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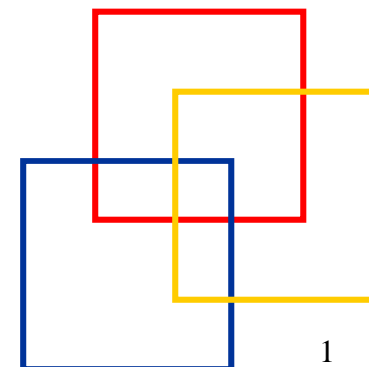
Is a social security floor affordable?

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Social Security Department

Geneva, 15 May 2008

The ILO Global Campaign to extend Social Security to all

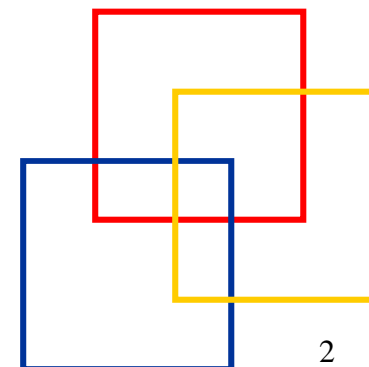




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Structure of the presentation

- **Point One:** Social security is a Human Right
- **Point Two:** Social security is a social necessity
- **Point Three:** Social security is an economic necessity
- **Point Four:** Basic social security for all is fiscally affordable
- **Point Five:** A new policy paradigm
- **Point Six:** What next?



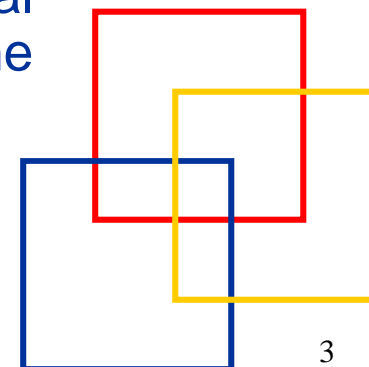


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Point One: Social security is a human right...

- Article 22 of the Universal Declaration of Human Rights states: “***Everyone, as a member of society, has the right to social security***”
- Even after almost 60 years that still remains a dream for 80 per cent of the global population.
- The ILO’s Declaration of Philadelphia charged the ILO with “... *the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care*”. In 2003 the ILO launched a campaign to extend social security to all.
- The ILO now proposes a set of social rights as a social security floor. This is now the core message of the campaign.

The ILO Global Campaign to extend Social Security to all

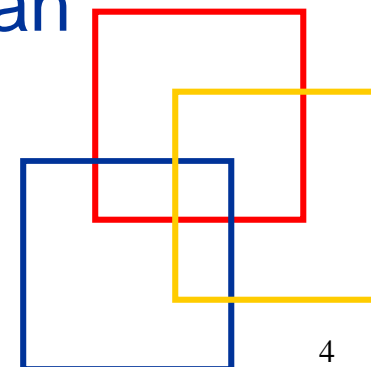




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Point Two: Social security is a social necessity

- 80% of people live in social insecurity, 20% in abject poverty, more than 5 million children die every year under age 5 due to lack of access to health care and lack of income security
- Social security transfers reduce poverty by at least 50% in almost all OECD countries
- Social security transfers reduce income inequality by about 50% in many European countries

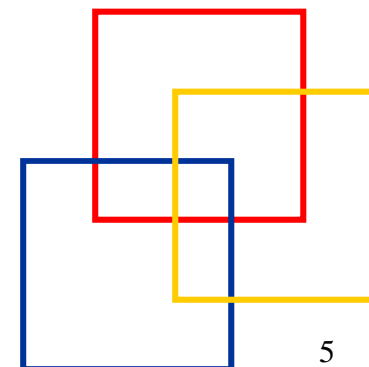




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Point Three: ...social security is an economic necessity...

- In order to convince governments and societies to spend on social protection, have to show that countries can grow with equity.
- It can be shown that those countries that have been the most successful in achieving long-term sustainable growth and poverty reduction have all put in place extensive systems of social security at an early stage.

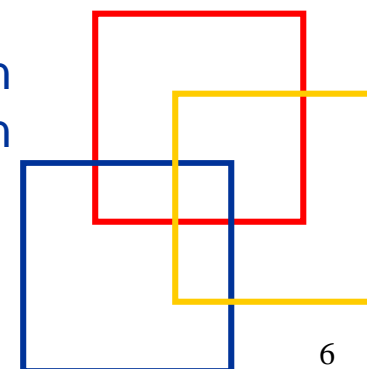




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Point Three: ...social security is an economic necessity...

- Economies cannot develop and grow without a productive workforce. In order to unlock a country's full growth potential one has to fight social exclusion, ignorance, unemployability... It is social transfers that most directly and most effectively reach out to the
 - excluded and the poor and those
 - who have to adapt to economic change and thus maintain their productivity ...
- Access to social health protection improves productivity levels
- Social transfers cushion the effects of economic downturns on domestic demand
- Cash transfers in developing countries have multiplier effects on local markets, transfers in kind may have negative effects on prices, no known effect on LF participation



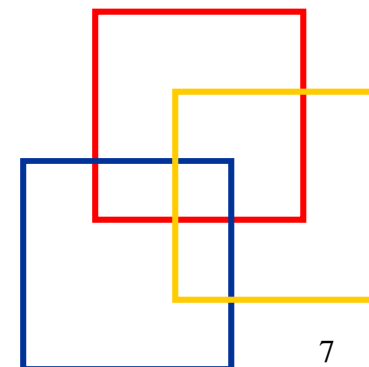


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Point Four: Basic social security for all is affordable

- Our actuaries have shown time and again that we need less than 2 per cent of Global GDP to provide a basic set of social protection benefits to all people that have to live on less than one dollar a day.
- Evidence emerges that a minimum package of social security benefits is affordable in even the poorest countries as recent work by the ILO on the cost of a minimum package of social security benefits in sub-Saharan Africa, Asia and Latin America has shown.

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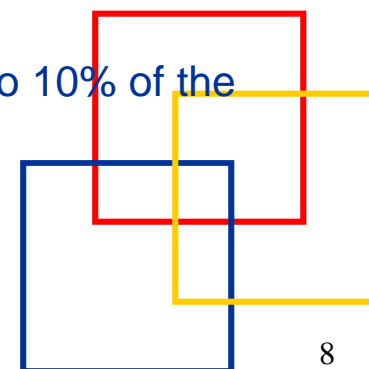


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A simulation exercise: Benefit assumptions for affordability calculations for developing countries

- Basic old age and invalidity pensions:
 - 30% of per capita GDP capped at US\$ 1 PPP per day
- Child benefits:
 - 15% of per capita GDP capped at US\$ 0.50 PPP, for a max. of two children in age barcket 0-14
- Essential health care:
 - based on an health system staffing ratio of 300 medical professionals per 100,000 population, overhead 67% of staff cost ...
- Basic social assistance for the unemployed:
 - 100 day guaranteed employment paid by 30 of per capita daily GDP to 10% of the population
- Administration cost:
15% of cash benefit expenditure

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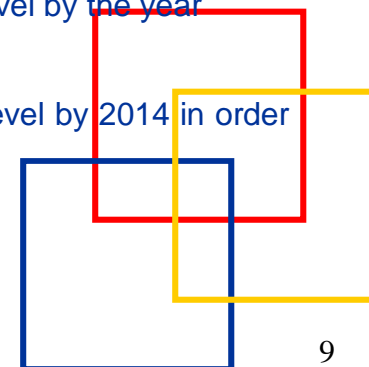




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A simulation exercise: Demographic, economic, fiscal assumptions

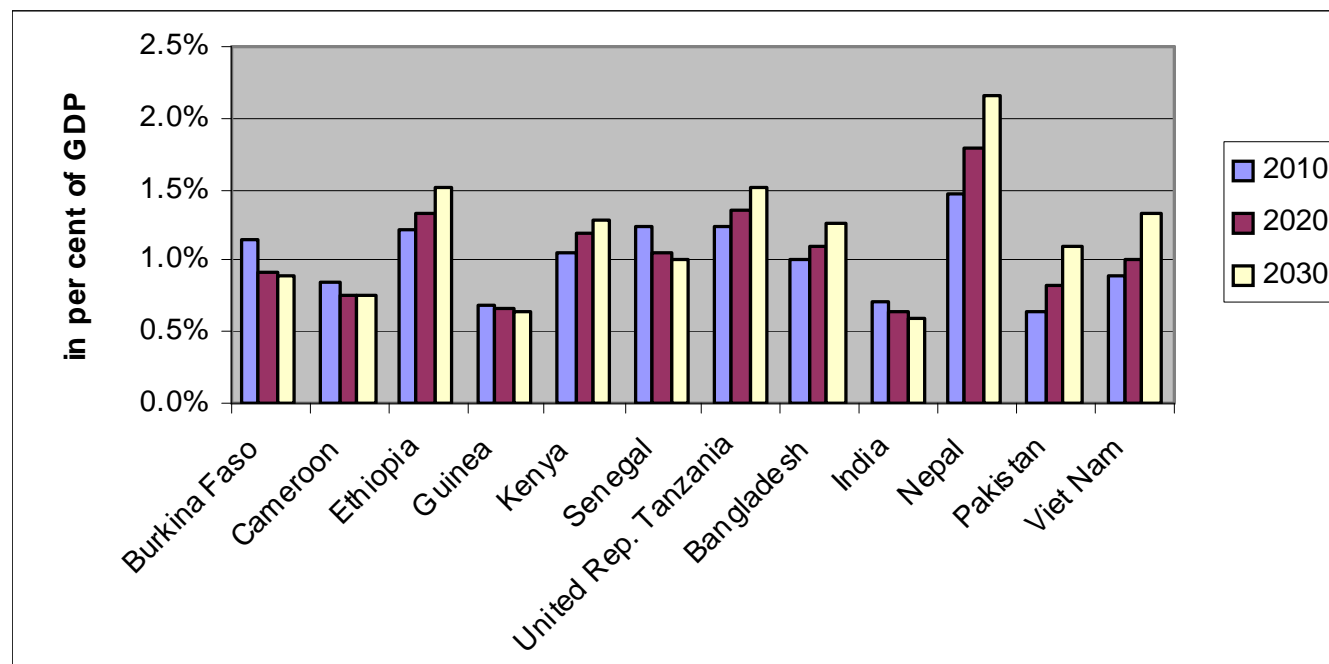
- Demography: UN population projections
- Economy:
 - real GDP growth is assumed as working age population growth plus 1 percentage point, in Ethiopia, Tanzania and Viet Nam it is assumed as working age population growth plus 2 percentage points while for India it is assumed as working age population growth plus 3 percentage points;
- Fiscal:
 - projected levels of total government expenditure increase by 50 per cent of their current level by the year 2034, with a maximum of 30 per cent of GDP;
 - government revenue (excluding grants) is assumed to reach the projected expenditure level by 2014 in order to reach a balanced budget;



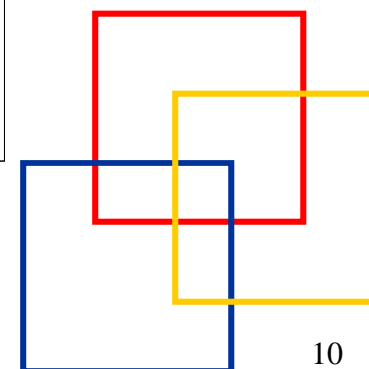


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Point Four:... a basic social protection package is affordable: cost of universal pension



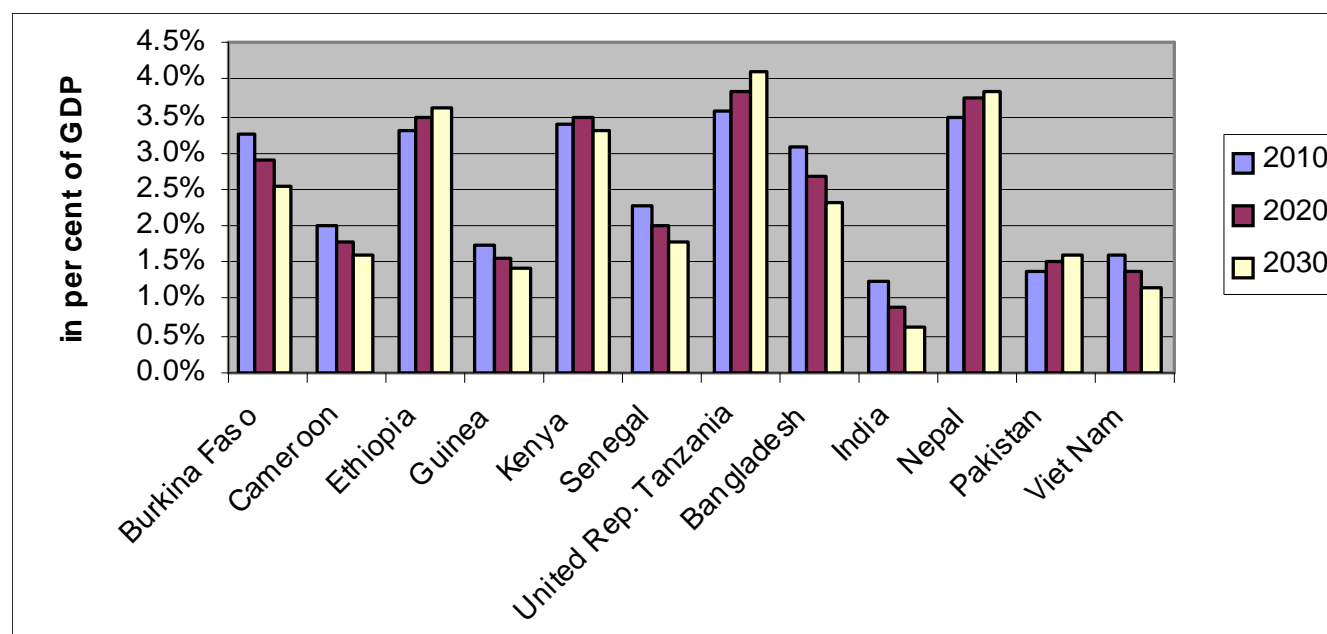
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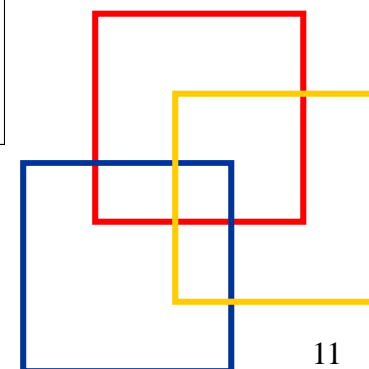


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Point Four:... a basic social protection package is affordable: cost of basic child benefit



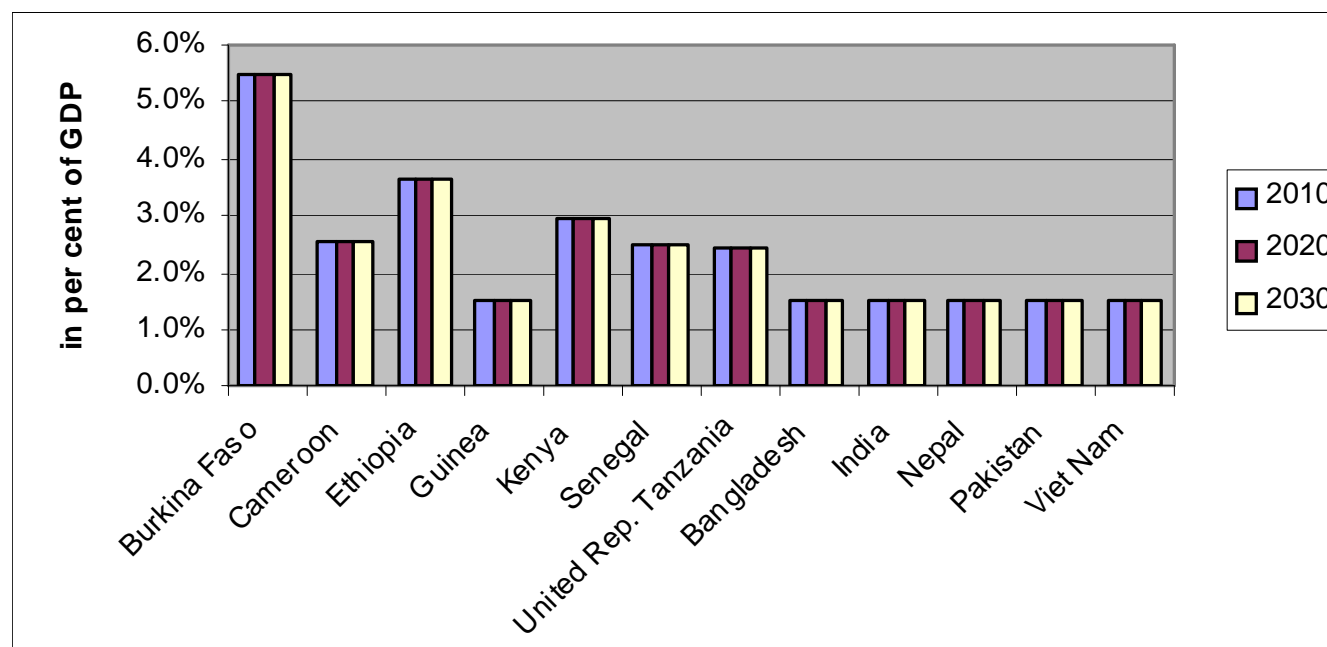
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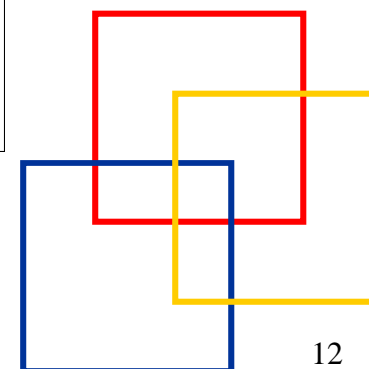


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Point Four:... a basic social protection package is affordable: cost of essential health care



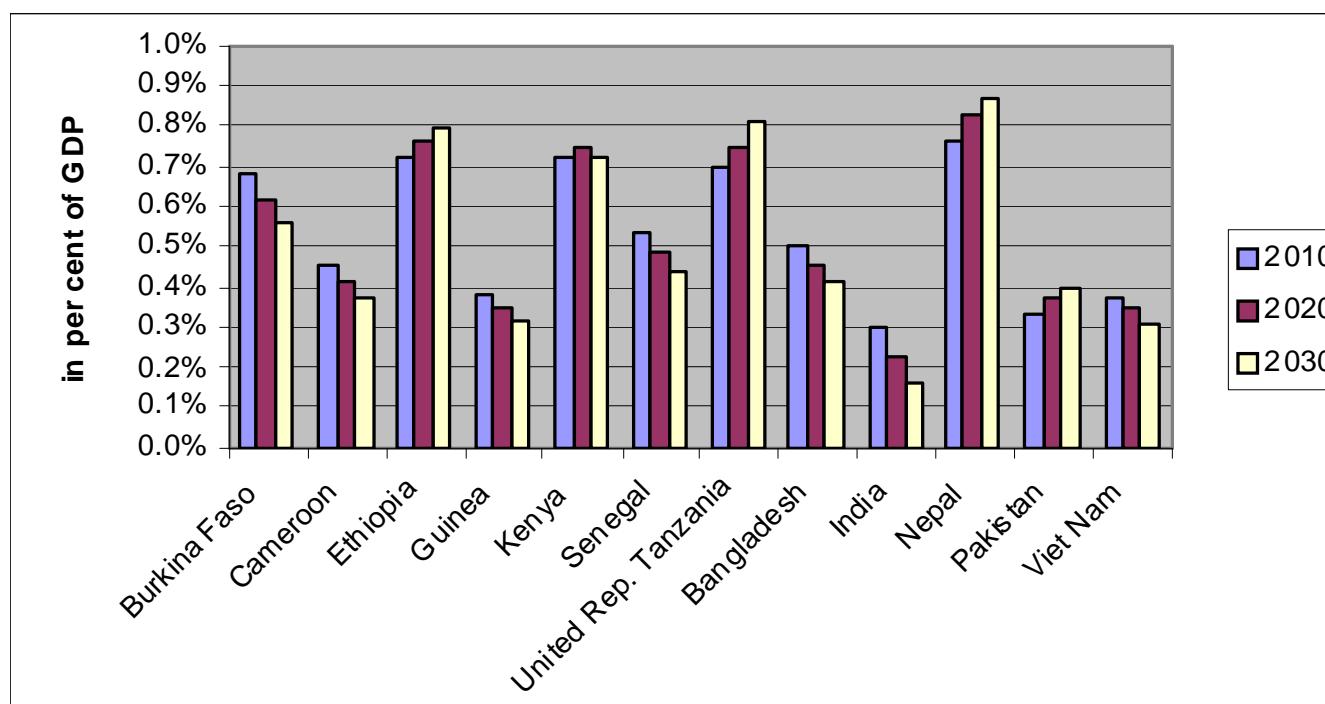
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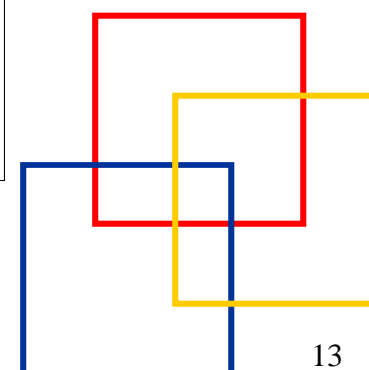


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Point Four:... a basic social protection package is affordable: cost of employment guarantee scheme

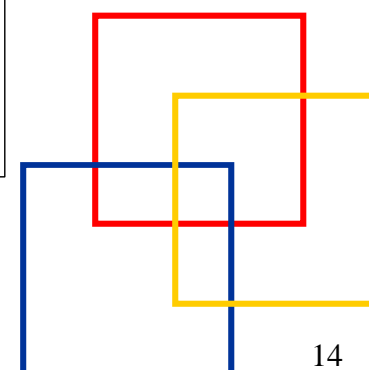
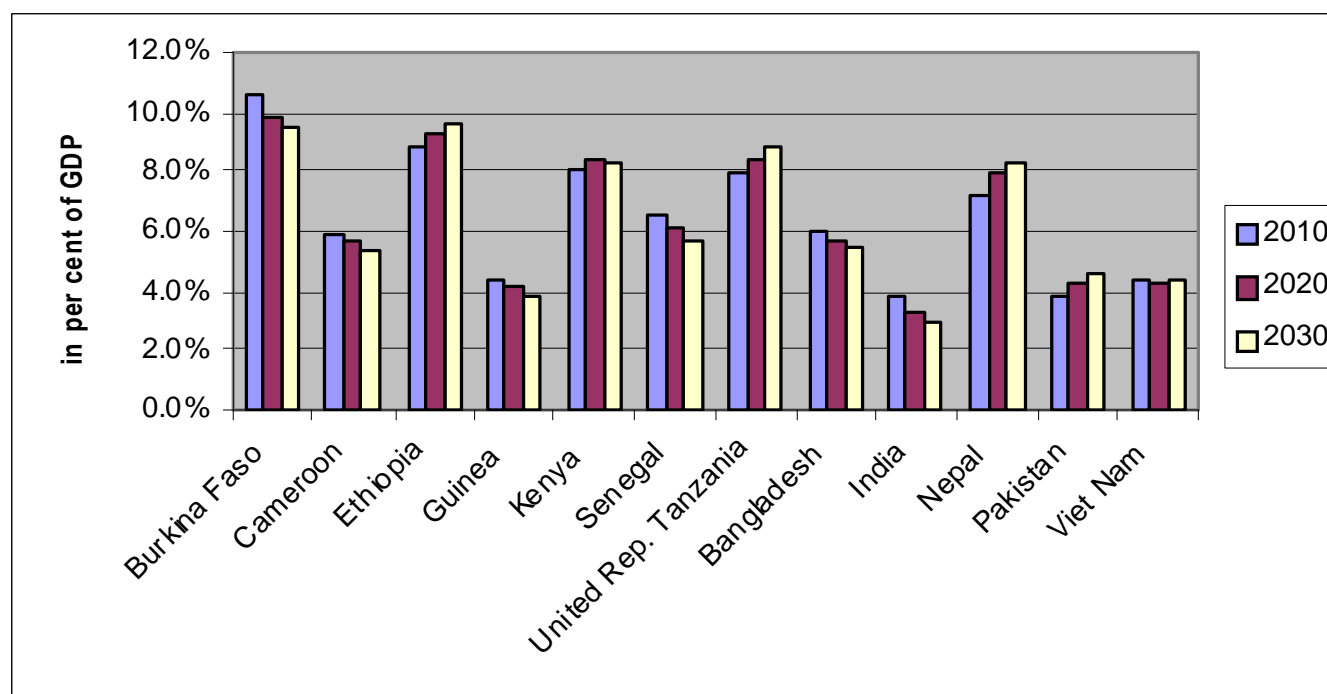


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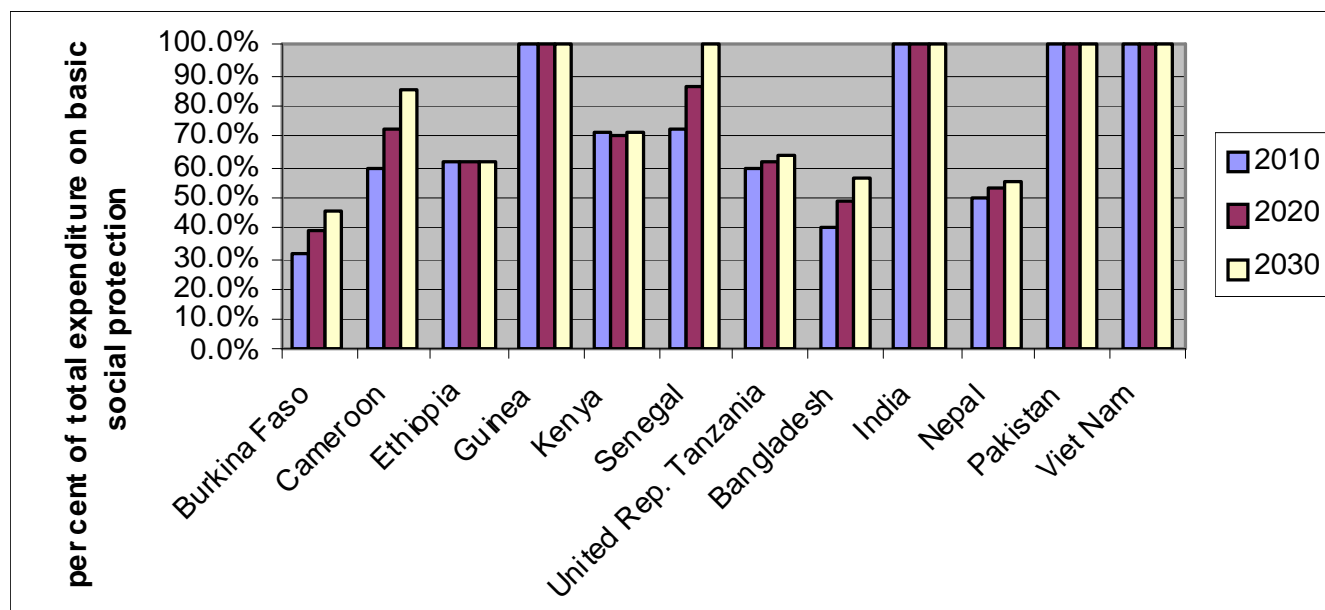
Point Four:... a basic social protection package is affordable: cost of all basic benefit package components



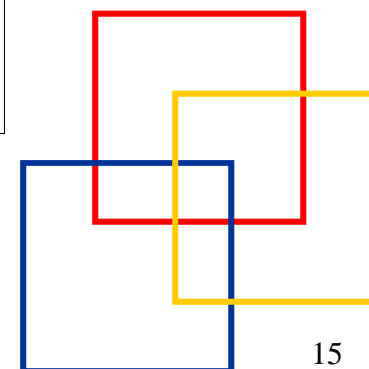


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Point Four:... a basic social protection package is affordable: share of total cost that can be covered by domestic resources



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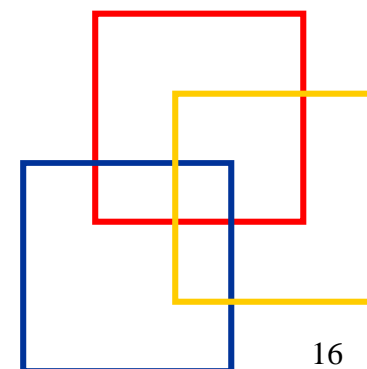


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Point Two: Social security is affordable

Possible financing – here Nepal

ITEM		in % of GDP
Gross cost of social security floor		6.9
Universal pensions		1.2
Basic health		1.5
soc assistance		0.6
Child benefit		2.9
admin		0.7
Financing		6.2
present expen on basic benefits		1.4
Increase tax on goods and services	2.6%-points	1.0
Increase in incomes tax revenues	10%	0.2
health insurance		1.5
reduction of child benefits		1.5
reduction of basic pensions		0.4
Reduction in admin		0.3
Deficit		0.7
Increase in Tax to GDP ratio		2.6
From 14.1 to 16.7		



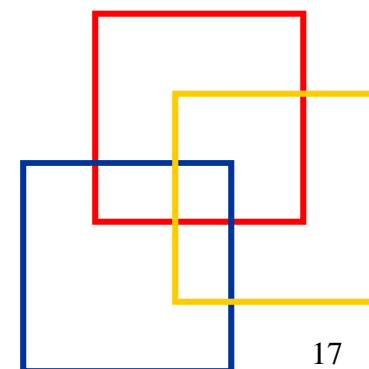
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Point Two: Social security is affordable

- A basic package of modest pensions and child benefits can reduce the poverty head count by 40 per cent in poor developing countries at a cost of 3-4 per cent of GDP in some African countries.
- In Latin America the cost of a modest package of conditional child cash transfers, universal pensions and basic health care can be kept under 5% of GDP; the poverty headcount effects can reach a reduction of more than 50%
- We also think that there are indications that investing in a basic set of social security benefits early will actually cost nothing, as modest schemes should pay for themselves by productivity increases that they can trigger



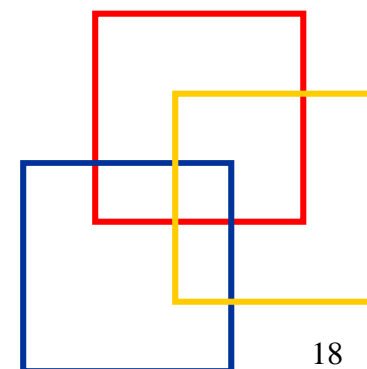


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Point Four: Prevalence of basic cash transfer schemes

Type of cash transfers	Countries	Number
Unconditional		
Household income support	Chile, China Indonesia, Mozambique, Pakistan, Zambia	6
social pensions	Argentina, Bolivia , Bangladesh, Brazil , Botswana Chile , Costa Rica, India, Lesotho, Mauritius, Namibia Nepal , Samoa, South Africa, Uruguay	15
Child/family benefits	Mozambique, South Africa	2
Conditional		
Cash for work	Argentina, Ethiopia, India, Korea, Malawi, South Africa	6
Cash for Human Development	Bangladesh, Brazil, Colombia, Ecuador Honduras, Jamaica, Mexico, Nicaragua	8

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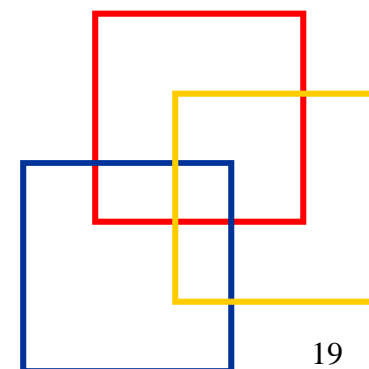


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Point four: Cash Transfers – lessons learned in developing countries

- **Prevalence:** Some form of cash transfers exist in about 25 developing countries covering at least 150 to 200 million people
- **Cost:** basic set of transfers between 0.2% (basic means tested social assistance benefits) and about 5% of GDP (complete set of basic universal benefits)
- **Poverty impact:** the old age grant in South Africa decreased destitution gap by 45 %, oportunidades in Mexico reduced poverty rate of beneficiary households by about 12-points, similar order of magnitude in Brazil
- **Education:** positive enrolment effects and school attendance duration in Mexico, Brazil, Colombia, Bangladesh, Nicaragua and Zambia
- **Health:** positive effects on height, weight of children and nutritional status in Colombia, Mexico, Chile, Malawi, South Africa

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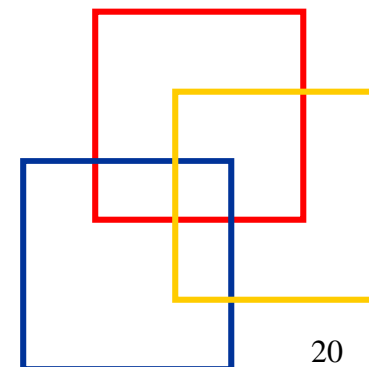




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Interim Summary:

- The question is no longer: “**Can countries afford social security?**”, the question rather is “***how can they afford not to introduce schemes that reach out to all quickly?***”?

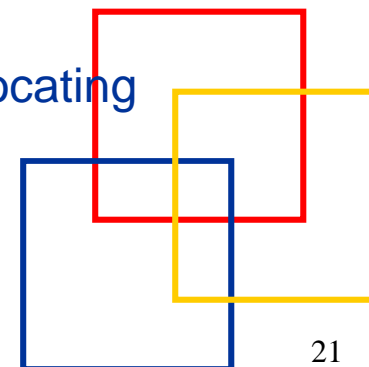




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Point Four: The new developmental policy paradigm of the Global Campaign

- Following a mandate of the International Labour Conference in 2001, the ILO launched in 2003 a Global Campaign to extend social security to all.
- The basic “philosophy” of the campaign is a “Universal but Progressive” approach that ensures:
 - Building progressively higher levels of protection
 - Based on a basic floor of social security for all
 - and seeking to **ensure social outcomes** rather than advocating specific processes and specific types of organizations...

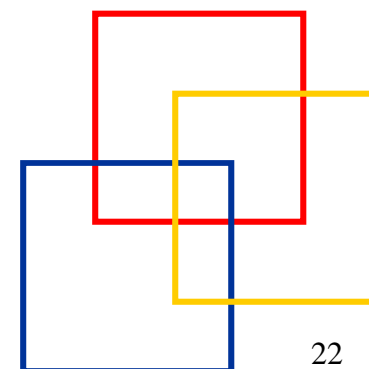




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Point Five: The floor could consist of could consist of **four essential social security guarantees**:

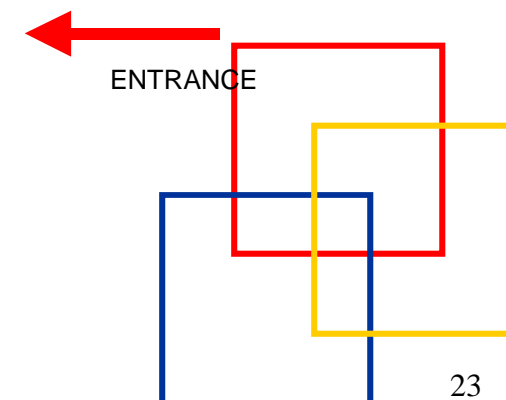
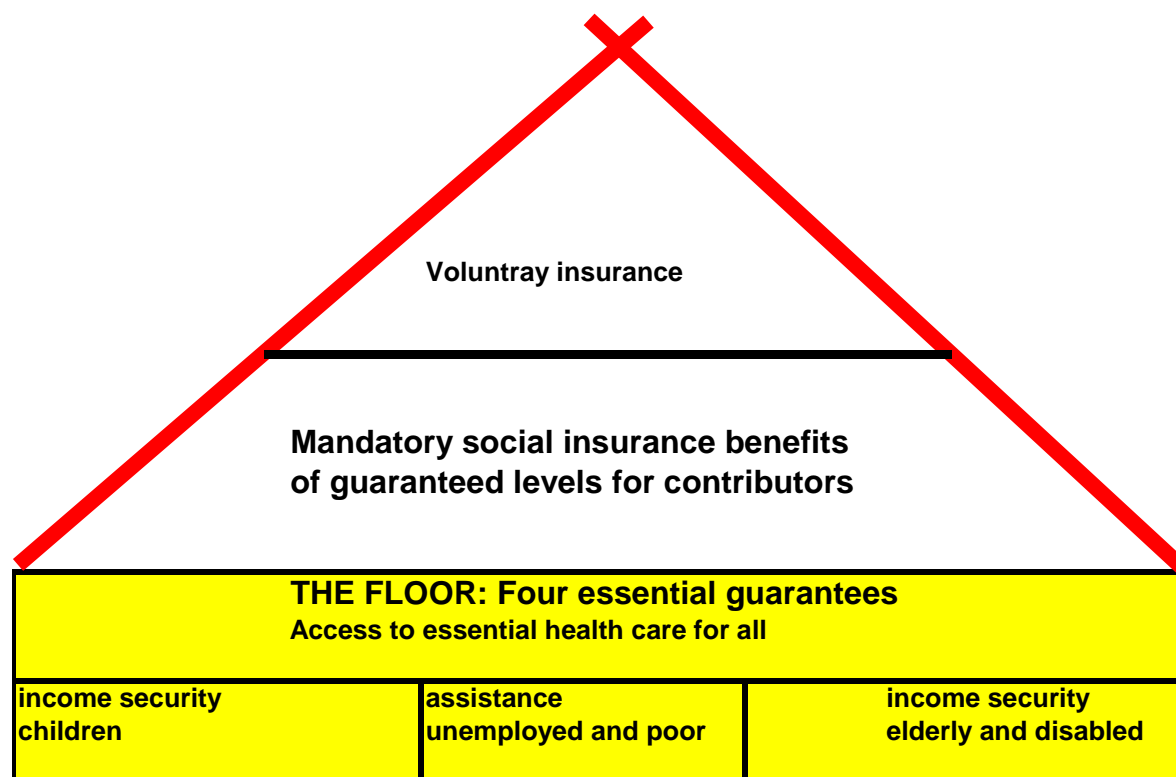
- **Universal guarantee of access to basic health benefits**, through a set of sub-systems linked together: basically a public health service funded by taxes, social and private insurance and micro-insurance systems.
- **Guaranteed income security for all children through family/child benefits** aimed to facilitate access to basic social services: education, health, housing.
- **Guaranteed access to basic means tested/self targeting social assistance** for the poor and unemployed in active age groups.
- **Guaranteed income security** for people in old age, invalidity and survivors through basic pensions.





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The social security house



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Point Six: What next...?

Essentially three things:

- (a) **Global Strategy:**
 - With the other partners building a **Global Social Floor Coalition** that campaigns for the introduction of a Global Social (security) floor aiming at creating **global political consensus**
 - Internal ILO procedures to explore the options for **standard setting procedures**, i.e. a non-binding instrument, a recommendation, a new convention
- (b) **International Action: Training, training, Training...**
- (c) **National Action:**
supporting national social floor development plans as TC priority (ongoing pilots in Tanzania and Zambia, possible new pilots in two Asian countries) through
 - a full range of financial and administrative analyses and
 - the support of national consensus building dialogue processes

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