

Social Protection Policy and Governance: an ILO Perspective

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When more than a century ago, the spirit of the French revolution passed through Europe and delivered the workers from the oppressive tutelage of the guilds, the worker was left free indeed, but isolated and helpless in face of the risks with which his life was threatened. Equal before the law and free through they are in theory to dispose of their lives, individuals are yet, in practice, only so equal and free when they are sure of their means of subsistence. A man who has no other source of income but his muscle or his brain, if he should lose one or the other, will not be saved from destitution by his liberty.

– ILO (1925: 126)

1. Introduction

Social protection in Asia has made remarkable progress over recent years, as governments have come to realize the great deficiencies in their systems and looked into ways to improve them. As the economic well-being of the population increases in middle-income countries, the tendency has been to request more social security. This is evidenced by developments in Thailand since the early 1990s and in the Republic of Korea, where the share of gross domestic product (GDP) devoted to social protection has grown in real terms as sustained economic growth continued before the 1997 Asian financial crisis. Various approaches to social protection exist throughout Asia, yet social security expenditure in the region from public and private sources remains at a very low percentage of GDP: below 10 percent on average. Mechanisms are still at a premature stage of development and are usually concentrated on workers in formal wage employment.

Countries like the Philippines are creative in looking for ways that fit with the national context. When this happens, social protection and employment policies should seek to increase the number of decent jobs. These two sets of policies should be complementary. The International Labour Organisation (ILO) emphasizes that employment creation through economic growth is not a sufficient condition to reduce poverty. Social protection is an integrated component of the strategy. A country that offers adequate social protection will be reducing open unemployment and improving the conditions of workers who can be more productive, as well as easing necessary adjustments in the labor market.

2. Preventing Poverty: Strengthening Existing Social Security

In approaching the subject of poverty, one is inclined to stress the success that social security has had in preventing poverty in countries where it has been implemented through broad-based schemes that have provided valuable protection to workers in all income groups. The elimination of the huge problem of poverty in old age in most industrial societies provides a striking illustration of this. The aim of these schemes has been income replacement rather than poverty alleviation.

The distinction between contribution-financed income replacement schemes offered to a wide proportion of the population and tax-financed poverty reduction programs targeted to restricted groups facing destitution has been crucial in obtaining the wide political support that industrialized societies attracted and continue to enjoy. Although social security schemes do not focus specifically on the needs of the poor, they are particularly relevant to low-income groups for the following reasons:

- Once a low-income earner insured by social security stops work, he/she likely derives virtually all of his/her income from social security.
- Due to the low propensity to save among low-income earners, their lack of savings or other self-help measures causes them to be very vulnerable, especially during temporary loss of income due to sickness, maternity, unemployment, etc., and they are much less able to afford the often high costs of medical care. Younger workers with family dependents, notably women, are relatively most vulnerable. Social security can help to limit their vulnerability.
- Low-income earners, unless required, are usually less able to arrange private provisions than higher-income groups: the fact that their incomes are low and often irregular means that they are of little interest for commercial undertakings by banks and insurance companies. Public measures are likely to be more appropriate for their needs.
- Conversely, in social security schemes, low earners benefit from numerous types of solidarity income redistribution, for example, the receipt of minimum guaranteed benefits that provide them cash benefits higher than they could have afforded, and the enjoyment of the same quality of health care regardless of the amount of contributions they might have paid.

3. Coping with Poverty: Social Assistance

It is obvious that social security needs to be supplemented by social assistance measures for those members of society whose entitlements under the contributory system are inadequate or nonexistent. Relatively few people receive benefits from social assistance in either industrialized or developing countries. In industrialized countries, the majority of the population qualifies for social security in case of casualties; hence, they have a lesser need for social welfare support. In developing countries, on the other hand, social assistance measures hardly exist, since governments have fewer tax resources at their disposal. When crises come, social assistance measures can only be of use to the extent that the government has the funds or has earmarked reserves. This is usually not an issue for social insurance schemes that must build up such contingency reserves.

The vast majority of the populations of most developing nations do not enjoy social protection coverage, and the failure is largely attributed to poor governance. The actual design and roles of stakeholders are not as much at fault as the actual implementation of decisions that have often not been based on consensus or on consultation with the parties involved.

There are many issues related to governance that deserve attention: the lack of recognition of the social protection demands of the population results in insufficient social protection measures. This is usually due to missing information on the situation of the population. The ILO encourages policymakers to recognize the existing capacities of academics and others to help strengthen its knowledge base. The ILO has developed a thorough methodology (Hagemejer, 2000) for undertaking a review of the performance of social protection expenditure, by way of emphasizing the coverage of persons, the scope of protection, and the level of protection (Box 1). In addition to providing information and a picture of the social protection situation in a country, social protection expenditure reviews can play a secondary crucial role in providing the basis for bringing stakeholders together to address the criteria for minimum social protection. Knowing the vulnerabilities of the population is useful in designing prevention strategies, but as long as the probability of being affected due to a vulnerability is higher than zero, there should be social protection measures in place to provide a solidarity base for sharing the unfortunate consequences of such vulnerabilities.

- The lines of responsibility for policy and administration at the national and decentralized levels of government administration are often unclear. In many Asian countries, social protection policy decisions are taken by the Ministry of Finance rather than by line ministries responsible for labor, health, and social welfare issues. In practice, this appears to be justified on grounds that financial and fiscal issues should be the driving factors to influence social protection. Much could be done by international financial institutions to encourage governments to develop their national capacities along consistent lines of responsibility.
- Coherent and consistent social protection and employment policies must be adopted.

Box 1: Social Protection Expenditure Surveys

A social protection expenditure survey (SPER) requires an a priori definition of what is meant by social protection. In broad terms, the International Labour Organisation (ILO) refers to the minimum standards for social security as stated under the ILO Convention No. 102 of 1952. It covers social risks causing a worker to be incapacitated and unable to earn a living, such as sickness, maternity, disability, work injury, old age, or unemployment; it also covers the meeting of basic family needs, often in relation to housing and education. The scope of SPER exercises is mainly defined as an operational definition for social protection.

When assessing the threshold of minimum social protection, different perspectives on the level of the “minimum can be expected.

A coverage matrix can summarize the extent to which different groups of the population receive social protection in relation to the identified social risks for which the exercise aims to assess the performance.

- There should be an explicit recognition of migrant workers as potential recipients of social protection. Efforts should be devoted to facilitating social insurance and access to social assistance for those workers. This may require bilateral agreements between countries.
- Social assistance must be designed in a way that frees it from political pressure. A too narrow focus of social assistance targeted toward the poor may often not be supported by the middle class, which is indeed often the government's most vocal and politically important constituency.
- Another key weakness of governance is poor administration: social welfare and social security institutions rely on limited resources to attend to the social protection needs of the population. Evasion and corruption often result. Developing private sector initiatives should be undertaken in parallel with the strengthening of government capacities to understand the demands for social protection coming from the population it serves. This should help governments determine their specific role and create an enabling environment with all social partners and civil society.
- In the course of ILO projects, it usually becomes apparent that public awareness and information about existing programs are lacking, as few people tend to know of existing provisions for benefits they need. More resources should be allocated for existing social protection programs to reach out to the population they are intended for.
- Public infrastructure for health care should be developed in a way that is consistent with social protection policies dealing with health. The international financial institutions could play a guiding role in merging the interest of public infrastructure projects with that of social protection policies.
- Social partners and civil society should have more to say in the policy and administration of social protection programs.

4. Decentralization of Social Protection Responsibility

The fact that a high proportion of people in developing countries are either self-employed, mainly in agriculture activities, or active in the urban informal economy is an enormous challenge for societies wishing to prevent or even only to alleviate poverty. Even if their earnings are sufficient to meet their current needs, they are very often not high enough to cover the whole cost of social security contributions. For that reason, as well as for purely practical administrative reasons, they rarely belong to contributory social insurance schemes. Different forms of solidarity within the community help to make up for the absence of formal social security, but these mechanisms involve risk pooling on a very small scale and tend to be correspondingly limited in what they can achieve. The ILO program on Strategies and Tools for the Elimination of Social Exclusion has been working to develop community approaches. While microinsurance systems developed along the lines of the 19th-century French and Belgian *mutuelles de la santé* prove to be playing a useful role in Africa and in East and Southeast Asia, the present situation, with new social security systems in place and relatively healthy economies, provide sufficient grounds for developing solutions at the community level. These have a clear linkage to national programs of social security (at least in terms of financial considerations) and take advantage of the technical experience required in running a social insurance scheme, such as medical expertise to develop drug lists.

The ILO is committed to assist in extending the access to social protection as a first priority through existing social protection mechanisms. One does not have to go through endless lists of solutions, as one of the most effective means to get more people covered by social protection measures is by ensuring that the population is aware of existing programs and that the administrative bodies can indeed fulfill their responsibilities. This requires nonstop capacity building within and around institutions. Where the formal system is restricted in terms of its legal coverage due to financial constraints—covering informal sector workers, for example, significantly increases the administrative burden, which may not be affordable due to low social security revenues—ILO encourages governments to foster legitimacy, equity, and efficiency by delegating responsibility for social protection. This should serve to a large extent to address the needs of the most vulnerable groups, such as the elderly, women, and children, and especially those living in rural areas. The ILO believes in the necessity for the State not only to play a stimulating role but also to regulate, monitor, and guarantee the financial sustainability of such schemes as it deems to be in line with its own policy. Balancing the role of public, private, and informal social protection arrangements is crucial. This is society's choice.

Solidarity in facing social risks is a fundamental element of social protection policy. The population of a poor village in Northeast Thailand knows little about the good life most of their fellow countrymen enjoy in Bangkok—that is, unless they should be forced to migrate to urban Bangkok as their last recourse to find employment. These people need employment as a first priority to survive. What happens when one becomes ill or gives birth to a child without means for social protection is that this person will have to turn to family members or to neighbors to get treatment. In case relatives, neighbors, and the entire surrounding poor community cannot afford to lend money for expensive medical bills, in the end, few choices remain other than selling the family house, if any, so as to survive in dignity. Solidarity with their fellow citizens working in safe employment in Bangkok could have helped. Such solidarity is, however, unlikely to happen unless it is recognized as a necessity and is organized.

From a macro social policy perspective, community social insurance schemes must benefit directly or indirectly from the backing of a solid financial guarantor, such as the State, in case the finances of such schemes should go wrong. The ILO program entitled “Social Re” has been designed in close collaboration with the World Bank to serve this explicit purpose, either as an independent system or as an approach that is embraced by the State to manage the social risk faced by those community-level systems. This is a simple principle of insurance and allows for a solution to the issue of microinsurance schemes that tend to accept the concept that only the poor are there to help the poor.

References

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