# Glossary

**Administrative costs**: costs related to the administration of a social protection scheme, including targeting processes (if any), enrolments, premium collection, claims processing, monitoring, and evaluation.

**Adverse selection**: phenomenon in which persons with a greater-than-average risk, enrol in an insurance scheme, in a higher proportion than that of their share in the target population, and/or choose the highest levels of coverage. When individuals have no say about whether to be insured or at what level of coverage, adverse selection does not exist. Such is the case when membership is automatic and schemes offer a single level of coverage. The existence of adverse selection may jeopardize a scheme's financial viability given that the premium would not be enough for the insurance scheme to pay for the actual risks.

**Assessment based national dialogue**: ABND is a process to assess the social protection situation in a country, identify areas for government intervention to complete the national floor of social protection, and estimate the cost of the interventions. It comprises three steps:

- Building the assessment matrix: The matrix contains an inventory of existing social security, social protection, and poverty alleviation programmes for the four guarantees of the social protection floor, identifies policy gaps and implementation issues, and recommendations for the design and implementation of further social protection provisions with the aim of guaranteeing at least the SPF to all the population.
- Costing policy options using the RAP model: The cost is estimated and projected over a 10-year period using the Rapid Assessment Protocol costing tool. This costing exercise can serve as a basis for discussions on available fiscal space, government budget reallocations, and the prioritization of different social protection policy options.
- Finalization and endorsement: The assessment report is shared with government representatives, workers and employers, and civil society organizations with a view to validate the recommendations and assumptions, launch the report, and prepare for the next steps (feasibility studies for the design of the new schemes, expansion of existing schemes, or establishment of integrated delivery and coordination mechanisms).

**Capitation**: payment system whereby social health protection or private insurance schemes pay health care providers a fixed amount per insured person to provide care to a group of insured members for a defined period.

**Catastrophic risks**: risks that affect a large segment of the covered population, such as epidemics, and/or risks for which the unit costs are high, such as very costly hospitalizations. The occurrence of catastrophic risks may jeopardize the financial viability of an insurance scheme with a small membership.

**Categorical schemes**: consists of non-contributory transfer schemes that cover all residents belonging to a certain category, such as all children in the case of universal child allowances or all elderly in the case of universal pension schemes. These are closely related to universal schemes and fulfil similar functions.

**Cohort**: a group of individuals with a set of identical characteristics, e.g. all persons born in the same year.

**Conditional cash transfer**: a special form of social assistance scheme which provides cash to families subject to the condition that they fulfil specific behavioural requirements. These conditions oblige individuals to satisfy some action associated with human development goals. This may include that parents must ensure their children attend school regularly (typically 85–90 per cent attendance) or that they utilize basic preventative nutrition and health care services, such as vaccination programmes or maternal and post-natal check-ups. Conditional cash transfers are usually targeted at the poor, through a means-test, proxy means-test, or geographical targeting.

**Consumer Price Index**: measures the price of a representative basket of goods and services purchased by consumers. The basket of goods and services is fixed across years. The annual percentage change in CPI is a measure of inflation.

**Coping strategies**: strategies or mechanisms which relieve the impact of the risk once it has occurred. The main forms of coping consist of individual dis-saving/borrowing, migration, selling labour (including that of children), reduction of food intake, or the reliance on public or private transfers. The government has an important role in assisting people in coping, for example, where individual households have not saved enough to handle repeated or catastrophic risks, having been poor all their life with no possibility to accumulate assets. The government should also establish other types of risk management mechanisms as a more efficient way to deal with risks.

**Covariant risks**: risks, or combination of risks, that affect a large number of people at the same time (for example, an earthquake or a major flood).

**Deflator**: the ratio between a "nominal" and a "real" variable (e.g. private consumption in current prices versus constant prices in the base year).

**Economically active population**: collective term comprising all persons of both sexes who furnish the supply of labour for the production of economic goods and services.

**Employment injury**: an injury, accident, illness, or occupational disease that occurs to an employee as a direct result of duties assigned in the job of the employee.

**Employed persons**: all persons above a specified age who, during a specified reference period, were in the following categories: (i) paid employment, (ii) at work; or (iii) with a job but temporarily not at work.

**Fee-for-service**: a method of payment by patients (or insurers) to health care providers, based on a specific charge for each service rendered.

**Formal sector**: economic sector where inhabitants' socio-economic activities are regulated and protected by formal societal institutions. The vast majority of the world's population is excluded from the formal sector.

**GDP deflator**: compares the value of goods and services produced in the current year at current prices to the value of current production at prices in a specific base year. The GDP deflator is a broad measure of inflation which is important for understanding the whole economy.

**Gross domestic product**: an aggregate measure of the production of goods and services within the boundaries of a country. Broadly, the amount of gross income available for distribution to the production factors labour and capital, which, after taxation, constitutes the basis for redistributive state interventions.

**Headline inflation**: a measure of total inflation within a country. Headline inflation measures the prices of a basket of goods and services consumed in the country. The basket includes fuel and food, which may experience volatility in its prices, especially in developing economies. When projecting the cost of SPF benefits in developing economies, the headline inflation is preferred to CPI. This is because fuel and food availability is of greater concern in such countries.

**HIV-sensitive social protection**: social protection measures that help mitigate the significant social and economic impacts of HIV on households and individuals, and increase access to prevention, treatment, care, and support for people affected by and vulnerable to HIV. HIV-sensitive social protection covers people who are at risk of HIV infection or susceptible to the consequences of HIV. It comprises the following interventions:

- Financial protection through transfer of cash, food, and other items for people affected by and most vulnerable to HIV, including dependants of people deceased from HIV/AIDS;
- Programmes supporting access to affordable and quality services, including treatment, health, and education services, for example social health insurance and school fee exemption;
- Policies, legislation, and regulations to meet the needs and uphold the rights of people at risk of or affected by HIV.

**Idiosyncratic risks**: risks that affect a very small number of people at a given time.

**ILO Conventions and Recommendations**: international labour standards drawn up by governments, employers, and workers are legal instruments that set out the basic principles and rights at work. They are either Conventions, which are legally binding international treaties that may be ratified by member States, or Recommendations, which are non-binding guidelines. Sometimes, a Convention lays down the basic principles to be implemented, while a Recommendation supplements it by providing detailed guidelines on its application.

**Income security for children**: social protection measures, including social insurance, social assistance, cash and in-kind transfers, among others, that ensure access to nutrition, education, care, and other necessary goods and services for children for their well-being and development.

**Income security for elderly**: social protection measures, including social insurance, social assistance, cash and in-kind transfers, among others, that enable elderly people to maintain a basic quality of life after the retirement age.

**Income security for working age**: social protection measures, including social insurance, social assistance, cash and in-kind transfers, among others, that enable all people in active age groups and their dependents to maintain a basic quality of life if they are unable to earn sufficient income, especially due to sickness, injury, unemployment, maternity, disability, death of the breadwinner, and to increase their employability.

**Inflation**: the rate of increase in the general price level of goods and services in an economy over a certain period of time, usually one year. There are different ways to measure inflation. Some common measures, which are useful for the purposes of this guide, are the consumer price index, headline inflation, and the GDP deflator.

**Informal sector**: economic sector where inhabitants' socio-economic activities are not regulated and protected by formal societal institutions. The vast majority of the world's population is part of the informal sector.

**Information asymmetry/asymmetric information**: a situation in which one party in a transaction has more or superior information compared to another. In the health insurance market, for instance, individuals know more about their own health problems than potential insurance providers. With greater information, individuals have an incentive to conceal their health problems in an attempt to get a lower private insurance premium. This disparity in information is referred to as asymmetric information. Social insurance schemes are based on the principles of solidarity and social inclusion. The contribution levels are not influenced by individual risks (such as health status or age), but by the level of income (with contributions expressed in percentage of income levels). In cases of social insurance, asymmetric information may occur when employers and workers under-declare levels of income in order to reduce levels of contribution payments.

**Insurance**: mechanism intended to provide coverage against the financial consequences of prescribed uncertain events. In return for a regular payment called a premium, the insurance provider takes on the financial risk of the insured person. In case the insured person faces a risk such as hospitalization, theft, and so on, the insurance provider pays for the financial losses. By compiling historical information on the occurrence of risks among a large pool of insured people, insurance providers are able to predict the probability of a risk and thereby estimate the average cost of the risk. This average cost serves as the basis for the calculation of the premium. Insurance is based on the assumption that not all insured will claim for benefits at the same time. The contributions paid by all insured members are used to compensate for the financial consequences of those few who are experiencing the risk.

**Labour productivity**: amount of goods and services produced by an employed worker in a year.

**Law of large numbers**: a theorem in probability theory that describes the result of performing the same experiment a large number of times. According to the law, the average of the results obtained from a large number of trials should be close to the expected value and will tend to be closer as more trials are performed. The law of large numbers is important because it “guarantees” stable long-term results for the average of random events. While individuals may experience different exposure to risks, the law of large numbers states that for a very large group of people (theoretically infinite), the expected risk faced by each person is almost the same as the average of all the risks faced by the group. For example, we may not be able to predict the health care expenditure of an individual, but we can predict the health care expenditure of a very large group. This law forms the basis for expected loss, based on which insurance premiums are computed.

**Major risks**: contingencies that have a low probability of occurrence and entail considerable expenses, such as surgical operations, devastating fire, and so on.

**Maternity protection**: maternity protection at work encompasses many components, such as maternity leave, cash and medical benefits, health protection at the workplace, employment protection and non-discrimination, and breastfeeding arrangements at work. Its goals are to preserve the health of the mother and her newborn child, and to provide a measure of job and income security (protection from dismissal and discrimination, the right to resume work after leave, and maintenance of wages and income during maternity).

**Microinsurance**: an insurance scheme designed to meet the priority social protection needs of people excluded from formal social security schemes, particularly, informal economy workers and their families. Membership is not compulsory and members pay, at least partially, the necessary contributions in order to cover the benefits.

**Minor risks**: contingencies that have a high probability of occurrence and entail moderate expenses, such as consultation with a general practitioner or the purchase of generic drugs.

**Mitigation strategies**: mechanisms or strategies aiming at reducing in advance the potential financial impact of an adverse event even though the risk may still occur. As with prevention strategies and precautionary measures, mitigation strategies are employed before the risk occurs. While preventive strategies reduce the probability of occurrence of the risk and precautionary measures reduce exposure to risk, mitigation strategies reduce the potential impact of the risk if it were to occur.

**Moral hazard (or risk of over-consumption)**: phenomenon according to which insured persons are more likely to take risks and be careless about safeguarding themselves from risky situations. This is because the person knows that they will be covered from financial losses by the insurance provider. Their utilization of health care exceeds the standard used as an input for determining premiums. Some authors consider moral hazard to include prescription abuse by health care providers, or the risk of over-prescription.

**Poverty line**: the level of income defining the border between the groups of poor and non-poor in a society. If a person/household has less than this amount at his/its disposal, the person/household is defined as being poor.

**Poverty rate (or poverty headcount index)**: the proportion of people in a group or the population with income under the poverty line.

**Precautionary measures**: mechanisms or strategies which reduce exposure to a risk by avoiding risky situations.

**Premium**: a fixed amount paid periodically by a member of an insurance scheme, against which the insurer takes on the financial risk of the insured person. The amount of the premium paid by an insured person may depend upon their characteristics (age, sex, place of residence, occupation, income level) and the number of dependants. It is imperative that the amount of money collected for the pool must be sufficient to make all the promised payments to those participants who have valid claims.

**Prevention strategies**: mechanisms or strategies which reduce the probability of a risk. These behaviours are introduced before a risk occurs. Reducing the probability of an adverse risk increases the expected income of people and reduces income variations.

**Probability**: likelihood that an event will happen, e.g. that an individual in a given population will fall ill at least once in the course of a year (probability of falling ill) or use a particular health service at least once in the course of a year (probability of utilizing a service). The probability of an occurrence is always greater than or equal to zero and less than or equal to one. The closer the probability of an event is to zero, the rarer is the event. A probability of one indicates certain occurrence.

**Public works programmes**: programmes that involve the regular payment of money (or in some cases, in-kind transfers such as food) to individuals by government or non-government organizations, in exchange for work, such as developing local infrastructure and protecting the environment, with the objective of decreasing chronic and shock-induced poverty, providing social protection, addressing social risk, or reducing economic vulnerability.

**Rapid Assessment Protocol**: RAP is a costing tool developed by the ILO and used to calculate the cost of introducing further social protection provisions. It uses a simple methodology based on estimates of population and labour force; basic economic indicators such as GDP growth, labour productivity, inflation, minimum wage, poverty rates; and government revenues and expenditures. The RAP follows a logical sequence and allows for flexibility in the design of benefits, adaptable projections depending on the data available, and estimates of future costs of cash and in-kind transfer elements. The results of the costing exercise are simplistic, but they provide a basis for discussion of policy options.

**Risk**: refers to the probability that an uncertain event will occur, and, by extension, to an uncertain event that, when it does occur, may have adverse financial consequences. This is why individuals seek insurance against the financial consequences of certain risks. Insurance cannot prevent risks from occurring, but it can reduce their financial impact. The main social risks are ill health, maternity, sickness, work injury, disability, old age, unemployment, and death.

**Risk management**: an approach that consists of taking certain precautionary measures and organizing oneself in order to deal with the future occurrence of a risk. Risk management strategies include prevention, precaution, mitigation, and coping.

**Safety net**: social safety nets are non-contributory transfer programmes that seek to prevent the poor and people vulnerable to shocks and poverty from falling below a certain poverty level. Safety net programmes can be provided through donor aid, by the government, NGOs, private firms, charities, and informal household transfers. Safety net transfers include:

- cash transfers;
- food-based programmes such as supplementary feeding programmes and food stamps, vouchers, and coupons;
- in-kind transfers such as school supplies and uniforms;
- conditional cash transfers;
- price subsidies for food, electricity, or public transport;
- public works programmes;
- fee waivers and exemptions for health care, schooling, and utilities.

Social safety nets are different from social protection floors in that they are a targeted set of non-contributory transfers, usually as a transitory or short-term response to a crisis. SPFs, on the other hand, constitute universal entitlement to social security through a defined benefit package and with a rights-based approach.

**Social assistance**: the provision of social security benefits financed from the general revenue of the government rather than by individual contributions, with benefits adjusted to the person's needs. Many social assistance programmes are targeted at those individuals and households living under a defined threshold of income or assets. Social assistance programmes can focus on a specific risk (for example, social assistance benefits for families with children), or on particularly vulnerable groups (for example, poor elderly people).

**Social insurance**: the provision of social security benefits financed by contributions, which are normally shared between employers and workers with, perhaps, government participation in the form of a supplementary contribution or other subsidy from the general revenue.

**Social health protection**: a series of public or publicly organized and mandated private measures against social distress and economic loss caused by the reduction of productivity, stoppage or reduction of earnings, or the cost of necessary treatment that can result from ill health.

**Social protection**: there are many definitions of social protection. It is considered to be a set of risk management measures that aim at preventing, managing, and overcoming situations that adversely affect the well-being of people. For some, social protection describes measures addressing only the needs of the most vulnerable and excluded populations. For others, the concept of social protection includes three types of interventions: social insurance, social assistance, and active labour market programmes that help people to secure employment (e.g. skill development, cash- and food-for-work programmes).

**Social protection education**: refers to the process of providing information and instruction on social protection to people. This helps people to improve their understanding and awareness about different risks faced across the life-cycle, know and exercise social protection rights and responsibilities as citizens, be informed about the social security services available and use them effectively, and acquire skills and capabilities to make informed choices and take effective actions to improve social security coverage.

**Social protection floor**: SPFs are nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability, and social exclusion.

SPFs should comprise at a minimum the following nationally defined sets of goods and services or basic social security guarantees:

a) Access to essential health care, including maternity care, at a nationally defined minimum level that meets the criteria of availability, accessibility, acceptability, and quality;
b) Basic income security for children at a nationally defined minimum level, including access to nutrition, education, care, and any other necessary goods and services;
c) Basic income security at a nationally defined minimum level for persons of active age who are unable to earn sufficient income, in particular in the case of sickness, unemployment, maternity, and disability; and
d) Basic income security at a nationally defined minimum level for older persons.

**Social security**: the protection which society provides for its members, through a series of public measures, against the economic and social distress that otherwise will be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age, and death, and also including the provision of medical care and provision of subsidies for families and children.

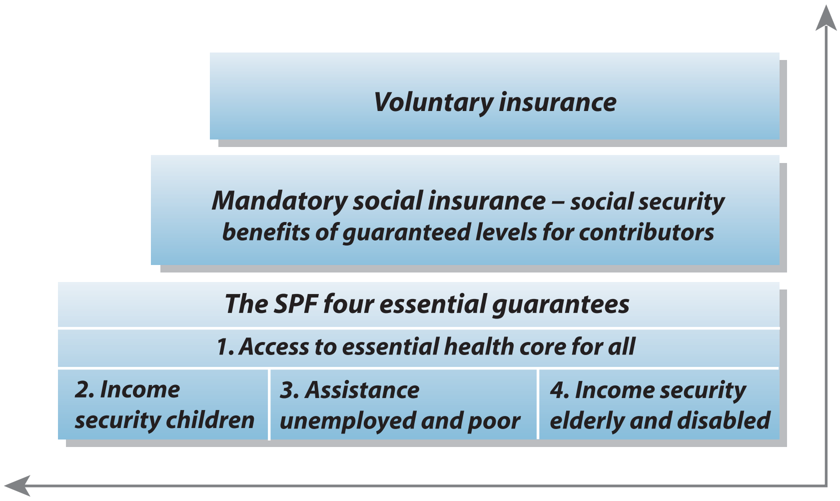
Sometimes social security is seen as a select, and thus non-universal, component of social protection reserved only for those in a formal employment relationship. Social protection has often been used to convey a broader institutional notion of risk management than that offered by social security, with the potential to reach out to those people thus far not covered, or thought to be incapable of being covered easily, by social security. As highlighted by Hagemejer and McKinnon in their introduction to the ISSR's special double edition on extending social security coverage, the wording of the Social Protection Floors Recommendation, 2012 (No. 202) finally puts to rest perceptions of 'social protection' and 'social security', establishing that they "are actually part of the same social policy concept".

**Social security staircase**: ILO's approach for the extension of effective social security coverage, is as follows:

- The horizontal dimension should consist of the rapid implementation of national social protection floors, i.e. a minimum package of transfers, rights, and entitlements that provide access to essential medical care and sufficient income to all those in need of such protection.

- The vertical dimension should seek to provide higher levels of social security at least in line with the coverage and benefit requirements of the ILO's Social Security (Minimum Standards) Convention, 1952 (No. 102) or more recent Conventions providing for higher levels of protection.

The objective is to progressively develop higher levels of protection, rather than just the basic level. The metaphor that emerged is that of a "social security staircase". As economies grow and fiscal space is created, social protection systems can and should move up the 'staircase', extending the scope, level, and quality of benefits and services provided.




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

**Uncertainty**: the state of having limited knowledge about the existing situation, possible future outcomes, and probability of those outcomes.

**Unemployment protection**: consists of measures to ensure income security and enhance the employability of those who are without jobs or looking for more decent and productive jobs.

**Universal schemes**: consist of non-contributory transfer schemes, which cover all residents, and provide benefits for all, whether working or not and irrespective of their incomes. Often the only condition attached to the receipt of the benefit is that the person must be a long-term resident or a citizen of the country. Such schemes are mostly put in place to guarantee access to health care. They are generally tax-financed, but may require a co-payment by users of health services. The poor are sometimes exempt from the co-payments and may alternatively use vouchers.