

# ITUC

## FRONTLINES REPORT APRIL 2014

Social Protection: A key to a fair society

International Trade Union Confederation



Gatot, Indonesia



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## Foreword

# Social Protection: A key to a fair society

Social security is a fundamental human right yet more than 75% of the world's people have no or inadequate social protection.

Denying this basic dignity constitutes extreme injustice by government leaders. It also fails to recognise that social protection is a strong pillar for democracy, social stability and economic development.

In many countries social protection measures constituted a social settlement after the economic crisis of the 1890's and the 1930's, as well as during or after the turbulent years of the two world wars.

The 1948 United Nations Declaration of Human Rights included social protection, and ILO Convention 102, providing protection against the financial consequences of nine risks, was endorsed in 1952. Social protection measures continued to expand in mostly developed economies throughout the 20th century.

Today, the economic gulf between rich and poor has widened and too many people remain in severe poverty. Without social protection social justice is impossible and too often individuals and their families face financial disaster due to illness, unemployment, disability or age. Without education generations cannot break the cycle of poverty.

With the onset of the Great Recession in 2009 there was renewed interest in social protection measures from governments and international institutions. Many governments used job subsidies and cash transfers during 2009 and 2010 to support employment and families. The International Labour Organisation (ILO) and International Monetary Fund (IMF) leaders committed to work together to see social protection measures implemented in Oslo in 2009. The UN with the ILO supported the 'Bachelet Report' on the Social Protection Floor in 2011; a concept also endorsed by the G20 in a call for universal 'social protection floors'.

The G20 Leaders Communique from Cairns in 2011 stated: "We recognize the importance of social protection floors in each of our countries, adapted to national situations."

This support was reiterated at subsequent G20 Summits in Mexico and Russia, and is now included as a priority in the work of the G20 Development Working Group.

The ILO subsequently endorsed a new standard concerning national floors for social protection in June 2012.

The ITUC has been behind all of these initiatives and is now lobbying for a 'Universal Social Protection Floor' to be included in the UN's post-2015 Sustainability Goals. We call for income targets to be set and realised for the unemployed, the sick, the disabled and the elderly, along with paid maternity leave, child protection, education, health, housing and sanitation.

This work is of critical importance, as is our support for the work of many affiliates who are fighting for the right to social protection. Our members are increasingly organising to ensure that workers in the formal and informal sectors enjoy the security of a social protection floor or increases in existing provisions.

The ITUC is also fighting back in the face of increasing inequality, unemployment and the austerity measures demanded by international organisations and implemented by governments against the common interest. People all over the world support social protection as a priority.

The ITUC Global Poll has for three years demonstrated the almost universal commitment to social protection measures. Trend data for three years shows consistent high levels of support.

The ITUC Global Poll 2014 found 95 % of people support affordable access to health care, 94 % support decent retirement incomes, 95 % support affordable access to education, 89 % support paid maternity leave and 87 % unemployment benefits.

In previous Frontlines Reports the ITUC has reported extensively on the role of collective bargaining and the significance of a minimum wage on which workers can live - a minimum living wage. This report focuses on the role of social protection as the third income distribution tool necessary to create and maintain sustainable market economies that are able to provide an adequate standard of living for all.

The ITUC and its affiliates are dedicated to the fight for social justice. This requires that wealth be distributed fairly and universal social protection is central to this. The 3rd ITUC Congress 2014 will reinforce our determination.

**Sharan Burrow**

**General Secretary, International Trade Union Confederation**

# ITUC FRONTLINES REPORT

## APRIL 2014



Photo: IndustriAll

### Introduction

Social protection is essential for social justice and inclusion, strong democracies, equitable growth and resilience during crises.

The components of social protection programmes have diverse shapes and historic and cultural backgrounds. They are influenced by demographic, geographic, and administrative requirements and need to be context and country specific.

Governments around the world have committed to providing social protection. Since the end of the Second World War the understanding of the need for such protection and the duty to extend it as much as possible has been reiterated. However, universal coverage has not been realised and real coverage has declined in many areas; eligibility criteria have been tightened or not adjusted to changes in society and the labour market; health care services have been privatized; the retirement age increased; public pension schemes have been replaced by private or mixed systems, and disability criteria have been tightened, all while maternity benefits and family allowance have been reduced.

Outside the legal context, social security is even less of a reality. Those in the informal sector, the unemployed, and people living in rural areas or suffering severe diseases, still fall largely outside any protection. This discrepancy is not acceptable for the labour movement and the ITUC is committed to advocating for strong social protection.

### Social protection explained

Social security systems are diverse and in higher income countries often complex. The main components of social security are health care, unemployment benefits, old age pensions, employment injury, family, maternity, invalidity and survivors benefits. Almost everywhere, legislation provides for some form of social security. The real challenge is that many of those who are legally protected get no support in reality. There are different reasons, such as under-resourced administrations, limited information and access to administration, specifically in rural areas, the explosion of precarious forms of work, which often fall out of security protection, and the declining public financial resources directed to such programmes to name just a few.

**Those in the informal sector, the unemployed, and people living in rural areas or suffering severe diseases, still fall largely outside any protection**

## Social protection in international law

### Convention 102

The ILO divides social security into two areas: “income security” and “availability of medical care”. According to Convention 102, which was adopted by the International Labour Conference (ILC) in 1952, the components of these areas include: medical care, sickness, unemployment, old-age, employment injury, family, maternity, invalidity and survivor’s benefit.

The Convention provides specific coverage thresholds and duration of benefits (see Table 1) but does not dictate the applied scheme (universal, social insurance, social assistance) and whether it should be publicly or privately administered. Ratifying governments can choose to subscribe to a minimum of three components and are given the flexibility to build up coverage gradually.

The Convention includes a number of other principles, including the requirement that the state be responsible for the provision of benefits. The system must be based on collective financing of the benefits by way of insurance contributions or taxation and administered by representatives of workers and employers. It also includes a guarantee of defined benefits. Fifty countries have ratified this convention, the most recent being Jordan in February 2014.

However, the Convention does not include the principle of universality, the importance of which was not foreseen in 1952. This principle often relates entitlement and the level of benefits to previously obtained income, but it remains vague if there was no formal employment relationship.

### Recommendation 202

The Social Protection Floors Initiative of the ILO, which resulted in Recommendation 202 in 2012, aimed at closing these gaps while at the same time reconfirming all principles incorporated in Convention 102. It was meant to establish an alternative framework to counter the social safety net approach of

the World Bank (see chapter 4.2 for more detail).

The World Bank’s safety net approach is defined according to the financial resources of the government and considered an absolute minimum for a limited number of people. It focuses more on assuring the survival of those unable to work. On the other hand, the ILO’s rights-based approach to social protection floors charges governments with providing as much social protection for as many people as possible. Under the ILO model, governments should strive to constantly increase the level and coverage of their social security.

According to the ILO, the Social Protection Floors Recommendation 202 was created to “*assist member States in covering the unprotected, the poor and the most vulnerable, including workers in the informal economy and their families. It thereby aims at ensuring that all members of society enjoy at least a basic level of social security throughout their lives.*”

This overarching principle was broken down into four parts:

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

Almost every country has some kind of social protection. However, few countries provide social protection programmes for each of the components identified by Convention 102. The comprehensiveness of social security is particularly limited in Africa, the Middle East, and South-Asia. The ILO estimates that only 28 % of the world’s population and a mere 20 % of the working-age population enjoys a comprehensive level of social protection (see Figure 1).<sup>1</sup>

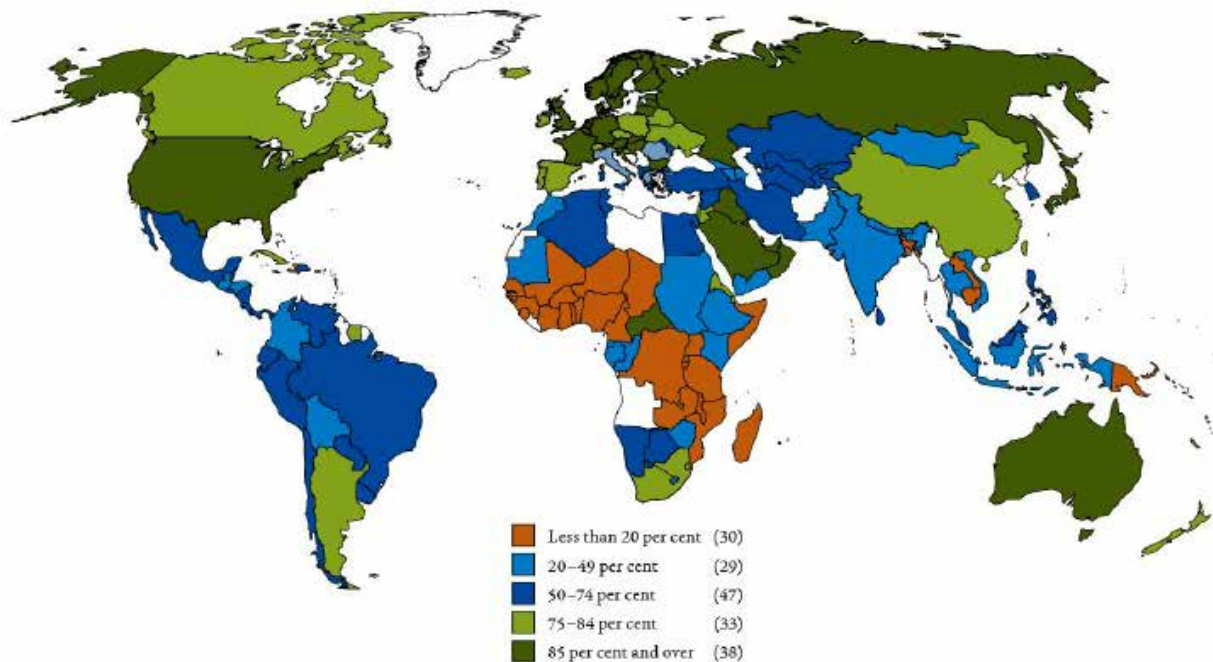
This report will focus on the components of social protection mentioned by Convention 102 for which aggregate data exist. These include: health care, unemployment benefit, old-age benefits and maternity benefits.

**The ILO estimates that only 28 % of the world’s population and a mere 20 % of the working-age population enjoys a comprehensive level of social protection**

**Table 1: Main features of Convention 102**

Branches	Minimum Standards			
	Benefit	Conditions	Duration of Benefit	Coverage of persons
<b>Sickness Benefit</b>	45%	To preclude abuse	26 weeks (each case)	50% of all employees or 20% of all residents, or all residents whose means do not exceed certain limits
<b>Unemployment Benefit</b>	45%	To preclude abuse	13 weeks in period of 12 months	50% of all employees, or all residents whose means do not exceed certain limits
<b>Old-Age Benefit</b>	40%	30 years	Throughout the contingency	50% of all employees or 20% of all residents, or all residents whose means do not exceed certain limits
<b>Employment Injury Benefits</b>				
Short term disability	50%	No qualifying period allowed	Throughout the contingency	50% of all employees, and their widows and children in case of death of the breadwinner through an employment injury
Permanent disability	50%			
Death of the breadwinner	40%			
<b>Family Benefit</b>	3% or 1,5%	To preclude abuse	Throughout the contingency	50% of all employees or 20% of all residents, or all residents whose means do not exceed certain limits
<b>Maternity Benefit</b>	45%	To preclude abuse	Minimum of 12 weeks	Women of classes of employees constituting not less than 50% of all employees or 20% of all residents,
<b>Invalidity Benefit</b>	40%	15 years	Throughout the contingency or until old – age pension is paid	50% of all employees or 20% of all residents, or all residents whose means do not exceed certain limits
<b>Survivors' Benefit</b>	40%	15 years	Throughout the contingency	Wives and children of 50% of all employees, or 20% of all residents, or all resident wives and children whose means do not exceed limits

Source: Valerie Schmitt (2011) ILO Convention 102 on Social Security, Presentations in the event of 'Expert Meeting in Jakarta, 12-15 December, available at: [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-jakarta/documents/presentation/wcms\\_170572.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-jakarta/documents/presentation/wcms_170572.pdf).

**Figure 1: Branches of social security: Number covered by a statutory social security programme, 2008-09**

Source: ILO (2010) "Providing coverage in times of crisis and beyond", Social Security Report 2010/2011, Geneva, p. 31f.



## 2. Redistribution and inequality: the role of governments

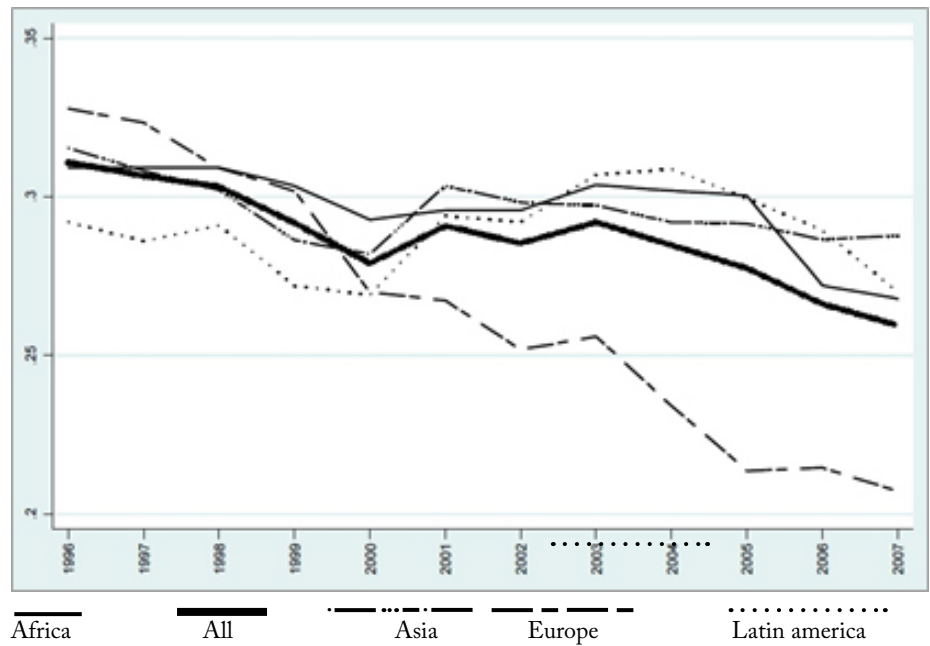
### The rise of corporate power

During the 1980s and 1990s as the market was widening the gulf between the 'haves' and the 'have-nots', governments in the majority of advanced economies reduced the redistributive role of tax systems and welfare payments that initially offset some parts of growing market inequality. The constant competition among governments to attract corporate investment fuelled a race to the bottom to set the lowest tax rates. As a consequence, tax systems have become far more regressive due to increased reliance on consumption taxes, more compressed income tax schedules and the expansion of tax concessions for companies. In Europe, the corporate tax rate has declined from 49.2 % in 1983 to almost half that (27.2 %) in 2008.<sup>3</sup> Other sources show an even lower value for Europe (see Figure 2). Latin America, Asia and Africa saw a partial reversal of this trend in the first half of the 2000s, though it soon returned. Remarkably, all regions had a lower corporate average tax rate in 2007 compared to 1996

In the US, the statutory corporate tax rate is 35 %. However, the effective corporate tax rate is around 13 %, and 57 of the S&P 500 companies paid an effective tax rate of zero in 2013.<sup>4</sup> In the OECD region as a whole the average rate of corporate taxes decreased from around 45 % in the mid-1980s to just above 30 % by the mid-2000s.<sup>5</sup>

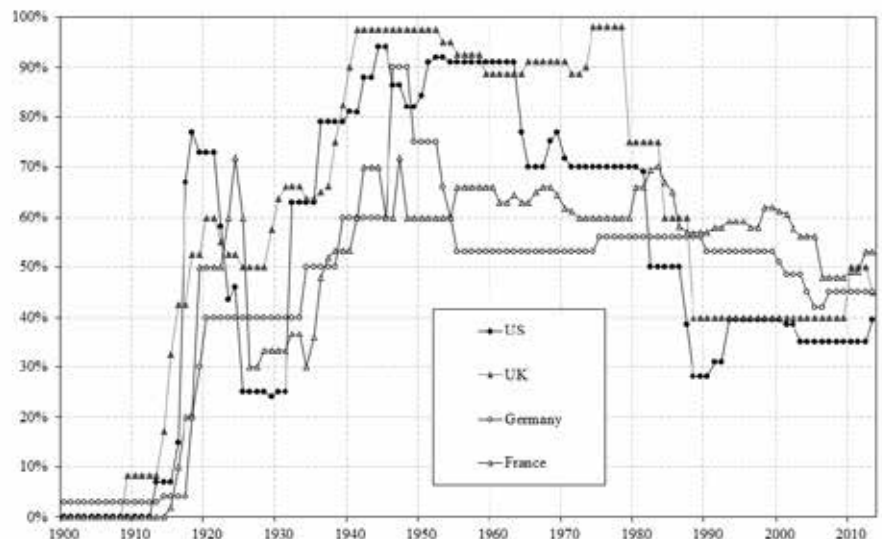
Similar trends are apparent for the top marginal income tax rate depicted in Figure 3. In the post-war period this rate was above or equal to 60 % in all four countries depicted, and remained

Figure 2: Statutory Corporate Income Tax Rate



Source: S. M. Ali Abbas and Alexander Klemm, with Sukhmani Bedi and Junhyung Park (2012) "A Partial Race to the Bottom: Corporate Tax Developments in Emerging and Developing Economies", IMF Working Paper WP/12/28, p. 7.

Figure 3: The top marginal income tax rate in selected countries, 1900-2013



Source: Thomas Piketty (2013), Paris school of economics, September, available at: <http://piketty.pse.ens.fr/fr/capital21c>.

high for several, very prosperous decades. In the US, the tax rate for high-income earners started to decline in the mid-1960s, and in the UK in the late 1970s. Despite increased income inequality over the same period there was no considerable reversal undertaken by governments of the top marginal income tax rate.

### Rise of the informal sector

Besides shrinking tax revenues there are other variables that have had a major impact on the resources of governments. One of them is the informal sector, which is in a total deadlock in terms of fiscal revenues. Informality is mainly ascribed to low and medium-income countries. However the size of the informal or shadow economy in high-

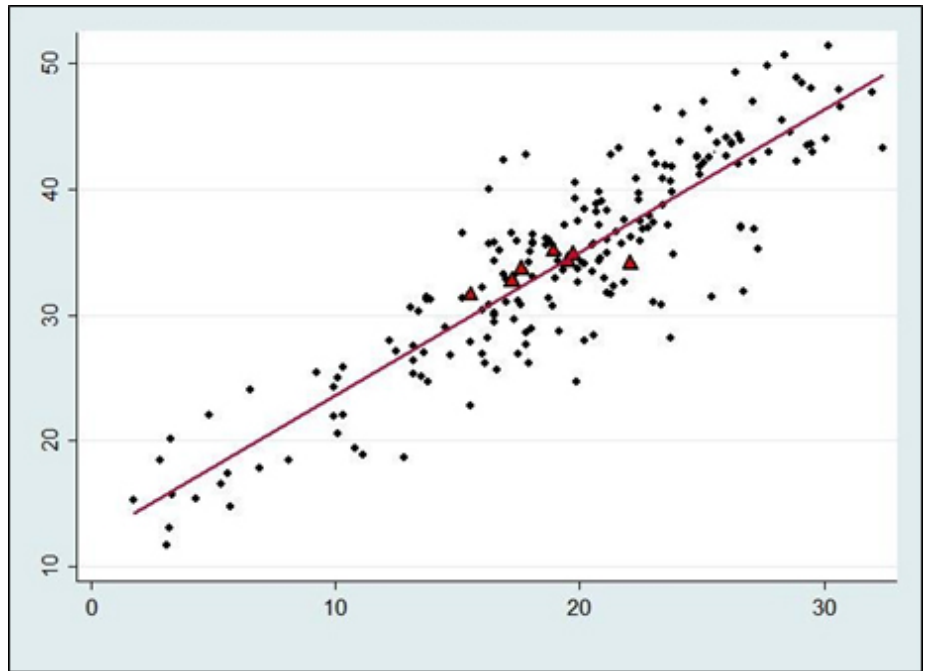
income countries is substantial and has surged since 2009.<sup>6</sup> Another factor that weighs heavily on the public balance sheet is the explosion of tax avoidance by shifting financial assets to tax havens. One conservative estimate was that in 2010 the wealth that bypassed the fiscal authorities in tax havens amounted to between 21 and 32 trillion US dollars.<sup>7</sup>

It is imperative that political parties that claim to represent the interests of middle-income workers and the vulnerable reject policies aimed at cutting the overall tax burden and resist propaganda about “doing more with less”. As can be seen from Figure 4, there is a very strong positive relationship between the total tax base and social expenditure. We get what we pay for and good quality public services require a broad and fairly shaped revenue base.

**Transfers over taxes**

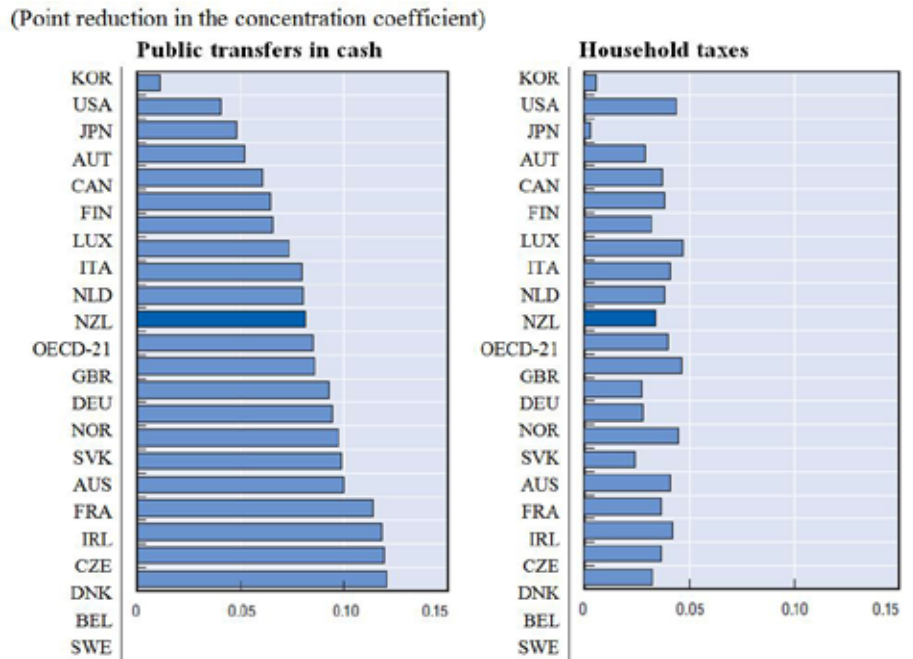
At the same time, transfer payments to the poor and vulnerable have become far less generous. In half of OECD countries the effectiveness of tax and transfer systems in reducing income inequality has weakened since 1990, specifically in the decade leading up to the financial crisis.<sup>8</sup> After disaggregating the redistribution effect of taxes and transfer payments it becomes apparent that the impact of transfers is much stronger than that of taxes. The OECD estimates that the effect of cash transfers is on average twice as high as redistribution through taxes with the exception of the US (where taxes are more relevant than social protection), and Korea and Japan (where taxes have a very limited redistribution effect - see Figure 5). These figures represent the situation in the mid-2000s, when tax rates were already reduced and tax systems reshaped towards more regressive models. Therefore it would be wrong to conclude that taxes could not have an impact as strong as transfers.

Figure 4: Scatter plot of social expenditure (x-axis) against total tax revenues (y-axis)



Note: Red triangles are the OECD average; included years are 1980, 1985 1990, 1995, 2000, 2005 and 2010; total tax revenues are measured as three years average.  
Source: OECD (2013) Database, revenue statistics.

Figure 5: Reduction in inequality due to public cash transfers and household taxes



Note: The effect of public cash transfers in reducing income inequality is measured as the difference between the concentration coefficient of market income and that of gross income after transfers, and the effect of household taxes as the difference between the concentration coefficient of gross post-transfer income and that of disposable income. Concentration coefficients are computed based on information on the income share of transfers and taxes, with individuals ranked by their level of equalized household disposable income  
Source: OECD, income distribution questionnaire, in OECD (2008), “How Much Redistribution Do Governments Achieve? The Role of Cash Transfers and Household Taxes”, in Growing Unequal?: Income Distribution and Poverty in OECD Countries, p. 112.

Recent research from the IMF analysed the impact of inequality and redistribution on medium-term growth. It found that a higher Gini in net income (that is, after tax and transfers) can be significantly associated with lower growth, and this result holds true across different specifications.<sup>9</sup>

Social transfers and the shape of tax systems are crucial in defining the distribution of economic gains and their deformation in recent decades has already had repercussions. However, the economic cycle also needs to be taken into account, including whether transfers can impact on the length of growth and recession periods, and whether their impact is different during those two periods.

## 2.1 Social protection in times of crisis and beyond

Various crises have prompted the extension of the coverage and level of social security. The most pervasive changes followed the Great Depression and the Second World War. This was the time when the majority of developed economies established a comprehensive and effective social security system. For example, in 1935 the USA passed the Social Security Act, which extended public spending on old-age and disability pensions. Similarly, the British Government expanded National Insurance and created the National Health Service. These policies were based on the Beveridge Report, which was published in 1942 and influenced policies far beyond those in the UK. In the decade after the war, policies in Germany also focused on the establishment of comprehensive social security schemes.

A stronger push for social security in times of crisis is also common in developing countries. Mexico introduced the PROGRESA programme after the Tequila crisis in 1994, which aimed at extending coverage of social security. Argentina improved coverage of their pension system in the 2001 crisis, while Brazil, Chile and Uruguay elaborated comprehensive pension systems as early as the 1920s and 1930s.<sup>10</sup>

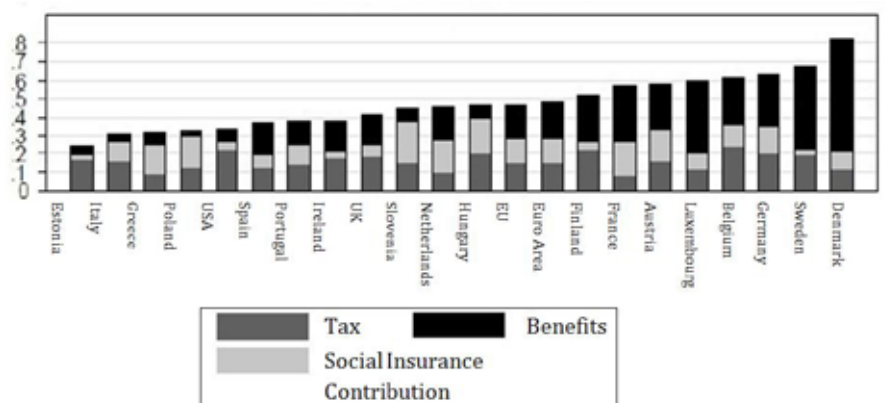
In addition to the social and humanitarian aspect of social protection, its economic meaning is critical. During economic downturns social protection – specifically public health spending,<sup>11</sup> unemployment benefits and survivors benefits – buffer shrinking domestic demand and have a large, positive effect on output. This impact is stronger than general public spending, and includes the stabilizing effect in age-related social expenditure, incapacity and sick benefits.<sup>12</sup>

An extensive literature review by Eichhorst et al (2010) concludes that while the efficiency of economic

of social spending and higher overall public expenditure.<sup>13</sup> They differentiate between automatic stabilizing mechanisms, which are in place before a crisis hits and ready to function without any governmental action, and discretionary measures, which are taken intentionally to countervail the decline in income in the aftermath of a crisis.

In the latest crisis of 2008, European countries had considerable differences in both types of mechanisms. Automatic stabilisation was strongest in Scandinavian and continental European countries such as Belgium, Denmark, Sweden, Germany and Luxembourg, whereas those in southern and central Europe, such as Estonia, Spain and Greece had only limited impacts. Discretionary social policies were widespread at the beginning of the crisis (2008/2009) and accounted for two-third of all stimulus measures, which reached 1.3 % of GDP on average. It is estimated that between 2008 and 2010 these discretionary measures created 330,000 new jobs and helped to maintain another 300,000

Figure 6: Decomposition of income stabilisation coefficient in case of an unemployment shock by country



Source: Werner Eichhorst et al (2010) "The Role of Social Protection as an Economic Stabiliser: Lessons from the Current Crisis", IZA Research Report No. 31, based on a study conducted for the European Parliament, December, p. 53.

stabilizers vary between countries and depend on specific circumstances there is a significantly stronger stabilising effect in countries with a higher share

across 20 EU member states.<sup>14</sup> A simulation of an unemployment shock and the income replacement of different stabilizing measures are depicted in

## Case study: Togo – Health Mutual

The Trade Union Confederation of Togolese Workers (CSTT) has made an important contribution to social protection and its extension in Togo. The Confederation has worked with one of its affiliates, the Federation of Building and Woodworkers, to establish a Health Mutual that also operates a Health Center that provides primary health services to its members and citizens of the surrounding communities. In addition to working for the ratification of ILO Convention 102 in June 2013 by the Republic of Togo, the union has also embarked on a campaign to achieve social protection for workers in the Export Processing Zone in Togo.

ITUC-Africa has provided full support to the CSTT and other unions in Africa who are engaged in the effort to extend social protection to workers, including those in the informal economy. Extending social protection to informal economy workers is turning out to be one of the clear means of bringing the benefits of unionization

to informal economy workers. This is work that we shall pursue with vigour in the campaign to achieve the social protection floor for all workers.

**Kwasi Adu – Amankwah**

**General Secretary ITUC – Africa**



Image: stanjourdan

Figure 6. Benefits and Social Insurance Contributions have a strong cushioning effect in most of the analysed countries.

The IMF research indicated that the distribution of income is not just important in times of crisis but that it can directly shape the economic cycle and the duration of growth periods.

**IMF research indicated that the distribution of income is not just important in times of crisis but that it can directly shape the economic cycle and the duration of growth periods.**

They found that lower net income inequality increases the likelihood of extended periods of growth.<sup>15</sup>

Stiglitz (2009, 2013) points to the looming danger of destabilisation that derives from neo-classical reforms in the US and other advanced countries, which have taken away many automatic stabilizers by weakening social protection and making wages more flexible.

The balanced budget frameworks in the US are another threat to counteractive responses by governments and impede the implementation of adequate discretionary measures.<sup>16</sup> This trend has also been pursued within European Institutions through the Treaty on Stability, Coordination and Governance, and the Fiscal Compact. These are based on the Stability and Growth Pact and curtail the ability of governments to extend their fiscal space for social policies in times of crisis beyond certain limits and thus incentivise pro-cyclical

spending. At the time of writing the so-called “Two-pack” is discussed in the European Commission, with the objective to further tighten the financial supervision of euro zone countries.<sup>17</sup>

After 2009, governments of crisis countries under pressure from the Troika (IMF, ECB and European Commission) curtailed social security in scope and size in the name of austerity. This happened despite the fact that in 2009 expenditure for social protection as a percentage of GDP in crisis countries was well in line with the European average. In fact, spending in Italy (20.4 %), Greece (19.2 %), Portugal (17.9 %), Ireland (16.8 %), Spain (16.4 %) and Romania (14.6 %) was even below the European average (EU15: 20.4 %).<sup>18</sup> Between 2009 and 2010 total social protection expenditure fell in most crisis countries. Lithuania implemented spending cuts in this area of 9.2 %, and Estonia and Greece made cuts of about 5 %.

Crisis countries under financial distress reduced in-kind social protection (mainly comprising social health care services) in a sizable way. Between 2009 and 2012, Ireland, Greece, Portugal and Spain reduced this social security expenditure by between 12 % in Spain and as much as 29 % in Greece,<sup>19</sup> leading to privatisation and disastrous results in the health sector.<sup>20</sup> In Greece unemployment benefits were also cut by 22 %. Similar cuts happened in Portugal, including the shortening of the maximum period for benefits. Spain abolished their universal birth benefits, and Latvia and Lithuania reduced the parental benefit.<sup>21</sup> In Portugal, Greece and Hungary annual pension payments were lowered and eight countries in Europe increased the retirement age.<sup>22</sup> This will have detrimental long-term effects on social security systems, inequality and poverty.<sup>23</sup>

## 2.2 Social protection in emerging economies

Research results consistently confirm the stabilizing effect of social security and public spending more broadly. However, empirical studies also show that counter-cyclical behaviour of governments (spending more in crisis years and less in growth periods) or at least acyclical spending (spending the same regardless of economic conditions) is confined to high-income countries. Low and middle-income countries tend to reduce their spending in times of crisis and increase expenditure in more prosperous periods.<sup>24</sup> Beside national impediments such as corruption, political fragmentation, and the strength and functioning of institutions, low-income countries face substantial difficulties in refinancing during a crisis.

While in developed countries the size of public deficit is a real choice depending on the willingness of governments, developing countries simply don't have this choice. They operate with a fragile national financial system and face strong reluctance from international financial players to lend. This reluctance is even higher when the risk of high inflation is looming.<sup>25</sup>

Remittances and foreign aid flows from industrialised countries also tend to shrink in crisis periods and expand with the economic cycle.<sup>26</sup> Additional constraints arise from the fact that tax base revenues tend to be two to four times more volatile in developing economies compared to the G7 countries. Unsurprisingly output fluctuations are also much stronger in lower income countries, diminishing the pro-cyclic tendencies.<sup>27</sup>

Traditionally the World Bank, IMF, OECD and other institutions, viewed development and poverty reduction as dependent on the development of the private sector and an expected trickle-down effect. Social protection was not thought to play any role in this process. Social assistance through cash transfers – or the social safety net – is normally considered only in cases of extreme vulnerability and poverty, is limited and means tested (see Box below). However, 2.7 billion people still struggle to survive on less than two dollars per day<sup>28</sup> and the role of social security has attracted attention in recent years.

The ILO discussion of Recommendation 202 intended to contribute to this discussion by aiming for universal access to social protection where necessary, and correcting the misconception that social security is only to be used as an absolute minimum in exceptional living circumstances. The recommendation states: “National strategies should seek to provide higher levels of protection to as many people as possible”.<sup>29</sup>

### Definitions of Safety Nets and Social Assistance

**The Asian Development Bank** defines social assistance as programmes designed to assist the most vulnerable individuals, households, and communities to meet a subsistence floor and improve living standards.

**The U.K.'s Department for International Development** defines social assistance as non-contributory transfers to those deemed eligible by society on the basis of their vulnerability or poverty. Examples include social transfers and initiatives such as fee waivers for education and health, and school meals.

**The International Monetary Fund** defines safety nets as instruments aimed at mitigating possible adverse effects of reform measures on the poor.

**The Organisation for Economic Co-operation and Development** defines social assistance as support targeted to households that are clustered within the lower segment of the income distribution, and is provided to prevent extreme hardship among those with no other resources, reduce social exclusion, minimise disincentives to paid employment, and promote self-sufficiency.

**The Food and Agriculture Organization** defines social safety nets as cash or in-kind transfer programs that seek to reduce poverty by redistributing wealth and/or protect households against income shocks. Social safety nets seek to ensure a minimum level of well-being, a minimum level of nutrition, or help households manage risk.

Source: Christine Weigand and Margaret Grosh (2008) "Levels and Patterns of Safety Net Spending in Developing and Transition Countries", Social Protection and Labor, World Bank, June, Washington DC, p. 2, available at: <http://www.thebrokenwindow.net/papers/0/0817.pdf>.

The first argument put forward for targeting certain components is that financial resources of lower income countries are extraordinarily constrained and hence universal coverage is not feasible. It is also argued that means-testing ensures that cash transfers reach those most in need and reduce poverty. However, means-testing is costly in itself and administrations in lower

income countries often lack the capacity to carry this out. It also carries the risk that a substantial number of people will fall through the net because they cannot prove their entitlement or they lack information about the specific criteria.

### The non-affordability argument

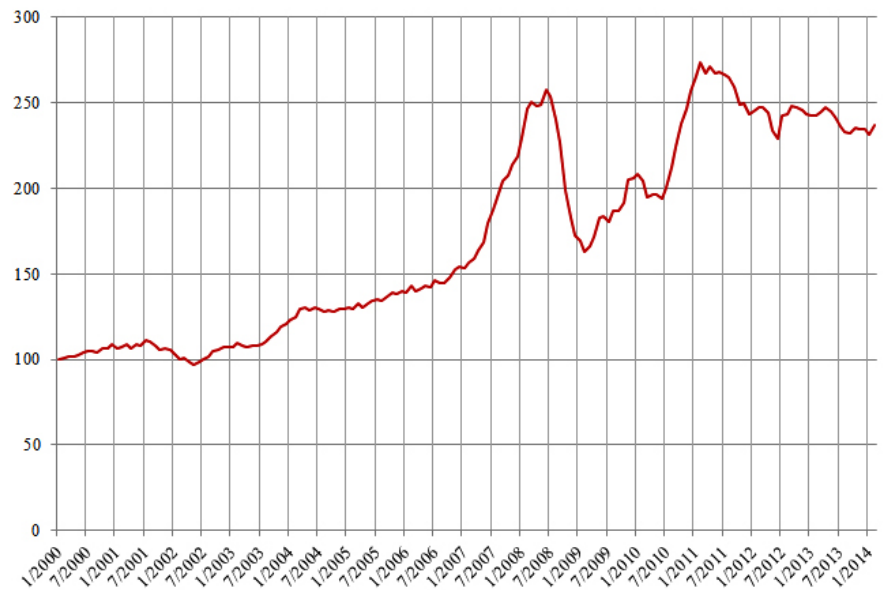
The ILO in cooperation with the IMF launched a project on the implementation of social protection in lower income countries. The project included three pilot countries for special focus: Mozambique, Vietnam and El Salvador. Regarding Mozambique, the report concludes that “progressively building a Social Protection Floor in Mozambique, adapted to the context and country pace, could be affordable and implemented in a way that does not threaten fiscal sustainability.”<sup>30</sup> Similar conclusions could be reached in the estimation of costs in Vietnam and El Salvador. The implementation of a universal social security system, including health care and cash transfer, is estimated to amount to 3.8 % of GDP initially, before gradually declining to 2.5 % of GDP.<sup>31</sup>

The ILO conducted further estimates in seven African countries<sup>32</sup> and five Asian countries<sup>33</sup>. Global results show that the provision of basic social security benefits would cost less than 2 % of GDP, and a basic set of benefits for everyone who has no access to social security would cost less than 6 % of GDP.<sup>34</sup> Such schemes require commitment and decisiveness, including from industrialized countries. However, it is financially feasible.

### Case study: food price volatility

Despite the financial crisis in 2008, speculation on food staples remains a reality. Food price volatility still jeopardises the progress achieved in development and threatens the survival of millions of people. Figure 12 shows how extreme such price fluctuations have become in recent years. In just 18

Figure 7: Monthly food price index, rebased to January 2000 = 100



Source: FAO (2014) Food Price Index.

months between the beginning of 2007 and mid-2008, food prices leapt by over 60 %. In the second half of 2010 they surged again by more than 30 %.

Rising food prices are a considerable threat for the poorest people who spend most of their income on food. Further, the impact is highly regressive and increases inequality. A study on Senegal shows that a doubling of rice prices would lead to a 12 % reduction of real income for the poorest quintile and only a 5 % reduction for the richest quintile.<sup>35</sup> In Madagascar it would shrink the budget of low-income households by 25 %, while those at the top would experience just a 10 % reduction.<sup>36</sup>

Different government have taken different measures to counterbalance these effects ranging from tax reductions, targeted and untargeted subsidies, school feeding programmes, the promotion of national agricultural production, the build-up of food reserves and the constraint of exports to name a few.<sup>37</sup> The discussion around subsidies in particular, has sparked renewed interest. In the Middle East and Northern Africa fuel and food price subsidies are frequent policy measures used to

support lower income households, while any other form of social security is rather under-developed.

Since the Arab Spring in 2011 some newly elected governments have experienced financial distress, triggering a renewed discussion on the cost and value of subsidies. This discussion is dominated by the major international financial institutions who argue subsidies are not cost-effective, have little impact on the poor, encourage overconsumption and constrain public finances.<sup>38</sup>

Whether such policies support first and foremost people on the lowest incomes may be a valid question in relation to fuel subsidies, however food subsidies are different. There are different variations of food subsidies, which can be targeted to low-income households in the form of vouchers, school-feeding programmes or simply lower prices on staple foods for everyone. The type of subsidy must adequately reflect the composition of society as well as demographic, regional, and cultural aspects. However, the generalization that food subsidies are a useless tool in the fight against poverty and vulnerability is false.

For example in India, food subsidy programmes could significantly reduce vulnerability, specifically of female-headed households, and malnutrition.<sup>39</sup> In Mozambique food subsidies helped reduce child labour, improved nutrition and health of children and the financial situation of households headed by women.<sup>40</sup> A broader analysis of outcomes across different countries shows large discrepancies. Some governments managed to significantly reduce price volatility and/or undernourishment, such as Brazil, Vietnam, India, and China. Whereas others failed, including Malawi, Uganda and Senegal. However, the reason for the bad performance of these programmes was often the fragility of the states themselves, and the financial constraints governments faced. The programmes were simply not comprehensive enough to mitigate the tremendous impacts of price hikes in countries that depend so heavily on food imports.<sup>41</sup>

The argument that such programmes would be too costly and consume too much of the public budget needs to be put into a broader perspective. The OECD estimates that agricultural subsidies to producers in OECD countries amounted to US\$ 258.6 billion in 2012.<sup>42</sup> Subsidies of such size skew the market of staples considerably and contribute to a weakening of domestic markets in developing economies. These countries then have to rely on the cheaper imports because domestic producers are unable to compete with

**In India, food subsidy programmes could significantly reduce vulnerability, specifically of female-headed households, and malnutrition**

## Case study: Brazil - "Bolsa Familia"

"Bolsa Familia" is a general cash transfer programme initiated during the government of Lula that unified different programs previously targeting different sectors. It generated a virtuous cycle of social investment that lifted a significant portion of Brazil's poorest people out of poverty. The transfers are made mainly through women, responsible for the family, redounding in even greater leadership of Brazilian women in the economic and social life of the country.

It is my belief that "Bolsa Familia" has generated positive social and economic impacts, without trapping beneficiaries in handout systems by linking the education and health of children with social protection payments.

In combination with the revaluation of the minimum wage, which increased the wages



Image: Fotos GOVBA

of the poorest workers, this has led to the strengthening of the Brazilian domestic market.

**Victor Baez**

**General Secretary, Trade Union Confederation of the Americas (TUCA)**

highly subsidised products from abroad. This leaves the local economy vulnerable to food crises as a consequence of price hikes.

Simply abolishing subsidies in developing countries cannot be an adequate policy recommendation. A valid starting point would be to constrain food speculation in the financial market and consequently food price volatility. Any change in the area of food subsidies needs to take into account that most countries have no other functioning social protection programme. Therefore any change needs to ensure that support for vulnerable and poor people is strengthened rather than diminished.

Despite the caution registered above we do support strongly the view that, in addition to measures to curb speculative behavior, a basic income through social protection payments for child

protection, maternity, the unemployed, the disabled and the elderly is the most effective mechanism to ensure food security.

## 3. Global commitments to social protection

The present lack of protection for the elderly, the unemployed and the vulnerable is far from the ideal the international community has agreed to promote. The idea of universal social security dates back more than 60 years, as a response to the destructive repercussions of unjustifiable levels of inequality and poverty. The UN Universal Declaration of Human Rights (Art. 22 and 25) and the International

Covenant on Economic, Social and Cultural Rights (Art. 9 and 10) stipulate the right to social security.<sup>43</sup> The Declaration of Human Rights states that “everyone, as a member of society, has the right to social security”<sup>44</sup> and a “right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”.<sup>45</sup> Article 25 emphasises the protection of maternity rights and the social protection of children. The Millennium Development Goals reflect part of these commitments, however their achievement by 2015 is far from certain in most areas.

In the Declaration of Philadelphia, the ILO committed to promote “the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care”.<sup>46</sup>

The Charter of Fundamental Rights of the European Union, proclaimed in 2000 and which entered into force with the Treaty of Lisbon in 2009, specified the right to social security as fundamental (Art. 33-35). Art. 34, paragraph 1 stipulates:

“The Union recognises and respects the entitlement to social security benefits and social services providing protection in cases such as maternity, illness, industrial accidents, dependency or old age, and in the case of loss of employment, in accordance with the rules laid down by Community law and national laws and practices.”<sup>47</sup>

The tremendous cutbacks of social transfers in Portugal, Spain, Greece and Ireland, under pressure from the Troika, raise questions about whether these actions match the basic social values upon which the European Union is built.

When the crisis hit in 2007/2008 – the deepest the developed world has seen since the Great Depression of the 1930s – there was broad acknowledgement that growing inequality had provided

fertile soil for spiralling private debts in the US and destabilized economies around the globe. At first there was wide agreement that policies should aim at reversing these imbalances and the willingness to reinvigorate the commitment to social protection was strong. In June 2008, the ILO’s mandate deriving from the Declaration of Philadelphia was reconfirmed in the ILO Declaration on Social Justice for a Fair Globalization.<sup>48</sup> In 2011 the report on the Social Protection Floor for a Fair and Inclusive Globalization was released, laying the basis for an extensive discussion, which Recommendation 202 emanated from in 2012.<sup>49</sup>

In 2008, Miguel d’Escoto Brockmann, President of the General Assembly of the United Nations, initiated the Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System, chaired by Nobel laureate Joseph Stiglitz. This commission had the aim of proposing necessary reforms in the world financial system that would prevent another event similar to the last financial crisis. Brockmann noted in his foreword:

“The essential insight of the report is that our multiple crises are not the result of a failure or failures of the system. Rather, the system itself – its organization and principles, and its distorted and flawed institutional mechanisms – is the cause of many [of] these failures.”<sup>50</sup>

The report warns of the flawed and hypocritical discussion around social protection of previous decades: “Too often in national policy discourse, and even in some theoretical discussion, globalization was used as a pretext for ostensibly competitive reductions in social protection, creating a global race to the bottom.”<sup>51</sup> It emphasizes the crucial role of social protection as an economic stabilizer.

More conservative forces initially agreed on strengthening social protection in

**The UN Declaration of Human Rights states that “everyone, as a member of society, has the right to social security”**

response to the impact of the crisis. In 2010, the IMF held a joint meeting with the ILO in which they recognised rising inequality as a threat and committed themselves to adequate policy action. They state:

“A synthesis of the debate over the causes of widening inequality suggests that the pressures of intensified global competition and technological change are stretching the earnings distribution and hollowing its middle range, and that the ability of employment and social protection institutions to counteract these trends was weakened over the same period of accelerating globalization... Rebalancing will require policy shifts in both surplus and deficit countries to support the growth of productive employment, together with a broad-based growth of wage and household incomes. This means developing mechanisms to ensure that the gains from rising productivity are widely distributed in the form of increasing wages and improved social protection systems.”<sup>52</sup>

In the same year, the leaders of the G20 committed themselves to “providing social protection to [their] most vulnerable citizens”.<sup>53</sup>

The willingness to undertake concrete action has stalled however, as the credo of austerity has spread among finance ministers and international organisations. A genuine discussion on the role of governments in reversing inequality and on the social as well as economic function of social protection needs to be reinvigorated.



## 4. A global picture

More than 75% of the world's people have no or inadequate social protection.

### Access to essential health services

The ILO estimates that about one-third of the world's population has no access to any kind of health services. For the remaining two-thirds, getting health treatment often means a heavy financial burden and loss of income. Thus, even though health care coverage is higher than for other components of social protection, health care often lacks quality and an adequate system of refunding costs. Other people live too far from medical facilities, and those who do might still not receive adequate treatment.<sup>54</sup>

The World Health Organisation (WHO) calculates that while total expenditure on health as a percentage of GDP increased globally in the first half of the 2000s, it has remained stagnant in most regions since 2008 (see Table 2). Given that GDP has declined in many regions - and most dramatically in Europe and North America - since the financial crisis, stagnation indicates a decline in real terms. At the same time, social security expenditure on health as a share of total government expenditure on health has also declined in some regions since 2000. Africa and Europe experienced a reduction in social security expenditure on health, despite a high share of children in the former

**The ILO estimates that about one-third of the world's population has no access to any kind of health services.**

### Case study: Indonesia – Social Security for all

The ITUC affiliates in Indonesia, the KSPI and the KSBSI, have been at the forefront of a struggle to extend social protection to all citizens. Through enormous pressure from trade unions, together with civil society organisations, the National Social Security System Law (NSSS) was passed on 19 October 2004. However, for seven years it had not been implemented because of disagreement between government, employers and trade unions, specifically regarding the transformation of the social security organising body.

Trade Unions submitted a citizen's law suit against the President for neglecting to protect the workers. Aware of the highly political nature of implementing the NSSS, the KSPI and the KSBSI together with other labour organisations and NGOs formed the KAJIS (Action Committee for Social Security). In 2010 they collected more than one million signatures from workers and citizens, leading to massive demonstrations involving hundreds of thousands of workers during May Day in 2010 and 2011 to push the President to implement the Law and ensure social security for all.



Image: IndustriALL Global Union

As a result, on 28 October 2011 the parliament passed the BPJS (Social Security Organising Body) Law towards universal social security coverage and the President promulgated the BPJS Law No. 24/2011 on 25 November 2011. The BPJS Law states that in 2014 all citizens will be covered by state health and life insurance, work accident insurance, and civil service pensions. Old-age pensions will be implemented in 2015. Under the law, workers and the poor will get full protection and coverage, even for severe or complicated illnesses.

**Noriyuki Suzuki**  
General Secretary, ITUC - Asia Pacific

and an aging population in Europe (see Table 2). In the Eastern Mediterranean spending fell by almost 5 percentage points between 2008 and 2011, and South-East Asia has also seen a decline since 2005.

Per capita expenditure differs widely by region and is strongly related to the general income level. WHO data from 2011 reveals South-East Asia as the region with the lowest annual public expenditure on health, reaching just US\$ 24.5 per head, followed by Africa at US\$ 49.2. At the other end is Europe at US\$ 1,786.3 per head, and

the Americas on US\$ 1,695.7.<sup>55</sup>

According to the World Bank, the US spent almost 18 % of its GDP on health care in 2011, much more than other developed economies. However, the efficiency of spending is low. The productive efficiency - that is, the outcome achieved with a given amount of money - is lower in most areas of the US than in other developed countries. Despite the high levels of expenditure, almost 48 million American people have no guarantee of healthcare and there is wide recognition that the system is flawed and inequitable.

**Table 2: Expenditure in health care by region**

	2000	2005	2008	2009	2010	2011
<b>Total expenditure on health as a percentage of gross domestic product</b>						
Africa	5.5	6.0	6.0	6.6	6.2	6.0
Americas	11.4	13.1	13.5	14.4	14.3	14.3
Eastern Mediterranean	4.2	4.3	4.3	4.8	4.5	4.7
Europe	8.0	8.6	8.6	9.4	9.3	9.1
South-East Asia	3.6	3.8	3.7	3.8	3.6	3.7
Western Pacific	5.9	6.1	6.1	6.6	6.4	6.4
Global	8.2	8.9	8.9	9.4	9.2	9.2
<b>Social security expenditure on health as a percentage of general government expenditure on health</b>						
Africa	8.2	6.4	7.2	7.3	7.8	7.8
Americas	68.0	72.4	72.1	72.7	72.2	73.4
Eastern Mediterranean	18.5	21.6	24.2	19.1	21.0	19.6
Europe	52.7	50.0	50.1	50.2	50.6	51.3
South-East Asia	13.2	14.7	14.1	15.2	15.4	14.1
Western Pacific	68.1	67.3	69.4	67.8	67.6	68.8
Global	59.2	59.9	60.0	59.9	60.1	60.8

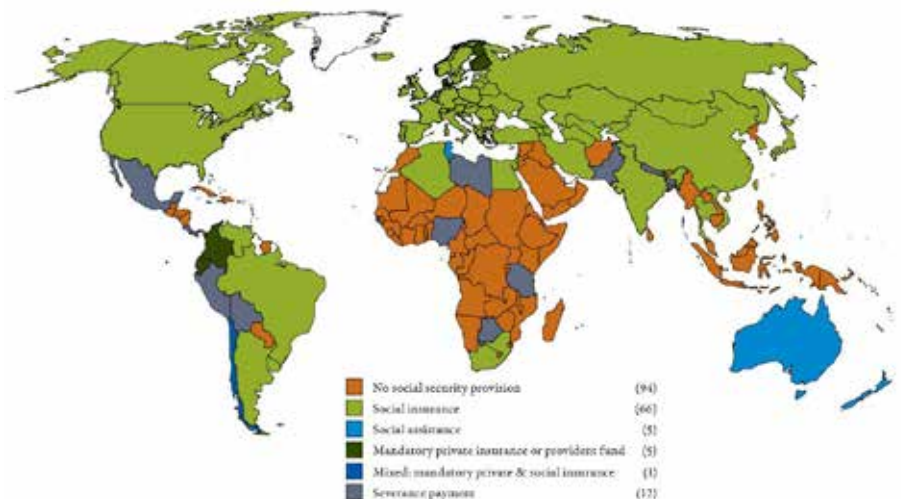
WHO (2014) Database on health statistics.

## Minimum income for those out of work

Unemployment benefit schemes are restricted to workers in formal employment. They can also vary in shape and duration. In some countries the amount depends on the person's previous salary but it can also be a flat rate. In other cases the employer has to pay a severance payment equivalent to a certain amount of monthly earnings. For many poor countries, particularly in Africa and South-East Asia, unemployment benefits or any other income assurance in case of unemployment are non-existent (see Figure 8).

Social welfare as a substitute for income is divided between social assistance and social insurance. Social assistance is means-tested and financed out of tax revenues. Social insurance is normally related to earnings, it is based on social contributions and usually more generous and universal. Anglo-Saxon countries rely predominantly on social assistance schemes, which are normally combined with some form of social insurance. An

**Figure 8: Existence of unemployment protection schemes by type of scheme, 2008-09**



Source: ILO (2010) "Providing coverage in times of crisis and beyond", Social Security Report 2010/2011, Geneva, p. 58.

exception is Australia, which provides only a flat-rate assistance programme (see Figure 8).<sup>56</sup>

As Table 3 reveals, there are great differences in coverage across regions. In Africa less than one percent of the

unemployed receive unemployment benefits, compared to over 60 % in Western Europe. Even more surprising is the declining trend since the financial crisis unfolded in 2007/2008, triggering tremendous job losses around the world. Between 2009 and 2011 coverage

declined globally by 2.5 %, a trend that has most likely continued since then.

In some parts of Europe and North America unemployment schemes were rolled back considerably after 2009/2010. The consequence was a decline of coverage by 8.1 % in Europe and by an even higher 12.5 % in North America between 2009 and 2011 (see Table 3). Given rising unemployment in the economies hardest hit by the financial crisis, such a reduction means increased poverty and income insecurity

except North America, where there are predominantly private pension schemes. Globally, effective coverage is 11 percentage points lower than the amount of people who are notionally covered by law. The most dramatic discrepancies are in Central and Eastern Europe with a difference of almost 42 percentage points, followed by Latin America and the Caribbean with 41.5 percentage points difference, and Sub-Saharan Africa with 26 percentage points (see Figure 9).

Pension payments have great potential to reduce poverty because they are highly redistributive. In advanced economies, pension benefits account for more than half of the re-distributional effect of total social spending.<sup>57</sup>

### Maternity cover

Maternity protection was among the first topics discussed at the ILO in 1919. This led to the Maternity Protection Convention No. 3, which was revised in 1952 (Convention No. 103) and in 2000

**Table 3: Coverage and non-coverage as percentage of unemployed receiving and not receiving unemployment benefits by region (weighted by labour force)**

	Contributory and non-contributory schemes							Contributory schemes	Non-contributory schemes	Contributory and non-contributory schemes	Percentage of unemployed <b>not</b> receiving unemployment benefits
	Early 2000	Mid 2005	2007	2008	2009	2010	2011				
Africa	0.7	0.8	0.8	0.5	0.6	0.8	0.7	0.9	0.0	1.0	99.0
Middle East	2.9	2.0	2.1	2.3	2.7	2.6	2.8	2.2	0.0	2.2	97.8
Latin America and the Caribbean	2.7	2.6	3.4	3.2	4.0	4.3	2.1	4.6	0.0	4.6	95.4
Asia and the Pacific	6.4	10.4	9.2	9.2	8.2	6.6	6.4	6.8	0.4	7.2	92.8
... without China	3.9	6.3	6.7	..	..	6.7	7.8	5.2	0.7	5.9	94.1
Central and Eastern Europe	19.1	29.1	27.7	27.0	30.0	25.1	21.9	21.1	0.5	21.6	78.4
North America	38.1	36.0	36.8	37.7	41.3	32.3	28.8	28.0	0.0	28.0	72.0
Western Europe	61.3	68.9	66.0	64.5	69.3	67.4	64.2	44.6	19.2	63.8	36.2
<b>World</b>	<b>11.2</b>	<b>14.6</b>	<b>13.9</b>	<b>13.8</b>	<b>13.8</b>	<b>11.6</b>	<b>11.3</b>	<b>10.2</b>	<b>1.5</b>	<b>11.7</b>	<b>88.3</b>

Source: ILO (2014) Social Security Department.

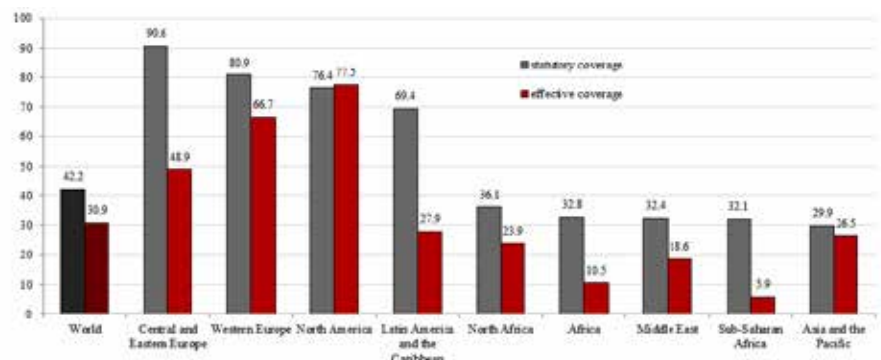
for millions of workers and their families.

### Pensions

Old-age pension coverage is normally limited to workers in the formal sector. Worldwide more than 40 % of the working-age population has a legal right to retirement benefits (see Figure 9). In Europe and North America 80 % enjoy this right, while in Africa and Asia-Pacific only about one-third of people are legally protected.

In reality however, effective coverage is much lower across all regions

**Figure 9: Global regional estimates of the legal and effective coverage of old age pension schemes as percentage of working age population (15-64), latest available year**



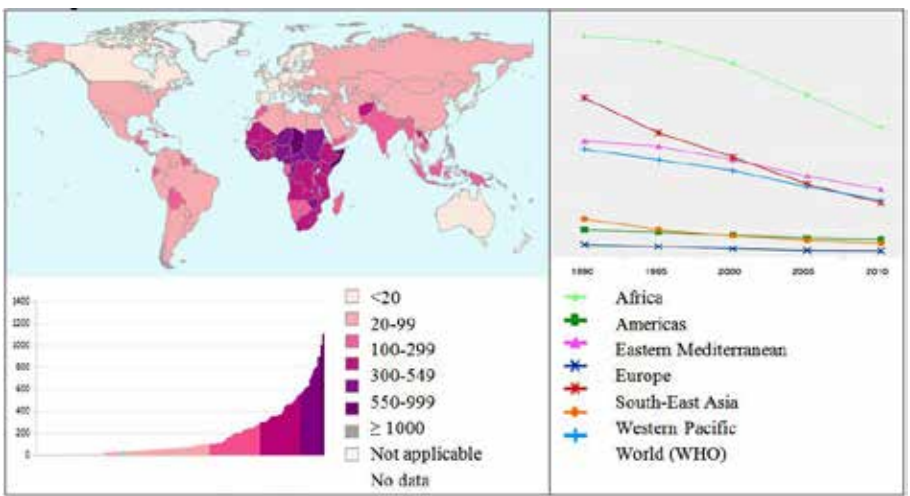
Note: Data include the latest available year for each country and regional estimates are weighted by population size. Source: ILO (2014) Social Security Department.

(Convention No. 183), and included in the Social Security Convention 102. According to Convention 102, maternity protection has two main elements: adequate pre and post-natal health care service, and cash benefits to compensate for lost earnings.<sup>58</sup>

The reduction of preventable child mortality and improved maternal health is by far the most uncontroversial objective on the international development agenda and closely related with the first component of social security - access to health care. This issue also found its way into the Millennium Development Goals. Specifically, Goal 5 aims to reduce the maternal mortality ratio (the number of maternal deaths per 1000 women of reproductive age in the population) by three quarters and achieve universal access to reproductive health care by 2015. The global maternal mortality ratio has declined by 47 % since 1990. While this is a considerable achievement, reaching the Goal by 2015 will require intensified effort.<sup>59</sup> Figure 10 shows the global situation of maternal mortality in 2010 and the development over the last 20 years. Maternity mortality is still high in Sub-Saharan Africa and South-East Asia, however these are also the regions where the most substantial improvements have been achieved (see Figure 10).

The third and fourth Millennium Development Goals are also closely linked with maternity protection. The fourth goal aims to reduce the under-

**Figure 10: Maternal mortality ratio (per 100 000 live births) in 2010 and its development since 1990**



Source: WHO (2014) Global Health Observatory Data Repository.

five mortality rate by two thirds by 2015, while the third has the overarching objective of gender equality, parity in education and political and economic empowerment.<sup>60</sup>

The problems of access to maternal health services are still substantial in some regions. Often service in rural areas is inaccessible for pregnant women, and qualified staff and modern medical equipment are scarce. In some cultures access to medical care is reserved for male family members. HIV, malaria and other diseases also endanger the health and life of pregnant women and their unborn child.<sup>61</sup>

The second aspect related to maternity protection is the payment of cash benefits for the period before and after the birth. In most countries the level

of cash benefits is linked to formal employment and resulting earnings. The length of maternity leave also varies considerably across countries. The different Conventions set different standards as Table 4 shows.

Linking benefit entitlement to formal employment omits women who are unemployed or in informal employment. Given that women are overrepresented in both categories, this constitutes a substantial problem in ensuring the universality of maternity protection. Yet even setting aside women not in formal work, Figure 11 shows the discrepancy between legal and real coverage is profound. The difference is especially severe in Eastern Europe and Central Asia, South and West Africa and some parts of Latin America.

**Table 4: Stipulation of benefits and leave duration in different ILO instruments**

Instrument	Cash benefits in case of employment	In case of no formal employment	Duration of leave
C.183 (2000)	At least two-thirds of previous earnings	Cash benefits shall be at a level which ensures that the woman can maintain herself and her child in proper conditions of health and with a suitable standard of living	At least 14 weeks
C.102 (1952)	Not lower than 45 % of previous earnings	Typically low earnings in the case of flat-rate categorical benefit	Minimum of 12 weeks
R.191 (2000)	should be raised to the full amount of the woman's previous earnings	---	Should be extended to at least 18 weeks

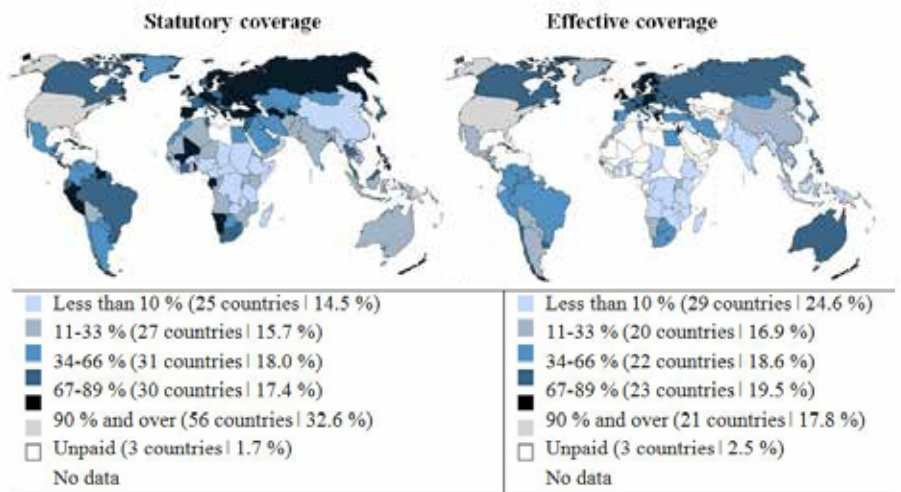
Source: ILO (2014) NORMLEX Database.

### Further programmes

There are a variety of other programmes partly covered by Convention 102, such as employment injury benefits, family allowance, survivors benefits, invalidity benefits, sickness benefits, disability pension, child care, nutrition and education. Aggregate figures on these more specific programmes are scarce as their shape and scope vary considerably between countries, making a cross-country comparison difficult.

However, as Figure 12 shows, the frequency of additional programmes – specifically work injury, survivors and invalidity programmes – is high across all income groups. Pensions are also frequent, regardless of the income group of the country. The existence of other programmes, including unemployment benefits, family allowance, sickness and

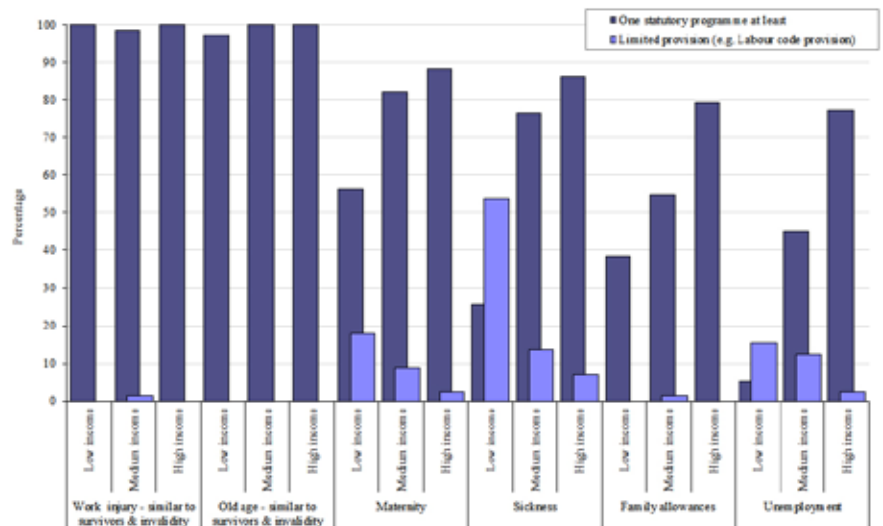
Figure 11: Statutory and effective coverage for cash maternity benefit as percentage of women in employment entitled by law to cash maternity benefits



Source: ILO (2014, forthcoming) "Maternity at Work: A review of national legislation: Findings from the ILO Database of Conditions of Work and Employment Laws", Geneva.

maternity programmes, reveals a much higher correlation with the income level of the country. Yet Figure 12 considers only the legal existence of programmes, leaving out the effective coverage.

Figure 12: Countries with statutory programmes or limited provision, latest available year (percentages of countries)



Note: Legal information from SSA/ISSA, 2008 for Asia and Europe; 2009 for Africa and the Americas. Source: ILO (2010) "Providing coverage in times of crisis and beyond", Social Security Report 2010/2011, Geneva, p. 33.

## Case study: Australia - Paid Parental Leave

Australian Unions first won working mothers a right to 12 months unpaid maternity leave in 1979. After more than 30 years of campaigning, working parents now get 18 weeks Paid Parental Leave and 2 weeks Dad and Partner Leave.

The Australian Paid Parental Leave scheme entitles all parents who have the primary responsibility for the care of a baby, and who have a minimum connection to the paid workforce, to 18 weeks payment at the National Minimum Wage. Partners of the birth mother (including fathers, same sex partners or adoptive parents) receive two weeks Dad and Partner Leave at the National Minimum Wage.

Prior to 2010, Australia and the United States were the only OECD countries not to have a Paid Parental Leave scheme. Now, around 300,000 parents, largely women, have accessed paid parental leave since it was introduced in January 2011, and 37,000 dads and partners accessed dad and partner pay since January 2013.

Employees can choose to have their Paid Parental leave payments administered by their employer. Requiring employers to pass on the government payments assists in categorising Paid Parental Leave as a 'workplace entitlement'.

Increasing numbers of employers are taking advantage of the government minimum payment to add additional payment and offer their employees a longer period of leave at full pay. Fifty seven per cent of employers reported to the Workplace Gender Equality Agency in 2013 that they provided, or would start providing, paid parental leave entitlements in addition to the government minimum wage Paid Parental Leave payments in 2011-12. The average amount of Paid Parental Leave provided by employers in 2011-12 was 9.8 weeks on full pay, which, combined with the government Paid Parental Leave scheme, amounted to 27.7 weeks paid leave.

Whilst far fewer men take Paid Parental Leave, about 20,000 fathers have taken Dad and Partner Leave since it was introduced in 2012.

The introduction of Paid Parental Leave has made a real difference to Australian mothers and their families. Firstly, families are more financially secure at a time when they most need it. Secondly, fathers are supported in sharing the caring and bonding experience with their new child. Thirdly, employers are more aware that they can, and should, play an active role in supporting both female and male employees to balance work and



Photo: Tim Petterson/United Voice

family. And lastly, but not least, babies are given the best start in life. This is great for women's participation in the workforce and our economy, great for the health and well-being of families and the community, and great for employers who maximise the skills, experience and productivity of women returning to work after having children.

**Ged Kearney**  
**President, Australian Council of Trade Unions**

## Case study: Thailand – the introduction of a universal social pension

Asia is a very diverse region with regard to economic development, political regimes, stability and social protection institutions. The Asian crisis in the late 1990s resulted in the establishment of basic social security in many affected countries, including Thailand, where universal health care was introduced in 2001. Before the crisis these countries relied heavily on social safety nets and market forces such as private insurance. The crisis disclosed the limits of such an approach. Since then the region has seen stable and considerably growth, which has brought about considerable social change. Life expectancy increased considerably and the fertility rate has dropped by half since the 1950s, which resulted in a rapid aging of the population that will only increase in coming decades (see Table). While family ties are still very strong in this region, elderly people living alone face a great risk of poverty, and women more so than men. In 2010 the World Bank estimated that in Thailand the poverty rate for those over 60 years old stood at 10.9 %, considerably above the general poverty rate of 7.7 %.

Thailand established a means-tested old age pension system in 1993, which was highly decentralised and delegated the authority of identifying beneficiaries and defining allowance payments to local authorities. This led to considerable differences between these local entities. Some distributed the allowance without means testing, while others were very strict and selective, with the result that more than half of the old-age poor who would have been entitled did not receive any financial support.

These substantial shortcomings required some political response, and in 2008 the government decided to move from the means-tested allowance to a universal pension scheme, in line with Thailand's conception of old-age income security as a basic human right.

Finally, in April 2009 the government launched the universal pension scheme guaranteeing every elderly person 500 baht per month. In the initial phase additional government money was directed to this



Image: ILO in Asia and the Pacific

programme as part of a stimulus package and since October 2009 this has been part of the annual budget.<sup>62</sup>

Aside from the non-contributory allowance, Thailand also launched subsidized savings accounts. The amount of subsidy depends on the recipient's age and ranges from 50 % for those below 30 years to 100 % for over 50-year-olds. This is targeted at all those who are not affiliated with any compulsory public pension scheme, mainly workers in the informal economy. According to the ILO, coverage of this group remains low and the challenges to get these people to participate remain substantial. Still, there was an impressive impact on poverty. World Bank data for the overall poverty rate shows a sharp decline. Between 2009 and 2011 poverty fell from 19 % to 13 %. The decline was even more substantial in rural areas where there is an older population, with poverty declining from 25 % to below 17 %.

**Table: old-age dependency ratio, 2000-2050 (%)**

Economy	2000	2005	2010	2030	2050
Thailand	9	10	11	23	32
Indonesia	8	8	9	15	29
Japan	25	30	35	53	74
Singapore	10	12	14	46	58
China	10	11	11	24	38
Viet Nam	9	10	9	18	32
Malaysia	6	7	7	15	25
Tajikistan	7	7	6	9	15
Kazakhstan	10	12	10	16	24
Cambodia	5	5	6	9	15

Asian Development Bank (2012) Social Protection for Older Persons, Social Pensions in Asia, Manila, p. 124.

## Belgium – the cradle of the Ghent system

The Ghent system is named after the Belgium city Ghent where it first emerged at the end of the 19th century. The workforce was dominated by manual workers at this time who were highly unionised. In the 19th century the phenomenon of unemployment emerged as a post-industrialisation characteristic.

In to insure their members against unemployment, the trade unions started to collect small contributions on a voluntary basis and created unemployment funds. However, these funds were rather small and soon they ran into financial trouble. In 1895 the unions turned to the city council and urged for financial support, which resulted in the establishment of a communal unemployment fund in 1901. The supplementary fund was not conditional on union membership and non-members could register directly at the city council and received the same amount of unemployment benefits as members. But the number of workers who were directly affiliated to the communal fund remained relatively low. However, unions remained in charge of the administration and of the payment to members as well as to non-members. This hybrid system encouraged unions to lobby for higher supplements and to attract new members who remained in the union even in case of unemployment. Other cities started to copy this practice until it became institutionalised at the national level in 1920.



Image: The Library of Congress

The system spread beyond Belgium borders and was introduced in France, Norway, Denmark, the Netherlands, Finland, Switzerland and Sweden. To break the union monopoly, employers tried to set up their own unemployment funds but with little success. In 1930, the employers' and public fund captured only 3 % of workers. Employers' organisations advocated rather unsuccessfully for a compulsory system and supported a variety of equally failing initiatives aiming to constrain the Ghent system. After World War II the unemployment insurance was made compulsory and contributions were paid by employers and employees. The government agency it is administered by is jointly run by representatives of both parties. The unions lost their exclusive role in administering the funds but the administration of benefits payment is still dominated by unions. This system remains in place today.

The Belgium system is still under attack. It went through substantial changes after World War II when unions lost control over the unemployment funds. Despite this, Belgium's union density remains relatively high. When economic crisis affects labour markets and unemployment is surging, trade unions can face difficult times as their membership and consequently their financial resources shrink. In Belgium however, membership increases in times of mounting threat of unemployment, specifically among young workers. This phenomenon was also observed in other countries where the Ghent system is in place.<sup>2</sup>

The experience of the Ghent system shows that trade unions can play a very active role in the creation and management of social security systems, which in turn can make union membership more resilient in times of economic crisis.



## 5. Conclusion

Universal social protection, minimum living wages and collective bargaining are essential distribution tools to reduce inequality, build demand and drive jobs. These are the tools that can create a socially just world.

Trade unions have always played a central role in social protection; in advocacy, in the establishment of health systems, in management of unemployment benefits, as pension trustees and much more. This is a proud history and we aim to make it an even stronger future.

The ITUC will continue to support affiliates organising and campaigning for national social protection floors and fair wages.



Photo: GOVBA

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