



## COMPONENT ONE

# **100 years of social protection with the ILO: the road to universal social protection systems and floors**

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This year the International Labour Organization celebrates its 100<sup>th</sup> anniversary.

ILO Centenary offers two opportunities:

- to look back and celebrate the ILO's history and achievements;

but also

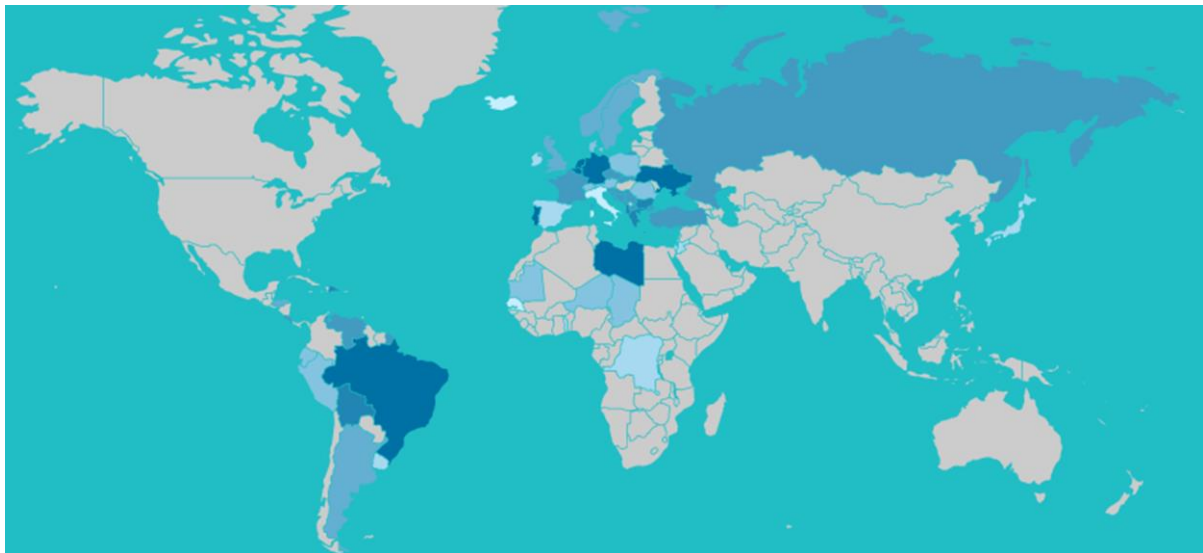
- to look forward to its future.

The story (or history) of social protection did not start in 1919 with the creation of the ILO. But the ILO has over the past decades contributed to the development of social protection systems throughout the world.

As many know, the ILO in particular has adopted and promoted international social security standards that have helped shape national social protection systems in many countries.

### Ratification of ILO C.102

Ratification of ILO Convention n.102 on Social security (Minimum standards) is still work in progress.



*In grey: countries that have not yet ratified C.102*

ILO Convention 102 on minimum Standards of social security is our flagship convention. This year, because of the Centenary, we see a rapid increase in the number of ratifications. In Europe and central Asia, the Federation of Russia for instance has ratified ILO Convention 102 in January 2019, and Lithuania is currently preparing for the ratification. In Asia, China is technically ready for ratification, and we hope that the ratification will be effective at the end of 2019 or beginning of 2020.

This Convention is key because it allows governments, workers and employers organizations to structure their national social protection systems around 9 branches. Old age pensions, health, unemployment protection, sickness benefits, work injury, family allowances, maternity, incapacity & invalidity, and survivors' benefits.

By ratifying ILO Convention 102 countries also guarantee a minimum level of benefits to the workers, pensioners and families. For instance old age pension levels should be at least at 40 percent of a worker's previous income. They also guarantee that some core ILO principles are fully respected.

## ILO social security standards: key principles

**ILO Social Security Standards have been adopted by governments, employers' and workers' representatives, and constitute a key reference for policy-making as well as the design and implementation of social security systems.**

**ILO social security standards are meant to be applicable worldwide and are consequently designed based on a set of core principles and minimum parameters (or benchmarks) to be achieved by the various types of schemes existing at the national levels.**

**The core principles are:**

**Principle 1: Progressive realization of universal coverage**

**Principle 2: Social solidarity and collective financing**

**Principle 3: Adequacy and predictability of benefits**

**Principle 4: Overall and primary responsibility of the State**

**Principle 5: Non-discrimination, gender equality and responsiveness to special needs**

**Principle 6: Financial, fiscal and economic sustainability**

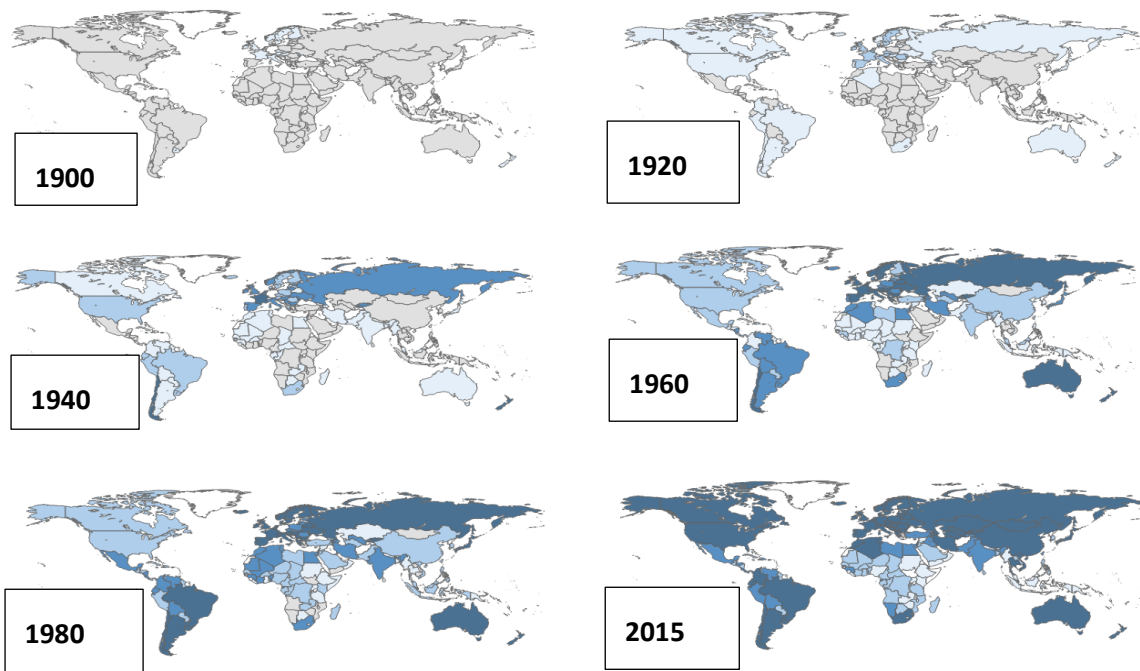
**Principle 7: Transparent management and administration**

**Principle 8: Involvement of social partners and consultations with other stakeholders**

**Principle 9: Periodic review of pensions to match evolution of cost of living and level of earnings**

**For a pension system, to be in line with ILO Convention 102, it has to provide a replacement rate of at least equal to 40 per cent of previous earnings to a person who reached 65 years with 30 years of contributions. If it provides only 30 per cent or if the benefits are not predictable, which is the case when the pension scheme is based on individual accounts, it does not comply with ILO standards.**

## Development of social security over 100 years

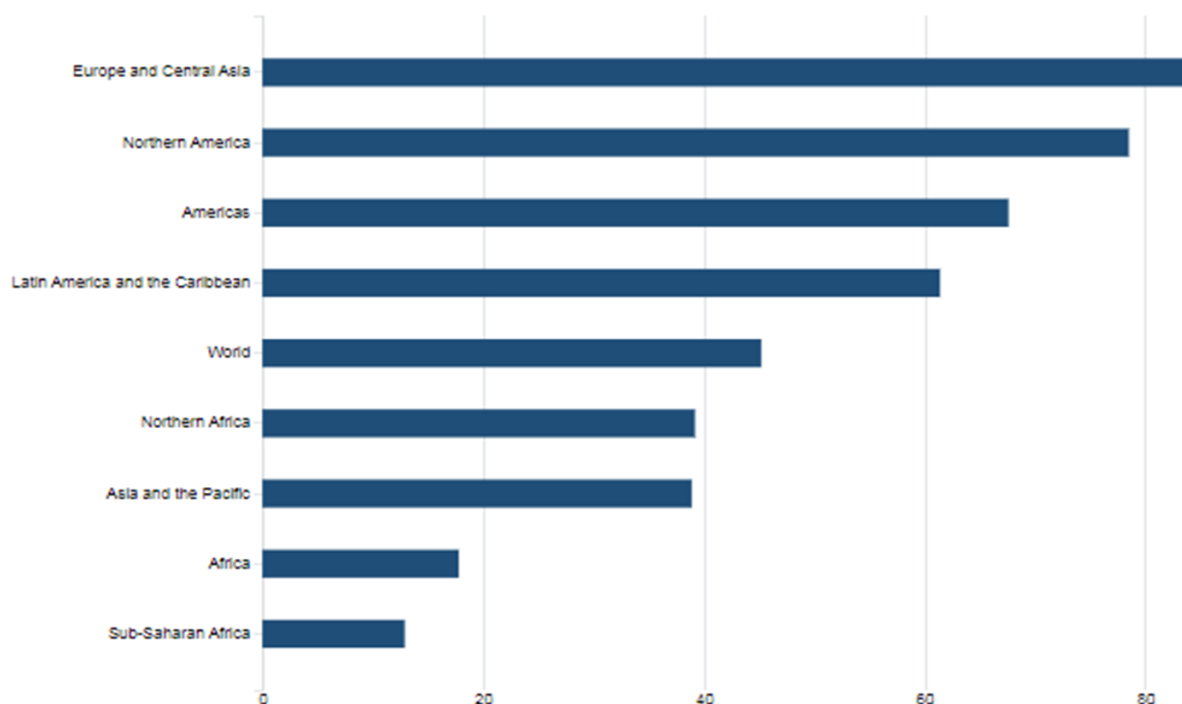


100 years ago only a few countries had social protection systems in place. Today almost all countries have at least a law or a scheme. The scope of social security, measured by the number of areas covered or branches, has expanded at an impressive pace as you can see on this map.

At the beginning of the 20<sup>th</sup> century most of the countries had either no social protection at all (white) or only one branch covered. Today, many countries (in darker colors) have implemented comprehensive systems.

However in most developing and middle income countries, existing systems only cover workers in the formal sector, leaving the vast majority of the population – workers in the informal economy - without any protection.

Globally 45% of the world population is covered for at least one social protection benefit (SDG 1.3.1)

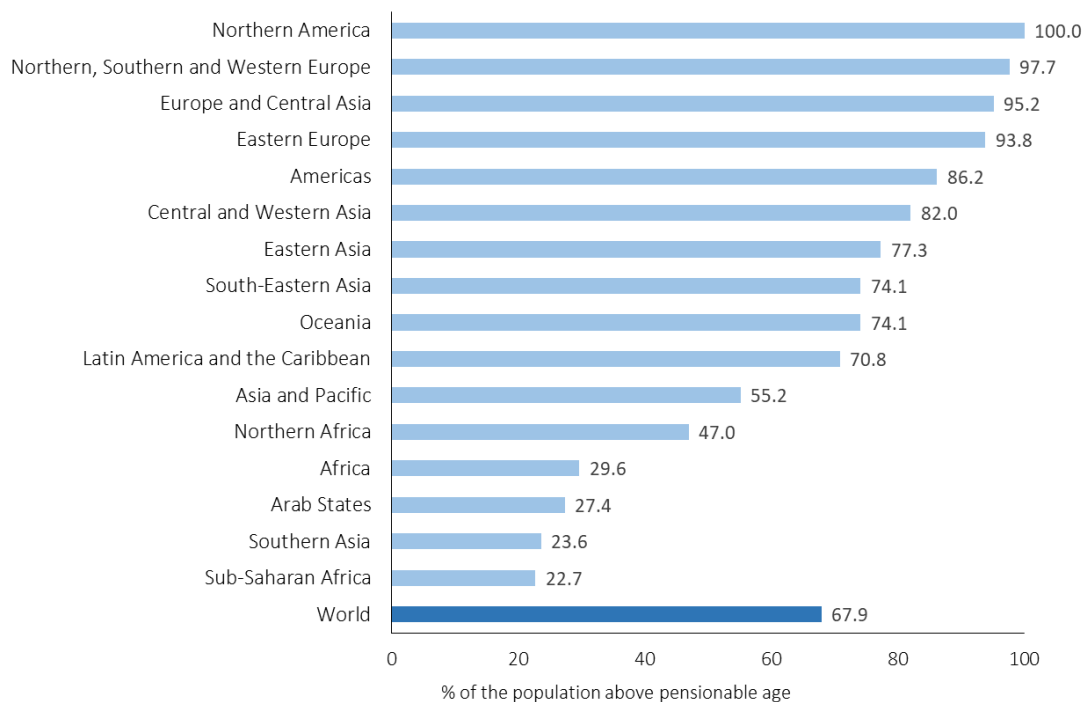


Even in our modern world, with impressive economic progress and prosperity in many regions — more than half the population lives without protection against life's most serious risks. Globally the ILO estimates that 55 percent of the world's population has no social protection at all.

Compared to the world average and other regions, effective social protection coverage in Europe and Central Asia is relatively high with 84 percent of the population covered. In Asia Pacific it stands at 39 percent.

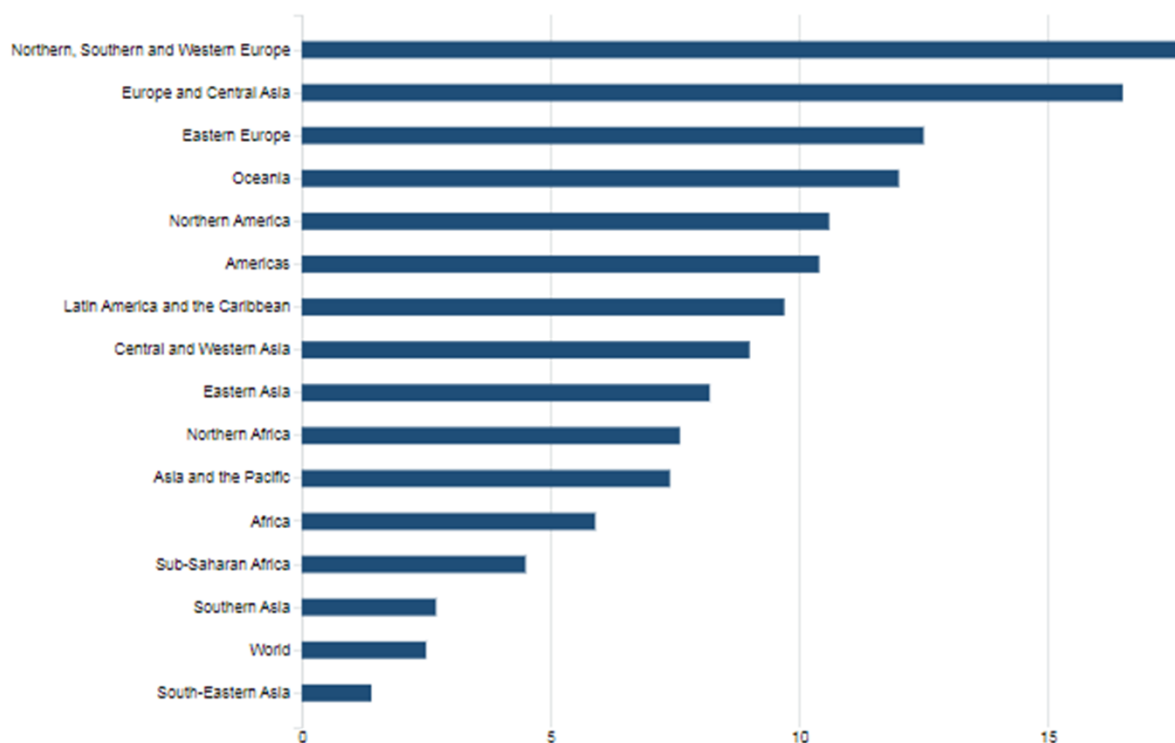
Population increases by 83 million people per year. If we want to reduce coverage gaps, we will need to extend coverage to over 83 million new persons every year.

## Globally 68% of elderly population receives an old age pensions (SDG 1.3.1)



For old age pension coverage is much higher since 68 percent of all older persons receive an old age pension. Most of the extension of coverage in old age pension has been achieved in the past 15 years through the extension of noncontributory old age pension schemes in countries such as Algeria, Argentina, Bolivia, Botswana, Brazil, Cabo Verde, China, Kyrgyzstan, Mongolia, South Africa, Thailand, Timor Leste, Uruguay, and Zambia.

## Public social protection expenditure, excluding health (percentage of GDP)



Coverage gaps are associated with a significant underinvestment in social protection. Globally countries spend on average 2.5 per cent of their GDP on public social protection. Public social protection expenditure (excluding health protection) is higher in Europe and Central Asia – estimated at 16.5 percent of GDP than in Asia and the Pacific - estimated at 7.4 percent.

In some countries ratios of social protection to GDP have increased partially as a result of measures to expand social protection coverage or the recession and higher unemployment rates. In other countries the ratio has decreased as part of fiscal consolidation measures.



## The extension of social protection: Recommendation No 202

### Four basic guarantees



All residents have access to **essential health care**, including maternity care



All **children** enjoy basic **income security**, providing access to nutrition, education, care, and any other necessary goods and services



All persons in **active age** who cannot earn sufficient income, enjoy **basic income security**, particularly in cases of sickness, unemployment, maternity, disability



All **older persons** have basic **income security**

To accelerate the extension of coverage to those who are still excluded from social protection, the United Nations have launched in 2009 the Social Protection Floors Initiative.

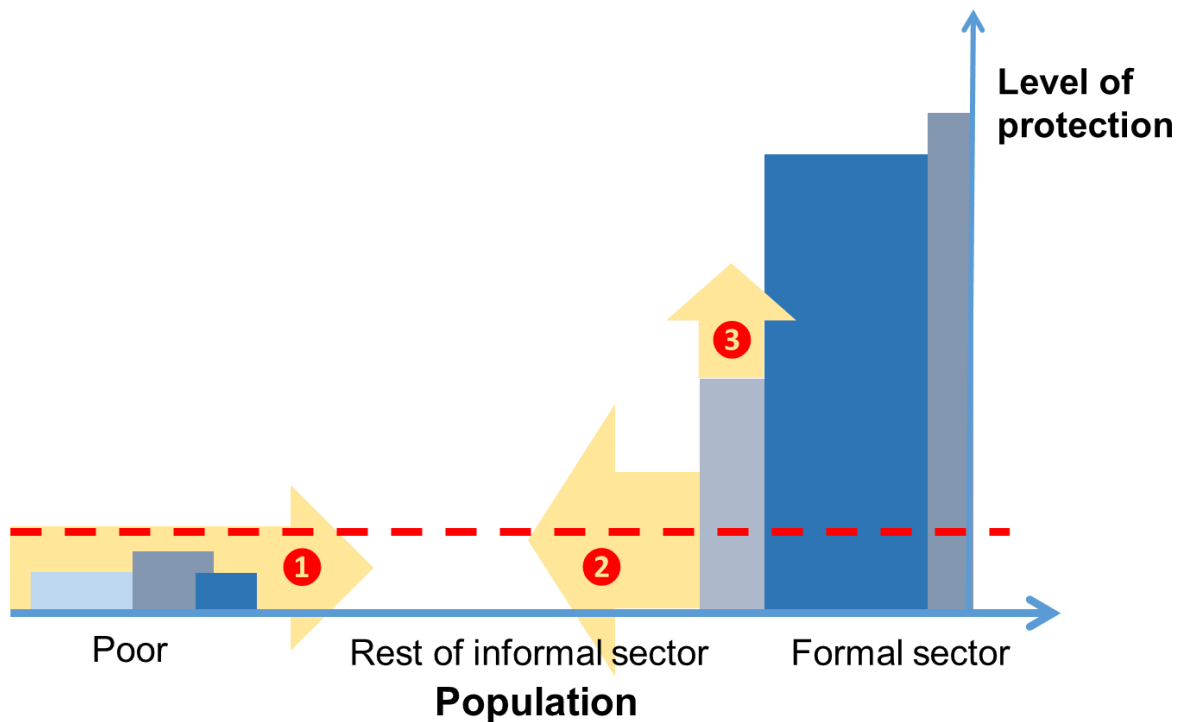
Three years later, in 2012, the 187 member States of the ILO have adopted the Recommendation on social protection floors, or Recommendation 202.

Nationally defined social protection floors guarantee at least:

- access to health care for all,
- and income security for children, the working age and older people.

The implementation of ILO Recommendation 202 has just been assessed by the *ILO Committee of Experts on the application of Conventions and Recommendations*. You can see on the slide the cover of the report. The Recommendation was a success. It had a huge impact on the development of comprehensive social protection systems (and the so-called multitier model of social protection), and on the extension of coverage to previously excluded populations.

## Closing the coverage gaps: horizontal and vertical extension

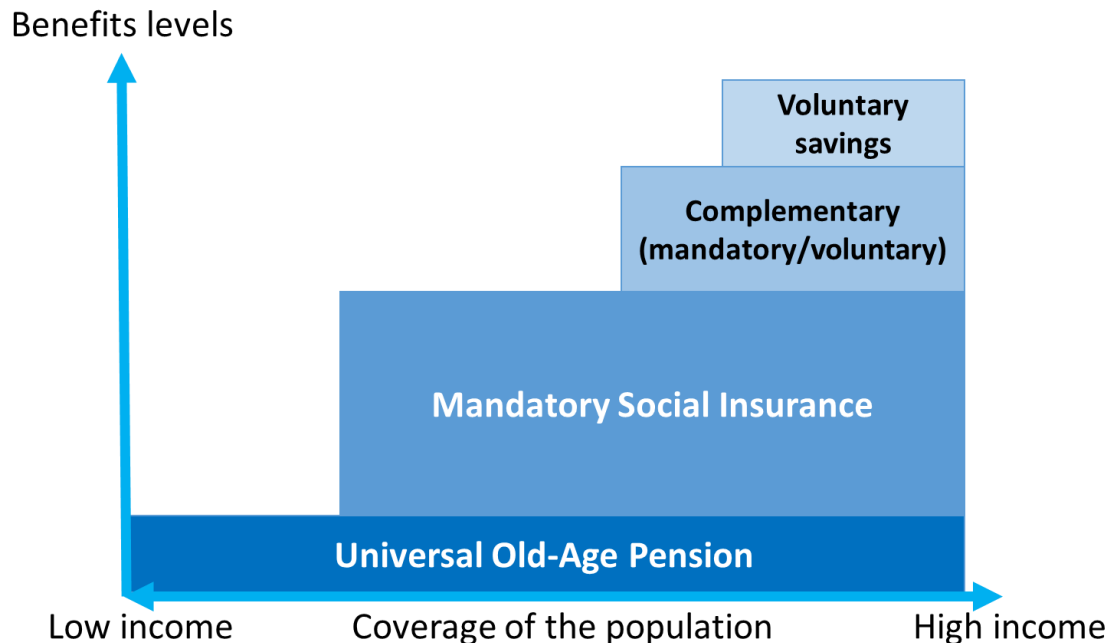


To expand coverage, one way is to implement non-contributory tax based social protection schemes. This was the strategy adopted by at least 30 developing and middle income countries that have achieved, within a few years, universal social protection for health, pensions, disability, maternity or child benefits. It was the case of China that has achieved universal coverage for health and pensions in less than 10 years.

Another strategy is to adapt contributory social insurance to facilitate registration and coverage of workers in the informal economy. This strategy was for instance followed by Turkey who has successfully extended coverage to domestic workers, who are working on a part time basis (less than 10 days per month) and were so far excluded from the application of the law. Turkey has developed a simplified benefit package covering the most important risks for these workers and their employers, and facilitates enrolment and payment of contributions, by using the SMS technology. One SMS to register as employer, and one SMS to cover the worker.

Beyond the social protection floor, it is important to also expand coverage vertically, which means to provide more comprehensive and adequate benefits to people. This can be achieved through social insurance and a multi-tier social protection system.

## Multi-tier social protection: pension systems



Today, pension systems around the world are very diverse and usually comprised of a combination of schemes (public and private). The International Labour Office recommends the development of national pension systems based on the multi-tier structure described on this slide, which is in line with ILO's core principles and minimum parameters defined in ILO social security standards.

### Pillar zero: Non-contributory pension schemes

The scheme can be:

- universal, covering all residents above a certain age,
- or targeted (to those with very low income, or to old people that do not receive any public pension).

The scheme is financed by the government's budget (tax funded). The scheme usually respects principles of universality, social solidarity, and predictability of benefits, responsibility of the State, non-discrimination, financial, fiscal and economic sustainability and involvement of social partners.

Adequacy of benefits can be a problem (in some countries 50% of poverty line which does not allow older people to live in dignity). This is why we need a pillar 1.

### Pillar 1: Contributory and mandatory social insurance

The scheme is mandatory. It is financed by contributions from workers and employers, sometimes also government. Pensions are related to the previous earnings of the workers. Benefits are defined (guaranteed) i.e. predictable.

Different "types" of schemes: pays-as-you-go, partially funded or fully funded schemes (including notional defined contribution schemes, NDC). All ILO principles are respected. However principle 1 (universal coverage) is difficult to achieve in a context of high informality. Principle 6 on Financial, fiscal and economic sustainability may need regular parametric reforms, notably in a context of demographic changes and ageing.

**Pillars 2 can be mandatory or voluntary. When this pillar is based on individual savings accounts, it does not respect principle 3 of predictability of benefits, because the contributions are defined and then invested on financial or other markets, and the return on investment can vary. Individual accounts (also known as defined contribution schemes) leave most of the risk on the shoulders of individuals and do not guarantee income security in old age.**

## Agenda 2030: leaving no one behind

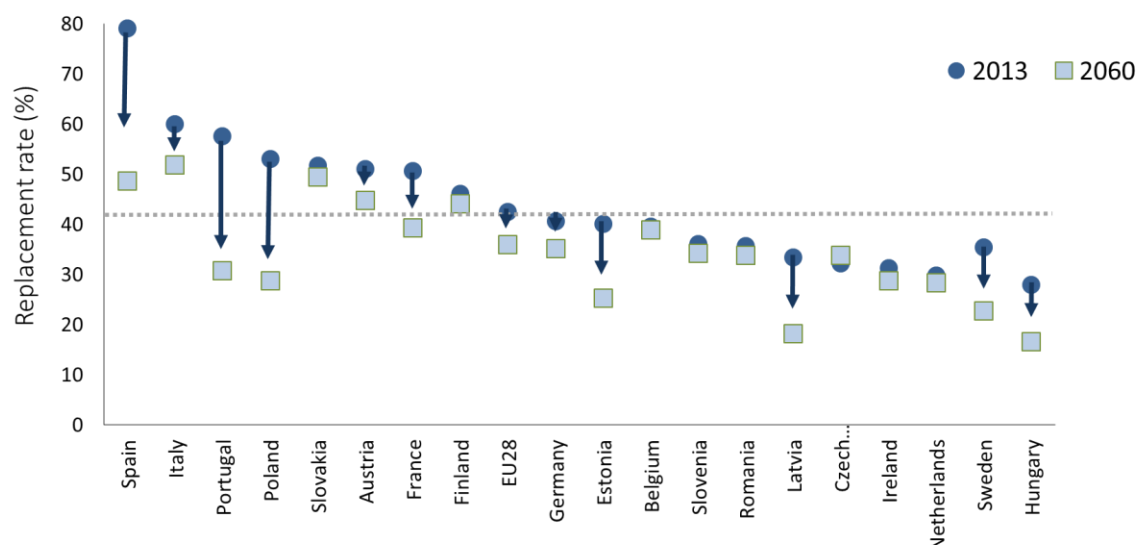


**Support achievement of SDG 1.3** «Implement nationally appropriate social protection systems and measures **for all**, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable».



Social protection is an economic and social necessity. It makes economies productive and societies equitable, and at the same time it helps protecting the planet. This is why closing the social protection gap lies at the heart of the 2030 Sustainable Development Agenda. In particular, Target 1.3 urges countries to “implement nationally appropriate social protection systems and measures for all, including floors”. The ILO, together with the United Nations, are supporting many countries in this direction through policy support and development cooperation. A recent call for proposals of the UN Joint Fund for Agenda 2030, has allowed to collect 114 proposals from countries to improve their national social protection systems. Also the ILO, together with the World Bank, have launched the USP2030 partnership (or partnership for Universal Social Protection), which aims at accelerating the development of social protection and achieving universal, comprehensive and adequate coverage by 2030. Many low and middle income countries have already joined USP2030 such as Paraguay, South Africa or Indonesia.

## Decrease in replacement rates of public pension schemes (2013-2060)



Even in Europe, where we are lucky to enjoy a relatively high level of social protection, compared with other parts of the world, we know that many people are not sufficiently protected, including a growing number of those in the so-called new forms of employment that lack adequate social security. We also know that the financial sustainability of our pension systems is compromised with population ageing. To improve the sustainability of pensions, some countries increase the retirement age, contribution levels, reduce replacement rates, modify indexation methods, introduce or increase incentives for late retirement, or penalties on early retirement, etc. In Moldova's pension reform for instance the retirement age will gradually increase to 63 years by 2028. As you can see on this graph the European Union predicts a decrease in pension adequacy in most European countries. France is currently discussing a possible reform of its pension system. The idea is to simplify existing pension system, with a unified regime that will replace existing 42 schemes, and facilitate labour mobility. And to introduce a system of points to take into account the consequences of ageing.





**We call for guaranteed universal social protection from birth to death**

During 18 months, the Global Commission on the Future of Work, co-chaired by the Prime Minister of Sweden Mr Stefan Löfven and the President of South Africa Mr Cyril Ramaphosa, has worked on a report *Work for a brighter future* that was released on 22 January 2019.

This report identifies one persistent challenge (the persistence of informal economy, poverty and vulnerability) and four new/emerging challenges that bring into question:

- the very nature of work, and
- the place and dignity of people in it.

The four new challenges are:

- the transformative change in the world of work driven by technological innovations
- demographic shifts
- climate change
- and globalization

To face these challenges the Global Commission provides us with an ambitious vision that has people at its very center. It recognizes that social protection is more than ever part of the solution as it can facilitate the digital, green and demographic transitions, and contribute to a fair and inclusive globalization. Governments need to invest in social protection right away. A human centered agenda requires that we look at the rights but also at the effective implementation and what people receive in terms of social protection.

Based on the Global Commission report, the International Labour Conference in June this year will discuss and adopt a *Declaration on the future of work* that will provide a vision and orientations for ILO's 187 Member States, including on the future development of social protection.

## Working for a brighter social protection

- Informal economy
- New forms of employment
- Demographic shifts
- Climate change
- Globalization

**Protection  
Adaptation  
Solidarity  
Sustainability**

**So what are the implications for the future of social protection?**

**First, social protection needs to be stronger than ever to protect people through a combination of**

- universal tax based schemes and
- contributory social insurance providing higher levels of benefits.

**Second, social protection needs to adapt.**

**It needs to adapt to the transformations of the world of work, facilitate labor mobility, protect workers during the digital transition and contribute to the formalization of workers and enterprises.**

**It needs to respond to the needs of the populations that are victims of climate change and at the same time facilitate the green transition by protecting workers who will lose their jobs.**

**It needs to adapt to the new demographical challenges, provide adequate protection to older people both in terms of pensions, access to health care and long term care, while offering to the young generation the possibility to build their future.**

**Third, the principle of solidarity needs to be reaffirmed with vigor. Social protection means rights and obligations, and no free riders; we need to create a level playing field between the traditional and the new forms of employment.**

**Last but not least, social protection needs to be sustainable, both financially of course but also socially, which means it needs to be based on a national consensus that reflects the national social contract.**



## Global social protection week 25-29 November 2019, ILO Geneva



Next year, in 2020, the International Labour Conference will organize a discussion on social protection that will allow representatives of governments, workers and employers organizations:

- to look at the challenges and needs for adaptation of social protection, and
- to agree on a shared vision for the future development of social protection.

These debates that will have a direct impact on the future social protection policies in Europe, China and many other countries.

But there will have other opportunities to meet and exchange, notably at the Global Social Protection Week that the ILO is organizing in Geneva from 25 to 29 November 2019 and to which readers are all invited.