



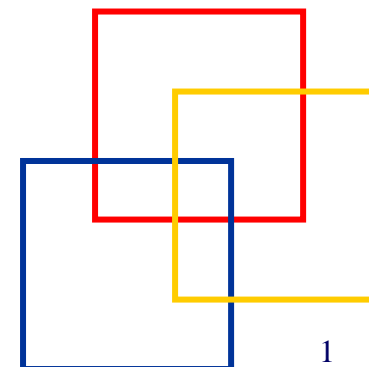
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The need for social security: how big is the coverage gap?

Tripartite Meeting of Experts on Strategies for the Extension
of Social Security Coverage
Geneva, 2-4 September 2009

Krzysztof Hagemeyer
Social Security Department
International Labour Office

The ILO Campaign on Social Security and Coverage for All

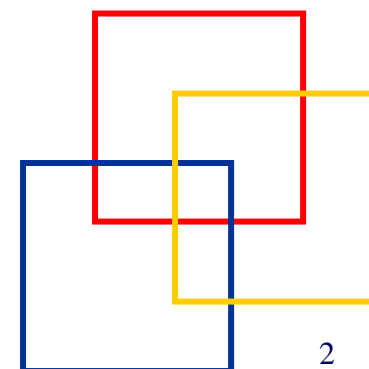




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Structure of the presentation

- **All women and men need social security**
- **Any society, state and economy needs social security**
- **Coverage gap: those with the strongest needs are most often uncovered**
- **Conclusions: why the gaps?**



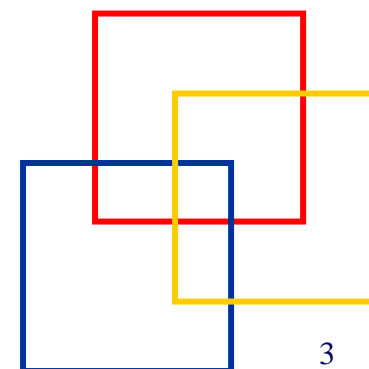


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All women and men need social security

- Everybody, poor and rich, needs social security, to be able to deal with uncertainty and social and economic risks over the life-cycle
- Everybody is vulnerable, as – without adequate protection - may fall into poverty as a result of employment injury or other sickness, disability, old-age, loss of employment or loss of other income sources
- Some are however more vulnerable than others – in particular those with no income or with low and irregular incomes
- Social security does not just alleviate poverty but through reduced vulnerability enables individuals to take economic risks and thus unlocks economic activity

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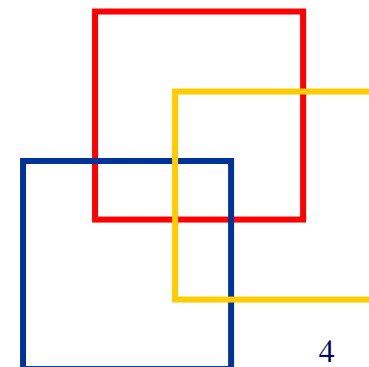


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Any society, state and economy needs social security

- It reduces poverty and income inequality and it is proved that inequality is economically inefficient
- It generates growth as:
 - Raising the incomes of the poor increases domestic demand and, in turn, encourages growth by expanding domestic markets
 - It enhances human capital and productive employment thanks to a better educated, healthy and well nourished workforce
- Promotes peace, stability and social cohesion and facilitates economic change
- It is thus an indispensable part of the institutional tissue of an efficient market economy
- In crisis it not only prevents greater poverty but stabilizes the aggregate demand
- Without social security poverty reduction and development are not possible

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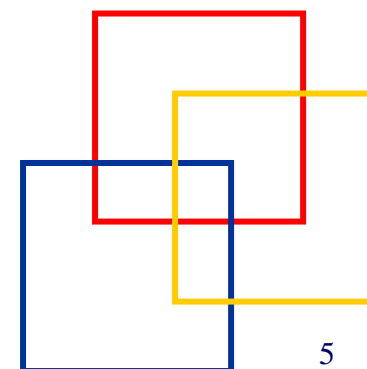




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Coverage gap: those with the strongest needs are most often uncovered

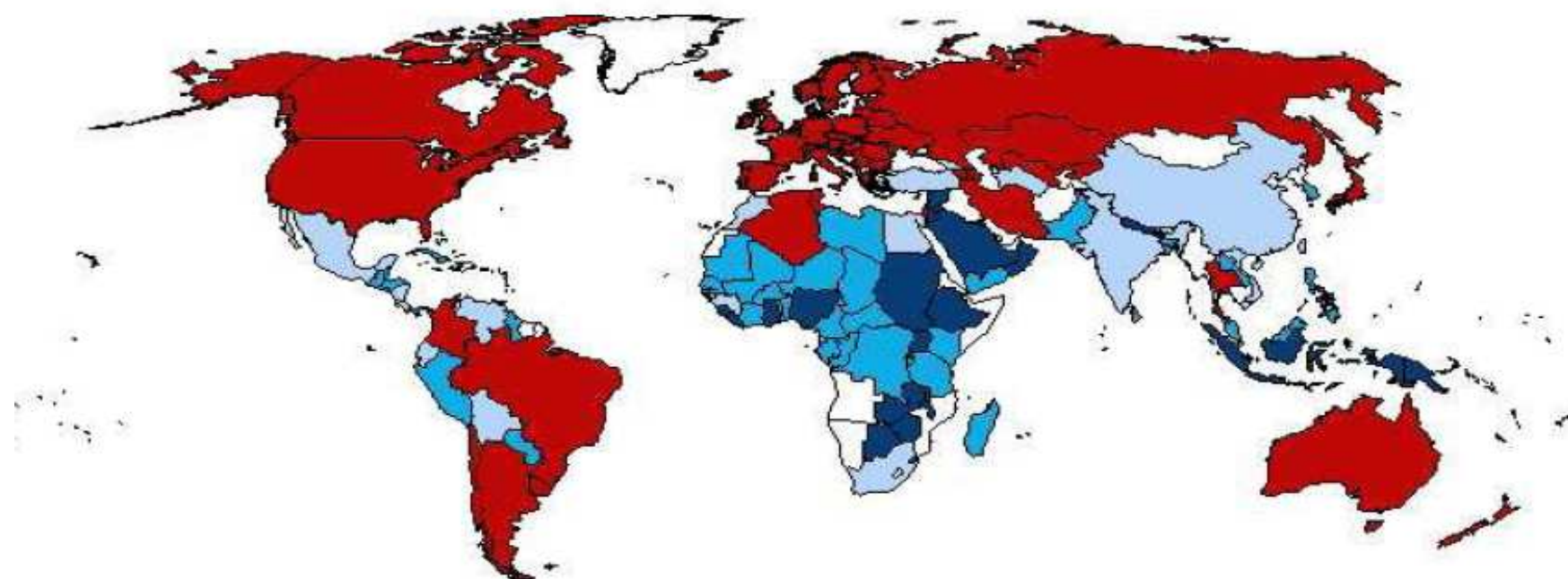
- Coverage has two dimensions:
 - Horizontal – who is covered?
 - Vertical – how adequate are the benefits and services provided?
- Lower income countries: huge horizontal coverage gap (majority of the world's population uncovered) but even those minority groups covered are not covered adequately (scope of benefits narrow and level/quality low)
- Higher income countries: still exist here and there gaps in horizontal coverage (domestic workers, temporary workers) and issues in vertical coverage (like inadequate benefits for those with short or broken careers as a result of some recent pension reforms)









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Social security coverage map



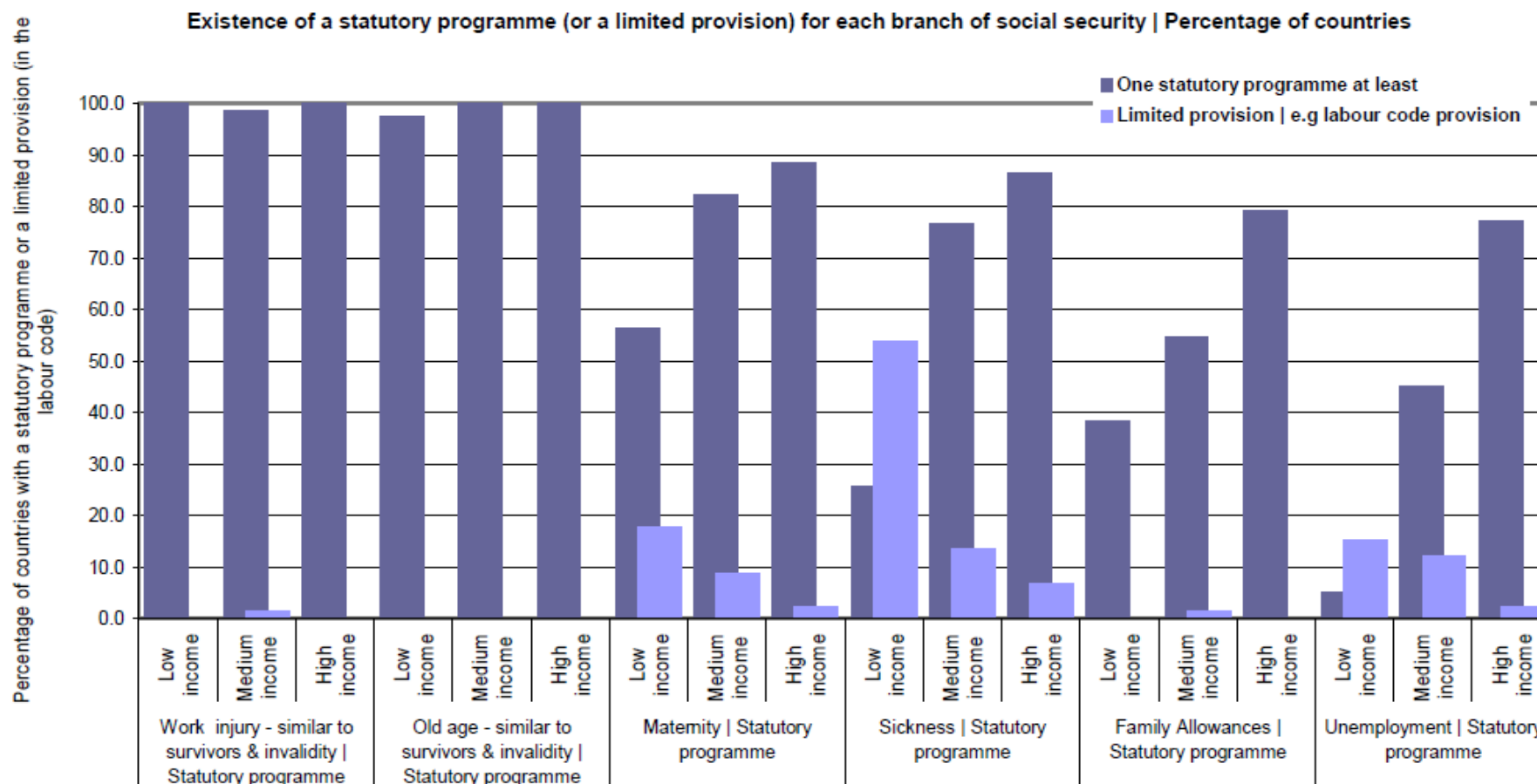
Number of social security branches covered by a statutory programme

- | | | |
|---|---|------|
|  | 1. Very limited statutory provision 1 to 4 branches | (27) |
|  | 2. Limited statutory provision 5 to 6 branches | (51) |
|  | 3. Semi-comprehensive 7 branches covered | (21) |
|  | 4. Comprehensive social security 8 branches | (57) |



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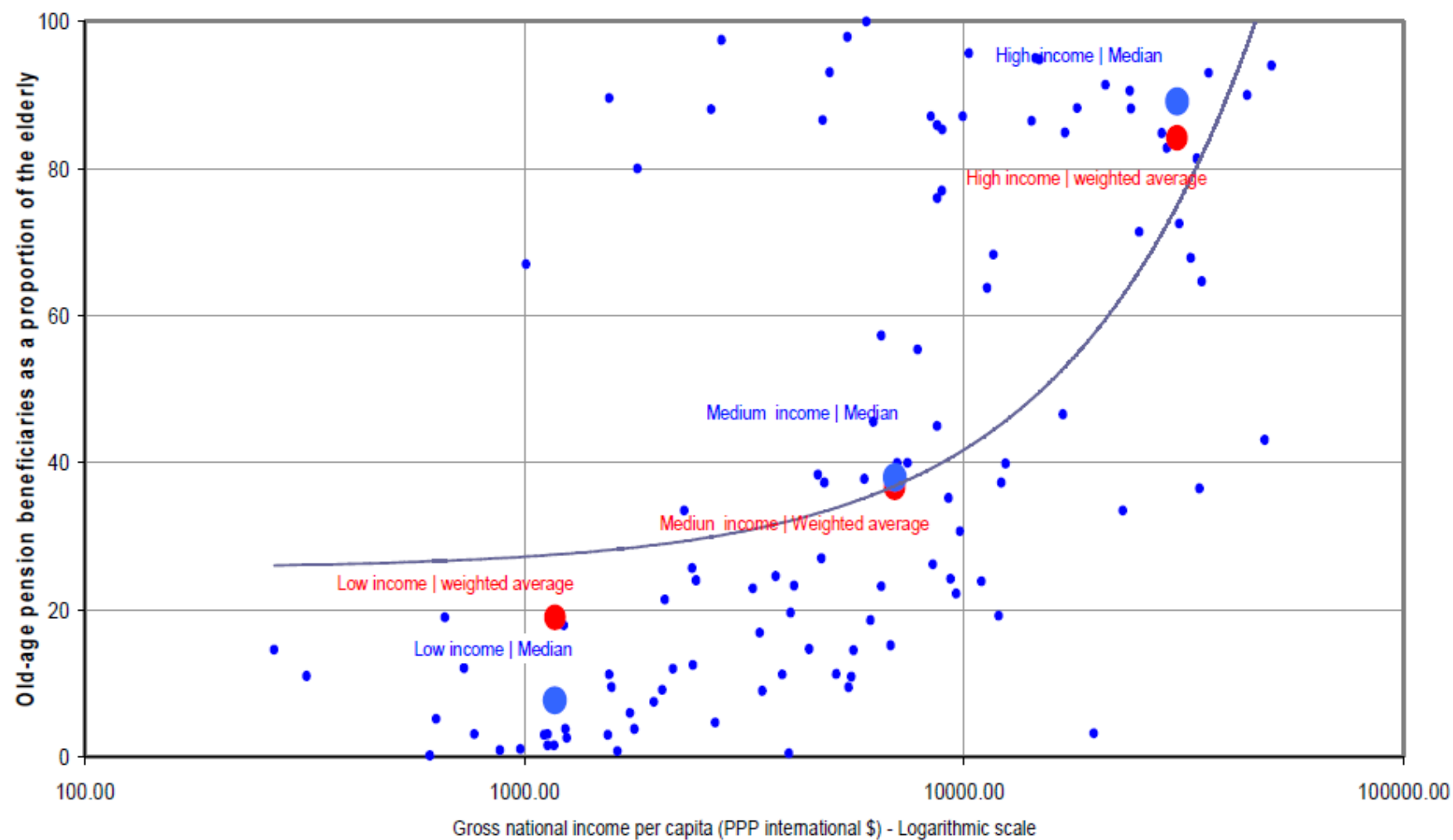
Global scope of social security coverage





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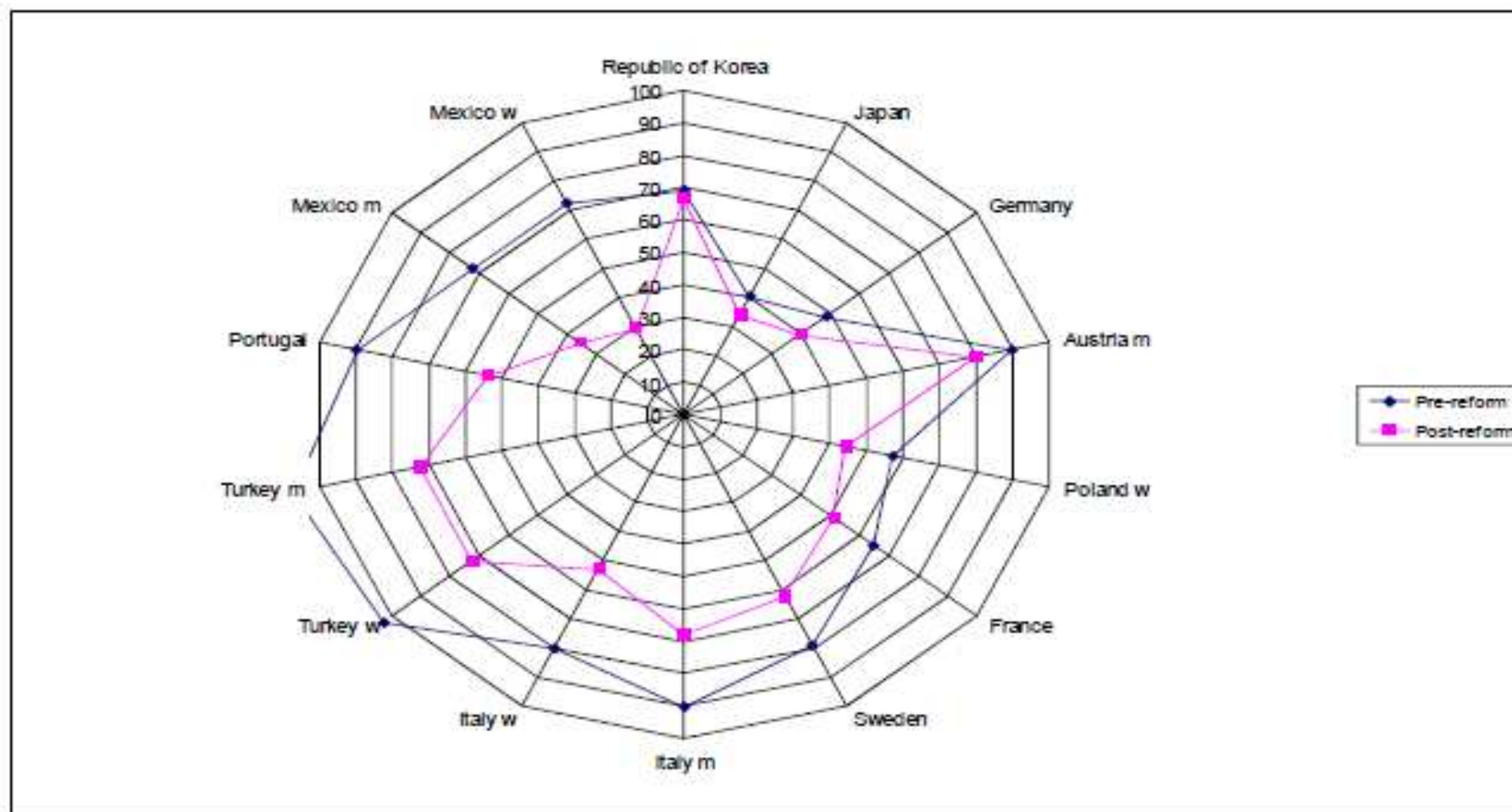
Effective coverage - pensions





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Vertical coverage (pensions): OECD





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Conclusions: strategies to effectively close the coverage gap should differ depending on labour market structures and other social cultural and economic factors

- **Contributory social security schemes are more effective where there is less myopia in perception of risks (i.e. rather health than pensions)**
- **Contributory schemes are effective for those with regular incomes well above subsistence level (regular employees, higher income self-employed)**
- **The quickest strategy to provide basic but wide coverage in largely informal economies is through non-contributory tax-financed programmes**
- **A mix of non-contributory and contributory measures is most effective in providing universal adequate coverage everywhere**
- **Creating political will and designing policies through representative social dialogue is a sine qua non condition for investments in social security which are both sufficient in size and efficient in outcomes**

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