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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)

I. 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 fix this. As the economic well-being of the population increases, the tendency for the population of middle-income countries has been to request for 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 from public and private sources remains at a very low percentage of GDP: below 10 percent on average in the region. 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 and looking for ways that fit with the national context. In doing so, 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, improving the conditions of workers who can be more productive, as well as easing necessary adjustments in the labor market.

II. 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 huge elimination of poverty in old age in most industrial societies provides a striking illustration of this. The aim of these schemes has been placed on income replacement rather than poverty alleviation.

Such a 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:

- (i) Once a low-income earner insured by social security stops work, he/she likely derives virtually all of his/her income from social security.
- (ii) Due to the low propensity to save among low-income earners, their lack of savings or measures causes them to be very vulnerable even 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 will help them in this respect.
- (iii) 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 to the commercial undertakings by banks and insurance companies. Public measures are likely to be more adequate to serve their needs.
- (iv) Conversely, in social security schemes, low earners benefit from numerous types of solidarity income redistribution such as through the receipt of minimum guaranteed benefits that provide them cash benefits higher than they could have afforded and they can enjoy the same quality of health care regardless of the amount of contributions they might have paid.

III. Coping with Poverty: Social Assistance

It is obvious that social security needs to be supplemented by social assistance measures for the members of society whose entitlements under the contributory system are inadequate or non-existent. Relatively few people receive benefits from social assistance either in industrialized or developing countries:

- (v) In industrialized countries, the majority of the population qualifies for social security in case of casualties and hence have a lesser need for support from the social welfare office.
- (vi) In developing countries, social assistance measures hardly exist. Governments have fewer tax resources at their disposal.

When crises come, social assistance measures can only be of use in as much as the government has the funds or has put aside earmarked reserves. This is usually not an issue for social insurance schemes that must build up such contingency reserves.

As the vast majority of the population of most developing nations do not enjoy social protection coverage, the failure is largely attributed to poor governance. The actual design and roles of stakeholders are not so much at fault but more so the actual implementation of decisions that have often not been taken out of consensus nor upon consultation with the parties involved.

There are many issues related to governance that deserve attention:

- (vii) The lack of recognition of social protection demands of the population and, as a result, 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; see box below) for undertaking the review of the performance of social protection expenditure by way of emphasizing the review of coverage of persons, the scope of protection, and the level of protection. In addition to the purpose of providing information and a picture of the social protection situation in a country, the social protection expenditure reviews can play a secondary crucial role in providing the basis to bring stakeholders together to address the 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.

Social Protection Expenditure Surveys (SPER)

A social protection expenditure survey (SPER) requires an a priori definition of what is meant by social protection. In broad terms, the 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 in case of sickness, maternity, disability, work injury, old age, unemployment; nor meet basic family needs, often in relation to housing and education. The scope of SPER exercises is mainly defined along the operational definition for social protection. It proposes using the European System of Integrated Social Protection Statistics (ESSPROS).

The SPER follows an approach that first attempts to assess the social protection needs of the various broad population groups identified on the basis of their homogeneous needs for social protection. It assesses the current social protection measures and how much is provided to finally assess the gap in social protection coverage in terms of persons not covered, social risks lacking protection, and the adequacy of the benefit protection provided.

When assessing the threshold for providing a minimum level of 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.

- (viii) The lines of responsibility for policy and administration at the national and decentralized levels of government administration are often unclear. One should refer to the case of many countries of the Asian region where 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.

- (ix) Coherent and consistent social protection and employment policies must be adopted.
- (x) There should be an explicit recognition of migrant workers as a form 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.
- (xi) Social assistance must be designed in a way that frees it from political pressure. The often too narrow focus of social assistance targeted toward the poor may not be supported by the middle class who are indeed often the government's most vocal and politically important constituency.
- (xii) 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 results. Developing private sector initiatives should be undertaken in parallel to 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.
- (xiii) In the course of ILO projects, it is usually apparent that public awareness and information on existing programs are lacking as few people tend to know of existing provisions that may provide them benefits they need. More resources should be allocated for existing social protection programs to reach out to the population it is intended for.
- (xiv) 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 along the lines of social protection policies.

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- (xv) Social partners and civil society should have more to say in the policy and administration of social protection programs.

IV. 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 (STEP) has been working to develop community approaches. While micro-insurance systems developed along the lines of the 19th century French and Belgium *mutuelles de la santé* prove to be playing a useful role in Africa, 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 the existing SP 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 way of ensuring that the population is aware of existing programs and that the actual administrations 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—as covering informal sector workers increases significantly 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 notably those living in rural areas. The ILO believes in the necessity for the state to play not only a stimulating role but also to regulate, monitor, and guarantee the financial sustainability of such schemes that it deems 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 to 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 emigrate 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 lending money to pay expensive medical bills, in the end, few choices other than selling the family house, if any, remain so as to survive in dignity. Solidarity with their fellow countrymen 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 micro-insurance schemes that tend to accept the concept whereby only the poor is there to help the poor.

References

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