Part II
Thematic focus: Social security in times of crisis

Responding to economic crisis with social security

10

10.1 Introduction

All economic downturns, including the economic crisis of 2008–09, lead to falling or even disappearing labour incomes, increasing unemployment, and falling revenues from self-employment. Families worldwide are deeply affected, whether they rely on income from the formal economy, the informal economy, locally earned income, or earnings sent home by those working in the cities or abroad. Besides consequences for income and poverty, severe impacts on workers' health are to be expected. If no action is taken to close the gaps in social health protection, there is no doubt that the 2008–09 crisis will result in lower global health and increased mortality rates; due to reduced accessibility to health services it is expected that up to 400,000 women will die (WHO, 2009c). UNICEF estimates an increase in infant mortality between 3 and 11 per cent (UNICEF, 2009). It is to be expected that the main social security response to such a crisis is to replace these disappearing labour incomes with unemployment benefits and related labour market interventions, in the hope that the crisis will be temporary. Those who have no access to such protection – and they are many, as this report has shown – should be addressed by widely defined social assistance and social health protection programmes or, if even those are not in place, by ad hoc cash transfers and other measures, such as providing for access to health services, in the hope that these can be transformed into regular programmes in the future. The downturn of 2008–09 has once again served as a reminder of the importance of having schemes already in place before crisis strikes, in order to be able to provide social security to the unemployed and all those affected.

In any economic downturn, revenues from contributions or taxes earmarked for the financing of social security programmes fall, while expenditure rises due to increases in the number of beneficiaries of unemployment and other income support programmes. The counter-cyclical behaviour of social security expenditure is inbuilt; it is a source of its power as the automatic stabilizer of individual incomes and aggregate demand. However, funding for increased expenditure does not come automatically (beyond existing reserves of those social security systems that keep such contingency reserves); it has to come either from a reallocation of existing public spending, or from increased contributions and taxes, or from increasing the overall deficit financing of public finance.

When reviewing[1] the experiences of different countries with a view to discussing the role of social security in the economic crisis, a number of key areas emerge:

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[1] Sources include the ILO's 46 country reviews (5 low-income countries: Bangladesh, Kenya, Nepal, United Republic of Tanzania and Viet Nam; 9 countries in the lower middle-income group: China, Egypt, India, Indonesia, Jordan, Pakistan, Philippines, Thailand and Ukraine; 14 countries from the upper middle-income group: Argentina, Brazil, Chile, Costa Rica, Dominican Republic, Latvia, Malaysia, Poland, Russian Federation, St Kitts and Nevis, Serbia, South Africa, Turkey and Uruguay; 18 high-income countries: Antigua and Barbuda, Australia, Bahamas, Bahrain, Canada, Czech Republic, France, Germany, Hungary, Ireland, Italy, Japan, Netherlands, Republic of Korea, Saudi Arabia, Spain, United Kingdom and United States); the ILO Social Security Department's own continuous monitoring of the experience of selected countries since the onset of the crisis; the results of a survey undertaken by ISSA (2009); and information provided by the OECD (2009b, 2009d).

(1) the protection of the unemployed, and related policies;

(2) increases in other social security benefits as part of the counter-cyclical stimulus packages, and strengthening protection of the most vulnerable (as a result of either automatic reactions of the existing social security system or policy-induced changes or both);

(3) cases where fiscal constraints lead to pro-cyclical cuts or restrictions in benefit levels; and

(4) negative rates of return in pension funds – specifically for pre-funded defined-contribution pensions. Negative returns undermine the benefit levels of those already retired, those about to retire and those retiring in the future.

Further, analyses of past crisis impacts show that financial and economic crises usually lead to decreases in access to health care and coverage that concern the most vulnerable parts of the population (Saadah, Pradhan and Surbakti, 2000; WHO, 2009d). However, the major challenge remains: the fact that a large majority of the world's population has no access to even basic protection provided by social security schemes, leaving them vulnerable to all economic and social risks, including those brought about by the current crisis.

10.2 Cushioning the impacts of unemployment while protecting and creating jobs

In the 2008–09 crisis millions of workers around the world are losing their income opportunities in both the formal and the informal economies. Such massive losses, coming on top of already existing underemployment and poverty, entail the risk of a social crisis unless states are prepared to provide income support in the short run and new employment opportunities in the long run to these workers and their families, and take the necessary measures to do so.

In this respect the action most immediately needed is to sustain income levels; this can be realized by a range of social security responses, as outlined in Part I of this report:

a) *Unemployment benefits*. Such benefits are typically funded by contributory schemes for employees in the formal economy, and offer income replacement related to the employee's former earnings after a qualifying period, mostly for a limited period of time.

b) *Unemployment assistance and general social assistance benefits*. These are usually not based on prior earnings but are flat-rate non-contributory cash transfers to those who are still unemployed, either once their entitlements to unemployment benefits have expired or when they have never been entitled.

c) *Other labour market policies*. These include public employment programmes providing income support, conditional upon participation in employment or training programmes.

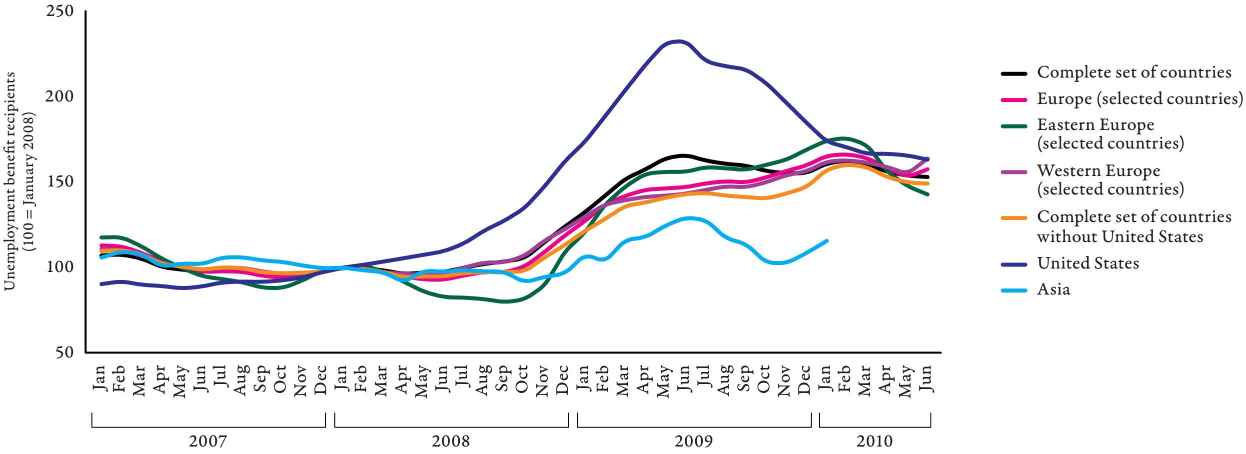
But here lies the crux: such a wide range of responses is unavailable in many countries affected by the crisis, in particular in the majority of low- and middle-income countries. Effective crisis response has to meet one common condition: the response has to be available quickly. Such an immediate response is only possible on the basis of *existing* administrative structures, that is, existing social institutions which either can automatically react to changing economic conditions thanks to their design, or can be easily adjusted (e.g. extended) to crisis-induced requirements.

Where they exist, unemployment insurance schemes are the branch of social security that bears the brunt of costs of income replacement for employees who have lost their jobs (see figures 10.1 and 10.2). It is part of the design of an unemployment protection scheme that effective coverage is automatically extended when more employees who meet the eligibility criteria become unemployed. But unemployment insurance schemes are in place in only 64 of the 184 countries for which information is available. Social assistance, public works and similar programmes also have very limited coverage globally. Even where such programmes exist their effective outreach is often very limited. Hence, what we see on a global scale is a massive gap in coverage for the unemployed and underemployed working-age population who are in need of income support.

However, even if their legal coverage is limited to formal-economy workers and effectively reaches only a limited number of those unemployed, unemployment protection schemes are crucial pillars of social security systems, offering income replacements but being at the same time a source of technical knowledge and administrative capacity which can be easily used to extend coverage and increase outreach.

In the economic crises of past decades which affected countries such as those in Asia and Latin America where social security schemes were absent, unemployment and poverty rates soared. It proved to be difficult – if not impossible – to introduce new schemes or

Figure 10.1 Number of unemployed receiving social security unemployment benefits, weighted average, selected countries, 2007–10 (Index value 100 = January 2008)



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Note: Indexed value weighted by the number of unemployed receiving unemployment benefits. Countries covered for the global estimates are the following: Argentina; Armenia; Australia (jobseekers receiving newstart allowance and youth allowance); Belarus; Belgium; Brazil; Bulgaria; Canada (employment insurance beneficiaries receiving regular benefits); Chile; Croatia; Cyprus; Czech Republic; Denmark (unemployment social insurance and social assistance beneficiaries); Estonia; Finland (recipients of basic unemployment allowance); France (ASSEDIC); Germany; Hungary (jobseekers' allowance recipients and recipients of jobseekers' assistance); Israel (claims for unemployment benefit); Japan (unemployment insurance basic allowance); Kazakhstan; Latvia; Lithuania; Luxembourg; Mexico (unemployed receiving financial support); Montenegro; Netherlands; New Caledonia; New Zealand; Poland; Republic of Korea; Romania; Russian Federation; Serbia; Slovakia; Slovenia; South Africa; Spain (contributory and non-contributory social security unemployment schemes); Sweden; Thailand; The former Yugoslav Republic of Macedonia; Turkey; Ukraine; United Kingdom (claimants for jobseeker's allowance); United States (continued claims); Uruguay.

Source: Administrative data from national social security schemes (see Statistical Annex for further detail). See also ILO, GESS (ILO, 2009d).

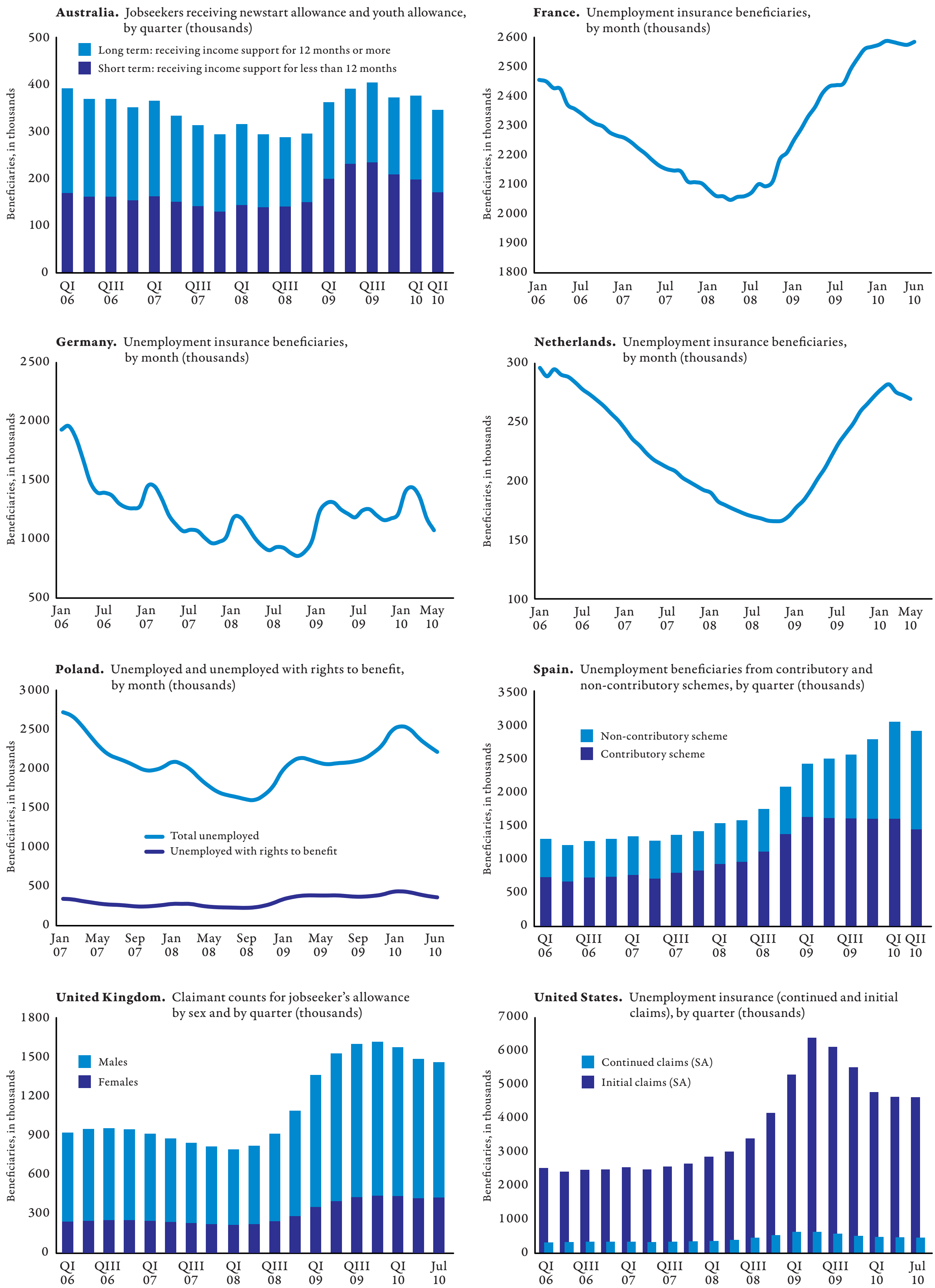
ad hoc measures quickly enough to cushion the impact of the crisis. But countries which had introduced unemployment schemes before the onset of the crisis, such as the Republic of Korea, could relatively easily scale up these measures to respond in an appropriate and timely way (Kang, 2001). Korean and also Argentinian examples (Prasad and Gerecke, 2009) show that it was timely investment in social security that enabled these countries to emerge strengthened from the crisis. A number of other countries such as Chile and Mexico have used lessons from earlier crises with massive social fall-outs as a good starting point for the introduction of new schemes offering income replacement to the unemployed and the poor (Frieje-Rodriguez and Murrugarra, 2009). Today, these countries are much better prepared to cope with the consequences of the crisis.

In addition to providing income replacement for those who lose their jobs and thus safeguarding them from poverty, social security benefits also of course have major economic impacts through stabilizing aggregate demand. And, contrary to earlier beliefs, no negative effects of increased social spending during and after crises on economic growth have been found (Prasad and Gerecke, forthcoming). On the contrary, well-designed unemployment schemes and social assistance and public works programmes effectively prevent long-term unemployment and help shorten economic recessions.

In a subset of 46 countries analysed, government responses are found in all the three groups of measures providing income support to the unemployed (see table 10.1). And as governments' ability for social security interventions is primarily confined to the instruments available, the global distribution of crisis responses reflects the distribution of coverage by established social security systems.

The most common responses in high-income countries are modifications of existing unemployment schemes. Since past recessions have led to higher structural unemployment in some Western European countries, in this crisis government strategy in a number of countries such as France, Germany and the Netherlands aims at the avoidance of full unemployment by expanding the application, eligibility and coverage of partial unemployment benefits. Partial unemployment benefits allow workers to stay in their employment relationship, but – for example – with reduced working hours. Also called reduced working hour compensation, these benefits are paid to employees who are working in enterprises that due to specified (economic, cyclical, seasonal) conditions have shortened their working

Figure 10.2 Number of unemployed receiving unemployment benefits, selected countries, trends 2006–10



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Notes and sources:

Australia. Non-seasonally adjusted data. Source: ILO, based on official administrative records from the Australian Government.

France. Seasonally adjusted data. Source: ILO, based on official administrative records from ASSEDIC.

Germany. Non-seasonally adjusted data. Source: ILO, based on official administrative records available from the State Statistical Institute.

Netherlands. Unemployment benefits under the Unemployment Insurance Act (WW), seasonally adjusted data. Source: ILO, based on official administrative records available from Statistics Netherlands.

Poland. Non-seasonally adjusted data. Source: ILO, based on official administrative records from the Ministry of Labour.

Spain. Non-seasonally adjusted data. Source: ILO, based on official administrative records from the Ministry of Labour and Migration published in the monthly statistical bulletin of the National Statistical Office.

United Kingdom. Seasonally adjusted data. Source: ILO, based on official administrative records from the Office for National Statistics.

United States. Unemployment Insurance weekly claims data are used in current economic analysis of unemployment trends in the nation, and in each state. Initial claims measure emerging unemployment, and continued weeks claimed measure the number of persons claiming unemployment benefits. Seasonally adjusted data. Source: ILO, based on official administrative records of Unemployment Insurance weekly claims from the United States Department of Labor.

See also ILO, GESS (ILO, 2009d).

hours. The loss of income from fewer hours worked is partly compensated (50–70 per cent) by either the unemployment scheme, the state budget or both. Partial unemployment benefits aim at preventing the loss of skills and the discouragement of workers, both of which may occur when they become fully unemployed.

Although it is too early for a full assessment of any of the measures taken, those under way in Germany seem to be successful so far. The unemployment insurance scheme reported modest increases during the first three-quarters of 2009. The labour market has adjusted primarily through a decline in hours worked in nearly all sectors of the economy, especially manufacturing in the first half of 2009.

Pisani-Ferry (2009) discusses partial unemployment benefits in Germany versus the experience in Spain. He suggests that partial unemployment benefits offer more equitable and more flexible labour market outcomes than the fixed-term contracts common in Spain. The latter puts a higher burden of adjustment on young and low-skilled workers, while in the partial unemployment solution the burden is spread more equitably.

In Germany requests for partial unemployment benefit have to be made by the employer to the public employment agency (Bundesagentur für Arbeit). The employer has to prove that the enterprise is hit by an unavoidable lack of work which affects at least one-third of the workforce, who have lost at least 10 per cent of their gross income for a minimum period of one month. If the claim is accepted, employees receive as benefit 60 per cent (67 per cent in certain family situations) of the difference between their full earnings and their actual net earnings received at reduced hours. In 2009 on average 1.3 million workers are expected to be on partial employment; costs for the public employment scheme are estimated at €3.5 billion.

Although the number of workers in partial unemployment in Germany has skyrocketed (an increase of over 1.1 million beneficiaries, or eightfold on a year-to-year basis in March 2009), the monthly number

Table 10.1 Unemployment schemes in different country groups by income level, 2009

Selected countries by income level (number of cases)	At least one statutory unemployment social security scheme in place	Extension of maximum unemployment benefits payment period	Expansion of unemployment insurance coverage	Increase of unemployment benefit level	Introduction/extension of public employment schemes	Extension of cash benefit and social assistance schemes
Low-income countries (5)	● 2 / ○ 2 / × 1				1	4
Lower-middle-income countries (9)	● 5 / ○ 1 / × 3	2	1 / × 1		5	5
Upper-middle-income countries (14)	● 10 / ○ 1 / × 3	4	5	3	5	3
High-income countries (18)	● 15 / × 2	11	6	4 / × 1	3	2 / × 1
Total (46)	● 32 / ○ 4 / × 9	15	12 / × 1	7 / × 1	14	14 / × 1

Notes: ● At least one statutory unemployment scheme in place. ○ Unemployment scheme with limited provisions. × No scheme in place. One-time payments not included.

Source: ILO country reviews (see note 1, p. 105).

of newly unemployed workers has remained comparatively stable so far.

In Thailand the introduction of a future unemployment insurance scheme was already planned at the beginning of the 1990s, when the country started its social insurance system for private-sector employees with the introduction of health insurance and disability pensions. The scope of the system has been gradually expanded over the years to branches such as family benefits and old-age pensions. The unemployment insurance scheme started only a few years ago, after long discussions fuelled by the Asian financial crisis of 1997–98. Recent trends in both the absolute numbers of unemployed receiving unemployment benefits and the total number of unemployed seem to reveal a significant increase in the proportion of unemployed benefiting from the social security scheme (see figure 10.3).

No unemployment benefit scheme, whether partial or full, can work to its full potential unless it is combined with other labour market instruments that increase employability, such as training. The crisis will lead to structural changes in many economies, and measures to ensure the employability of laid-off or partially unemployed workers will be crucial in the new circumstances. Training and related measures are part of the stimulus packages introduced in most European countries (often in combination with partial unemployment benefits) and also, for example, in the Republic of Korea, where workers who undergo training are entitled to higher benefits. Korea has also decided to invest in tools aimed at providing better information on jobseekers, qualifications and open positions, which should help to avoid long-term unemployment.

Partial unemployment benefits are also being added to existing unemployment benefit schemes or are being extended in a number of middle-income countries such as Poland and Turkey. In Poland until recently there were no provisions for partial unemployment. In autonomous social dialogue workers' and employers' organizations represented in the Tripartite Commission agreed, in March 2009, on a desired package of anti-crisis measures and accordingly formulated proposals for the government. Among these were proposals aiming at opening a possibility for partial and technical forms of unemployment status and respective benefits. As a result, in July 2009 Parliament adopted a law allowing, for the next two years, collectively agreed reductions of working time and proportional reductions in wages without a need to change individual work contracts; and establishing compensation financed from the Guaranteed Employee Benefits Fund to employees for such reduced working time and wages (70 per cent of unemployment benefit) or for technical unemployment (100 per cent of unemployment benefit). It also established support for the training of employees affected by reduced working time or technical unemployment, financing from the Unemployment Benefits/Labour Fund up to 90 per cent of training costs (the rest being financed by employers from their training funds) and training stipends to employees in the amount of 100 per cent of unemployment benefit.

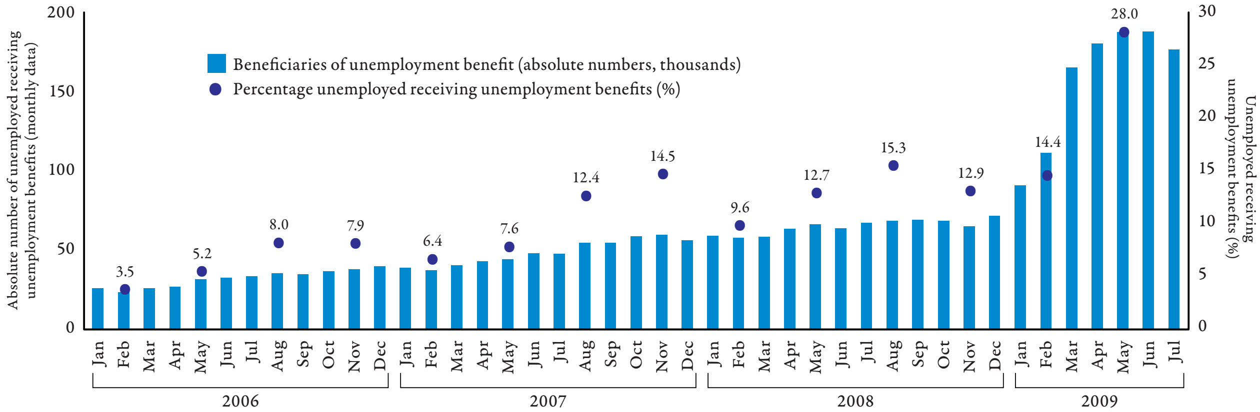
But while in most middle-income countries in Europe these schemes potentially cover a majority of the employed, in many middle-income countries in Asia and Latin America self-employment and informal employment remain high and thus the existing unemployment schemes are inaccessible to many of those whose labour incomes are affected by the crisis; these people need some form of income support. When formal labour markets are small, an extension of coverage under existing schemes solves only part of the problem; additional special measures for both the formal and the informal sector become necessary.

In Brazil, for example, responses to the crisis target formal-economy workers in the most crisis-ridden sectors, for whom unemployment benefits have been prolonged by two months. This extension will reach around 103,000 people, or 20 per cent of the scheme's beneficiaries. Additionally, those who lack formal income opportunities will be targeted through extended access to the Bolsa Família programme (see ILO, 2009k). The government planned to extend the programme in 2009, which covered 11.1 million families at the end of 2008, to another 1.3 million families, and has raised the income threshold determining eligibility from BRL 120 to BRL 137 per capita.

The most common form of response in middle-income countries is the extension of public employment schemes or the creation of new ones. Since such schemes often have an ad hoc character they may be implemented quicker than social security schemes, and discontinued once the crisis is over.

An example comes from the Philippines. All government departments and offices have been directed to mobilize available resources, at the level of at least 1.5 per cent of their operating budgets, for emergency job creation under the pro-poor Comprehensive Livelihood and Emergency Employment Programme (CLEEP). Up to May 2009 nearly 100,000 jobs had been created, and efforts were then reinforced to create another 700,000 before the end of the year. India too has several years of experience with its National Rural

Figure 10.3 Thailand: Number of unemployed receiving unemployment benefits (monthly), and trends in the proportion of total unemployed receiving benefits, 2006–09 (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15243

Sources: Thailand Social Security Office for unemployed receiving unemployment benefits; ILO, LABORSTA (ILO, 2009e), unemployment general level, quarterly, for total number of unemployed.

Employment Guarantee Act (NREGA), and plans to use this experience to cover urban areas with a similar scheme (World Bank, 2009b).

The availability of measures for crisis response is clearly the most limited in low-income countries. Although national differences remain, low-income countries share a triple constraint in the crisis: they are adversely hit through declines in global demand, remittances, FDI and trade; they have limited access to foreign capital; and their scope of social security is very narrow: its coverage is limited to the minority in formal employment, and schemes providing income support in case of unemployment exist but rarely. In addition, many of these countries, in particular in sub-Saharan Africa, have already been facing mass poverty and underemployment well before the recent global economic crisis. It can be said that they face a permanent crisis of lack of income opportunities and subsequent poverty.

In this situation a sufficient response is not to be expected from the few existing unemployment benefit schemes, such as those set up only a few years ago in Bangladesh and Viet Nam, for example. Comprehensive social security systems are not in place in any of these countries and even social assistance, which could provide income support to the unemployed or underemployed working-age poor population, is very limited.

On the other hand, in all the countries reviewed for this report and in many other low-income countries there exist small-scale pilot income support schemes of various natures, providing cash benefits and/or employment to various targeted groups of the population. These are usually too small to help in the current crisis beyond the relatively small groups covered. But there is evidence that capacities of benefit delivery and administration are gradually being built. The decisive and missing factor in many cases is sustainable funding, which has to come through joint long-term commitments of the governments, supported temporarily – wherever necessary – by the donor community.

The assessments given above of the measures reviewed, among which some are referred to as good practice, are obviously highly dependent on context. The evaluation of the measures at this point in time draws mostly from experience of past crises; it is too early for a full assessment of the particular measures applied in this crisis of 2008–09.

Among the policy responses discussed above, past experience advises caution on public works schemes. Such schemes are often praised for their "self-targeting", as the low remuneration they provide attracts only those in dire need. With respect to targeting, they may therefore be easier to implement in contexts where social security infrastructure and expertise are limited. Their ad hoc character, however, often prevents them from delivering sustainable and reliable support to those in need in the form of adequate income, and they also often indirectly exclude the more vulnerable (such as women).

Where access to health care and health insurance is linked with employment, workers who become unemployed (and their families) not only lose their jobs and thus their sources of income, but simultaneously they lose affordable health services when they need them. Measures that protect the unemployed from losing access to health care and other social services, or other social benefits such as pensions and maternity and family benefits, are thus crucial – but often forgotten – elements of the design of any scheme providing protection to those affected by unemployment.[2]

A minority of countries reviewed have cut rather than expanded their expenditure on social security programmes, under the pressure of circumstance. Lowering benefits and limiting access to income replacement and other social security schemes not only aggravates the consequences of the crisis for workers and their families but may have economic consequences that negatively affect aggregate demand.

Like previous crises, this one will hit the poorest people hardest. Many households, already weakened, are faced with having to sell assets such as livestock to survive. Malnutrition could well rise, and school enrolment may well fall. The financial crisis will turn into a human one if the poor are left to fend for themselves.

The short-term responses to a crisis – macroeconomic stabilization, trade policies, financial sector policies and social security – cannot ignore longer-term implications for both economic development and vulnerability to future crises.

10.3 The expansion of social security as a crisis response

In those countries reviewed that have developed at least elements of comprehensive social security responses in areas such as pensions, health schemes or family benefits, such responses are usually expansions in coverage and in benefit levels of existing schemes, except for a limited number of countries which have been forced by circumstances to actually decrease benefits or to narrow coverage.

Measures expanding benefits and coverage can be found everywhere – in high-, medium- and low-income countries. The difference is of course in the scale of impact of such measures. In countries where coverage is comprehensive the expected impact of these changes is significant, not only in individual income levels of the recipients covered, but also in overall aggregate demand. On the other hand, in countries where coverage is limited to those in the small formal economy the impact may be important from the point of view of effective protection of recipients covered, but from the point of view of aggregate demand it is negligible.

The case of Argentina is particularly interesting in that measures were either already in place from previous economic crises in the country or were in a state of transition when the 2008–09 global economic crisis began. The Government of Argentina has launched a wide-ranging stimulus package ranging from major structural reforms such as the renationalization of the pension system, to temporary measures such as salary subsidies and reductions in social security contributions (see box 10.1). Other examples of expanded benefit levels and coverage are given in table 10.2 for selected countries.

In addition to these changes in benefit levels and coverage of existing social security systems, some governments have announced special *one-time payments*, usually to low-income households, for example in Australia, France, Indonesia, Italy, Thailand and the United Kingdom. As opposed to the extension of coverage or permanent adjustments in benefit levels, such measures give temporary relief and may also boost aggregate demand if large in scale, but do not make a long-term impact on households' income situation.

Other responses include (usually temporary) *exemptions from social security contributions* with a view either to reducing costs for employers and thus stimulating employment, or to raising the net earnings of low-income workers. Countries which have introduced such measures are listed in table 10.3.

However tempting such reductions in social security contributions may be with a view to decreasing labour costs or increasing net wages, such measures must be properly compensated both in terms of financing the benefits currently paid as well as in terms of future benefit entitlements of contributors, in cases where these will depend on the amount of contributions actually paid.

10.4 Consolidating social expenditure: Short-term versus long-term concerns

While most countries have expanded social security coverage and benefits in response to the global economic crisis, a few of the countries reviewed have announced cuts or freezes in social spending and benefits, usually as part of the wider plan of consolidating public finances and reducing public deficits.

[2] In many European countries, e.g. Poland, those entitled to unemployment benefits additionally have their contributions to health insurance paid for them, as well as to old-age, survivors' and disability insurance. In the case of Poland this amounts in total to 35 per cent of the cash benefit cost.

Table 10.2 Crisis response: Extending coverage and raising benefits, selected countries, 2008–09

Country	Measures taken
Armenia	Various benefits raised
Australia	Pension benefits raised
Bangladesh	20% increase in old-age pensions
Brazil	Extension of social assistance Old-age pension raised in line with minimum wage
Chile	Extension of social pensions to another 5% of the poor elderly Benefit levels raised
China	Gradual extension of old-age pensions to the rural population Encouragement of lower health insurance premiums
Costa Rica	15% increase in benefit level for non-contributory pensions
Egypt	Extension of health coverage
France	6.9% increase in old-age pensions Extension of health coverage
India	Extension of pension and health coverage
Italy	Extension of certain types of social security coverage to hitherto excluded groups
Kenya	Cash transfers to the elderly
Pakistan	Extension of health coverage and social safety net
Philippines	Extension of health coverage
Russian Federation	Adjustment of pensions to inflation forecast
South Africa	Decreased retirement age for men Prolongation of child benefit payments
Spain	Increase in minimum pension benefit levels
Tanzania, United Republic	Increase in minimum pension benefit levels
United Kingdom	Child benefits raised
United States	Extension of health insurance coverage
Uruguay	Minimum contribution period for full pensions shortened from 35 to 30 years

Source: ILO country reviews (see note 1, p. 105).

Table 10.3 Crisis response: Reductions in contributions, selected countries, 2008–09

Country	Measures taken
Canada	Contribution rate to unemployment insurance lowered
China	Numerous exemptions from unemployment insurance contributions
Czech Republic	Degressive reduction in contributions, compensated with higher state support to unemployment insurance
Germany	Reduced contributions to health and unemployment insurance schemes
Japan	0.4% reduction in unemployment insurance contributions
Spain	Various exemptions for employers from social security contributions

Source: ILO country reviews (see note 1, p. 105).

Ireland has halved its unemployment benefit for jobseekers under the age of 20, introduced a pension levy of 1 per cent across all wage earners and announced a freeze in welfare expenditure for at least two years. In Hungary the 13th-month pension and the 13th-month salary have been scrapped; the duration of paid parental leave has been reduced; and future pension increases will be indexed to GDP growth and inflation rather than wages and inflation. Latvia has announced cuts in the unemployment benefit scheme, where benefits decrease more quickly than originally foreseen; pensions for working pensioners decrease by 70 per cent; family allowances are down by 10 per cent; pre-retirement pensions decrease from 80 per cent of the full benefit to

Box 10.1 Argentina, policy responses to the crisis: A stimulus package

Fiscal and sector policies

The main fiscal policy was the renationalization of the pension system; which had been partially transformed into a defined-contribution scheme administered by privately managed pension fund companies in 1994 (except for the pension fund managed by the state-owned Banco Nación). The unification of the pension system into a publicly managed defined-benefit scheme allowed the flow of salary contributions (1.5 per cent of GDP annually) to be transferred to public revenues. The pension assets formerly administered by the private firms (about 10 per cent of GDP) were also transferred to the National Social Security Administration (ANSES) and a sustainability reserve fund was created (Fondo de Garantía de Sustentabilidad). At least 50 per cent of assets were in the form of public bonds and treasury financial instruments.

Other major fiscal policies include an increase in resources for public works: the 2009 budget doubles the 2008 plan, including projects to finance housing, hospitals, roads and sanitary sewers. The government has also presented a plan to finance a roads programme through the emission of bonds which are being bought by ANSES and other private institutional investors. These fiscal measures have been supplemented by the expansion of tax credit programmes for enterprises that invest in capital goods and infrastructure (a significant part targeted to SMEs); a lump-sum payment of US$56 to all retirees; a moratorium on tax and social security contributions; and reductions of employer contributions (50 per cent in the first year and 75 per cent in the second) for new or previously undeclared employees. The latter measure was expected to benefit up to 800,000 employees. As of September 2009, 169,000 contributors had declared tax debts in the moratorium and 330,547 employees had been registered under the plan.

Among the sector policies, the most important are housing credits for new or used units, financed from social security resources; credits for automobiles and durable goods financed from public resources; and support to private firms that make a commitment to preserving or increasing jobs.

Labour and social protection

Labour and social protection policies are a major part of the stimulus package. The three main areas are related to (a) the prevention of lay-offs, and retaining workers in employment; (b) the expansion of transfer programmes to improve employability, and development of public employment services; and (c) expansion of child benefits to vulnerable families in the informal economy.

(a) *Prevention of lay-offs and retaining workers in employment.* The two main instruments are the Crisis Prevention Procedure (*Procedimiento Preventivo de Crisis – PPC*) and the Production Recovery Programme (*Programa de Recuperación Productiva – REPRO*), both already in place before the current crisis.

The Crisis Prevention Procedure (PPC), created in 1991 under the Labour Law, provides a space for negotiation and agreement between the social partners, with state intervention or mediation, when an enterprise decides to adopt measures affecting employment (mostly lay-offs and suspensions) motivated by *force majeure* or for financial or technological reasons. The PPC gained momentum towards the end of 2008; between October 2008 and May 2009 the number of workers affected in the firms applying for the PPC was approximately 12,000. For the most part (about 70 per cent of cases), the enterprises chose to adopt such measures as suspension and shorter working hours rather than lay-offs.

The Productive Recovery Programme (REPRO), established in 2002, offers workers in affiliated enterprises a fixed monthly non-remunerative sum of up to AR$600 (43 per cent of the minimum wage in August 2009) for a period of 12 months, designed to complete the working wage for their category. It is paid directly by the National Social Security Administration. To access this benefit, firms must show evidence of their present crisis situation, describing what actions are planned for recovering the enterprise and engaging not to lay off any personnel. While in 2008 the number of enterprises and workers receiving benefits from the programme was 448 and 22,846 respectively, by November 2009 coverage had extended to 2,658 enterprises and 139,034 workers.

(b) *Programmes to improve employability and development of public employment services.* The 2008–09 global economic crisis found the government already in the process of implementing a new generation of programmes aiming to improve the employability of those who were affected by the 2002 crisis, when about 2 million were reached by a major transfer-employment programme for unemployed household heads (*Programa Jefes*). The new programmes are the Training and Employment Insurance (*Seguro de Capacitación y Empleo – SCE*) and the Youth with More and Better Work Programme (*Programa Jóvenes con Más y Mejor Trabajo – PJMMT*).

The SCE is a non-contributory transfer of about US$70, limited to two years, for the promotion of effective work retraining. Deteriorating conditions in the labour market led the government to extend this benefit by up to six additional months. Beneficiaries of unemployment insurance (the contributory programme for formal salaried workers) can also now join SCE after exhausting their benefit period. As of June 2009, the SCE had 61,420 beneficiaries and in addition to the cash benefit had been able to provide 68,931 beneficiaries with in-kind benefits such as support to complete years of obligatory schooling, vocational training and insertion into the labour market.

The Ministry of Labour launched the PJMMT in May/June 2009 for young people aged 18 to 24 with employability and employment difficulties. Its aim is to create opportunities for social and work inclusion for youth through integrated actions enabling them to identify the professional profile they wish to develop, finish their obligatory schooling, gain experience in skills through internships in working environments, and begin a productive activity either independently or by joining the labour force. As of July 2009, the number of beneficiaries of PJMMT reached 62,753; 46,099 were already recipients of the cash transfer and several of the in-kind benefits mentioned above. The programme was expected to reach 100,000 beneficiaries by the end of 2009.

The government was also in the process of expanding and strengthening the network of municipal public employment offices (MPEOs) as part of a national employment strategy. Conceived as a space where local governments take the leading role in assisting people with employment problems in their own communities, the MPEOs have become a crucial tool for implementing active employment policies for SCE and PJMMT beneficiaries. Since 2005 when they began to operate, up to the first quarter of 2009 MPEOs had helped a total of 1,312,196 persons with job advisory services, support in seeking work and advice to the self-employed. They had also provided job brokerage and referrals to schools or professional training for social services and other programmes of the Ministry of Labour.

(c) *Expansion of child benefits to vulnerable families in the informal economy.* Argentina has a contributory family allowance programme that covers about 3.8 million infants and adolescents. Still, this left between 4 and 5 million boys and girls under 18 not covered systematically, some of them only reached by one of the many small targeted income support programmes. In October 2009 the government enacted a Decree that extends child benefits to: (a) workers not registered (i.e. not contributing to social security) earning less than the minimum wage; (b) the unemployed; (c) domestic workers; and (d) workers registered in "*monotributo social*" (a simplified regime for self-employed workers on very low incomes). The new programme *Asignación Universal por Hijo para Protección Social* consists in a monthly amount of AR$180 (about US$47) per child, which has an unconditional component (AR$144) and a conditional transfer (AR$36) that is deposited in a savings account. The parent responsible for the child can withdraw the amount saved upon demonstrating that the child has fulfilled obligatory schooling or, in the case of children under 5, the obligatory vaccinations plan. Entitlement conditions consist in being under 18 years of age, born in the country (or parents resident for at least three years) and enrolled in public school. The programme is administered and financed by the Social Security Administration (ANSES)[1] and the government aims to gradually consolidate within this programme other family transfers currently provided under various social programmes.

As of 1 December 2009, the government was able to create a first register of beneficiaries showing that 2.7 million children and adolescents were entitled to receive the benefit. This is about 55 per cent of the population that could be potentially enrolled. The remaining potential beneficiaries are expected to continue joining the programme as they fulfil the requirements. The total cost of the programme will be about 0.5 per cent of GDP; once universal coverage is reached the total cost of the non-contributory component is expected to reach 1 per cent of GDP.

Note: [1] ANSES is financed roughly as follows: 50 per cent workers' and employers' salary contributions; 50 per cent earmarked taxes (added value tax, income tax and other taxes).

Source: ILO, 2009l.

50 per cent; retirement pensions and length-of-service pensions decrease by 10 per cent overall; parental benefits reduce by 50 per cent for working parents; and the number of health centres will be halved and preparatory classes abolished. Ukraine has tightened eligibility conditions for the unemployment scheme, with the effect that the number of registered unemployed has decreased by 17 per cent compared to the previous year; at the same time the level of contributions and contributors has widened, although whether benefit levels have been affected is difficult to assess.

While the above examples show that the countries in question have had to prioritize restrictions in public spending in order to limit public finance deficits in an often dramatic crisis situation, the negative social impacts of such measures on the living standards of affected groups, as well as the potential longer-term economic impacts that depend on the depth and length of the recession, are too early to assess. In some countries such measures have been adopted as a condition for receiving large-scale loans supporting the financial sector and the economy.

In addition, there is a risk that other countries, those that followed the expansionary fiscal policy during the crisis (a policy which helped to prevent a deeper and longer recession in many of them), will now face pressure for fiscal consolidation to cope with increased deficits and public debt. If and wherever it happens, this may result in cuts of social security spending to even below pre-crisis levels. This in turn may not only directly affect social security beneficiaries and consequently the standards of living of a large portion of the population but also, through the aggregate demand effect, slow down or significantly delay a full economic recovery.

There is always a conflict between concerns about long-term financial sustainability and the countercyclical role of social security (and wider public) spending.

An interesting illustration and solution comes from Sweden. Several years ago, within the main Swedish old-age pension scheme (which is PAYG-funded but organized as the Notional Defined Contribution (NDC)), a special feature was added in the form of an "automatic balancing mechanism". Special calculation methods have been established to make it possible to estimate the long-term assets and liabilities of the PAYG scheme. If the estimated liabilities of the system exceed its assets, the annual indexation both of acquired pension rights and pensions in payment is supposed to be automatically reduced for the period necessary to bring back equilibrium. Obviously, such a mechanism would make the system financially stable. Whatever happens, it reduces current and future pensions by as much as needed in order to restore financial equilibrium to the system.

Up to 2007 the so-called "balance ratio" of the Swedish pension system was above 1 (assets higher than liabilities) and so the automatic balancing mechanism was not activated. The situation has changed with the crisis. In 2008 the balance ratio was calculated as less than 1 for the first time (liabilities surpassed the assets, activating the automatic balancing mechanism). Pension levels would therefore need to be actually decreased in 2010 and for at least another several years grow at a much slower pace than before. However, such a prospect opened a debate as to whether this should be allowed in conditions of crisis. The debate concluded that a discretionary intervention should be allowed, suspending the existing rule and reducing the scale of the decrease in pension levels expected for 2010, spreading it over a longer period to cushion the impact on pensioners' living standards (Scherman, 2009).

Automatic adjustment mechanisms, linking pension entitlements to the state of the pension system's finances, also exist in different forms in Canada, Germany, Japan and the Netherlands (occupational pensions).

The above example from Sweden clearly illustrates an important dilemma. On the one hand it reveals a willingness to introduce automatic budgetary mechanisms which would help to ensure long-term sustainability of specific expenditure programmes or overall public finances, thus making them immune to discretionary political decisions. This can be seen not only in Sweden but also in many other countries, in other recent reforms of social security pension programmes and also in wider reforms of public finances that require permanently balanced budgets at the local or national level. But such long-term automatic mechanisms and regulations in times of economic downturn such as the current one may instead act as "automatic de-stabilizers" rather than stabilizers, as Joseph Stiglitz stressed in his speech in March 2009 to the ILO Governing Body (Stiglitz, 2009), unless governments can make discretionary corrections to the rules in time to achieve the policy outcomes desired in the current circumstances – as in the case of Sweden described above, or in Germany, where the "sustainability" factor of the German pension system would have led in 2008 and 2009 to pension increases of 0.46 per cent and 1.76 per cent, but the government has overridden the "automatic" mechanism, increasing pensions by 1.1 per cent and 2.41 per cent respectively. In the summary of its recent report *Pensions at a Glance 2009*, the OECD apparently supports such discretionary interventions and comes to the conclusion that the design of such automatic balancing "needs a re-think" as "it does not seem sensible to reduce benefits in a pro-cyclical way, taking money from the economy when it is weak" (OECD, 2009h, p. 8).

The crisis has demonstrated that rules such as automatic balancing mechanisms are not necessarily viable solutions. When they were activated by the crisis, this led in a number of cases to discretionary political interventions to prevent the benefits from decreasing in a pro-cyclical manner. Such interventions were justified in terms of both social policy (protecting living standards in the crisis) and economic policy (protecting aggregate demand).

Will the fate of these rules be the same in the future when demographic changes activate automatic balancing mechanisms more often, with a corresponding deterioration in the adequacy of benefits and relative living standards of the elderly? There is no doubt that there will be growing political pressure for discretionary interventions correcting or abolishing these systemic rules.

Should the future adequacy of benefits be left entirely to political discretion? Or rather, is it not better to supplement the rules related to financial equilibrium with other rules which would prevent benefits from falling below accepted levels? Such levels can be related to international standards but should be developed nationally and monitored, verified and adjusted through social dialogue that includes all stakeholders.

10.5 Impact of the crisis on pension funding: The need to revisit recent pension reforms[3]

The effect of the financial and economic crisis on pension systems depends on the category of pension schemes people belong to (defined contribution (DC), defined benefit (DB), PAYG or fully funded) and whether they are already retirees, close to retirement, or still have many years of contributing ahead of them.

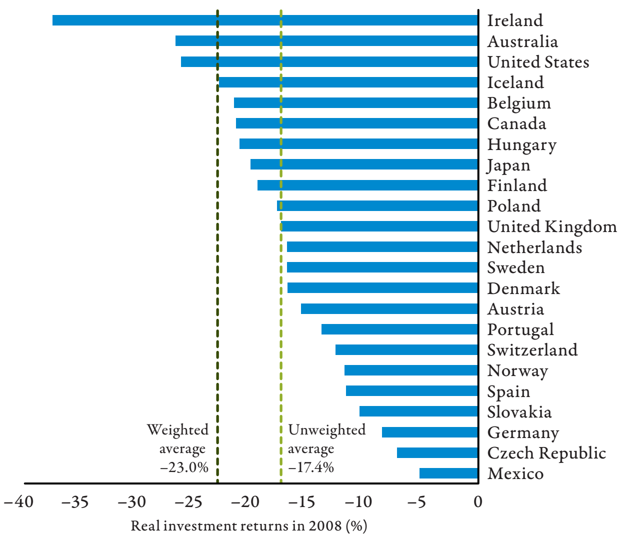
In defined-benefit (DB) schemes, where pension amounts are calculated without regard to the level of reserves, the immediate impact will be less than in defined contribution schemes, where benefit guarantees are by their nature less effective. However, long-term contraction of employment and hence the number of contributors will also force governments to downward adjustments in DB schemes.

In fully funded defined-contribution (DC) pension schemes, pension entitlements in some cases might be lost completely. In OECD countries private pension funds lost 23 per cent of their value in 2008 (see figure 10.4). If the crisis turns into a long-term downward adjustment of asset prices, the outcome in DC schemes will inevitably be lower benefits paid at retirement. Any prolonged suppression of interest rates and asset prices will lead to serious difficulties by way of destabilized annuity rates (prices) and management of annuity reserve funds. The size of the long-term effect will depend on the depth and the duration of the downturn of asset prices. If the present price reductions turn into permanent level adjustments then old-age income will be reduced; if the downturn is short-lived the effect will be transitional.

While these losses are not permanent, they still show the vulnerability of pension levels in DC schemes, notably for people who are close to retirement and whose savings portfolios might not recover during their remaining active life. The most affected are people who will retire within the next months and years, those with long periods of membership in DB-funded pension schemes, and in particular those whose investment policy is heavily exposed to riskier assets (many people in Australia, the United Kingdom and the United States). Those pensioners in private pension plans who did not take annuity on retirement may also be seriously affected (see figure 10.4 and OECD, 2009c, p. 26). The reason why ILO Convention No. 102 requires an old-age pension to be paid as a life annuity (periodical payment throughout a contingency) is precisely to protect the income security of the elderly from the impact of such events as the 2008–09 financial and economic crisis.

In the OECD countries at present, private financial sources constitute on average one-fifth of retirement incomes, but they are over 40 per cent in five countries: Australia, Canada, the Netherlands, the United Kingdom and the United States. On the other hand, they are less than 5 per cent in Austria, the Czech Republic, Hungary, Poland and Slovakia. However, in the future private pensions (both mandatory and voluntary) are expected to provide 75 per cent of future retirement incomes in Mexico, 60 per cent in Slovakia, 50 per cent in Poland and 30 per cent in Hungary. As many of these schemes are relatively young and thus even if current losses in the pension funds are significant (in Poland, for instance, it is estimated that in real terms members lost on average between two and three years of their contributions), the impact of this single crisis on the incomes of future retirees may turn out to be relatively minor. Nevertheless, as the OECD stresses, these developments "highlight the need for resilience to future crisis" (OECD, 2009h, p. 3). In view of the recent experience a fundamental review is needed of social security pension systems; some of the pension reforms undertaken during the last two decades need to be revisited to see if corrections are required to decisions taken in the past, and if so, what they should be.

Figure 10.4 Real investment returns of pension funds, OECD countries, 2008 (percentages)



Link: OECD StatLink, http://dx.doi.org/10.1787/635276166554

Source: OECD, 2009c, p. 33, figure 1.3.

[3] The following two sections of this chapter are based on Diop, 2009.

And corrections are needed. The degree of vulnerability of future pension levels to the performance of capital markets and other economic fluctuations, introduced in so many pension systems during the last three decades, was clearly a mistake that stands to be corrected. What is needed immediately is to protect the pension levels of those who are close to retirement. Strong minimum pension guarantees may work here as "automatic stabilizers" of retirees' living standards. Some countries have such guarantees already; others have included one-off payments to older people in their stimulus packages as a temporary relief (Australia, Greece, United Kingdom and United States). Others have decided as a result of the current crisis to strengthen and expand minimum guarantees in their pension systems (Belgium, Finland, France and United Kingdom, as well as countries with higher than average poverty incidence among the elderly – Australia, Republic of Korea and Spain).

Policies strengthening pension guarantees for low-income earners and thus significantly correcting past reform trends will have to be further increased. As the OECD study shows (2009b, p. 5), in countries such as Germany, Japan or the United States future low-income earners will be receiving pensions at the level of 20–25 per cent of average earnings. The OECD average will be 36 per cent with Denmark (62 per cent) at the top of the list.

In the short run the state may authorize pension schemes to reduce their levels of capitalization for a transitional period, as has been done in the Netherlands, for example. This is probably the only realistic option at present, given global resource constraints. If asset prices rebound at some point, the overall cost of the guarantees will be only a fraction of the temporary losses.

In their observations in response to the crisis, the OECD have suggested that governments could play a more active role in managing the risks associated with the payout phase of pensions and annuities, with the idea that they could encourage the market for longevity hedging products by producing an official longevity index. Other OECD proposals include suggestions that governments should issue longevity bonds that "would set a benchmark for private issuers", and should also consider issuing more long-term and inflation-indexed bonds – a move already taken by a small number of countries, most recently by the Danish Government with the release of a 30-year bond that was primarily bought by domestic pension funds and insurance companies.

But much more fundamentally, this is the time for a new approach in debating pension reform. This should include:

- rebuilding trust in public DB schemes – which have once again proved to be much more secure in times of economic turbulence – by clearly showing the trade-offs between DC and DB schemes in terms of the security of future benefit levels;
- rebalancing pension systems in their DB/DC and funded/PAYG mixes so that they can achieve their multiple objectives,[4] in particular preventing poverty in old age and providing secure replacement income on retirement, thus enabling pensioners to achieve what society sees as an adequate standard of living;
- returning to the debate on necessary reforms of public pensions, in order to make them sustainable as populations age without losing adequate income security. Reforms to be debated should include:
  - the introduction into pension schemes, as stabilizers, of such rules as would adjust the age at which people can retire, and the minimum duration that people have to contribute in order to qualify for full pension, in line with the improving life expectancy and health status of those around retirement age; such rules would also need to take into account the pace of progress in working conditions;
  - the establishment of such funding levels in the DB public pension schemes as are necessary to optimize the economic role of pension schemes both in the short (economic fluctuations) and the long run (demographic processes);
- introducing reforms in other parts of social security systems through enhancing coverage and improving unemployment benefit schemes so that pension schemes are not used as a substitute;
- achieving such decent working conditions that people can both work longer and live longer in good health;
- expanding lifelong learning so that workers are always up to date with new technologies;
- changing the attitudes of employers towards older workers;
- changing the attitudes of society to caregivers;

[4] In-depth analysis by Barr and Diamond (2008) includes evidence that some of the main objectives of pension systems have been neglected during the reforms of the last three decades.

- introducing reforms of the DC pensions including:
  - the enforcement of efficiency through decreasing administrative cost levels in any reform of DC and funded schemes;
  - the removal of tax breaks for voluntary private third-tier pension schemes;
  - the reduction of the dependency of benefit levels in pension schemes on volatile market performance through introducing DB-type guarantees into the DC schemes, or by guaranteeing rates of return in such a manner as would provide replacement rates on retirement at target levels.

The ILO does not have a specific pension model, but it does have a set of basic requirements for pension systems. These are included in its social security standards which have been built up over many decades, and which specify the way in which social security systems should perform. It has never been timelier than now to remember, promote and apply those principles:

(1) *Universal coverage.* Everybody has a right to affordable retirement through pension systems that provide all residents with at least a minimum level of income protection in old age. Similarly, everybody has a right to income security in case of loss of a breadwinner or of disability.

(2) *Benefits as a right.* Entitlements to pension benefits should be precisely specified as predictable rights.

(3) *Equity and fairness.* There should be equal treatment of all without discrimination, including equal treatment of national and non-national residents. Entitlement conditions and benefit provisions should be gender-fair.

(4) *Protection against poverty.* Pension systems should provide a reliable minimum benefit guarantee.

(5) *Replacement of lost income.* Contributory earnings-related systems should provide guaranteed replacement rates at least to those with below-average earnings.

(6) *Collective actuarial equivalence of contributions and pension levels.* Benefit amounts for all contributors should adequately reflect the overall contributions paid.

(7) *Guarantee of a minimum rate of return on savings.* The real value of contributions paid into savings schemes should be protected wherever these are part of the national pension systems.

(8) *Sound financing and fiscal responsibility.* Schemes should be financed in such a way as to avoid uncertainty about their long-term viability. Pension schemes should not crowd out the fiscal space for other social benefits in the context of limited overall national social budgets.

(9) *Policy coherence and coordination.* Pension policies should be an inherent part of coherent and coordinated social security policies aimed at providing affordable access to essential health care and income security to all those in need.

(10) *State responsibility.* The State should remain the ultimate guarantor of the right to affordable retirement and access to adequate pensions.

Such guarantees can be applied to both PAYG and fully funded pension schemes. They can be legislated by any government. Most likely they will not lead to major increases in real expenditure, but in any case they will cost a fraction of the cost to taxpayers of the recent bail-out of the financial system.

10.6 Impact of the crisis on social health protection financing

The current and past financial and economic crises have substantially affected the most vulnerable: the elderly depending on old-age pensions, and the sick in need of effective access to quality health services in order to continue working and generating income for themselves and their families. In the following we provide insight into lessons learnt from the past on how to reduce financial risks for pension funding and ensure social health protection in times of economic crisis.

When it comes to social health protection, financial and economic crises tend to severely affect workers' health and even result in increased morbidity and mortality, as well as contributing to deepened poverty particularly for the most vulnerable parts of the population. The crisis impacts are mostly linked to the delivery of services covered by social health protection and relate particularly to access to quality health services and drugs. The most important impact is expected to be shouldered by women and children/newborns. Further, health-care costs might force workers to reduce their utilization of needed services if public health systems cannot respond due to budget constraints; as a result private health facilities serving the better off might develop more rapidly.

At the national level, these developments are mostly induced during crises by increases in unemployment, and decreases in tax revenues and often donor support in developing countries. Frequently this leads, at first, to significant impacts on the health workforce and the availability and affordability of quality services and drugs. As a result, the availability of quality services will be significantly reduced and prices will increase. Thus key objectives of social health protection will be threatened.

In addition, shrinking household incomes will constrain access to health services, while health risks with poverty are expected to increase (Saadah, Pradhan and Surbakti, 2000): during the East Asian financial crisis of 1997/98 a reduction in household incomes due to job losses was observed. This development was accompanied by increases in prices for services in the public health sector compared to the private sector, and led to decreasing quantity and quality of needed health care. As a result, utilization rates of health services changed, since the poor could no longer afford them.

As in previous crises, governments have recently employed various means to lessen the impact of the current one. Policy options deployed during this economic crisis have been taken with particular focus on the financial sector. Some of these measures have produced unforeseen and unintended effects impacting on social health protection coverage and access to health care. They include, particularly, public budget cuts and measures that shift health-care costs towards workers and their families.

Key measures in social health protection coverage observed during the current period of crisis include the following (Fridfinnsdottir and Jonsson, 2009; te Velde et al., 2009):

- Cuts in budgets available for social health protection coverage were widely proposed as part of general cuts in the public spending of Eastern and Western European countries (Timmins, 2009; WHO, 2009e), the United States (Simms and Rowson, 2009) and developing countries of Asia and Africa.
- In Iceland, it has been proposed that health services be cut back by approximately 7 per cent. Further, health-care facilities should be merged and terminations or cutbacks of contractual payments to the health workforce foreseen.
- In Montenegro it has been decided to cut social health protection spending by reducing its minimum benefit health package.
- In 2009, Georgia launched a private health insurance to cover emergency care and some primary care services. State subsidies will cover two-thirds of insurance premiums in privately run health insurance firms. To mitigate poverty, the State is also extending its Medical Assistance Programme to an additional 200,000 individuals below the poverty line.
- Slovenia also began a similar programme that includes state subsidies for private health insurance premiums for vulnerable groups in 2009.
- In Latvia, the Government considered the closure of rural health centres as a cost-saving measure.
- Croatia plans to increase user charges for health services and prescriptions by 20 per cent and at the same time promote the uptake of supplementary insurance where vulnerable groups will be exempted.

The impact of the crisis on social health protection will vary among and within countries, depending on their exposure to international financial markets, public debt, exports and remittances (WHO, 2009f, p. 1). The 98th Session of the International Labour Conference held in June 2009 pointed out that “dramatic falls in international trade, foreign investment, migrant workers’ remittances and flows of migrant workers are major factors in spreading and deepening the world recession”. According to the projections, the low-income countries of sub-Saharan Africa were expected to experience a decline of 4.5 per cent in their growth rates in 2009, whereas middle- and high-income country economies were expected to shrink by 0.1 per cent in 2009.

There is no doubt that all these developments will have significant implications for the health of the population and social health protection coverage. In fact, workers’ health and gaps in social health protection coverage are among those areas through which the severity of the crisis is already most visible; and it is the vulnerable populations, such as workers in the informal economy, the poor and women in rural areas, who are at greatest risk of suffering increased morbidity and mortality from the crisis. Against this background, it is most important to address, in upcoming policy decisions, equity in effective coverage and access – particularly with a view to protecting women and newborn children and with the aim of scaling up efforts to maintain and improve social health protection coverage.