



▶ Social Protection in Action: Building Social Protection Floors for All

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Paraguay: Ratification of the Social Security (Minimum Standards) Convention, 1952 (No. 102)

Summary

On 21 September 2021, the Congress of Paraguay approved the ratification of the Social Security (Minimum Standards) Convention, 1952 (No. 102) through Law No. 6791, reaffirming its commitment to the progressive consolidation of a universal, comprehensive social protection system that provides adequate levels of protection.

The formal ratification of this landmark Convention was registered by the ILO Director-General on 25 October 2021, the date on which the instrument of ratification was registered with the Office of the Legal Adviser. As a result, Paraguay became the 60th country to ratify Convention No. 102, committing to provide minimum levels of protection for six of the nine social risks listed in the Convention, namely: medical care (Part II); sickness benefit (Part III); old-age benefit (Part V); employment injury benefit (Part VI); maternity benefit (Part VIII); and invalidity benefit (Part IX).

Main Lessons Learned

- ▶ Paraguay's efforts in establishing a comprehensive social protection system have allowed the country to move towards the universalization of its social protection system and to integrate contributory and non-contributory schemes, with the aim of achieving significant progress in social inclusion.
- ▶ The ratification of the Convention was the result of a long process of social dialogue, which was initiated in 2012, and it constitutes an unequivocal sign of Paraguay's commitment to maintaining a sustainable and adequate social protection system, as well as to strengthening existing mechanisms to guarantee the population's access to social rights.
- ▶ The ratification of the Convention further provides a regulatory framework of the minimum parameters applicable to each of the pension funds that integrate the Paraguayan system, especially the Social Security

Social Protection Floors Recommendation, 2012 (No. 202)

SDG 1.3 aims to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable.

Social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons. 187 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), to achieve universal social protection.

The ratification of Convention No. 102 demonstrates the strong commitment of Paraguay to achieve a more equitable society by building a sustainable and coherent social protection system that is more inclusive and provides access of the population to social security rights. It further ensures that entitlements to benefits are prescribed in national law and that these benefits are adequate and predictable, contributing to the guiding principles set out in the Social Protection Floors Recommendation, 2012 (No. 202).

Institute. This will guarantee the population the adequacy, predictability and quality of social security benefits throughout the entire life cycle.

Context

The commitment by the Government of Paraguay to achieve the Sustainable Development Goals (SDGs) by 2030 provides an ambitious set of targets. In this context, the implementation of public policy coordination mechanisms and the development of a sustainable and rights-based social protection system are crucial.

In this framework, Decree No. 376 of 5 October 2018 provides a blueprint for the development of Paraguay's social protection system, which seeks to coordinate and articulate the interventions of the various public institutions responsible for the delivery of social protection, thereby facilitating access to comprehensive and rights-based social protection systems for the population throughout the life cycle. It further places special emphasis on protecting children, young people, women, indigenous peoples, and persons in vulnerable situations.

Consequently, the articulated strategies of the public sector are grouped into three basic pillars of the social protection system: (1) social integration, related to non-contributory policies and schemes; (2) productive employment and labour market regulations; and (3) social security, referring mainly to contributory schemes.

As such, Paraguay's efforts in establishing a comprehensive social protection system have allowed the country to move towards the universalization of its social protection system and to integrate contributory and non-contributory schemes, with the aim of achieving significant progress in social inclusion.

Notably, aiming to address challenges related to the structure of its labour market, pillar 2 seeks to facilitate the inclusion of those in the informal sector to secure their access to decent work.

The Integrated Strategy for the Formalization of Employment, approved by Decree No. 818/2018, aims to reduce informality in the labour market and progressively increase the coverage of the social protection system for workers, establishing specific actions for inspection, regulatory modernization, and the consolidation of regulations on new forms of employment.

Regarding contributory systems, Paraguay has made great efforts to increase social security coverage, especially for salaried workers in the private sector, for example by

implementing specific strategies to combat informality and undeclared work, improve benefits and strengthen the performance of the system, while complying with the principles of solidarity and financial sustainability.

Process of ratification of Convention No. 102 in Paraguay

Since 2012, Paraguay has worked with the ILO to analyse the prospects for the ratification of Convention No. 102 and its incorporation into national legislation. At that time, the Ministry of Justice and Labour requested the ILO to prepare a comparative assessment of the national legislation and practice against the requirements and parameters of Convention No. 102. The ILO's report identified different obstacles to the ratification of the Convention, including the low participation of employees in the social security system and the effort required to extend coverage. The report also noted the possibility of adhering to the temporary exceptions established in Convention No. 102 (Art. 3). Despite the challenges encountered, this first report concluded that Paraguay complied with the minimum requirements established for medical care, old-age, maternity, disability, and survivors' benefits, but not with those concerning family benefits and unemployment benefits. As a result, it was decided to not yet initiate the ratification process of Convention No. 102.

Subsequently, the Ministry of Labour, Employment and Social Security (MTESS) was created by Law No. 5115/2013, separating the new institution from the Ministry of Justice. In 2014, the MTESS signed an agreement with the ILO on decent work, which included a strong component on social security.

Following the implementation of the agreement, different workshops on international labour standards related to the protection of workers were held, also resuming the discussion on the ratification of Convention No. 102. A series of debates, seminars and tripartite meetings were held from May 2016 to December 2018, in collaboration with the ILO Office for the South Cone of Latin America, to lay the groundwork for the final decision on the ratification of the Convention.

In February 2019, in response to the invitation sent by the ILO to its Member States to ratify one of the international labour standards within the framework of the Organization's Centenary, the Tripartite Advisory Council of Paraguay unanimously decided to ratify Convention No. 102.

As a result, representatives of the Social Protection Department of the ILO in Geneva and the General Directorate of Social Security of the MTESS commenced the preparation of a new technical report to evaluate the compatibility of national legislation and practice with the requirements of Convention No. 102.

The report was presented in the city of Asunción at a workshop held on 26 April 2019 in commemoration of National Social Security Week, at which the representatives of the eight trade union federations, the most representative business associations, the Government and the various retirement and pension funds, as well as participants from civil society, concluded that Paraguay was in a position to ratify Convention No. 102 under the temporary exceptions set forth in Article 3.¹ At this workshop, it was agreed to ratify the following branches: medical care (Part II); sickness benefit (Part III); old-age benefit (Part V); employment injury benefit (Part VI); maternity benefit (Part VIII); and invalidity benefit (Part IX).

The conclusions and recommendations of the technical workshop formed a road map for the ratification of Convention No. 102, indicating the parts that Paraguay was in a position to ratify, as well as the future steps for endorsing ratification and its effective materialization. This road map was signed by all workshop participants.

In June 2019, the MTESS submitted the final ratification proposal to the Ministry of Foreign Affairs, which was then sent to the Presidency of the Republic in November for submission to the National Parliament.

At the end of 2019, the Executive Branch submitted the ratification proposal of the international instrument to be incorporated into national legislation.

In this context, during 2020 and 2021, the public institutions in charge of administering the social protection system revitalized the discussion of the importance of defining the minimum standards of the contributory social security sector. This process helped to reinforce progress towards the fight against poverty, ensure a better redistribution of social spending and provide the comprehensive risk protection needed by workers and their families. The Executive Branch joined the discussions in the National Parliament, together with employers' and workers' representative organizations and civil society actors, in order to guarantee a meaningful social dialogue

among the various political sectors represented in the legislative body.

As a result, a bill entitled "Approving the ratification of Convention on Social Security (Minimum Standards)" was referred by the Executive Branch to the Committee on Foreign Affairs and International Affairs, an advisory body that approved its content in November 2020.

The bill had also been referred to the Senate in Message No. 419 of 17 August 2020. However, the legislative procedures were postponed, partly due to the economic and social crisis caused by the COVID-19 pandemic. Therefore, in May 2021, the Tripartite Advisory Council chaired by the MTESS submitted a note to the Legislative Branch in order to request that the Bill be referred for the approval of the Convention.

The referred bill was analysed and approved by the plenary of the Upper House of the Senate during the ordinary session of 3 June 2021 and was forwarded to the Lower House for its analysis. At the ordinary session of the Chamber of Deputies on 28 July, the bill was sanctioned and forwarded to the Executive Branch for its consideration. Subsequently, the Congress of the Republic of Paraguay approved the ratification of Convention No. 102 through Law No. 6791, which was enacted on 19 August 2021.

The role of tripartite social dialogue in social protection

The tripartite social dialogue has been fundamental for the construction of the contributory axis of the Paraguayan social protection system. In addition, the employers' and workers' representative organizations and civil society representatives asked the Government to place the discussion of international labour standards at the centre of the national agenda, proposing that the approach to the ratification of Convention No. 102 should be based, in the first instance, on an assessment of national legislation against the principles and requirements of the Convention. The social partners also proposed that this Convention be used as a general regulatory framework of reference for Paraguay's social protection system.

On 6 February 2018, the Tripartite Advisory Council, which was institutionalized by Decree No. 5159/2016, proposed the ratification of Convention No. 102 in the framework of

¹ Member States whose economy and medical facilities are insufficiently developed may receive temporary exceptions for a selected number of articles of Convention No. 102.

the ILO Centenary, providing that at the request of the MTESS, technical analyses should be initiated to verify legal and effective compliance with the parameters and benefits established by the international standard.

Description of the labour market and social security system in the process of ratification of Convention No. 102

In the Paraguayan social security system, there are eight retirement and pension funds that operate independently, each with its own regulations and parameters. The entity that brings together the largest number of social security affiliates is the Instituto de Previsión Social, which covers private sector workers, is financed based on workers and employers' contributions and is designed as a defined benefit scheme.

In terms of demographics, Paraguay's population stood at 7.15 million people in 2019, of whom approximately 57 per cent were under 30. Life expectancy at birth is 74.4 years for men and 77.4 years for women (INE 2019). In addition, life expectancy for a person of 60 years of age has increased slightly in recent years, both for women and men. In 2000, a 60-year-old man would, on average, collect retirement benefits for 19.4 years, while a 60-year-old woman would for 21.9 years. By 2017, these figures increased to 20.6 and 23.8 years, respectively (IPS 2018).

With respect to the labour market, Paraguay has had a gradual but sustained growth in the formalization of employment in all sectors. From 2010 to 2017, the social security coverage rate increased by 5 percentage points; however, it is still below the average for the Latin American and Caribbean region. More recently, the ILO has estimated that effective coverage of occupational risk benefits is 22.4 per cent. The coverage of elderly people receiving a pension, considering both contributory and non-contributory benefits, is 64.6 per cent, while in the case of disability benefits it is estimated that 16.2 per cent of people with severe disabilities were receiving a pension in 2019 (see table 1).

For the year 2019, approximately 79.5 per cent of the total population was of working age. The employed population represents 61.2 per cent of the working age population and the unemployment rate is approximately 5.6 per cent (INE 2019).

However, in 2019 only 29.7 per cent of the employed population contributed to social security. This percentage represents a slight improvement compared to the 18.9 per cent of the population that actively contributed to the pension system in 2011 (see table 1). In this regard, it is worth mentioning that social security has two major groups of coverage: the private salaried sector and the public salaried sector. It should also be noted that the Paraguayan system does not grant mandatory coverage to self-employed workers, leaving approximately 37 per cent of the employed population outside the scope of protection. In this sense, the coverage of the target population of the salaried sector represents approximately 45 per cent of the mandatory population (DGEEC 2018).

Table 1: Effective coverage of the Paraguayan pension system (in relation to the number of contributors and beneficiaries) and of family, maternity, disability, and occupational risk benefits

Indicator	Year	Sex	%
Active contributors to the pension system	2019	Both	29.7
Children covered by family benefits	2019	Both	18.6
Mothers with newborn children receiving maternity cash benefits	2019	Female	8.2
Senior citizens receiving a pension	2019	Both	64.6
Severely disabled persons receiving a cash benefit	2019	Both	16.2
Persons covered against occupational hazards	2019	Both	22.4

► Source: ILO (2021).

Way forward

Paraguay faces several challenges in reaching the SDG targets on social protection. Reducing poverty and increasing contributory social security coverage represent the main objectives, leading to the implementation of various plans and programmes to achieve these goals.

Given that Convention No. 102 is the only international treaty with a systemic vision of social security, its ratification will help the country to have a clear framework for its governance system, overcoming the current limitations, which reflect fragmented and imperfect

regulations. In addition, the Convention establishes the principles on which comprehensive social protection systems should be based, including the general responsibility of the State in the administration of social security, collective financing and participatory management.

► **The ratification of the agreement marks an important milestone in the defence and protection of labor rights and the social protection of workers in Paraguay.**

► **Carla Bacigalupo, MTESS**

Furthermore, the ratification of the Convention will provide a regulatory framework of the minimum parameters applicable to each of the pension funds that integrate the Paraguayan system, especially the Social Security Institute. This will guarantee the population the adequacy, predictability and quality of social security benefits throughout the entire life cycle.

The minimum standards and principles established by Convention No. 102 will also serve as a guide in future reform processes, especially to meet the challenge of extending coverage to the self-employed, rural workers and those in non-standard employment and atypical jobs – groups that undoubtedly need access to at least the minimum levels of protection prescribed in the Convention.

The ratification of the Convention is the result of a long process of social dialogue, which was initiated in 2012, and it constitutes an unequivocal sign of Paraguay's commitment to maintaining a sustainable and adequate

social protection system, as well as to strengthening existing mechanisms to guarantee the population's access to social rights.

Furthermore, the ratification of Convention No. 102 was achieved in a context of profound uncertainty about the outlook for socio-economic recovery following the COVID-19 pandemic, whose devastating effects on the world's economy and labour markets have highlighted the gaps in social protection coverage and the importance of comprehensive systems that guarantee minimum levels of protection in times of crisis.

Consequently, the ratification of Convention No. 102 has, through extensive social dialogue, crystallized the socio-political consensus to continue moving towards the consolidation of a social protection system that will make it possible to achieve the SDGs, including those related to poverty reduction, universal social protection, good health and well-being, gender equality, decent work and the reduction of inequalities. In this sense, it is expected that the ratification will strengthen the social contract and initiate the policy discussions and reforms needed to regain social trust in a system that does not yet cover all sectors of the population, but which has the firm intention of becoming more efficient and sustainable, aiming mainly at progressively extending coverage based on the principles of solidarity, comprehensiveness and good governance. The continued engagement of social partners in the implementation and monitoring of reforms to the social protection system would further support the development of the system and achieving universal social protection.

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