countries of the west increasingly transformed themselves into 'welfare states' which also provided both basic social security (BSS for short) and contingent social security (CSS for short) i.e. social security to meet contingencies. We shall elaborate these two concepts later but it may be mentioned at the outset that BSS refers to the social provision of a critical minimum to meet conditions 'deficiency' in such basic wants as food, health, education and housing. By CSS, we mean socially-supported institutional arrangements to meet conditions of 'adversity' such as sickness, accidents and old age. If there was something common between these two competing paradigms of socialism and welfare capitalism, it was in the arena of providing a more or less wholesome social security to the citizens.

The collapse of the socialist regimes of the Soviet model should be marked as a turning point in the recent evolutionary history of social security. The formal collapse of the socialist regimes was preceded by a neoliberal ideological onslaught on welfare capitalism in the west that was largely based on Keynesian principles of macro economic management and public provisioning/arrangement in matters of social security. A whole host of powerful factors - the remarkable growth performance of East Asian countries (often referred to as the four 'tigers'; South Korea, Taiwan, Singapore and Hong Kong) based on open economic policies, the accelerated pace of technological change in the western countries, the increasing role of multinational enterprises and the growth of finance capital - enabled the rise of neoliberalism with its concomitant political ideologies that sought to downplay the role of the state in public provisioning to meet conditions of deficiency and adversity.

Developing countries, after an initial period of growth and relatively modest, but historically unprecedented, achievements in social development, started lagging behind the developed countries. The theoretically expected convergence between poor and rich countries did not take place; instead there was increasing evidence of divergence in economic performance (see, e.g. Baumol 1986 and Sala-I-Martin 2000). Some developing countries marched ahead with considerable advances in both economic and social development spheres; some others achieved modest progress; while a number of countries either experienced a stagnation or regression in income and social development indicators. Many of these countries found themselves in a debt trap that forced them to borrow heavily from the multilateral financial institutions of the IMF and the World Bank (alternatively referred to as Bretton Woods Institutions) under conditions that were in line with the ideology of neoliberalism.

Such developments sought to reduce the role of the state and, directly or indirectly, also reduced its role in a broad range of social security arrangements.

All these developments crystallized into what is now known as 'globalization'. There are both powerful adherents and not-so-powerful powerful opponents to the current process of globalization. From the point of social security what is striking about the current period is the unprecedented growth in incomes in the world characterized by increasing inequality between countries (developed and developing) as well as people within countries (see Tables 1 and 2).

The figures presented in Tables 1 and 2 together convey a certain unbalanced and unequal picture of social security in a global context. First to note is the wide gap in per capita income between countries; it is 1:14 between low income and high income countries and 1:5 between high income and middle income countries. The second striking feature is the inequality within countries. In general inequality is higher in lower income countries than in high-income countries. However there is considerable variation in each group of countries suggesting that low-income inequality is not a characteristic of both rich countries only. Third, countries with higher per capita income in general have higher share of public expenditure on such basic social security as education and health. Given this picture there is a considerably bigger gap in per capita public expenditure in education and health than the gap in per capita income. The ratio between low and high income countries in per capita public expenditure in education is 1:22 and in health 1:66 whereas the ratio between middle income and high-income countries in these two items are 1:6 and 1:10 respectively. The figures on military expenditure are intended to emphasize the fact that in poorer countries the per capita expenditure on this item is often higher than that for health care.

Table 1: Distribution of income or consumption in selected countries by income level and region

Income level	Year	Gini index	Percentage share of income or consumption		
			Lowest 20%	Highest 20%	Ratio between lowest & highest
High income countries					
United States	1997	40.8	5.2	46.4	8.9
United Kingdom	1991	36.1	6.6	43.0	6.5
France	1995	32.7	7.2	40.2	5.6
Germany	1994	30.0	8.2	38.5	4.7
Japan	1993	24.9	10.6	35.7	3.4
Low & medium income countries					
<i>Africa</i>					
Central African Republic	1993	61.3	2.0	65.0	32.5
South Africa	1993-94	59.3	2.9	64.8	22.3
Zimbabwe	1990-91	56.8	4.0	62.3	15.6
Ghana	1997	32.7	8.4	41.7	5.0
Egypt	1995	28.9	9.8	39.0	4.0
<i>Latin America</i>					
Brazil	1996	60.0	2.5	63.8	25.5
Chile	1994	56.5	3.5	61.0	17.4
Mexico	1992	53.7	3.6	58.2	16.2
Bolivia	1990	42.0	5.6	48.2	8.6
Equador	1995	43.7	5.4	49.7	9.2
<i>Asia</i>					
Malaysia	1995	48.5	4.5	53.8	12.0
Philippines	1997	46.2	5.4	52.3	9.7
China	1998	40.3	5.9	46.6	7.9
India	1997	37.8	8.1	46.1	5.7
Sri Lanka	1995	34.4	8.0	42.8	5.4

Source: World Bank (2001)

These developments have now posed both theoretical and practical challenges to the concept of social security as collective sharing of costs and benefits to meet situations of deficiency and adversity. The theoretical challenge has been thrown up by the ideology of neoliberalism that underpins the current process of globalization. Here the challenge is to the concept of the welfare state with direct implications for its responsibility to provide social security to the citizens. The theoretical presumption of neoliberalism is that the market mechanism will take care of all the demand and supply of goods and services and that the state should not interfere in such a way as to constitute a 'distortion' in the functioning of the market. It should, however, be noted that the reality of poverty, vulnerability and social insecurity is all pervasive irrespective of the income levels of countries. The difference is only one of degree and not of essence. This demonstrates the failure of the theory that places its

faith on the effectiveness of the market mechanism in taking care of the economic and social insecurity of the people.

Table 2: Per capita income and public expenditure on education, health and military (public expenditure as percentage of GNP)

Countries	Pub exp on education		Pub exp on health	Pub exp on military	GNP per cap (PPP \$)	Per cap expenditure (in PPP\$ 1999)		
	1990	1997	1990-98	1997	1999	E	H	M
Low income	3.4	3.3	1.3	2.9	1,790	59	23	52
Middle income	3.8	4.8	3.1	2.9	4,880	234	151	142
<i>Low & middle income by region</i>								
East Asia & Pacific	2.5	2.9	1.7	2.5	3,500	102	60	88
L America & Caribbean	3.8	3.6	2.5	1.8	6,280	226	157	113
M East & N Africa	5.0	5.2	2.4	7.0	4,600	239	110	322
South Asia	2.0	3.1	0.8	3.1	2,030	63	16	63
Sub-Saharan Africa	3.8	4.1	1.5	2.3	1,450	59	22	33
Europe & Central Asia	-	5.1	4.0	4.0	5,580	285	223	223
High income countries	5.6	5.4	6.2	2.4	24,430	1,319	1,515	586

Source: Compiled from World Bank (2001). Note: E for education, H for health and M for military.

In practical terms, the situation is one of paradox. Despite an unprecedented increase in wealth and income as well as productive capacity in the world, there is a greater sense of social insecurity. In terms of provision of basic needs there may be some overall improvement in the global averages of such indicators as income-poverty, infant mortality and school enrolment ratios. But the sense of social insecurity due to an enhanced sense of vulnerability seems to have increased as between countries and people within countries. This is especially so when the state reduces or abdicates its responsibility in the provision of basic needs (as has happened in many post-socialist transition economies and in many countries in sub-Saharan Africa) as well as in the support for social security to meet contingencies. Increasing economic inequity adds to this sense of social insecurity.

This is not only due to the economic inequality between countries; but also due to that within countries. However, the common factor of social insecurity manifests itself in different ways and in different degrees in the three broad groups of countries viz., the industrialized rich countries, the transition economies and the developing countries. Some of these are highlighted in Table 3.

Table 3: Critical areas of social insecurity in developed, transitional and developing countries

Critical areas of insecurity	Nature and magnitude
<i>Developed countries</i>	
Child poverty	Concern over increase in child poverty rates in many countries (see, e.g. ILO 2000:36).
Old age pension	Increasing share of the aged in the population. Decline in social assistance to the poor.
Open unemployment	High rates of unemployment among the youth and declining social assistance.
Migrant population	Labour market discrimination, high unemployment and reduced social security (often due to illegal employment).
<i>Transitional Countries</i>	
Return of absolute poverty	Increased absolute poverty in the transitional period due to withdrawal of earlier forms of comprehensive social security.
Old age pension	Declining value of pension due to high inflation and reduced social assistance.
Open unemployment	Increasing rates of unemployment with low levels of social assistance.
<i>Developing Countries</i>	
Inadequate (deficient) access to basic needs such as food, health care, housing and education	Continuing absolute poverty of around 40 percent (below one PPP\$ per day per capita). Persistence of many forms of human deprivation such as under nutrition, high infant mortality and low school enrolment especially for girl children.
Old age social insecurity	Only few countries have old age social security and too with limited coverage. High old age vulnerability.
Health insurance	Very low coverage of health insurance to meet situations of sickness. Mainly due to the existence of a large segment of labour force working in the informal economy.
Unemployment	Unemployment is disguised in many countries but open unemployment is increasing. Very little social assistance for the unemployed.

The main objective of this paper is to put forward certain arguments for enlarging the concept as well as the coverage of social security in a globalizing world. The underlying purpose for such enlargement in concept and coverage is to link the issue of social security with poverty reduction and development. As such the focus is on the developing countries in the backdrop of the situation in the developed and transitional countries. Section 2 deals with the question of enlarging the concept of social security by dividing it into basic and contingent components. This is followed by some reflections in Section 3 on the historical experience of Western Europe to emphasize the long period of evolution of social security beginning with the basic component that predates the period of modern industrialization. Section 4 deals with the regional dimensions in the extension of social security while Section 5 discusses the extension of contingent social security to the workers in the informal economy who constitute the largest segment in the contemporary developing countries. This is followed by Section 6 in which an attempt has been made to develop a typology of social security arrangements that could be useful in understanding the current situation as well as in the analysis and design of appropriate and context-specific policies. In Section 7 the linkages between the enlarging the concept and content of social security, poverty reduction and development are briefly dealt with. The final section (8) gives a set of concluding remarks along with suggestions for filling the critical gaps in knowledge with a view to advance the agenda of extending social security.

2. Extending the concept of social security and its relevance to developing countries

Social security as it has been understood and practiced in both developed and developing countries largely refers to what may be called collective care arrangements to meet contingencies. In fact, the very notion of social security evolved out of humanity's quest for protection from hazards of nature's furies in the primitive communities, and then from hazards of life and work in the modern societies. But a generic definition of social security could be the one given by de Swaan(1988) i.e. "Social security arrangements are collective remedies against adversity and deficiency". It is the adversity dimension that is captured in the notion of social security to meet contingencies. Such social security arrangements are provided through the work status of individuals. This however takes into account only those in the formal labour market and they constitute a majority in the developed countries and a minority in developing countries. There is therefore a need to broaden the concept of social security as it is understood so far.

In fact a debate has already been initiated to broaden the concept of social security in developing countries. Dreze and Sen in their influential work on Hunger and Public Action (1989) deploy a broader concept of social security while distinguishing two different aspects, viz. protection and promotion. The former is concerned with "the task of preventing a decline in living standards" while the latter refers to "the enhancement of general living standards and to the expansion of basic capabilities of the population" (1989:16). As Dreze and Sen observe these terms have a paternalistic ring although their emphasis is on the objectives of the exercise rather than on the agencies that may pursue these objectives. There are also other reasons why this distinction may not convey adequately the two dimensions of deficiency and adversity. There might even be areas of overlapping that would make the distinction somewhat confusing, because of the associated externality effects. What is meant for protection can have significant externality effects of promotion. Take the case of access to basic health care. Some types of health care such as immunization are both protective (protecting against the spread of diseases) and promotional (promoting good health by keeping away certain diseases). Or the case of a

family where the woman is educated and skilled which could be seen as promotional (in terms of enhancing the living standards of the family through access to income and/or greater awareness on health care, etc.) or protective (ability to take care of the family in the event of the husband's untimely demise).

Two concepts of social security

If the need to extend the concept of social security beyond its restricted meaning of social arrangements for meeting contingencies is accepted, as we would argue here, a useful distinction could be made between Basic Social Security (BSS) and social security for contingencies (which we call here as Contingent Social Security or CSS for short). In both these there could be a mixture of promotion and protection dictated by local conditions. However, it should be emphasised here that the former – BSS – primarily takes into account the dimension of deficiency while the latter – CSS – primarily takes into account the dimension of adversity.

BSS is directly linked to the problem of deficiency of those who are not in a position to access minimum of resources to meet their economic and social requirements for a dignified life in their society. This takes care of human deprivation and vulnerability. This is also a foundational requirement in the sense that the commonly accepted notion of social security for meeting contingencies (what we call CSS) will not make any sense in its absence. In fact, those who enjoy social security today for meeting contingencies are those who have been able to take care of their basic social security. We shall later see that this was also the priority in the history of the evolution of social security policies and arrangements in Western countries where currently the CSS is the dominant one but arising out of a situation where basic human deprivations have been taken care of to a large majority of population.

The notion of CSS refers to social arrangements to take care of adversity i.e. contingencies of a wide-ranging nature. These could be hazardous situations arising out of human life and work, such as ill-health, injuries and accidents, unemployment, maternity, old age, death of an earning member, and so on. These types of security arrangements are fairly common in the developed countries with the state playing an active role in financing and securing such arrangements. When extension of social security arrangements to developing countries are thought of, it is often these types of social security systems that attract the attention of policy makers, advisors and others concerned. Our approach here is to advocate the adoption of BSS and its universalization to all the poor who, by definition, face the problem of deficiency. While this objective is taken care of in a good measure in the developed countries, it is still taken care of to a significant extent in the transition economies. The biggest gap is in the developing countries. As such, there is the task of extension of BSS to a significant section of the population in the world which account, by one definition, about 1.2 billion (World Bank 2001:23). Social security to meet contingencies has also to meet the challenge of extension. Here again, a minority in the developed countries may be facing the problem. Given the transitional nature of the economies in erstwhile socialist countries, extension of CSS should be reckoned as a major challenge in those countries. However, the developing countries face the biggest gap in extension since the CSS is now confined, by and large, to those employed through the formal labour market. Large majority of people work in the informal economy and face the problem of the lack of social security to meet contingencies.

What we are therefore emphasizing is the need for extension of both basic social security and social security to meet contingencies. This is because the developing countries do not have the opportunity to sequence them (basic first and contingency next) since the two dimensions of social security (deficiency and adversity) are closely related to the objectives of poverty reduction and development. In some cases (as in the case of health care) it is possible to address both dimensions simultaneously. The major challenge is one of financing which we shall deal with later through a typology of different models. However the state has to take a proactive role through promotion, facilitation and organization of social security arrangements.

BSS and poverty

It is not difficult to recognize that the concept of Basic Social Security is directly related to address absolute poverty as a manifestation of the problem of deficiency. In so far as programmes to reduce poverty exist in many countries, it is not at all difficult to accept the operational feasibility of BSS for all. However, the idea of BSS goes beyond the notion of poverty reduction. It is to eliminate poverty in its multiple manifestations by institutionalizing such social arrangements as are necessary and feasible. By addressing the problem of adversity, the notion of CSS goes to strengthen the objective of eliminating poverty along with vulnerability. Such vulnerabilities as are now experienced the world over impact on the poor disproportionately because of their weak capacity in fallback arrangements i.e. absence or inadequacy of BSS.

What constitutes BSS is a highly significant matter that needs to be spelt out at the outset. We have already emphasized its links with poverty because the problem it seeks to address is that of deficiency in an absolute sense. We do recognize that what constitutes an 'absolute' measure is also context-specific that is closely related to the average standard of living in a country.

The notion of poverty has also undergone significant modifications and transformations. The restricted meaning as inadequacy of money income to meet the calorie requirement (along with a few additional requirements) still dominates the discussion on measurement and policy formulation. However, there is recognition of its multidimensionality and the need for going beyond what may be referred to as 'income poverty'. From a social security point of view, a more nuanced understanding would be more relevant. This is provided by Amartya Sen (1985) and Dreze and Sen (1989). The first step in this is to understand the notion of 'entitlements'. Poverty can then be seen as a failure of entitlements. Entitlements refer to the command that an individual or a family or a group can establish over goods and services. For example, entitlement to command food could be by means of ownership of land, which produces food, or by the ability to secure employment which will fetch an income to buy food or a membership in a Public Distribution System which entitles one to secure food at subsidized prices. There may be other types of entitlement such as a socially recognized traditional right to collect food from such common property resources like the forests or the sea. Or it may be the right of the old-aged people to have a share of the food produced by the community or to secure assistance from government. Therefore a situation of poverty can be interpreted as a failure of entitlements. Such a notion of entitlements can be extended not only for commanding food but also other non-food but basic consumption goods and services such as clothes, shelter, health care, education, etc. Thus the focus on entitlements emphasizes the command over commodities and services.

The failure of entitlements is often related to not only the inadequacy of current consumption but also the absence or the inadequacy of basic capabilities to access goods and services. The notion of ‘capability’ therefore assumes critical importance in understanding poverty. Basic capabilities refer to the quality of the standard of living and hence go beyond entitlements. Examples are being healthy and educated. Basic capabilities help in enhancing entitlements (higher income through better jobs secured through education, or the ability of a healthy person to work more productively and so on). Here capabilities not only refer to their instrumental value but are also end in themselves in terms of human development in the sense of promoting human dignity.

In terms of BSS, it should be possible to identify the core constitutive elements. Here we identify four realms of security that could constitute the Basic Social Security. These are: Food security, Health security, Housing security, and Education security.

All these are understood in the sense of access to minimum levels. Such minimum has a relative dimension in the sense that they are set by the society concerned. The objective here is the creation of what may be called a ‘social floor’ below which it is made unacceptable to the society at large. It is the social dimension that underpins this social floor as basic social security. The minimalist dimension makes it necessary to focus on the poor. As such an organic relationship is sought to be established between the condition of the poor in a society and the need to create a social floor through the provision of basic social security. We have not mentioned income here as an element of BSS simply because income (and employment to access income) is means by which elements of BSS, especially food security, can be taken care of.

3. Some reflections on historical experience

Extension of social security arrangements – both in the sense of BSS as well as CSS – is thought to be a great deal difficult, if not impossible, in developing countries compared to the present-day developed countries. Some scholars (e.g. Atkinson and Hills 1991) even argue that there is very little for the developing countries to learn from the experience of the developed countries especially that of Britain, France and the USA. Both the level of development and the structure of the economies in developing countries are thought to be so different.

“As a result, the institutional assumption that social-security schemes can be introduced for the bulk of the population, while a reasonable goal of twentieth-century reformers in Western countries, has little applicability to developing countries” (p.104).

This observation is hardly an isolated one but could be argued as a representative one including in scholarly discussions. However, such opinions do not take into account the long-term evolution of social security in the present-day developed western countries as well as the impressive gains made by the developing countries since decolonization as well as the demonstration of the feasibility of both BSS and CSS arrangements in selected countries and

regions despite low levels of income and a structure of economy that has a sizeable informal sector (e.g. Tunisia, State of Kerala in India, Sri Lanka).

We believe that there is a lot to learn from the historical experience of the present-day developed countries that is in tune with our argument for extending social security in the sense of BSS and CSS despite the low level of development and an unfavourable structure of the economy. Before raising some issues for policy, a brief historical sketch is attempted here.

Down the historical lanes

For an understanding of the long-term evolution of social security in western Europe, we rely on Abram de Swaan's magnum opus *In Care of the State* (de Swaan 1988). It should be noted at the outset that the Mosaic Law, the socio-political systems of classical Greece and the Roman Empire, the edicts of Asoka, the simple rules of early Christian communities, and the institutions of family, village, and caste in India, to mention a few instances, all contained the elements of what is today known as social security. In Europe it was the Church, beginning with the ninth century, which sought donations from the settled farmers and general public to feed and maintain the vagrants, beggars and the sick, i.e. those who faced acute deficiency in meeting minimum access to resources to maintain their life. A compulsory levy for the upkeep of the poor was not common in those times. When the modern period began, rights to private property and use were well established in Europe and those who did not own land, worked on other people's property to eke out a living. By the 16th century, long before the beginning of the industrial revolution, large cities in Europe had well established 'poor houses' where thousands of poor were looked after so that the local communities could live peacefully. It was the Elizabethan poor laws, which for the first time in 1601, stipulated the standards for looking after the poor; and the Church levied sufficient 'poor rates' on the land owners in order to finance the whole set up. Poor relief in the United States in the 17th and 18th centuries followed the broad framework of the Elizabethan Poor Law. Around that period the responsibility of looking after the poor was shifted from the Church to the locally elected 'overseers of poor'. As time went by, these societies were gradually getting more and more involved into a system of direct administration of the poor. In those times – as it indeed is in our own times among large sections of the rich and the middle class – the general notion was that the poor are so, because they are lazy. Within the framework of this logic in the 17th century 'work houses' were established to provide work and shelter to all able-bodied unemployed, vagrants and other poor¹.

The industrial revolution, unlike many other revolutions, shook the very foundations of the agrarian system in rural areas and the commercial/mercantile system in the urban centers in Europe. However, even during the dawn of the industrial revolution, orphanages, old age asylums, insanity wards and maternity houses were run by local governments and a system of social security supported by the state was gaining more and more importance in Europe. Collective action was the spontaneous answer by the elite sections of European society to the threat posed by crime, cholera, anarchy and squalor resulting from large numbers of unemployed, vagrants and the sick. The shift from individual action to collective action (as represented by the state) occurred not out of any philanthropic motive, but due to the threat these posed to the established social order as thousands migrated into the cities each day in search of work and a better living during the period of the industrial revolution. By the last

¹ Severe punishments, including death sentences, were imposed for repeated begging and vagrancy.

decade of the 19th century, the social security system, as we know it now, was well embedded in the social fabric and governments were having well established systems for the care of the destitute and the poor.

This interpretation emphasizes the self-interested nature of the privileged classes in promoting a measure of social security for the poor who were seen as *les classes dangereuses*. But there is also the other side of the story in the evolution of social security as a result of the initiatives and demands generated by the labouring classes. This had happened, even prior to the emergence of trade unions, in the form of mutual benefit societies of workers in many countries, most prominently in Western Europe. It could not sustain itself because they were limited forms of collective care (by the intended beneficiaries themselves) without the internalization of costs to the society at large. However, they could be interpreted as the precursors for wider notions of social security especially those based on work to take care of contingencies (see, e.g., Linden 1996).

Given the irresistible influence of socialism by the late 19th century in the European Continent, it was in fact the organized strength of the working class that stood to facilitate the evolution of social security in terms of 'welfare state' policies. The state, out of the necessary urge of its 'legitimizing function', started to initiate attractive public policies to woo working class away from the Social Democrats, preaching socialism. The first of these tactics came from 'Bismarckian socialism' of Germany in 1883 in the form of a comprehensive scheme of social security, offering the workers insurance against accident, sickness and old age. Though it represented the paternalist function of the state that Bismarck, as a conservative, had always held, its prime function, no doubt, was as a weapon against the Social Democrats. This, however, directly brought the concept of social insurance into the realm of public policy and responsibility of the state. Of course, the motivation did not come from an overwhelming concern for the plight of the working poor. It was, as already remarked, the outcome of a nationalistic agenda of an activist state and was opposed by the workers movement as well as the parliament. However, the Bismarckian model of social security survived many vicissitudes and came to be adopted with variations by many other European countries in the next half century. The British experience was characterized by compromises both by workers unions and employers and mediated by the state. The later advent of social insurance in France was based on a tripartite coalition among the state, sections of the workers movement and big industrialists. In the United States social policy of the state was slow to catch up with Europe although it remained as a local agenda through mutual benefit societies. The dramatic spread of social security in the sense of social insurance in The Netherlands is a post-war phenomenon, as in many other European countries. A Workmen's Compensation Act came into force in 1901, Invalidity and Old Age pension in 1919 and "implementation of a sickness insurance law, also enacted in 1913, was delayed until 1930" (de Swaan 1988:210). Compulsory state unemployment insurance came into effect only in 1952.

The experience of Europe in the matter of evolution of social policy for providing a comprehensive measure of social security – in our sense of BSS and CSS – took place in a historical context as first time industrializing countries. This does not however mean that such a historical experience is not relevant to the contemporary concern for social security in developing countries. The dynamics of social and economic change were certainly different, but it throws up important questions that are pertinent to the institutionalization of social security in poorer countries. Some of these are spelt out below since they deserve to be kept in mind and thought through for a global perspective on this important social issue.

Lessons from history

First of all, the division between Basic Social Security and Contingent Social Security fits neatly with the European experience. The BSS was met through a long process beginning with charity, community service, and philanthropy but later transformed into a collective concern to be addressed by the state. Thus poor relief, basic education and health care started with collective charitable arrangements first at the local (parish) level, then at the city level and finally at the national level. Later housing was added to the basic social security arrangements organized and implemented by the state. These were added and extended to all deserving citizens in the post-war era. Social security to meet contingencies were introduced through the work status of individuals but those who could not meet the minimum requirements were taken care of by the state in terms of old age pension and unemployment allowance. But what needs to be noted is their continuing relevance in many rich countries despite considerable increases in the per capita income.

Secondly, the evolutionary trajectory of social security in European countries suggests the increasing and also effective role of the state from an early stage. And in matters relating to BSS, as we saw earlier, the interventionist role of the state predated full-scale industrialization. This lesson is an important one from the contemporary perspective where many would be persuaded to think that the state in the developing countries is not yet in a position to address the whole range of issues relating to basic social security. It is in this context that considerable attention is being given to the role of non-state actors in taking care of some aspects of BSS. This might seem attractive in the present-day conditions. But historical experience suggests that there is hardly an effective alternative to the role of the state in providing a modicum of social security especially to the poorer sections of the population.

Thirdly, there is the role of demand from below. Workers movements played an important role in forcing the state to institute social policies that addressed both the BSS and CSS. This underlines the crucial nature of the social dynamic that contributed to the evolution of a public policy on social security issues. This is perhaps absent in many developing countries. But it would be an underestimation if we are to conclude that many developing countries did not go through the required social dynamics. National liberation movements often emphasized not only the political emancipation but also the social emancipation of the people. The achievements during 1950-80 of a number of developing countries point to this.

Fourthly, the process of evolution of social policy in Europe was accompanied by a process of industrialization and an increasingly urbanized economy and society. State capacity to manage social issues had grown enormously especially after the experience of managing war time situations. However, this is not the case with most of the developing countries. The process of industrialization is slow and given the pace of technological change, fewer and fewer people are needed to produce more and more industrial output. Most of these countries are still rural in character. This therefore poses new challenges to the state in these countries in meeting the requirements of providing a broad range of social security.

Despite the very different economic structure and stage of development, the expectations of people in the developing countries are perhaps much higher than they were among the people in Europe in an earlier era when social security concerns were just beginning to be addressed as a collective issue. This is because of the increasing integration of countries through the technologies of transport and communications as well as the power of transmission

of ideas from one place to another. The challenge of social security in developing countries is therefore also one of meeting the gap between the expectations and the reality.

4. Extending the coverage of social security

The distinction that we have made as between BSS and CSS is a useful one from the point of view of extending the coverage of social security. As we have argued earlier, the primary condition is the provision of BSS to the entire population. As such universalizing basic social security has to receive a high priority in public policy. How it will be financed would depend on the national contexts. A case is often made for targeting what we call here BSS to the poor only in view of the limited fiscal capacity of governments in many developing countries. What is important is the need for a political consensus for such targeting. The costs of targeting also have to be weighed against the benefit of universal coverage in view of the not so small administrative and enforcement costs. From a political point of view, universalization goes along with a broad political support of both the poor and non-poor and one of the ways to reduce costs in such a situation would be to resort to self-selection. A case however exists for public provisioning of such basic social security to all the poor so as to create a social floor. The basic identity here is that of citizenship but, as we shall see later, it has a strong connection with work since majority of the poor in the developing countries belong to the category of 'working poor'.

The second notion of CSS is an equally challenging task, if not more, that would seek to provide a modicum of social security to meet contingencies. Here the coverage has to identify a basis and that could be directly related to work. In the context of the developing countries, this is related to the issue of informal work and work in the informal economy.

The question of the universal provision of BSS is being projected here because of the wide gap that exists between the minimum necessary access and the actual condition. These are often highlighted in terms of incidence of poverty (in terms of minimum income required to access a normative calorie intake) for food security, infant mortality and life expectancy for health security, literacy and school enrolment for educational security and quality of housing for housing security. Given the spectacular growth in income in the world and the availability of technology, the gaps in these basic social security provisions are glaring. They are almost invariably in the developing countries and the international initiatives (e.g. Millennium Development Goals) help to focus on the problem from a global point of view. These glaring gaps project the developing countries in a poor light and often the focus is on the internal factors that contribute to such a situation. No doubt, internal factors are quite important and tackling them effectively will go a long way in addressing the question of BSS.

But what is often forgotten is not only the external constraints that operate on the ability of many developing countries to address these issues but also the progress achieved by them during the first three decades after independence (since most of the developing countries of today were colonies of richer countries).

In the developed countries

In the industrialized rich countries (the members of the OECD), despite high levels of government spending on social security, there is a shift towards reducing the social security in terms of benefit levels as well as coverage of people. This occurs despite the continuing high levels of open unemployment. In addition, there are continuing problems of relative poverty, job insecurity and social exclusion of certain vulnerable groups of population. It must, however, be pointed out here that despite the rhetoric of reducing the role of the state in providing social security and its propagation to developing countries, the state remains the most important provider (as well as facilitator) of social security in the industrialized rich countries. The fact that such a role is the result of a fairly long period of evolution of social policy is something that the developing countries of today need to take note of. As such extending the concept of social security in the BSS sense is something that the present-day developed countries have already achieved over a period of time.

In the transition economies (Former socialist countries)

One of the main distinguishing features of the former socialist countries, especially in the former Soviet Union and Eastern Europe, was the comprehensive nature of social security coverage in the sense of both BSS and CSS for the entire population. This was because social security was generic to the socialist character of the organization of the economy and society. The collapse of the socialist system therefore posed a major threat to the comprehensive nature of the social security system. The political legitimacy of the earlier social security system now stands eroded. For those who lost their jobs in the state-owned enterprises and organizations, there has been an erosion of the CSS. For those who had to seek jobs in the emerging private sector had also to contend with much reduced forms of CSS. Such a crisis has perhaps alerted the regimes to the need for ensuring a minimum of protection in the form of BSS as well as CSS. As such the emerging picture is one where there is a differentiation among the former socialist countries insofar as the provision of social security is concerned. It is important to note that some countries have in fact increased their share of public expenditure in BSS (e.g. education and health) as well as in CSS (classified as 'social security'). Those countries that have increased their share of public expenditure in social security seems to be the ones which are comparatively more successful in establishing a democratic political process or those which have faced less civil and political conflicts.

Progress in the developing countries

The rest of this paper will deal mainly with developing country situations since we are mainly concerned with the context and plight of the developing countries. Most of the advanced nations had developed comprehensive social security systems in their own countries by the beginning of the 20th century. However, the colonies under their long rule continued without any meaningful social security arrangements. No worthwhile social security schemes were introduced in these countries, except for some occasional arbitrary schemes for compensation in case of employment injury and maternity benefits in some large scale manufacturing establishments that formed the tiny formal sector. It was only after the First World War in the case of most of the South American countries and after the Second World War in the case of most of the African and Asian countries (after their independence) that some steps were taken towards social security. However, there remains much to be desired in terms of both the benefit levels and coverage of social security in these countries. As we mentioned earlier, the expectations of people in the developing countries are much higher compared to the situation in the developed countries in their early period of the evolution of social security. Moreover, the historical time available to these poor countries is also very short and they are in a way pressurized, due to both internal and external factors, to telescope the time available to

them in meeting developmental goals in general and social security in particular. A greater sense of urgency has now been imparted as a result of the unfolding of a process of globalization driven by the neoliberal ideology that has given rise to a heightened sense of social insecurity among developing countries and vulnerable sections of people within these countries.

In many countries of Asia, famines (which were quite frequent during colonial times) were wiped out. The availability of food was increased. Literacy rates, which were abysmally low in many Asian and African countries, were enhanced to a remarkable degree and school enrolments increased significantly. Health indicators also improved considerably with life expectancy increasing considerably along with a decline in infant mortality rates. Housing conditions were also improved.

These achievements acquire added significance in view of the higher rate of growth of population during 1950-80 as a result of the decline in mortality rates. Yet the overall GDP of the developing countries grew by 5 to 6 percent and per capita GDP grew by 3 percent between 1960 and 1980 (South Commission 1990:33). As the Report of the South Commission noted:

“The countries of the South have followed different paths, and their speed of advance has varied. But the economic and social progress they have made has been impressive and should not be underestimated by comparison with the great distance they still have to travel. Their gains, often overlooked or taken for granted, indicate what the peoples and countries of the South can achieve. They are better equipped for the future because of the past achievements.” (ibid: 25).

The last sentence in the quote may however be contested given the increasingly formidable external constraints that developing countries now face. Equally important is the decline in the effectiveness of political institutions and public policies that ought to have taken care of the broad range of social equity issues that would include the elements of BSS spelt out here.

Within the group of developing countries some countries have shown consistent progress in satisfying the BSS as indicated by the decline in the incidence of income poverty and infant mortality, increase in life expectancy, literacy and school enrolments and a host of related indicators. Many of these are in the populous regions of Asia including not only the south-east Asian countries but also the two large countries of China and India. Latin America had some initial advantages but the performance is differentiated. Sub-Saharan Africa followed by South Asia however has a larger gap to fill in providing BSS.

While thinking about the extension of basic social security coverage, however, it is important to underline the external constraints especially in the current process of globalization.

The External Constraints

The external constraints to the provision of social security – both BSS and CSS – are more powerful at present than they were during the 1950s to the 1980s. The context of national liberation and the impressive growth performance in many countries created a measure of social development that is in tune with our notion of basic social security. The strains in the system started when many developing countries found themselves facing adverse terms of international trade, especially in the case of the export of largely primary commodities to the rich countries. The decline in the real price of certain primary commodities, which were the major sources of foreign exchange to many poor countries, has been phenomenal. The oil price shock of the 1970s added to this problem for oil-importing developing countries. These developments resulted in increasing external debt leading to a debt trap. When in the 1980s these countries approached the Brettonwoods Institutions for assistance they found themselves in a situation whereby they had to agree to ‘conditionalities’ leading to what is called Structural Adjustment Programmes. This was nothing but a strategy for redefining the role of the state in tune with the neoliberal ideology that was by then translated into the policies adopted by the IMF and the World Bank. The creation of the World Trade Organization and the collapse of the Soviet Union accelerated the process of the ascendancy of the neoliberal ideology in which the developmental responsibilities of the state, including that of social security, are sought to be systematically downplayed. Simultaneously the opening up of the markets with reduced tariffs and doing away with non-tariff restrictions were pushed as a global agenda.

In such a scenario we should expect the states to reduce their commitment to the enlarged concept of social security expenditure that we refer to here as BSS and CSS. However, the reality is different, and perhaps complicated. We have therefore classified countries in terms of (a) increase or decrease in the share of public expenditure in national income before and after the mid-nineties (to roughly denote the full-scale pre- and post-globalization), in education, health and conventional social security, and (b) the level in the share of public expenditure in the above items (see Tables 4, 5A and B).

The first to note is that an overwhelming proportion of rich industrialized countries have in fact increased their share of public expenditure in all the three sectors of education, health and social security, the last being the most prominent. This goes to show, in a way, that the regimes in these countries have a different view about the neoliberal agenda in so far as the role of the state in what we call BSS and CSS are concerned. Obviously, this is not what they are seen to be preaching to the poorer countries in the rest of the world.

The second, an equally striking reading, is that among the transitional as well as the developing countries, a majority of the countries have also increased the share of public expenditure in education, health and conventional social security items. The exception seems to be in the case of health expenditure in transitional countries with only 45 percent of the countries registering an increase. Data availability has somewhat limited the coverage of the developing countries but what is available is sufficiently indicative. Close to or more than 60 percent of the countries reported an increase in education and health as well as contingent social security.

While the picture given above should be taken only as an indicative one, the implications of it should not be lost sight of. In rich countries the increase in public expenditure in BSS and CSS should be seen as an affirmation of the role of the state although the political climate at least in some countries conveys a different meaning. In poorer developing countries the increase is a positive sign of the realization of the basic responsibility of the state. However, the outreach of public expenditure is no doubt limited. The expenditure in education and health are mostly directed to urban than rural areas and the funds for contingent social security is mostly spent on workers in the formal economy. Equally important is the fact that there is considerable regional variation in the developing countries, which is briefly dealt with below.

Table 4: Change in public expenditure on education, health care and social security as percentage of national income (number of countries)

Education (between 1985-87 and 1995-97)				
Group	Increased	Decreased	No change	Total
A- Developed countries	16 (73)	6 (27)	Nil	22 (100)
B-Transitional countries	9 (64)	5 (36)	Nil	14 (100)
C-Developing countries	52 (58)	32 (36)	5 (6)	89 (100)
Health (between 1990 and 1998)				
Group	Increased	Decreased	No change	Total
A- Developed countries	16 (67)	6 (25)	2 (8)	24 (100)
B-Transitional countries	9 (43)	11 (52)	1 (5)	21 (100)
C-Developing countries	51 (59)	30 (35)	5 (6)	86 (100)
Social security (between 1990 and 1996)				
Group	Increased	Decreased	No change	Total
A- Developed countries	22 (92)	2 (8)	Nil	24 (100)
B-Transitional countries	6 (86)	1 (14)	Nil	7 (100)
C-Developing countries	34 (85)	6 (15)	Nil	40 (100)

Note: Total number of countries in each row is based on the availability of data. Figures in brackets indicates percentage share out of the respective total.

Source: Compiled on data based on –a) Education: UNESCO, Correspondence on education expenditure data, December 2000. –b) Health: World development indicators, World bank, 2002. –c) Social security: calculated on the basis of data on total debt service and GDP from World development indicators, World Bank, 2002.

Table 5A: Level of public expenditure on education (1995/99) and health (1998/99) as percentage of national income (number of countries)

Group	Less than 2%	2% or more but less than 3%	3% or more but less than 5%	5% or more but less than 7%	7% and above	Total
Expenditure on education						
A-Developed countries	Nil	Nil	11 (46)	11 (46)	2 (8)	24 (100)
B-Transitional countries	Nil	2 (9)	8 (35)	9 (39)	4 (17)	23 (100)
C-Developing countries	10 (10)	17 (16)	46 (45)	18 (17)	12 (12)	103 (100)
Expenditure on health						
A-Developed countries	Nil	Nil	1 (4)	18 (75)	5 (21)	24 (100)
B-Transitional countries	2 (8)	5 (21)	9 (38)	7 (29)	1 (4)	24 (100)
C-Developing countries	41 (41)	36 (36)	19 (19)	3 (3)	1(1)	100 (100)

Note: Total number of countries in each row is based on the availability of data. Figures in brackets indicate percentage share out of the respective total.

Source: Compiled on data based on –a) Education: UNESCO, Correspondence on education expenditure data, December 2000. –b) Health: World development indicators, World bank, 2002.

Table 5B: Level of public expenditure on social security (1996) as percentage of national income number of countries)

Group	Less than 2%	2% or more but less than 3%	3% or more but less than 5%	5% or more but less than 7%	7% and above	Total
A-Developed countries	Nil	Nil	Nil	Nil	Nil	Nil
B-Transitional countries	Nil	Nil	Nil	Nil	Nil	Nil
C-Developing countries	6 (13)	9 (19)	12 (25)	7 (15)	4 (9)	
Group	10% or more but less than 15%	15% or more but less than 20%	20% or more but less than 25%	25% or more but less than 30%	30% and above	Total
A-Developed countries	1 (5)	6 (27)	4 (18)	8 (36)	3 (14)	22 (100)
B-Transitional countries	5 (33)	6 (40)	3 (20)	1 (7)	Nil	15 (100)
C-Developing countries	8 (17)	Nil	1(2)	Nil	Nil	47 (100)

Source: Calculated on the basis of data on total debt service and GDP from World Development Indicators, World Bank, 2002.

In the ‘Buoyant’ Asia

The Asian experiences are often cited as success stories in globalization beginning from East Asia to South East Asia to the large economies of China and India. The success of East and South East Asia dates prior to globalization. But the financial crisis following adoption of the globalization rule of capital account convertibility has brought into sharp focus the specter of exclusion. This is illustrated most dramatically in Indonesia where the financial crisis led to an economic crisis that later turned into a social and political crisis. It has increased the vulnerability of the labouring poor who find themselves in the informal economy (see, for instance, Breman 2002). China is perceived as a willing globalizer but the policies of economic liberalization were started from within without any external pressure on its own terms and timing. In India, the economic liberalization process is somewhat similar to China and, despite considerable opening up of the economy, remains relatively more cautious. These two countries are often cited as more successful globalizers and yet not fully following the globalization textbook as laid down in the Washington Consensus. Yet the Asian scenario is such that it has raised a number of issues in relation to the social dimension of globalization especially that of social vulnerability arising out of inadequate social security and the problem of social exclusion of those who are not able to play by the globalization rules of the game. Employment may have increased but more of it is in the informal economy and away from the concept of Decent Work, not to speak of social security. Disparities have widened in terms of regions within the country (including rural and urban), groups of people, economic sectors and gender. Performance in macroeconomic variables and averages in social indicators often conceal these widening inequalities. Such a scenario underscores the critical need for a broad-based social security that will raise the ‘social floor’ and act as a counter to the tendency of a ‘race to the bottom’. Despite impressive growth in some of the Asian countries such as China and India, issues of quality of employment and social security have gone inadequately addressed. Social policies have taken a back seat over pro-growth (often not pro-poor) economic policies. The relative downgrading of social policies during a period of high growth is indeed paradoxical and perhaps indicates the strong ideological shift away from issues of social equity.

In the ‘Sinking’ Latin America and Africa

The situation in Latin America provides a contrast to that in Asia. Savings rates are low and there is a high level of dependency on external capital flows in contrast to many Asian countries. During the eighties, many countries faithfully followed the rules of Structural Adjustment Programme laid down by the Washington Consensus. The result has been low growth, increased debt burden, low capital flow, increased poverty and declining social security, leading even to social upheaval. Government policies turned out to be more pro-cyclical and volatility of growth became a mirror of foreign investment. Disparities in Latin America are also much sharper as between rural and urban and as between indigenous populations and others. Historically embedded patterns of exclusion go side by side with systems of exclusive privileges created for the elites. The scope for national policy options does exist in Latin America and there is an urgent need to balance economic policies and social policies. Broad-based social security along with measures to enhance employment is urgently called for in Latin America.

Most African countries implemented the prescriptions of the Washington Consensus but that did not lead to sustainable growth or poverty reduction. Both international policies and national context contributed. With predominantly agrarian economies depending on the export of primary commodities, African countries face serious fiscal crisis as a result of huge declines in the terms of trade. Foreign capital flow is insignificant. In many African countries and especially in the sub-Saharan region, the result of widespread poverty, low levels of

industrialization and adverse external factors have led to a weakening of the state. This has been further exacerbated by conflicts within and across countries often involving control over resources that have an attractive global market. Pre-existing exclusionary features such as class or race and the rural-urban divide have contributed to a heightened sense of exclusion. Increased poverty and informalization of employment are some of the manifestations of exclusion. All these point to the need for alternative policies based on social dialogue, better governance to ensure employment with social security to the large mass of poor people.

The regional variations suggest that there is no ‘one size that fits all’ even in matters relating to the extension of social security. As one can see in the Tables given in the Appendix there are a number of countries that commit a higher share of public expenditure in both BSS and CSS that are comparable to the rich industrialized countries. In the growing regions of Asia, there ought to be a greater focus on quality of employment that could be taken care of by strengthening BSS and extending CSS. In Africa extension of social security has to go hand in hand with growth-enhancing policies that should also reduce the dependence of the export of primary commodities. Formal arrangements for both BSS and CSS have a longer history in Latin America but their macro economic and social policies are constrained by external debt burden.

Within regions, there is an equally urgent need to address the issue of inequalities and exclusion. These have region-specific historical antecedents and policy biases. From a social point of view, attention ought to be given to the position of women (especially in relation to education and health) and those belonging to the lower echelons of society. Some of them suffer from the historically embedded problems of social exclusion. Strengthening and extending the coverage of BSS should be viewed as a priority in such situations. Most of those excluded from the coverage of social security in the developing countries are also the working poor. And this calls for specific measures for the extension of CSS to those in the informal economy. As such the question of extending social security gets tied up with the work status of the labouring poor. This calls for an appropriate ILO response in view of its realisation that the world of work is not confined to those who are fortunate enough to be working in what is now frequently referred to the formal economy. As such this particular issue is discussed in some detail in the following section.

5. Issues in the extension of CSS

Our main argument in this paper is for enlarging the concept of social security to include both BSS and CSS and to extend its coverage. Universalization should be the ultimate goal. But the immediately priority should be for a universalist approach to BSS to cover all the poor so as to create a social floor that effectively means raising the minimum social wage. The second one, which also contributes to the creation of a social floor, calls for extension of social security to workers who have not yet been covered. This, as we noted earlier, is mainly a problem associated with the working of the informal economy. While the extension and strengthening of BSS calls for socialization of the costs of collective care (through taxation or other means by the state), the extension of CSS is often associated with the Bismarckian principle of contribution by the beneficiaries. This is often based on the principle of ‘ability-to-pay’. When this principle is extended to such areas as health care, some aspects of BSS are financed within the context of the provision of CSS. For example, introduction of a health insurance system could take care of not only such contingencies as sickness and accidents but also some aspects of basic social security such as child delivery and maternal care. However the conceptual distinction between BSS (to meet deficiency) and CSS (to meet contingencies) remain unaltered although they could be combined in certain forms of financing. As we shall see later, we have developed a typology of social security schemes (BSS or CSS) that highlights the various ways in which financing aspect is taken care of under alternative organizational arrangements.

Considerable literature exists on the nature, character and size of the informal economy. There has been some confusion between ‘informal workers’ and ‘informal sector’. As the Report to the International Labour Conference on Decent Work and the Informal Economy (ILO 2002) demonstrated, this could be conceptually taken care of by linking the informal workers in the informal sector and outside (see Table 6). Here we summarize this conceptualization with a view to identify the segments of workers who face the most deficiency with respect to CSS.

The typology of workers in the informal economy, shown in Table 6, suggests itself the interaction between the informal enterprises and informal work. However, a generic definition might be needed here so as to clear some oft-repeated ambiguity. Laws relating to size of enterprises, capital, use of electrical energy, etc often decide informal enterprises. The differential standards applied in different countries often contribute to the confusion than any conceptual clarification. From the social security point of view, a generic definition of an informal enterprise would be one which is functioning outside the legal parameters governing the setting up of enterprises. As such employees in these enterprises do not enjoy legally enforceable security in employment, wages and non-wage benefits. Absence of any legally binding social security provisioning is therefore the hall mark of an informal enterprise. On the other hand, informal work relates to the status of a worker who does not enjoy any work-based social security protection, either legally or illegally. This is because there could be enterprises which are required to provide social security but do not do so by resorting to unreported work, contract work, piece-rated work and similar mechanisms to avoid the obligations to provide social security. There is a large intersection between the informal enterprises and informal work but there exist the case of informal workers in formal enterprises as well as formal workers in informal enterprises (see, e.g., Harriss, Kannan and Rodgers 1990).

From the point of social security cover, the most vulnerable sections of workers in the informal economy belongs to the Cells 3, 9 and 10 (e.g. street-vendors and home-based workers) followed by Cell 5 (contributing family workers with or without wage payment). Next in line of vulnerability would be Cell 6 (those working in so-called enterprises often with very little physical capital – e.g. handicraft and cottage industrial units and similar labour-intensive activities). To this segment we should also add those informal workers in producer cooperatives (Cell 8). Perhaps the least vulnerable would be the informal workers in formal enterprises (Cells 1 and 2) who are often wage workers with regular employment but hardly any job protection or non-wage benefits. However, it is not rare to find significant sections of informal workers in formal enterprises (Cell 2) working under abominable conditions, as for example, in plantation and construction companies. But they are easily identifiable if appropriate social security laws are enacted and implemented.

From the point of extending social security of the CSS type the most deserving would be the most vulnerable. However, extension of social security to these workers could be the most difficult in view of the problem of worker identification, lack of proper work-place identity, lack of organizational identity, lack of regular work, etc. While the informal workers in formal enterprises would be the easiest to extend coverage (because identification of organizations would not be a difficult problem), they may not be the ones deserving the highest priority. As such, a fundamental dilemma exists between operational feasibility and degree of vulnerability. This calls for innovative approaches.

Table 6: A typology of workers in the informal economy

Job status by employment	Production unit		
	Formal sector	Informal sector enterprises ^a	Households ^b
Own account workers	Formal		
	Informal		9
Employers	Formal		
	Informal		4
Contributing family workers	Informal	1	5
Employees	Formal		7
	Informal	2	6
Members of producer cooperatives	Formal		
	Informal		8

Notes: ^a As defined by the Fifteenth International Conference of Labour Statisticians in 1993. ^b Households producing goods for their own final use and households employing domestic workers.

Unnumbered cells refer to jobs that by definition do not exist in the type of production unit in question or refer to jobs that exist in the type of production unit in question but which are not relevant to our concerns. The numbered cells are the focus of our concern – they refer to types of jobs that represent the different segments of the informal economy.

Cells 1 and 5: Contributing family workers: no contract of employment and no legal or social protection arising from the job, in formal enterprises (cell 1) or informal enterprises (cell 5). (Contributing family workers with a contract of employment, wage, social protection, etc. would be considered employees in formal employment.)

Cells 2, 6 and 10: Employees who have informal jobs, whether employed by formal enterprises (cell 2) or informal enterprises (cell 6) or as paid domestic workers by households (cell 10).

Cells 3 and 4: Own-account workers (cell 3) and employers (cell 4) who have their own informal enterprises. The informal nature of their jobs follows directly from the characteristics of the enterprise they own.

Cell 7: Employees working in informal enterprises but having formal jobs. (This may occur, for example, when enterprises are defined as informal using size as the only criterion.)

Cell 8: Members of informal producers' cooperatives.

Cell 9: Producers of goods for own final use by their household (e.g. subsistence farming).

Source: ILO (2002:123)

Such approaches have been evolved in different countries in the form of organizing the workers in the informal economy and evolving suitable organizational models to meet specific problems, an issue that we shall discuss later. An example of such innovative approach is the Welfare Fund Model that has been evolved over a period of three decades and now covering a significant section of informal workers in the State of Kerala in India (see Kannan 2002). This model also addresses the problem of state-financing of CSS for workers in the informal economy.

It is not necessary here to elaborate the nature and characteristics of the informal economy. However, a brief summary of the main issues may be in order to focus on the issue of extending the coverage of social security to meet contingencies.

The magnitude: Unlike in the developed and transition economies, the informal economy is the one in which a majority of the workers work in the developing countries. On an average this is reckoned to be around 80 percent of the workers including those engaged in agriculture and related primary sector activities. There are regional variations with sub-Saharan Africa and South Asia where the workers in the informal economy constitute around 90 percent. In South East Asian developing countries the share is around 80 percent. In Latin America there is a wide range from 10 percent to 80 percent. Therefore the challenge of providing a measure of social security to meet contingencies is one of covering the workers in the informal economy.

Gender dimension: One of the most vulnerable workers in the informal economy is the labouring women since a greater share of adult women find themselves working in the informal economy compared to adult men. Very often the position of women workers in the informal economy is more vulnerable than the men because they face very little opportunities to find employment outside the informal sector. These are the women working in home-based activities, street vendors and similar occupations with very little of capital as well as contributing workers in family enterprises (Cells 3, 5, 9 and 10 in Table 6). Extending the coverage of social security to the informal economy has an important gender dimension in so far as it addresses the concerns of the labouring poor women.

Covering the formal sector: Given the fact that formal sector enterprises do resort to a strategy of employing workers on an informal basis (i.e. without social security as well as job protection), one aspect of the issue of extending social security is to address the formal sector enterprises. This is less difficult than those working in informal sector enterprises.

Focus on social insurance: While extending the social security coverage to meet contingencies involves a number of requirements, it is important to focus on the social insurance requirements of workers in the informal economy. Since the problem of deficiency (poverty and deprivation) has been dealt with in the concept of extending BSS, the contingent social security (CSS) requirements is mainly in the nature of social insurance. The contingencies that call for social insurance that have been rightly covered by the ILO Convention No.102 (Social Security (Minimum Standards) Convention, 1952) are: medical

care as well as sickness, unemployment, old-age, employment injury, family, maternity, invalidity and survivors' benefit.

Need for multiple strategies: The discussion on extension covers basically three strategies. One is the contributory social insurance schemes; second, the tax financed schemes provided to low income groups and third universal benefits (to all citizens without any means-testing). While discussing the extension to the informal economy, the relevant strategies are the contributory schemes and the tax-financed schemes or a combination of the two. Maternity and old age should belong to the category of BSS since they are not adversities. However, they are often covered by CSS schemes. Ideally they should be covered as part of citizens' entitlements. When they do, the burden on the CSS will be relieved to that extent. When they do not, the entitlements often come through the status as worker (through contribution to a CSS). In several practical contexts, we should recognize that part of the BSS is often taken care of within the context of CSS.

6. Alternative models to the extension of social security

Lessons from ILO and other studies

The current context is such that there has to be an active search for alternative models for the extension of social security in the developing countries. Most developing countries (as well as Transitional Countries) have been facing a fairly long period of declining growth rates of their economies coupled with a prolonged crisis in public finance. External economic conditions have been largely unfavourable for quite sometime. This calls for a combination of different models to achieve the goal of extension of social security especially to the unprotected workers and the poorer sections of the population. In this context it is heartening to note the conclusions of the 89th International Labour Conference (ILC) held in 2001. We quote the following two to highlight (a) the recognition accorded by the ILC to what we may call foundational character of social security in every country, and (b) the need to take into account alternative models for the provision of social security based on certain core principles.

“Social security is very important for the well-being of workers, their families and the entire community. It is a basic human right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of government social policy and an important tool to prevent and alleviate poverty. It can, through national solidarity and fair burden sharing, contribute to human dignity, equity and social justice. It is also important for political inclusion, empowerment and the development of democracy.” (ILO 2001:2)

“There is no single right model of social security. It grows and evolves over time. There are schemes of social assistance, universal schemes, social insurance and public or private provisions. Each society must determine how best to ensure income security and access to health care. These choices will reflect their social and cultural values, their history, their institutions and their level of economic development. The State has a priority role in the

facilitation, promotion and extension of coverage of social security. All systems should conform to certain basic principles. In particular, benefits should be secure and non-discriminatory, schemes should be managed in a sound and transparent manner, with administrative costs as low as practicable and a strong role for the social partners. Public confidence in social security systems is a key factor for their success. For confidence to exist, good governance is essential.” (ibid.)

It is in this background that we seek to highlight some of the issues that need to be thought through. The recent studies by the ILO that we have considered for our discussion are summarized in Table 7. Two issues that are prominent in these studies relate to health care and old age (and the related) pension schemes. In terms of exploring alternative models of social security, two important aspects that have also been examined in these studies are (i) source of finance, and (ii) organizational form. These are certainly the two core aspects that are generic to any model of social security. Combining these two aspects, we construct a basic typology of social security models in Table 8. Thus these models could be discussed, either individually or in combination, with respect to (a) BSS and CSS, (b) different sections of the population and, (c) different social security concerns (e.g. health, old age). The need for examining such a typology could be justified on the ground that a model that is solely based on the direct role of the state may not be feasible in most, if not all, developing countries for a variety of reasons. However, for any social arrangement to provide social security calls for an active role for the state that could take a variety of forms such as public policy, legal backing, organizational support, financial assistance and so on. That is why the three organizational models –

Table 7: Recent ILO studies on extension of social security

Type of soc secty	Sponsred	Eligibility	Financing	Coverage	Remarks
Old age pension					
Namibia Schleberger 2002)	State	All resident citizens above 60 years regardless of income status	Non-contributory. Tax financed	High (above 90%)	
Brazil (Schwarzer and Querino 2002)	State	All rural workers (60 years for men and 55 years for women)	Non-contributory Tax financed	Significant	For rural population only.
Brazil (Schwarzer and Querino 2002)	State	Means-tested (only for the poor) 67 years and above	Non-contributory Tax financed	High (86% in 1999). Apart from old age, disability and invalidity also covered.	For urban population only.
Costa Rica (Duran-Valverde 2002)	State	Elderly poor who are not protected by any of the contributory pension scheme.	Non-contributory Tax financed	Significant (55% coverage)	Despite low income, Costa Rica is well known for its high social development.
Argentina (Bertranou and Grushka 2002)	State	Elderly poor (above 70 years) without financial support from relatives.	Non-contributory Tax financed.	5% of population above 65 yrs. Also covers disability, war veterans, etc.	Poverty reduced by 31% among beneficiaries; extreme poverty reduced by 67%.
Social insurance for health care					
Senegal (Fall 2002)	Non-State	Membership on a voluntary basis	Contributory	Limited coverage. Membership range from a few hundred to a couple of thousands only.	Around 70 MHOs listed including those in the process of establishment.
Korea (Republic) (Kwon 2002)	State-led and supervised	To all workers including the self-employed	Contributory with state subsidy	All population	“ social insurance accounts for less than 45% of personal health care expenditure”.
Universalization of social security Tunisia (Chaabane 2002)	State-run	To all workers including self-employed, workers in agriculture, students and Tunisian workers abroad	Contributory for workers and tax financed for the poor.	High coverage. 83% of those employed plus destitute and disabled.	State initiative was an important factor in wide coverage.

Table 8: A typology of social security models

Organisational character	Source of finance			
	Contributory	Non-contributory	Part contributory	
	1	2	3	
State	1	1-1	1-2	1-3
Non-State, Non-Profit	2	2-1	2-2	2-3
State-Non-State Partnership	3	3-1	3-2	3-3

Note: As mentioned in the text, this typology can be applied to any social security arrangement whether in the category of BSS or CSS.

state, non-state but non-private and state-non-state partnership, seek to impact a sense of the ‘social’. As such we omit here the role of private organizations/institutions that often provide security to its contributing members such as those providing life insurance, old age pension, medicare, etc. The underlying principle here is the provision of a benefit to those who can afford to ‘purchase’ the same on the basis of the market principle followed by the provider.

- ◆ **State and contributory:** Such a model is by and large found in social security schemes provided to employees of the government and public sector organizations through such schemes as Provident Fund and old age pension. Through legislative enactments such schemes are also made compulsory for those formally employed in the formal enterprises and establishments in the private sector. The contributions are made both by the employees and their employers. Such a model is prevalent in most of the countries. Given the large size of workers in the informal economy in most of the developing countries, such social security has eluded the majority of the working poor.
- ◆ **State and non-contributory:** In this model the social security provisioning takes the character of social assistance programmes such as the pension for the elderly poor and those affected by such situations as invalidity and destitution. Such schemes are usually tax financed and they are often referred to, a la ILO, social assistance programmes. Such schemes, though by now common in the Developed and Transitional Countries, are also found in Developing countries as the examples in Table 7 would attest.
- ◆ **State and part contributory:** This model is now being increasingly experimented in many developing countries in such areas as health care and education. This is not driven by the objective of expanding the provision of such BSS services but as a second best solution

arising out of the fiscal crisis of the governments. Such crisis situations are often linked to the indebtedness of governments and the consequent recourse to what is called the Structural Adjust Programmes requiring a reduction in the fiscal deficits. In this model the contribution of members comes in the form of user fees which recover part of the cost of provision of a given social security. In terms of our discussion, such models are now experimented in providing Basic Social Security (BSS). The ability-to-pay or, rather, the inability-to-pay of poorer sections often makes such a model less attractive from a social equity point of view. When the costs of such BSS provisioning as health care are passed to the people in the form of user fees or a premium for insurance, the social aspect of such social security schemes gets weakened. However, they are better than no provisioning.

- ◆ ***Non-state, non-profit and contributory***: Quite a large number of small scale social security schemes belong to this category. The non-state, non-profit (often non-private) character of organizations takes many forms as such as trade unions, community organizations, and NGOs (organizations working with a social purpose without profit motive often receiving external funds). Examples of such organizations are many in the history of social security. One of the prominent and well documented examples is that of the workers' mutual benefit societies (see, e.g. Linden 1996). In this case, the social security was sought to be provided to worker-members as they were exposed to multiple forms of insecurity and vulnerability. This also contributed to the making of a strong sense of solidarity. Although such examples are not many in contemporary developing countries, there are a few outstanding examples of this model among the workers in the informal economy. Mention may be made here to the Self Employed Women's Association (known as SEWA) in India and the Self Employed Women's Union (known as SEWU) in South Africa. Both function as trade unions among one of the most insecure sections of informal workers – urban street vendors, home-based workers – but has also addressed the question of providing some social security especially in health care.

- ◆ ***Non-state, non-profit and non-contributory***: Such models are adopted by charitable, philanthropic, community and other non-profit organizations working with a social purpose. Historically, religious organizations have played, and continue to play, an important role in sustaining this model of social security provisioning especially in such BSS areas as school education and primary health care. Many non-religious and non-sectarian organizations have come into this arena in the form of concerned NGOs providing a range of social security (literacy, school education, health care, housing, caring of the aged and invalid) to the poorer sections. However, the outreach of this model is usually limited either by design or by financial/organizational capacity.

- ◆ ***Non-state, non-profit and part contributory***: This model is often a sub-set of 2-1 in which non-profit organizations charge a user-fee to the members. This is again often seen in such areas as education and health care.

- ◆ ***State-non-state partnership and contributory***: This model is now increasingly acquiring significance in the context of the need to extend social security to the informal workers. Here new forms of organizations are created to mobilize and manage specified social security provisioning based on contributions from workers. An example of this model are the Welfare Fund Boards set up on a tripartite basis (employers, workers and the state) for several informal sector workers in India. Such a model has become the standard one in

CSS in the State of Kerala in India (see, e.g. Kannan 2002). There could be other examples such as the recent one in Tanzania where a network of social security mechanisms are created to meet health care requirements through a partnership of the state with developmental NGOs, religious institutions (Church) and external donors (e.g. Steinwachs 2002). The attraction of this model is that it provides a space for creative cooperation between civil society organizations and the state. It also creates a space for sharing of responsibility. The credibility of such a model would however depend on the outreach, content and effectiveness in the provision of social security.

- ◆ ***State-non-state partnership and non-contributory***: These models are also not rare in many countries. Typical examples are primary and secondary schools and health care centers, old age homes, and care of the invalids providing free service with financial support from the state, often in the form of grant-in-aid. Here the state confines itself to financial support while the organizational and managerial responsibilities are taken care of by civil society organizations. Such a model helps to enlarge the space for organizations with a social purpose in general and taking care of the poorer and weaker in particular.

- ◆ ***State-non-state partnership and part contributory***: This model relates to a partnership between state and civil society organizations with beneficiaries sharing a part of the cost of providing the specified social security. This could also be seen as a variant of 3-1. Examples may not be many.

Arising out of the conclusions of the 89th Session of the International Labour Conference in June 2000 (see ILO 2001), the ILO has initiated a series of studies to find out ways and means of extending social security to all those who do have it, especially in developing countries. The approach of the ILO has been elaborated in Reynaud (2002). A number of discussion papers have been published as part of a campaign to promote the extension and coverage of social security including a review of the main trends and policy issues with regard to the situation in developing countries (Ginneken 2002). A number of ILO studies cover cases that belong to 1-2 dealing with social assistance programmes for providing a pension to the elderly poor and similarly disadvantaged sections in the society. Most other studies deal with the health care issues that have encompassed a larger number of models especially 1-1, 1-3, 2-1 and 3-1 to 3-3 categories (see Table 7).

In the models in which the funds are tax-financed and the social security is targeted to the most deserving (old age pension to the elderly poor), there is the need for extending the coverage both across countries and within countries. The case studies demonstrate the feasibility of extension without waiting for more favourable factors (such as growth in income) to emerge. However, where the numbers involved are large and the social security is basic (e.g. health care), the emerging picture points to the serious constraints in several countries. Given the context of increasing economic liberalization and the consequent globalization of the economies of the developing countries, there is an unwarranted tendency to emphasize the constraints on the ability of the state for extension of social security. Conversely, the apparent feasibility and success of many non-state initiatives have instead been highlighted. The latter is mostly, if not only, in the area of introducing social insurance to cover health risks through micro insurance programmes. Here the burden of insurance premium falls on the beneficiaries and when they are too poor to afford the same (or low premiums cover only a small part of the health care requirements), the objective of extension is often a casualty.

From the point of extension of social security, valuable lessons can be learned from the case studies of universal coverage for health care in South Korea (Kwon 2002) and a near universalization of social security in a low income country such as Tunisia (Chaabane 2002). The experience of the State of Kerala in India also belongs to the category of universalization of BSS for all and CSS for the poor (see, e.g., Kannan 2001). These universal programmes are not without their problems in implementation and administration but they represent important attempts in the goal of universalizing social security especially to the poorer sections. More studies on such on-going experiments are called for to understand the historical factors, social dynamics, political and economic contexts and organizational mechanisms.

It should be noted here that most of the studies examine the supply-side of the problem of extending social security. Historical experience suggests that the demand side is an equally critical one especially for the effective functioning and sustenance of the social security system. It is here specific case studies will have to examine the historical context of the countries, the articulation of demand for social security, the role of organizations of workers, civil society advocacy groups and others who have brought this agenda to the forefront.

It is here the relevance of extension of social security to workers in the informal economy assumes importance. Several initiatives have taken place in different developing country contexts and they encompass the possible alternative models that are shown in Table 8. As such the typology given in Table 6 could be of help in the analysis of existing social security arrangements as well as designing policies for extension. Country-specific studies to bring out the existing and/or preferred models could be analyzed in the larger historical context as well as in relating to the current macro economic and social policies. In terms of the content of social security, the core concerns cutting across different countries could be highlighted so that they could provide informed inputs to international discussions and policies. National policies often evolve out of best practices, either within countries or outside. Designing of appropriate national policies could therefore be advanced by highlighting the best practices of the different models given in our typology.

7. Linkages in extension of social security, poverty reduction and development

7.1 Social security and poverty reduction

When social security arrangements are institutionalized, they address the problems of deficiency and adversity in collective terms. By definition, addressing the problem of deficiency contributes to poverty reduction. As we noted earlier, a narrow definition of poverty in terms of minimum consumption expenditure or the one that emphasizes the income dimension alone may not provide a satisfactory link between extension of social security and poverty reduction. The notion of poverty that conceptually links extension of social security with poverty reduction is that of deprivation. Such deprivation should include the minimum consumption of food and other essentials, health status, minimum education and housing. This is closer to the notion of human poverty to indicate the various manifestations of deprivation. As such the notion of BSS emphasizing food security, health security, educational security and housing security is an attempt to link the human deprivation with a security-oriented notion of

meeting the basic needs. Such a security-orientation could liberate the poverty reduction attempts beyond their ad hoc and/or short-term consideration to one of the need to create institutional mechanisms to address problems of deficiency as a foundational one to all development goals.

While the very many poverty reduction approaches and programmes in several countries could usefully be interpreted as addressing the need for BSS, the importance of the institutional dimension should get particular focus in the discourse on extending social security. The nine different generic models of social security presented in Table 8 could then be subjected to detailed investigations so as to bring out the most enduring models both historically and in the contemporary developing country contexts.

The adversity dimension also is closely related to poverty. The poor are the most vulnerable and as such addressing the problem of adversity also contributes to poverty reduction. In developing countries, situations of adversity are as important, if not more, as deficiency. Survival in old age is a matter of serious concern to the poor. Health-related adversities such as sickness and death, especially of the main earner, often results in enhanced poverty or falling into poverty for those who are just above the poverty margin. The vicious circle of poverty often gets perpetuated because of such adversities as sickness or death of the main bread-winner and prolonged unemployment. To this should be added such adversities as natural calamities (flood or drought) or loss of agrarian assets such as cattle.

Social security and development

The linkage between social security – the way in which we have conceptualized it here – and poverty reduction would seem quite straightforward. But the linkage between social security and development may not be so straightforward given the complex processes through which the linkages have to work themselves out and the presence of necessary conditions in a given context. The issue has to be viewed at two levels; one, at the theoretical level and the other at the empirical level.

At the theoretical level there is a school of thought, supported and propounded by the Bretton Woods institutions, that expenditure on social security provisioning by the state (sometimes referred to as welfare expenditure) should be kept to the minimum because they often do not contribute to efficiency and growth in the economy. Such a theoretical position has been translated into policy recommendations especially to countries facing fiscal constraints. The rise of the neoliberal ideology and its political implications at the global level has witnessed either stagnation or a decline in social sector expenditure in a number of countries where the levels were already low to begin with. In a number of developing countries where there has been some increase in public expenditure for BSS and CSS, their levels remains so low as to provide any meaningful coverage especially to the poorer sections. In fact governments in an overwhelming majority of developing countries allocate considerably lower shares of their income as public expenditure for BSS and CSS. On the other hand, rich industrialized countries have a very high public expenditure on CSS that are seven to eight times that of the developing countries. Even in public expenditure for such BSS items as education and health, the share are more than twice that of the developing countries. Despite the system-wide economic and political crisis and the problems in transition to market-based economic activities, the transitional countries commitment to comprehensive social security (BSS and CSS) resemble more to the situation in the developed countries than that of

developing countries (see Tables 5A and B). Particularly striking is the decline in social expenditure in such fast growing economies as China where institutionalized arrangements for meeting a broad range of social security have witnessed a slow withdrawal .

Empirical evidence to support the above thesis is not easy to find. At best the results are quite nuanced. In his *Determinants of Economic Growth*, Barro (1997) reports the positive impact of initial level of human capital (in terms of education and health) on growth. While growth per se is not constitutive of development, there should not be any doubt about the need for growth for poor developing countries to achieve a measure of development. The results reported are for the impact on schooling and life expectancy (proxy for health) for a cross-section of countries. There are many nuances in terms of schooling and whether it is for males and females. Education of women was not directly associated with growth but as the author explains: “female schooling is important for other indications of economic development, such as fertility, infant mortality, and political freedom. Specifically, female primary education has a strong negative relation with the fertility rate. A reasonable inference from this relation is that female education would spur economic growth by lowering fertility...” (p.21)

Another empirical work relates to the effect of welfare spending on competition in the context of globalization. The study covers 44 developing countries (Rudra 2002:165 in Chan and Scarritt). The findings are ambiguous in the sense that they do not suggest any clear nexus between welfare spending by governments and competition. To quote the conclusion of the author:

“The evidence presented in this chapter strongly indicates that globalization variables are not responsive to changes in domestic welfare spending. Its reassessment of the globalization-welfare nexus casts much doubt on the conventional wisdom that greater government spending on social programs creates production inefficiencies and encourages capital flight. Simply put, causality between globalization and welfare is not unidirectional. A fundamental flaw in the logic of the conventional wisdom is revealed when cause and effect are investigated separately. Thus, the dynamic nature of the globalization-welfare relationship must be understood so that more valid conclusions can be drawn. Results from the inter-temporal models used in this analysis emphasize the fact that LDC governments can make the political choice to increase social spending without affecting international competitiveness in the current era of globalization.” (165)

The ILO’s position has been clearly articulated by the 89th Session of the International Labour Conference in 2001 quoted earlier. The position of the ILO reflects a much broader constituency in that it reflects the position of 177 countries represented by their governments, employers and workers. It goes beyond the functionalist argument of social security spending’s contribution to growth. As such it emphasizes the link between a broad range of concerns that together constitute development interpreted in a holistic sense. It emphasizes well being of workers, their families and the entire community, social cohesion with peace and social inclusion, and alleviation of poverty. It calls for fair burden sharing aimed at human dignity, equity and social justice. Social security is also seen as important for political inclusion, empowerment and development of democracy. In a nutshell the ILO position on social security is articulated in terms of human development with human dignity.

There is therefore a need to go beyond the limited nexus of social security with economic efficiency measured in terms of economic growth. Countries that give less priority for social security expenditure might be paying a higher price in terms of problems of loss of social coherence such as crimes and violence, group conflicts, problems arising out of social exclusion and so on. High and sometimes increasing inequalities go along with a lesser concern for social security issues. These are areas that need to be investigated in order to fully articulate the broader range of the nexus between social security and development.

A case however also exists in investigating the nexus between social security, human development and long-term economic growth (higher per capita income) with reduced or lower levels of inequality.

8. By way of conclusion:

8.1 Issues in extending social security in a globalising world

We have traversed through several arguments for enlarging the concept and content of social security. The backdrop for our arguments is the current process of globalization, which calls for a global approach to the issue. Instead of summarizing the arguments we highlight below a set of issues that call for focused attention both at the international and national levels. The need for systematic documentation of best practices covering the whole range of social security models presented in Table 8 is emphasized here.

1. The period of three decades or so following the end of the Second World War witnessed a steady progress in the provision of social security in almost all countries of the world compared to their earlier record. However, since the eighties there is an increasing sense of insecurity that has only heightened in the nineties. While the social security system in the developed countries remained more or less intact (with minor bruises here and there), there has been a decline in the provision of social security in former socialist countries as well as in many developing countries notwithstanding the gains made by a few countries in retaining and extending social security.
2. The heightened sense of insecurity of people everywhere is not unrelated to the current process of globalization. In fact, it is one of its offshoots. There are several reasons for this. The emphasis on labour market flexibility leading to casualization of employment that places a negative premium on job protection and work-based social security is one reason. The other reason is the emphasis on the limited role of the state in areas including social security. All these are legitimized in the name of enhancing efficiency interpreted in terms of increasing the growth of output in the economy. The larger social and political dimensions of human security are thus often overlooked.

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3. The ILO's call for a global campaign on extending social security assumes critical importance in such a context of increasing social insecurity the world over. One of the main sources of opposition to the current process of globalization springs from this sense of insecurity of people, including workers and the unemployed. From the point of developing countries and the objectives of development, the global campaign need to take into account the distinction between basic social security (BSS) and the contingent social security (CSS) because they address the two basic dimensions of social insecurity i.e. deficiency and adversity. The success of CSS is dependent on the existence of BSS.
 4. This calls for a focus on the social dimensions of globalization with particular reference to the need for social security. The context of globalization has to be made favourable to the developing countries. This demands that global macro economic policies will have to be balanced with macro social policies. One such social policy is the need to create a 'social floor' in every country in terms of the provisioning for BSS and arrangements to take care of CSS. This will, among other, reduce the 'race to the bottom' and contribute to the enhancement of basic human development indicators that should, in the long run, contribute to not only economic efficiency but social peace as well. The objective of creating a 'social floor; and the expected benefits from there will not be realised if it is implemented only in a few countries. It is therefore imperative that the agenda of globalization should also promote macro social policies. The declaration of the 89th Session of the International Labour Conference is a positive step in this direction.
 5. There are several models of providing social security, especially in developing countries. However, the centrality of the role of the state should be recognized if the social security system has to cover all the poor and vulnerable population. This is especially so in the case of BSS, which is foundational, and hence should be universal to the population who are identified as poor. Models of CSS are many but the coverage is often quite low. In many instances, the 'social' character is also questionable and often relies on appeals to self-interest or voluntarism. While voluntarism should be encouraged as part of 'social concern', it is seldom – in history – found to be a substitute for what the state – a social institution – has provide for.
 6. Financing social security has been a major concern. This is especially so in low income countries. However, the ability to provide a modicum of social security is not necessarily dependent on the dynamics of growth. It could be linked to the level of per capita income that would indicate the scope for a measure of redistribution through a process of 'leveling up' of those in the bottom. The 'social' dimension of social security provisioning is logically linked to the collective care arrangements. Here again the role of the state is prominent and tax-financed systems assume an important route for the provision of social security especially the BSS. Detailed studies analysing the experiences of countries and regions with low income but broad-based social security are therefore called for with a view to assist others in the analysis and design of social security policies.
 7. Contributory social security is often seen in the case of CSS. One of the main challenges in extending social security of the CSS type in developing countries is the existence of informal economy and a high share of workers engaged in it. Some

‘ability-to-pay’ exists even in the informal economy, as the different studies suggest, but there is need for an appropriate organizational mechanism. Here there is considerable scope for the partnership between state and non-state organizations. Some documentation exists but more studies especially covering the best practices are called for.

8. A number of studies on different models of social security and their functioning emphasize the supply side of the problem such as ‘how to provide’, ‘whom to provide’ and so on. Very few studies focus on the demand side of the problem in terms of the sources of demand for social security, the ways in which such demands are articulated and channeled and the agencies that play a critical role in linking such demands with supply side solutions. More studies are therefore called for in understanding the nuances of the demand side of the problem.

9. It is in studying the demand side of the problem that the historical dimension could be brought in with a view to draw appropriate lessons from history. Very few studies give emphasis to the historical dimension. There is considerable literature on the historical experience in the extension of social security in not only the advanced industrialized countries of today but some of the developing countries as well. The historical context of earlier experiences is certainly different from the present one but it is here the challenge of extending social security could generate innovative approaches.

10. The above issue is particularly relevant in the case of extending social security to the workers in the informal economy. The prospects of the formal economy absorbing the workers in the informal one are quite bleak. And the co-existence of the formal-informal economies is at the core of dualism in most developing countries. The challenge therefore is one of ‘formalizing’ the informal economy in some respects, and not vice versa, as implied in neoliberalism. The provision of social security is such a challenge that should reduce the gap between the informal and formal economies.

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