



GLOBAL COOPERATION NEWSLETTER
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Wishing all our readers Happy Holidays, a World of Peace and all the best for the coming New Year!

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- **Featured article. Social protection and social security in the Latin American context"** by Leonel Antonio Flores Sosa

Dr. Leonel Antonio Flores Sosa is the Director of the Inter-American Center for Social Security Studies (CIESS), Mexico. in 2010.



The recent and ongoing government actions in Latin America and the Caribbean vividly demonstrate that, regardless of the specific features of their economic growth, most governments in the region have added social considerations to domestic policy development, first of all in order to deal with such social ills as chronic poverty and structural unemployment. Social protection policies reflect the preferences and priorities existing at the national level to address inequality, insecurity and the disempowerment of people. This article seeks to highlight some of the existing national efforts, drawing comparisons and identifying useful lessons.

Whether employed formally or informally, all workers in society have a common exposure to contingencies such as sickness, unemployment or old age, which have an impact on the society at large. A need to address those contingencies and delay or reduce their negative consequences is a public concern and the *raison d'être* of social security. Having or offering employment without social security falls into the informal sector, and has or does not offer a decent job.

According to the ILO (2014, p.4), existing laws protect only 28% of the world's population against unemployment. The asymmetries of that situation become more apparent when one considers that in Europe 80% of the population are eligible for such protection.

By the late nineteenth century, before the rise of social insurance in Germany under Bismarck, work was a private matter between the employee and the employer. In general, workers faced the risks of life individually or in forms of social organization that were not established by law. We should ask whether the approach to social security as a human right is fulfilled, or if the minimum standards defined in ILO Convention 102, have been overcome.

Past: the necessity and validity of social security

Historically, the institutions that came to play some sort of social protection role were religious and charitable, including sororities, and some even promoted domestic solidarity, which tried to tackle extreme poverty and helplessness. Then, protection systems through savings, private insurance, public assistance were started. Likewise, mutualism in addressing the common problems of workers and their families arose, representing one of the foundations of the current social security system.

In 1883, the Health Insurance Act was passed in Germany and subsequently laws on accident insurance and old-age and disability insurance. With the creation of the International Labour Organization (ILO) in 1919, an important stage in the evolution of social security and international cooperation began.

In the early days of social insurance, ranging from the late nineteenth century until 1935, pioneering American countries such as Chile (with the first law on social insurance in 1924), Argentina, Brazil, Cuba and Uruguay incorporated pension, retirement, old age and a few disability schemes. In 1927, Canada established its welfare pension insurance.

In the second period, which began in the late thirties, sickness and maternity insurance branches were included and general schemes were born in Costa Rica, Mexico, Ecuador, Bolivia, Peru, Panama, Paraguay and Venezuela. Benefits and services to wider sectors of the population were extended. In 1942, the future-oriented document known as the Beveridge Report was formulated in the UK to "attain freedom from poverty by income maintenance". In the mid-fifties the social security institutions were created in Central America and the Caribbean.

In the sixties and seventies such institutions were strengthened as part of the social policy and economic life of many societies in America. Infrastructure to invest in welfare and reduce asymmetries in society was expanded.

Reforms and their arguments

Since the eighties economic measures and social security reforms that were implemented, aimed at transferring to the individuals a greater proportion of the costs for their own protection. Social investment has been significantly decreased, affecting policies focusing on poorer sectors and state regulatory capacity.

The Nobel Prize-winning economist Joseph E. Stiglitz, and his co-author Peter R. Orszag in their well-known paper (1999), examine the myths and fallacies in the discussions around reforms at that time, for example:

- Social security is a cost that prevents competitive salaries in the international context.
- Need to reduce the government deficit and debt, reducing social security.
- Promises of higher rates of return and growth in saving rates linked to individual savings accounts.
- Reduced administrative costs, and as unlikely as we may see it today, favourable consequences for labour force formalization through individual capitalization of pensions.

The reality after these reforms was a decrease in the coverage of social security and, according to the ILO, many countries adopted adjustment measures such as reduced subsidies, cuts in wages or their ceilings, and worryingly, "streamlining social protection benefits" in line with a more restrictive approach, as well as reforms in the pension and health. Historical evidence shows that the need to reduce the weight of pensions for the sake of reducing government debt, or limit health insurance to minimum packages have become repeatedly seen approaches.

The increasing social inequalities and costs for citizens are the consequences of these approaches. For example, the relationship between per capita GDP and out of pocket health expenditure allows to assess the transfer of the cost of health care to the individual. In the group of countries with lower GDP, the share of the population with reported out of pocket spending on health care is 72%, well above the 49% which is the average of Latin America, and even higher than 23% indicator in the group of countries with the highest GDP of the region.

Present: social security challenges

Many countries in the region have expanded conditional cash transfer programs. These programs cover 21% of the population in Latin America and 59% living below the poverty line. That means that a debt with much of society is maintained today and, although the coverage of these programs is more than tripled from 2000, 41% of the poorest population remains without due regard.

The main challenges facing social security are the exclusion of self-employed workers, coverage gap between domestic workers and between employees of micro enterprises, insufficient coverage of the migrant population, lags in the coordination and institutional integration of programs and responsible entities, and eradicating evasion.

That social security is still not a right that most of the population can enjoy, is also manifested in the lack of pension coverage of the elderly. By 2011, fewer than 42% of the population over 65 received a pension. The ILO (2014 p. 2) emphasizes that only "27 percent of the working-age population and their families across the globe had access to comprehensive social security systems", while 73 percent are partially covered or have no coverage.

This lack of comprehensive social security is evident in the lack of unemployment coverage. In 2010, globally, only 10 countries offered benefits for two thirds of the unemployed. In contrast, 29 only covered a third of the unemployed and 110 nations lacked social security in this area. The lag also reveals lacking gender equality. Less than 40% of employed women have mandatory maternity cash benefits (ILO, 2014 p.5). Family and child allowances are completely absent in 75 countries worldwide, while in Western Europe 2.2.% of GDP is invested in these benefits (ILO, 2014 p.4).

Future: What will happen to social security after 2015?

What will happen to the social security after 2015, which was the target year of the Millennium Development Goals? In the 21st century with globalization and a borderless economy, free movement of human beings faces the most barriers. We face a world where migration is increasing while the protection is insufficient.

The region offers very good experiences with encouraging results, with grounded optimism, to overcome challenges in various fields of social security. Examples are so broad and in variety of areas, that it is impossible to cover everything but the following are very motivating:

- The extension of family allowances in Argentina, that along with the Universal Child Allowance reduced poverty by more than 20%.
- In Brazil, the scope of coverage of the Rural Social Insurance Program is close to 80% of the population of rural sector.
- By 2010 "Rent dignity" which in Bolivia represents a universal old-age pension scheme reduced the extreme poverty by 6% .
- The Universal Basic Pension in Uruguay, which is available to all persons 65 years and over. The 2007 reform in this country also provides an example of how to extend access to social security, allowing the incorporation of family dependents if one of the adult beneficiaries of non-contributory pension system contributes voluntarily.

The comparative analysis of existing national practices provides a necessary policy feedback, facilitating the inception of future policies. The introduction and development of various tools such as conditional cash transfers and social pensions opened opportunities for significant reforms by key political actors. While the patterns are complex, and the results are far from being fully satisfactory, efforts to alleviate poverty have been an important step to strengthen public and private policies, along with the introduction of rights-based approaches to policy formulation and implementation.

References:

Peter R. Orszag, Joseph E. Stiglitz. "Rethinking Pension reform: Ten Myths About Social Security Systems", 1999, http://www.ssc.wisc.edu/~scholz/Teaching_742/Orszag-Stiglitz.pdf

World Social Protection Report 2014-2015. Building economic recovery, inclusive development and social justice, ILO, Geneva, 2014, <http://ilo.org/global/research/global-reports/world-social-security-report/2014/lang--en/index.htm>

The opinions expressed in the article are those of the author and may not necessarily coincide with the opinions of the ICSW Management Committee.

➤ **How to protect the right to social security in a better way? Regional forum in Dominican Republic.**



Regional forum dedicated to social protection and policies to enhance its viability and effectiveness was convened by ICSW in close cooperation with DIDA (DIRECCIÓN DE INFORMACIÓN Y DEFENSA DE LOS AFILIADOS A LA SEGURIDAD SOCIAL) in Santo Domingo on 3-4 December 2014. The Forum brought together more than 180 participants representing government structures, as well as representatives of business, trade unions, civil society organizations from the region. On the part of ICSW the Forum was addressed by Vice-President of ICSW Mirtha Sosa Crevoisier, ICSW Regional President for Latin America Nelsida Marmolejos (the host), and Executive Director of the ICSW Sergei Zelenev.

The discussions were wide ranging, and included recommendations on the role played by independent public representatives such as ombudsmen in protecting the interests of the society at large in key social sectors, including social security and health provision. In this context the need of establishing institutions aimed at empowerment of citizens was underscored, depending on the national circumstances, and the results that have been already achieved. The offices of ombudsmen should be professional and work without

political influences. It was also noted that quality information on existing economic and social rights as formally guaranteed by the Constitutions was not always available to the public at the national level, and the role that mass media could play in this regard is significant, but not always adequate in practice. Social security is a universal human right and should be recognized as such not only in the books but also in practice.

The participants agreed that expanding both vertical and horizontal coverage in health services provision should be based on universality, embracing the entire population. The important role of education and human cadres in the provision of quality health services was underscored.

The model that envisions universal and comprehensive welfare coverage should be guaranteed to all citizens. The mechanisms for additional financing, along with dedicated taxation schemes, should be considered and established when feasible. The effective ways should be found to protect informal sector workers.

The issues pertinent to the situation of older persons and their rights got substantial attention at the Forum. The proposed recommendations ranged from a nationwide regular mapping of older persons to have a source of updated information on their socio-economic status, enabling more effective planning of social protection schemes, to introducing a 1% levy on business sector to increase social protection programmes that benefit older persons. Intergenerational aspects of support for the elderly were also discussed with the aim of promoting the rights of older persons more vigorously in the family.

➤ **Expanding social protection through social dialogue**



The Social Protection Floor Initiative got a welcome boost at the international conference attended by over 90 representatives of national Economic and Social Councils and other Similar Institutions (ESC-ISs) who came together on 20-21 November 2014 in Seoul, Republic of Korea. The outcome of the Conference-- the adopted Declaration emphasized the commitment of ESC-SIs to expanding social protection floors for all people, through active

use of social dialogue. The Declaration will serve as a tool for extending national social protection systems in line with the International Labour Organization's (ILO) Recommendation No. 202 and Convention No. 144.

The Declaration aims to reinforce ESC-SIs efforts in bringing together governments, representative organizations of employers and workers, as well as other relevant organizations to consult on issues pertaining to the promotion of social protection floors for all.

As social protection and welfare systems are being reshaped in a large number of countries, the need for rights-based approach has become well recognized. Most middle-income and low-income countries are boldly expanding their social protection systems, providing an ample food for thought and numerous developmental lessons. However, a number of countries are reforming their social protection systems because of fiscal consolidation pressures, cutting welfare coverage, reducing benefits and limiting access to quality public services, with significant adverse social impacts.

Speaking on behalf of the ICSW Prof. Heung Bong Cha, the President of the ICSW North Asian Region described at length the ICSW approach to promoting social protection, including its advocacy regarding the Social Protection Floor initiative. Prof. Cha also provided an overview of national efforts undertaken in the North Asia region in the field of social protection, with particular emphasis on Japan and Republic of Korea, as well as on recent initiatives carried out in China.

The high-level event was organized by the ILO and the International Association of Economic and Social Councils and Similar Institutions (AICESIS), in partnership with the Economic and Social Development Commission of Korea (ESDC).

For more details please go to:

http://www.ilo.org/secsoc/press-and-media-centre/news/WCMS_326950/lang--en/index.htm

➤ **Useful resources and links**

- **Integrated social policy.** *Towards a New Welfare Mix? Rethinking the Role of the State, the Market and Civil Society in the Provision of Social Protection and Social Services.* Report V, Beirut, 2014

The present report prepared by UN Economic and Social Commission for Western Asia explores the prevailing welfare mix in Arab countries, the contribution of different private sector enterprises and civil society actors to social protection and social services, and the advantages and difficulties emerging from this situation. It does not aim to provide a comprehensive inventory but rather looks at issues such as education or health-care services on the basis of examples from selected countries.

The report is available at the following link:

http://www.escwa.un.org/information/publications/edit/upload/E_ESCWA_SDD_13_1_E.pdf

- **Geographic Variations in Health Care.** *What Do We Know and What Can Be Done to Improve Health System Performance? OECD, 2014*

Health care use varies a lot across countries but also within countries. Some of the very large geographic variations observed cannot be fully explained by differences in need or patient preferences. Governments should step up efforts to ensure better use of health services. This report provides information on health care use for ten health care activities and offers a range of approaches to promote the delivery of more appropriate levels of care, helping policy makers better understand the issues and challenges around geographic variations in health care provision.

For further details please go to: http://www.oecd-ilibrary.org/social-issues-migration-health/geographic-variations-in-health-care_9789264216594-en

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Newsletter Editor: Sergei Zelenev, Executive Director
Address: ICSW, 5700 Arlington Ave., Bronx, New York, 10471 (US Office)
Phone: +1 347-526- 4893,
E-mail: szelenev@icsw.org, icsw@icsw.org
Website www.icsw.org;

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