

# Working paper

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## **Extending social security coverage: Good practices, lessons learnt and ways forward**

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This paper is one of the studies produced under the ISSA Project on  
*"Examining the Existing Knowledge on Social Security Coverage Extension"*

**Working Paper No. 14**

International Social Security Association, Geneva, 2009

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The International Social Security Association (ISSA) is the world's leading international organization bringing together national social security administrations and agencies. The ISSA provides information, research, expert advice and platforms for members to build and promote dynamic social security systems and policy worldwide. An important part of ISSA's activities in promoting good practice are carried out by its Technical Commissions, which comprise and are managed by committed member organizations with support from the ISSA Secretariat.

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First published 2009.

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## **Summary**

*This paper provides the main findings and conclusions of the 12 studies that ISSA commissioned in 2009 in the context of its project on “Examining the existing knowledge on social security coverage extension”. It reviews some good examples of countries that have extended social security coverage – through existing social insurance programmes, through new programmes, including community-based schemes, through subsidized contributory schemes as well as through tax-financed social assistance programmes. The studies focus on groups that are difficult to cover, but they also examine the linkages that have been (and can be) used to improve the coverage performance of the social security system as a whole.*

*The paper also examines some cross-cutting issues. Large groups of workers in the informal economy are not or are very inadequately covered, but there are various ways in which coverage can be extended and improved. Social insurance can play an important role in extending pension and health-care coverage, but it will have to be subsidized for those who are temporarily unable to make their full contributions, or linked with social assistance and other programmes so as to achieve coverage for all. Migrants are a large and growing group of workers that have no or very inadequate coverage, and there are various ways in which the International Social Security Association (ISSA) could contribute to improving this situation. This is also the case for efforts to collect social security coverage statistics, which are an indispensable tool for designing and implementing effective extension programmes.*

## **Introduction**

Dynamic Social Security is a key factor in the productivity of national economies and in the inclusive social integration of good societies. The world community is committed to the goal of social security for all, since social security is a human right, enshrined in the Universal Declaration of Human Rights (Articles 22 and 25).

Yet, about half of the world’s population is not or hardly covered by social security, while another 25–30 per cent is inadequately covered. Extension of coverage is therefore one of the International Social Security Association’s four overall priorities in its Programme 2008-2010, and it will keep that priority for the Programme 2011–2013.

Coverage extension is of primary importance if social security systems are to have real credibility and contribute to socio-economic stability worldwide. Together with other partners, ISSA is helping to raise the consciousness of its members about the role they could, and should, play in this vital and worthy effort to attenuate the risks facing the majority of the human family.

The objective of the ISSA project on "Examining the existing knowledge on coverage extension" is to take stock of the existing information on good practices and lessons learnt in the field of extension of coverage. The project aims at improving the capacity of ISSA member organizations to work towards the extension of social security coverage. This paper summarizes the main findings of this project, and it provides the ISSA Task Force on the extension of coverage with relevant information to establish a strategy to guide future ISSA activities in this field.

The project has produced 14 working papers. The first working paper identifies the key knowledge gaps in the extension of social security, and it was discussed during the Task Force meeting in October 2008. On that basis, 12 studies were subcontracted. Seven of them

reviewed good examples and practices in different parts of the world: four covered major regions – Africa, Asia-Pacific, Latin America and the Caribbean– as well as high-income countries; three covered countries that have a good extension record: China, Senegal and Uruguay. Five studies examined cross-cutting issues, such as workers in the informal economy, pension and health-care coverage, migrant workers and the importance of social security statistics. The present working paper provides an overview of the main findings and shows some ways forward.

The first part of this paper will review some good examples of countries that have extended social security coverage – through existing social insurance programmes, through new programmes, including community-based schemes, through subsidized contributory schemes as well as through tax-financed social assistance programmes. The studies focus on groups that are difficult to cover, but they also examine the linkages that have been (and can be) used to improve the coverage performance of the social security system as a whole (see also Coheur et al., 2007).

The second part examines some cross-cutting issues. Large groups of workers in the informal economy are not or are very inadequately covered, but there are various ways in which coverage can be extended and improved. Social insurance can play an important role in extending pension and health-care coverage, but it will have to be subsidized for those who are temporarily unable to make their full contributions, or linked with social assistance and other programmes so as to achieve coverage for all. Migrants are a large and growing group of workers that have no or very inadequate coverage, and there are various ways in which ISSA could contribute to improving that situation. The same is true of the collection of social security coverage statistics, which are an indispensable tool for designing and implementing effective extension programmes.

Finally, the concluding part shows some ways forward – for ISSA members and the ISSA Secretariat.

## **1. Good practices and country experiences**

The country experiences and good practices reviewed in this section are meant to galvanize ISSA members and other stakeholders to pursue their own efforts to extend social security coverage. They are also meant to increase understanding, so that effective and efficient policies and programmes can be designed and implemented

### **1.1 Sub-Saharan Africa: Working on different fronts**

This section will concentrate on sub-Saharan African countries, where social security coverage is significantly lower than in the middle-income countries of North Africa, whose experiences will be discussed in other parts of this paper.

In sub-Saharan Africa usually not more than 5–10 per cent of the work- force is covered by social insurance schemes – principally pensions for civil servants and employees of large (formal) private enterprises. There are three main issues and trends with regard to the extension of social security in sub-Saharan Africa. The first important trend is that various governments are beginning to define national social protection and/or social security plans that aim to extend coverage and to reach universal coverage in the long run. The second trend is that some countries, such as Botswana, Lesotho, Mauritius and Namibia, pay universal social pensions. The third trend is the development of community-based and micro-insurance schemes, which have emerged since the beginning of the 1990s (van Ginneken, 2007).

### **1.1.1 Extending pension insurance coverage: good practices and lessons learnt**

Most countries in sub-Saharan Africa have difficulties in extending pension insurance coverage for three reasons: (1) because formal economy employment is not or is hardly increasing; (2) because informal economy workers generally consider health-care coverage as a higher priority than pension coverage (van Ginneken, 2003); and (3) because informal economy workers have limited capacity to contribute to formal social insurance schemes.

The degree of affiliation of workers to social insurance programmes is dependent on a host of factors, such as the link between contributions and benefits, the trust in the social security administration and the compliance burden (Fultz and Stanovnik, 2004). *Non-compliance* is therefore one of the key challenges facing social security administrations, and has to be seen in the wider context of incentives and perceptions. This issue is examined in detail by a separate ISSA research programme. In Senegal for example (Thiam, 2009), in 2002 only 41.5 per cent of all legally covered private sector salaried workers were registered with the Social Security Institute for Old-Age Pensions (Institution de prévoyance retraite du Sénégal (IPRES)). Within the context of the National Programme for Social Protection a special programme will be set up to extend membership in all social insurance institutions by strengthening and clarifying the incentives of contribution compliance. This will involve information, communication and education activities. This programme will also strengthen mechanisms to check and monitor the affiliation of salaried workers.

Senegal has also learnt lessons from earlier attempts to extend coverage. In 1994 IPRES implemented a project to extend social coverage to day-labourers, but five years later the project failed, primarily because the administrative structures and information technology (IT) systems were incapable of processing a number of salary declarations submitted by employers. IPRES hopes to recommence this project, and will be able to do so when its contribution system is better adapted to these workers' requirements, and when it can set up services that are exclusively dedicated and tailored to this category of workers. In 1996, the Social Insurance Bank (Caisse de sécurité sociale (CSS)) initiated a project to extend social protection to workers in the crafts industries. The project was short-lived mainly because the crafts people mistrusted the scheme. For this project to succeed, the project would have to clarify and emphasize the more attractive aspects of the system, such as the prompt payment of benefits when a social risk occurs. Finally, stakeholders will need to become more involved in the process by adopting an integrative, participative and progressive approach.

Some countries, such as Mauritius (Samson, 2009), are working to extend coverage more broadly by better integrating tax-financed non-contributory pensions into a multi-tier retirement system. This example shows that it is possible to extend coverage in all three major tiers of the pension system, i.e. with regard to social pensions, mandatory social insurance and voluntary pension schemes. In February 2008 Kenya's Retirement Benefit Authority submitted to Cabinet a universal social pension package designed to provide all older Kenyans with monthly minimum guaranteed benefit and to create a foundational pillar for a more far-reaching retirement savings system. Kenya's initiative is particularly important, as it represents the recognition by the institution responsible for the contributory national social security fund of the importance of extending coverage through a non-contributory pension.

### **1.1.2 Good practices with regard to extending health-care coverage**

Access to decent health care can be organized through user fees, social insurance or tax-financed care – and through combinations of these three. Access to affordable health care

thus constitutes another of the major objectives of social insurance systems. Inspired by social health insurance systems in other continents, African countries began developing models of Community Health Insurance from the late 1980s, and these approaches have proven increasingly successful.

For example, over the past ten years the Government of Rwanda has developed a mandatory social health insurance scheme based on more than 400 community-based micro-insurance schemes, each linked to a local health centre. Although mutual micro-insurances have decentralized management, they are subject to rules and practices defined by national legislation (Annycke, 2009). The essential innovation of Rwanda's approach is the development of a mandatory decentralized model that mobilizes broad-based community support. Contribution rates are kept low through subsidies in order to facilitate broad coverage, creating economies of scale for the scheme and the affiliated health-care providers (Samson, 2009).

This new system has led to a surprisingly fast increase in health-care coverage. Mutual micro-insurances were covering 7 per cent of the population in 2003, and this coverage rate rose to 44.1 per cent in 2005, and up to 85 per cent in 2008 (Inyarubuga, 2007). In addition, the use of health care has increased significantly. The scheme is also reported to have improved the quality of local health-care facilities by increasing the number of medical staff, improving the availability of medical supplies and raising community attendance, ownership and dedication to the existing health-care institutions.

Recent figures show that household contributions were the main source of funds (70 per cent) for the community health insurances. However, these funds represented only about 5 per cent of the total health-care expenditure in Rwanda in 2006, and out-of-pocket payments have been evaluated at 23 per cent of the total health expenditure in Rwanda. Two policy issues are now emerging: (i) the need to expand the health-care package covered by the programme; and (ii) the extent to which external funding will be needed for maintaining and improving Rwanda's health-care system as a whole.

In Senegal the government has taken the initiative of setting up special social security schemes for large groups of workers, such as transport and rural workers, who are generally not covered by existing social insurance institutions. Both schemes are developed in collaboration with the International Labour Organization (ILO) and focus exclusively on health insurance (Thiam, 2009). The scheme for transport workers already has some affiliated members, and is building up a nationwide infrastructure. The rural scheme will be implemented progressively and will first be piloted in four rural communities. The benefit package for rural workers will include all health services provided by the public health-care structure; the level of reimbursement is scheduled to be 70 per cent for primary care, and 90 per cent for secondary and tertiary care.

## **1.2 Latin America and the Caribbean: Towards a welfare state?**

The relatively slow development of the welfare state in Latin America and the Caribbean can be explained by a variety of factors, such as different philosophical/political views on the role of the State, the particularly late demographic transition, the persistent informality of employment and the relatively low capacity to collect taxes and social security contributions. Current developments are highly unequal, with the lowest-income countries having less than 30 per cent of employed persons affiliated to social insurance. In the middle-income countries, this figure is close to 50 per cent, and up to 60 per cent in the relatively high-income countries (Uthoff, 2009).

### **1.2.1 Improving affiliation to social insurance**

There are many Latin American countries that have succeeded in improving affiliation to social insurance. Uruguay has been a prime example, in particular since a new government came into power in 2005 (Lagomarsino, 2009). Between 2004 and 2008 the number of workers contributing to the Social Insurance Bank has grown by more than 35 per cent – with particularly high increases in industry and commerce (50 per cent) and construction (123 per cent). These spectacular increases have been the result of a variety of policies, such as improving the flexibility of the retirement system as well as reforms of the health insurance and unemployment insurance systems.

Another noteworthy development has been the introduction of the so-called "Monotributo" (single tax payment) in Argentina and Uruguay. In Uruguay for example, those eligible are self-employed workers who perform small-scale activities (defined by sales and assets) in a variety of sectors, including rural workers selling their products. Self-employed workers can affiliate in all local offices of the Social Insurance Bank and the Internal Revenue Service, with a single and unique form. Having registered, they then pay a single amount on the income generated from their activities and that counts as their contribution to social security and taxes. Between July 2007 and March 2009 the number of these "Monotributo enterprises" grew from about 4,000 to more than 12,000. These enterprises are generally constituted by self-employed workers with a limited turnover and whose commercial activities are in public communities and environments.

Social insurance affiliation has also recently increased in Brazil (Ansiliero and Paiva, 2008). The economic recovery and increase in formal sector jobs accounts for most of the improvement in coverage between 2003 and 2006, when it stood at 64 per cent and which has probably continued to rise afterwards. Administrative and institutional factors have also played a relevant role, especially in promoting the inclusion of domestic and self-employed workers as social insurance contributors. The government undertook various measures to promote the formalization of domestic labour, such as a reduction of the employers' contribution from 20 to 12 per cent. It also made contributions by self-employed service providers virtually compulsory by requiring enterprises using the services of third parties to deduct and forward social insurance contributions of 11 per cent of the remuneration paid to these workers.

Successes have also been achieved in other countries, such as in Ecuador and the Dominican Republic. Over the past 40 years the social security scheme for rural workers in Ecuador has increased coverage from 500 to more than 200,000 families providing health-care coverage to about 1 million persons – out of a total population of 14 million. The strong point of this scheme is that it collects contributions in cooperation with rural organizations. As from September 2007, the Dominican Republic has provided family health insurance coverage to 1.3 million of the most vulnerable citizens – out of a total population of 10 million. This Family Health Insurance Fund is a pay-as-you-go (PAYG) scheme financed through contributions from members (2.9 per cent of taxable income) and employers (6.7 per cent of taxable payroll). Regulations include reasonable prices for the provision of certain services and user co-payments for medication amounting to 30 per cent of the public sales prices.

### **1.2.2 The importance of solidarity financing**

Efforts to increase coverage through contributory arrangements have generally not been able to reach universal coverage. As a result, many governments have used tax revenues to increase pension, health-care and basic income coverage, in particular for people with low

incomes and from the informal economy. Three types of strategies have been used by the authorities to achieve this (Uthoff, 2009).

One is reinforcing solidarity by means of integrating financing sources from different social security and social protection schemes. Total integration can be found in the health insurance system of Brazil; integration in the Social Security Fund is also found in Costa Rica; and partial integration of public health care and insurance is found in Chile. With some minor exceptions all other countries continue providing protection through segmented schemes.

Another strategy is to reinforce solidarity by means of regulation and surveillance of the insurance and pension fund administration industries. Such solutions involve designing an explicit, credible and guaranteed social benefit package, and putting into place a solidarity fund to secure access to the package for all. This type of solution can be found in Chile, Colombia and most recently in Uruguay. Conditional cash transfers (CCTs) represent a special form of basic income support. Such programmes provide cash transfers – mainly to the mothers of poor families – on the condition that they improve the human capital of themselves and their families through greater school attendance of children and better utilization of health-care services. These programmes are found not only in the poorest Latin American countries, but also in the middle- and upper-income countries.

Finally, a third strategy is that of experimenting with explicit subsidies of social security schemes. Fully tax-financed non-contributory pension schemes have been established for example in Chile, Ecuador and rural Brazil. Mexico and Peru have such schemes for the neediest aged persons; and Bolivia for all citizens born before the introduction of the fully funded pension reform. Explicit subsidies for health insurance contributions have been implemented in Costa Rica, Colombia and the Dominican Republic – in particular for workers with low incomes and from the informal economy.

### **1.3 Asia-Pacific: Growth and inequality**

Many countries in the Asia-Pacific countries have experienced high economic growth, but there are large inequalities both between and within countries. This section is based on Asher (2009a), which provides a general overview of the region as well as a few case studies of countries that represent the large majority of the population in the Asia-Pacific region. Countries such as China, Iran, Thailand and Viet Nam have been able to extend coverage of pensions and health care rapidly. India has recently taken a large variety of initiatives to extend coverage, but it is too early to measure their outcomes.

#### **1.3.1 Social insurance coverage: The impact of growth, labour costs and the state**

In general, coverage by social (pension) insurance schemes is related to the country's level of economic development, but rapidly increasing coverage is often related to periods of high economic growth. In addition, as elsewhere, in most Asian-Pacific countries, a large proportion of the labour force works in the informal economy. This makes extension of coverage through traditional employer–employee systems less effective.

Excessively high social security taxes and contributions may constrain the job creation process, as they represent a statutory cost for employing labour. Globalization has increased the flexibility of both capital and labour to move to different places. As a result of this concern, some countries such as Thailand, Malaysia and Singapore have lowered the effective contribution rates, i.e. by capping contributions beyond a certain wage ceiling.

The role of the State in the provision of social security has increased. There is greater awareness of the need to maximize the use of existing (health) infrastructure systems by the State and to cooperate with other stakeholders. Political consensus on giving higher priority to extending social security coverage is essential; and when it exists, as in China, Thailand, and the Republic of South Korea, rapid progress becomes feasible.

### **1.3.2 Good practices from Viet Nam, Thailand and China**

Improving compliance is one of the key issues in extending social insurance coverage. Viet Nam for example, encouraged private and public enterprises to affiliate to social health insurance through relatively low contributions and a generous benefit package. Although the number of participants in the compulsory scheme increased over time, their average compliance rate was still low. In 2005 the compliance rate of the public sector enterprises was almost 100 per cent, but it reached only 20 per cent in the private sector. The compliance rate for formal sector salaried workers was about 50 per cent (about 5.75 million active participants out of 11 million eligible workers) in 2005. The main reason for such low compliance rates includes weak labour registration and enforcement measures, especially for the private sector (Long, 2008).

China has undertaken a broad-based reform, rapidly expanding coverage in all five realms of social security protection – pensions, health care, unemployment, work injury and maternity. Rapid increase in coverage rests on unified planning (albeit not unified modalities of implementation) for both rural and urban areas, on strong financial subsidies by the government, and a committed effort to enhance social security protection and achieve universal coverage by 2020. Remarkable advances in coverage have been achieved in health care, where protection for both the urban and rural Chinese increased five-fold between 2003 and 2008. Zhu (2009) mentions several special characteristics of China's approach – the involvement of the social partners as well as of university departments and research centres on social security; piloting and gradual expansion of "good practices"; political will; inclusion of extension in national socio-economic development plans; special campaigns for targeted groups; employment-promotion measures for less privileged groups; and several other proactive policies that may well provide inspiration for other Asia-Pacific countries.

Since 2001 Thailand has been able to increase health-care coverage while providing access to good quality and affordable health care. Damrongplasit and Melnick (2009) found that the number of uninsured persons declined drastically from 16.5 million in 2001 to only 2.9 million in 2005; and 71 per cent of the population (45.3 million persons) were enrolled in the 30-Baht health scheme in 2005. Thailand's success is first of all due to the political conviction within the Ministry of Public Health and the continued political support for the scheme, particularly from the beneficiaries. Other positive factors have been: (i) the existence of a good quality health infrastructure to meet increased demand for health care when the scheme was introduced; (ii) the low user payments, which made access affordable to informal sector workers; (iii) an efficient administrative system that was capable of registering about 45 million people during the first four months after the scheme's introduction; (iv) the direct payment of publicly funded capitation fees to clinics and hospitals, so that these facilities have a direct incentive to treat as many patients as possible.

## **1.4 High-income countries: Extending and maintaining coverage**

High-income countries, as defined here, include all European countries (including the Russian Federation) as well as North America, Australia, New Zealand and Japan.

In most countries with mature social security systems, coverage is high – in terms of persons, contingencies and level of benefits. However, coverage is lower in most countries of Eastern Europe and the Balkans, where the break-down of the old social security system and the emphasis on economic reforms have often complicated the setting up of new and effective systems. The challenges facing high-income countries are therefore first of all to increase personal coverage in countries where such coverage is low; to increase coverage for certain contingencies, in particular long-term care; and to maintain coverage in the face of lower public revenues and the informalization of the labour market (Merrien, 2009).

Health-care coverage is generally high in countries with mature health-care systems, with the exception of the United States. Financial obstacles to obtaining medical care remain important, either because items, such as dental treatment and certain medical prescriptions, are not covered, or because people may have to pay a growing part of medical expenses out of their own pocket. A good number of countries, such as France, have taken steps to ensure that persons with low incomes are shielded from such financial obstacles. Most of these countries also have problems in finding adequate medical personnel. Since the beginning of the 1990s many countries in Eastern Europe and the Balkans have set up social health insurance schemes financed by employers' and workers' contributions, while low-income groups and people outside the labour force are in principle covered directly by the State. However, health-care coverage often remains inadequate because of high (legal and illegal) out-of-pocket expenditure.

There is a large variety of options in covering long-term care. First, there is a distinction between countries, such as in southern Europe, who rely more on the family for caring for the elderly, and those in north and Western Europe who rely more on institutional care. Some countries, such as Austria, Germany and Japan, finance part of long-term care through social insurance. Great Britain and Scandinavian countries generally finance and administer long-term care through local government budgets and services. The majority of countries have now set up care systems under which dependent persons can receive subsidies that can be used for professional care or within the family context. Costs for long-term care will grow in high-income countries, and – without compromising on universal coverage – some of these costs can be contained through targeting, co-payments and different forms of care contracts.

All high-income countries have adapted their pension systems to the ageing of their population through a variety of policies, such as raising the retirement age, increasing the number of years for obtaining a full pension, stimulating employment for elder people, basing pension benefits on average lifetime income, and indexing pensions on inflation rather than on income trends. Moreover, many countries, particularly in Eastern Europe, have introduced funded defined-contribution (DC) pensions and notional accounts as part of the second tier of their pension systems. The United States has witnessed a strong decline in defined-benefit (DB) enterprise pension schemes. In all countries this has led to a significant reduction in the replacement ratios of statutory contributory pensions. Moreover, with the economic crisis pension fund assets have lost at least 20–30 per cent of their values, while the need for tax-financed pensions has strongly increased.

National social security systems – based on solidarity and without too great a dependence on markets – have the best chances to protect enterprises, workers and their families against the current crisis and other macroeconomic and social circumstances. Such systems are most egalitarian and also more effective, because of economies of scale through uniformity of conditions and benefits, and because of lower transaction costs through the portability of benefits (Barr, 2004).

One of the lessons learnt from the overview by Merrien (2009), is that there is no miracle formula for extending and maintaining social security coverage in high-income countries.

However, the overview does bring out various options and it emphasizes the importance of the institutional capacity of social security systems, in particular the existence of judicious regulations as well as competent and fair administrations. Finally, social security systems must be based on solidarity – between people within and outside the labour force as well as between contributors and beneficiaries. Purely individualized systems are not capable of satisfying modern and changing social protection needs and of effectively covering social risks.

## **2. Cross-cutting issues**

The second part of this paper examines some cross-cutting issues. The key extension challenge is to provide social security coverage for informal economy workers and their families. Access to health care is generally the first social security priority for workers in the informal economy, and this section will therefore examine the role of social health insurance in achieving health-care coverage for all. Pension coverage is a second key priority, and this will have to be achieved through a combination of tax-financed and contributory schemes (see section 2.3). Migrants are a large and growing group of workers that have no or very inadequate coverage, and their situation can be improved through better access to social security in countries of origin and of destination, and through the establishment and implementation of international social security agreements (section 2.4). Finally, the collection of social security coverage statistics is an indispensable tool for designing and implementing effective extension programmes.

### **2.1 Reaching workers in the informal economy: The key challenge**

Worldwide there is a growth in non-traditional, and in particular informal employment, and a decline in standard forms of work. These forms of work are usually associated with increasing job insecurity and precarious conditions of work. The reasons for this state of affairs are varied. One important reason is the contraction of the formal sector in many developing countries, which historically was the leading growth sector. The key reason now is that many informal sector workers and their families suffer from poverty as one of the most distressing social risks. In Africa, for example, more than 50 per cent of the inhabitants of the continent live below the poverty line, which constitutes the highest percentage in all regions of the world.

#### **2.1.1 Enlarging the policy approach and the scope of legislation**

Until recently, attempts to widen the scope of social insurance coverage to include those who work informally and/or outside the confines of the traditional employer–employee relationship, have largely been unsatisfactory. Little attempt has been made to accommodate the specific context of informal and self-employed workers within the traditional social insurance framework by way of, for example, specialized arrangements (Olivier, 2009).

However, some tailor-made solutions are being developed to extend coverage to a range of workers who are not employees in the strict sense of the word, but who otherwise work in a dependent or subordinate relationship. These approaches have also been tested in a range of developing countries and environments. For example, in the case of some Caribbean countries, labour-dependent contractors have been included in the protective framework of labour legislation (Barrientos and Barrientos, 2002; Taylor, 2003). In his study on the scope of the employment relationship in southern African countries, Benjamin (2008) concludes that legislative responses have expanded the scope of labour law and assisted individuals to prove the existence of an employment relationship.

For these reasons, it is clear that progressive extension of labour rights through statutory adjustments are the preferred vehicle to ensure the extension of social insurance coverage to largely uncovered informal economy workers. This has been the experience in many countries, such as in Thailand, Tunisia, India (with particular reference to the recent 2008 legislation) and South Africa (with particular reference to the position of domestic workers).

### **2.1.2 Tracking the employer**

In dependency scenarios, it might be necessary to embark on a contractual tracking exercise to determine who is the real employer or provider of work, and to make that person or institution responsible for employer-associated social security obligations. The experience of this kind of approach in, for example, Australia could be of assistance to developing country contexts.

Explicit regulation of supply chains using contract-tracking mechanisms seems to be crucial in the attempt to widen coverage to those who work informally. A wave of rigorous but innovative legislative drafting, accompanied by a fresh workplace registration drive, will assist in the endeavour to extend labour law and social security coverage to those who work non-traditionally and informally in the present-day context.

### **2.1.3 Developing group-based approaches**

Specific approaches embedding tailor-made solutions, provisions and prescriptions for a particular group of workers in the informal economy could be crucial for successful extension of coverage. This can often only be done on a progressive basis, as the experience in Tunisia has indicated (Chaabane, 2002). However, successful extension requires that the affected group must be sufficiently sizeable, relatively homogeneous in terms of its characteristics, and that there must be a clear need for enhanced protection – as is evident from, for example, the South African domestic workers case study (Olivier, 2009), the Indian welfare scheme arrangements, and the increasing coverage of informal economy groups in the Tunisian social security system. In addition, it might be necessary to develop specialized contribution modalities, eligibility criteria and benefit packages for the informal economy/sector as a whole or for particular sectors individually.

As far as contributions are concerned, this would require that the limited ability of poor workers and of those who work intermittently has to be accommodated. Topping up small contributions of poor workers by way of government subsidies is crucial – see, for example, the recent Indian (legislative) and Chinese experience, the extension of health insurance in Thailand, as well as the community health insurance system in countries such as Rwanda (Annycke, 2009), Senegal (Thiam, 2009) and Tanzania. In addition, as the Tunisian example indicates, it could be helpful to develop flexible income scales for self-employed workers, on the basis of which contributions are calculated.

As far as benefit packages are concerned, it is important to consider adopting tailor-made packages, which provide for a minimum range and level of benefits for informal economy workers (this could be done on a group-by-group basis). This applies to both state-initiated schemes and self-initiated group-based schemes – as is evident from Indian examples. It might also be prudent to sequence the extension of benefit arrangements by prioritizing the extension of particular benefits, such as employment injury and access to medical care (first). The extension of health insurance in Thailand and of certain benefit arrangements to domestic workers in South Africa (Olivier, 2009) serve as useful examples in this regard.

### **2.1.4 The right to social security**

It is important to understand that informal economy workers and their families will be helped by the explicit recognition of the right to social security. That recognition is already based on existing international human rights frameworks and, increasingly, also in terms of constitutional protection available in a growing number of countries. The ILO social security standards which are mainly based on the traditional social insurance framework have limited concrete impact in this regard, even though the ILO (2008) is thinking of developing new and broader instruments, especially a new Convention or Recommendation on a "Basic Social Floor".

For the time being, of more importance – both legally and practically – is the protection embedded in the United Nations (UN) International Covenant on Economic, Social and Cultural Rights (van Ginneken, 2009c). This is the case for at least two reasons. Firstly, this UN instrument has been ratified extensively, also by countries in the developing world. Secondly, the right to social security, contained in Article 9 of the Covenant, has been comprehensively commented on by the UN Committee on Economic, Social and Cultural Rights in its (recent) General Comment No. 20 (Bras Gomes and Riedel, 2006). The Comment requires of a ratifying country to cover informal economy workers (listing options and modalities in this regard), and expects of governments to respect and support social security schemes developed within the informal economy, such as micro-insurance schemes. Despite limited financial capacity, countries should consider lower-cost and alternative schemes to provide for marginalized groups, and should ensure the progressive inclusion of informal economy workers, according to the Covenant.

## **2.2 The value added of social health insurance**

All social health protection systems represent a combination of different financing and delivery mechanisms. Most countries that have succeeded in reaching universal coverage spend tax revenues on the very low-income and vulnerable populations that require subsidies, while social health insurance systems have extended coverage to those who are able to contribute in the private and public sectors (Ron, 2009).

### **2.2.1 Social health insurance: A key component of the social security system**

Social security systems in developing countries have generally started out with work injury programmes and then included long-term benefits, such as retirement and disability pensions. Social security administrations are well aware of the positive impacts of health-care coverage, which – amongst others – fosters productivity and development, and reduces people's chances of becoming indebted as a result of crippling (hospital) health-care costs. However, the social security administrations have been reluctant to deal with the complexity of social health insurance and to maintain its financial solvency, even though they already have the essential institutional capacity to do so. Providing health-care coverage as part of the total benefit package of social security administrations would have some important advantages. The self-employed and informal economy workers would be attracted to join the social security system, because they are usually most interested in health-care coverage. Having become a member of the social security system, they might then be motivated to contribute for other benefits as well, such as for pensions and unemployment benefits (ILO, 2001). Finally, health-care coverage would most likely reduce the cost for work injury programmes, and linkages between these two programmes could be best exploited within a single social security system.

Despite these advantages, many countries have developed separate schemes for health care. This may be related to the fact that Ministries of Labour were generally the first government agencies mandated to deal with social security, while Ministries of Health tended to develop an interest in social health insurance as a financing mechanism at a later stage (Carrin and James, 2005). This interest in social health protection intensified as the Poverty Reduction Strategy Papers (PRSPs) requested by the international development partners over the last decade increasingly included social health insurance as a poverty reduction tool, with responsibility for implementation placed on Ministries of Health (Claeson et al., 2001). The pressure on Ministries of Health increased when government budgets were no longer able to finance free health care and when new user charges failed to bring in the necessary revenues without seriously compromising equity in access to health care. Expectation of the stable revenue from health insurance even led some Ministries of Health to take health care out of the social security system, as in the Philippines, and to set up a separate national health insurance scheme under that Ministry. This strategy comes with a higher cost of administration as it means two parallel agencies dealing with registration and contribution collection.

### 2.2.2 Other mechanisms to accelerate coverage

Many countries have made efforts to **extend membership in existing social health insurance schemes** to the informal economy population (Ron, 2009). A significant proportion of informal economy workers have regular incomes throughout the year; many are willing to pay affordable and fair contributions; and many belong to informal economy associations. The National Health Insurance Fund in Kenya recently launched a scheme for the 100,000 households affiliated with the Kenya Women Finance Trust, a specialized microfinance organization (Mbogo, 2008). PhilHealth, the national health insurance scheme in the Philippines, has focused efforts on extending coverage to informal economy workers through cooperatives and civil society associations, which can undertake registration and contribution collection for the group, thereby reducing the administrative burden of dealing with individuals. Another important step is the accreditation of existing community-based health insurance schemes and their absorption into PhilHealth, as required by the National Health Insurance Act.

Other countries are **promoting the controlled and regulated growth of community-based schemes**, often in parallel with the development of compulsory social health insurance for the formal labour sector (Coheur et al., 2007). Parallel development is now underway in a number of countries, such as Indonesia, Ghana, Laos and Rwanda, among others. Parallel development requires government commitment, resources and legislative tools based on a declared policy of eventual linkage of all the schemes to achieve universal coverage. Voluntary non-profit community-based schemes need contribution rates which are affordable for the majority of the target population and a benefit package which includes both often-used primary health care and rarely used hospital-based services. These can be achieved with low administrative costs and effective cost control through regulations which facilitate the following developments: innovative and shared systems to register populations and collect contributions; negotiated contracts with providers with payment systems that are population-based (such as capitation) rather than volume-based (such as fee-for-service); and maximum pooling through mergers at district, provincial and eventually national level.

In recent years, the trend has been for governments to **purchase membership in social health insurance schemes for those who have no or little capacity to contribute**. This is a better approach than earlier policies which exempted those identified as poor from paying user charges in public health services. Exemption presented not only a stigma but these patients were often under-served, as the provider received no remuneration for the care given. Several

national social health insurance schemes, such as in Colombia, Mexico, the Philippines and Viet Nam, now use social assistance funds to purchase health insurance for indigent families. Where social health insurance is voluntary for the low-income groups, such as for farmers and the non-salaried urban people in China, attractive government subsidies and participation on a family basis have played an important role in rapidly extending health-care coverage.

Finally, the simplest and fairest mechanism to extend coverage is perhaps to **assure coverage of the legal dependants, particularly children under the age of 18**, of the contributors. The definitions of legal dependant and household members will certainly vary from country to country, but these can be defined and contribution rates or amounts can be set to avoid discrimination against large families. The limitation of family size in social health insurance is an inappropriate mechanism to control population growth.

**ISSA has an important role to play** in providing the forum for discussion and information sharing on the practical aspects of the extension of coverage, in which both formal sector and the new informal schemes have the opportunity to interact and find ways to work together. Particularly useful exchanges of information could be organized not only on the administrative issues of efficient registration and contribution collection in diverse populations, but also on the current approaches to control costs through enhanced health promotion and prevention and through appropriate health-care provider payment mechanisms. The new global economic crisis, with its threats of loss of employment and income for many, should provide a stimulus to this process which recognizes the added value of equity in access to health care in the framework of social security.

## 2.3 Extending pension coverage through interlinking schemes

The issue of closing the pension coverage gap in the low- and middle-income countries (LMICs) has become a central concern among national policy-makers and multilateral institutions. However, since LMICs are so heterogeneous, it is virtually impossible to formulate a single system that would be appropriate for all of them. There are also large intra-country variations in pension coverage in several LMICs such as China, India and South Africa.

### 2.3.1 Extension through mandatory contributory pension schemes

Mandatory contributory pension schemes cover typically less than 25 per cent of the labour force in low-income countries, and between 25 and 50 per cent in middle-income countries. There is consensus that reforms are essential and capable of improving the sustainability and equity of the existing formal sector pension systems. However, such reforms are insufficient for progressing towards near-universal coverage of the pension systems. This is illustrated by the case studies discussed in Asher (2009b), such as on Brazil, China, Chile, India, Mauritius and South Africa.

Several countries, however, have been able to increase the coverage of social insurance pension schemes, or have taken initiatives to do so. For example, the basic tenet of Chile's recent pension reform is that workers themselves are first of all responsible for financing their own pensions. The reform therefore gradually extends mandatory coverage in the individual account system to the self-employed, whose participation is currently voluntary (Mesa-Lago, 2008a). Beginning 1 January 2012, contributions by the self-employed will be based on 40 per cent of taxable earnings, increasing to 100 per cent by 1 January 2014. Beginning 1 January 2015, all self-employed will be required to contribute 10 per cent of their taxable earnings to an individual account (Kritzer, 2008). With regard to India, Asher (2008) estimates that

through improved administration, information and management systems the Employees Provident Fund Organization (EPFO) would be capable of progressively covering all establishments of less than 20 persons, and thereby increasing coverage by between 5 and 10 million workers, equivalent to between 11 and 22 per cent of current membership. Finally, the South African Government is currently thinking of establishing a national savings fund for employees in the informal sector. This fund will be designed so as to accommodate the needs of the informal sector workers, e.g. through flexible contributions and less strict terms for withdrawal (Hu and Stewart, 2009).

### **2.3.2 Linking tax-financed with contributory pension schemes: Some policy issues**

Driven by the motivation to reduce poverty and achieve full pension coverage, many LMICs have set up tax-financed social pension schemes, or are considering doing so. According to Robalino and Holzmann (2009), a general social assistance scheme is in principle the most efficient social transfer programme to reduce poverty, because such schemes achieve horizontal equity between all poverty groups. They recognize, however, that social pensions would be applicable in countries where the elderly face a much higher level of poverty rate than the general population, which is typically the case in sub-Saharan Africa (Barrientos, 2008), and where general social assistance programmes are absent – as is the case in most low-income countries.

There are a variety of policy issues related to the design of social pensions and their linkages with other parts of the pension system, and in particular with mandatory contributory pension schemes. The first issue is the choice between universal and resource-tested social pensions (van Ginneken, 2005, 2007). The advantage of universal pensions is that the costs are much more predictable and administrative costs will be relatively low. The disadvantage may be that people will have fewer incentives to organize old-age income security for themselves. The overall costs of resource-tested pensions will initially be lower, but may considerably increase over time when the political pressure for less stringent eligibility criteria and for more benefits is likely to grow. In general, it is recommendable to examine the question of tax-financed pensions in the context of a wider perspective on old-age income security and social protection. Such a perspective would include the role of the elderly within the family and the extent of family support, as well as the impact of savings and other assets, such as land and home ownership, which the elderly have been able to accumulate in their life time.

With regard to the design of social pensions and their linkages with contributory pension the following policy issues will have to be considered:

- According to Robalino and Holzmann (2009), the eligibility age for social pensions should be higher than the statutory retirement age of the contributory system, and this age should be indexed to life expectancy.
- The social pension benefit level will have to be adequate, but significantly lower than that obtained from social insurance pensions. Robalino and Holzmann (2009) recommend a level not exceeding 15–20 per cent of average earnings so as to minimize adverse effects on labour supply and saving.
- To minimize incentives to withdraw from the mandatory contributory system, those in the mandatory system should in principle be eligible for social pensions.
- Effective marginal tax rates (EMTRs) imposed by the social pension scheme should be relatively low. This has, for example, been achieved in the recent pension reform in Chile, which creates a smooth link between the Solidarity Pension and the contributory scheme. The reform maintains the incentive to make regular

contributions through the direct link between the smallest marginal contributions and additional pensions received.

### **2.3.3 Preliminary assessment**

While the LMICs have embarked on many initiatives to extend coverage, as illustrated in the case studies, insufficient priority has been given to developing country-specific robust databases and analysing empirical evidence about these initiatives. There is also a need to develop expertise in policy analysis, and to show political willingness to base policies on the findings from such empirical evidence and analysis. Without these, even if technical issues of linkages between contributory and non-contributory systems are addressed, the progress in addressing the coverage gap will be slow.

## **2.4 Migrant workers: Access to, and portability of benefits**

In 2005 international migrants represented more than 7 per cent of the population of most high-income countries as well as in some other regions, such as the Gulf States. The distribution of migrants by source of origin is more or less equally divided between three types of movements involving the North (high-income countries) and the South (low- and middle-income countries). International migration from low-income countries to high-income countries represents somewhat more than one-third of the global total. South–South movement of migration, mainly between low-income and middle-income countries, represents another third, while North–North movement or migration between high-income countries represents less than 30 per cent of the global total (United Nations, 2005).

While international migration can be a productive experience for most people, many migrant workers suffer poor working and living conditions. Their terms of employment may be better than in their home countries, but they often face conditions far inferior to nationals in host countries. Certain categories of migrant workers need particular protection. These include: migrant workers in an irregular situation; other vulnerable categories of workers, such as domestic workers, many of whom are women; and, to some extent, temporary migrant workers.

### **2.4.1 Access to social security in countries of destination and of origin**

Migrant workers are confronted with particular difficulties in the field of social security, as social security rights are usually related to periods of employment or contributions or residency. They may encounter restrictive conditions in the host country with regard to their coverage by the national social security system, and at the same time they may risk the loss of entitlements to social security benefits in their country of origin due to their absence (Sabates-Wheeler, 2009).

Access to formal social security in host countries is often restricted for a variety of economic and social reasons, such as informal labour market involvement, employer monopsony and delayed access until some months or years after arrival. Migrant workers often also face legal difficulties, because – as a result of their nationality – they may be excluded from social security coverage and entitlement to benefits.

Canada's Seasonal Agricultural Worker Program offers a good practice example for a number of reasons. First, the rules surrounding it give to migrants social protection rights that are similar to those of Canadian workers. Second, the government involves employers in designing and implementing the programme, and gives administering agencies discretion in implementing the rules (Martin, 2007). Lastly, the Canadian law treats non-citizen status as

an issue for anti-discrimination law, giving migrants the same status as other expressly protected groups.

Access to social security in countries of origin may be legally restricted through the principle of *territoriality*, which limits the scope of application of social security legislation to the territory of a country, with the consequence that its nationals working abroad are not covered by such legislation and therefore not entitled to benefits (Kulke, 2006). Access to social security may also be unattainable for certain groups of workers, in particular for less educated migrants. The Overseas Workers Welfare Administration has been a pioneer in social protection for its overseas migrant workers. Partly inspired by this model, the example of Sri Lanka demonstrates how origin countries can take increased responsibility for their migrants' social protection, even in the absence of receiving-country commitments. In response to the fact that migration for work often leaves migrants and their families cut off from origin-country insurance systems Sri Lanka set up an Overseas Workers Welfare Fund to provide social insurance for migrants and families left behind (ILO, 2008). The fund covers payments to migrants and their families in the case of death, disability or a need to cover travel expenses.

#### **2.4.2 The importance of international social security agreements**

The portability of social security rights is important to migrants to avoid financial losses, but also to the actuarial fairness of social security institutions. Portability is the ability to preserve, maintain and transfer vested social security rights or rights in the process of being vested, independent of nationality and country of residence (Cruz, 2004; Holzmann et al., 2005). Portability is particularly important for long-term benefits that have an explicit (like in the case of old-age pensions) or implicit (like in the case of health care) pre-saving element.

Bilateral or multilateral social security agreements ensure that the social security rights acquired in the country of employment are maintained. They also provide for the export of benefits from the country of employment to the country of origin. Bilateral social security agreements usually include provisions on non-discrimination between nationals and migrants with respect to social security and rules of cooperation between the social security institutions of the signatory countries. The latter coordinate the totalization of periods of contribution that migrants accrue in the two countries and regulate the transfer and payment of acquired social security entitlements. Most agreements refer to long-term benefits like old-age, disability, and survivor pensions and other annuities. Health-care benefits are to a much lesser extent subject to social security agreements. Also, purely tax-funded – as opposed to contributory – benefits like social assistance or maternity allowances are usually explicitly exempt from portability (Sabates-Wheeler, 2009).

The European Union (EU) has the most advanced and complex system of portability of social benefits. EU nationals enjoy full non-discriminatory access to all and portability of most social benefits. With respect to third-country nationals, equality of treatment is granted after a certain period of residence (no later than after five years according to EU Directive 109/2003).

In the Latin American and Caribbean region (LAC), migrants can take advantage of social security provisions that have been established in the multilateral frameworks of CARICOM (established in 1996) and MERCOSUR (in force since 2004). According to Forteza (2008), the impact of the latter two agreements has been limited due to limitations such as differing social security systems and the lack of awareness among the populations. Many other regions in the world have multilateral social security agreements or are in the process of establishing them, such as in the ASEAN region (Tamagno, 2008). A promising opportunity for establishing a

multilateral agreement would be in Eastern Europe and Central Asia, including the Russian Federation and a number of neighbouring countries.

Italy has been innovative in offering pension portability to non-EU workers: since 2002, employers have paid social security contributions for migrant workers separately from their citizen employees, through the National Social Insurance Institute (Istituto Nazionale della Previdenza Sociale (INPS)), which then transfers their contributions to the social security authorities in the migrants' countries of origin. The law also covers the families of permanently resident foreign workers, and offers survivorship or transferred pensions, which are portable across national borders and can be claimed at the Italian retirement age of 65, regardless of national laws

Although benefits may be legally portable – in most cases benefits are simply paid out as a lump sum – the provisions on cross-border payments seem to be poorly implemented, so that more often than not payouts from these benefits never reach migrants or their survivors in migrants' home countries. Hence, it is crucial to ensure the proper implementation of such provisions as a first step to improving the formal social security of migrants. In fact this may be an area where ISSA has a future role to play – helping its members, including in low-income countries, to set up and monitor international social security agreements.

## **2.5 Developing social security coverage statistics**

There are two fundamental types of coverage concepts: "potential" and "actual" coverage (Behrendt et al., forthcoming). Potential coverage refers to the population protected against a risk where the risk has not yet materialized; actual coverage relates to the population receiving benefits when this risk has materialized.

There are various ways of measuring efforts to extend the coverage of social security. The so-called beneficiary indicators measure actual coverage, and constitute the most important group of coverage indicators; they measure the extent to which people receive benefits, for which contingencies and at what levels. In the case of contributory social security (social insurance) schemes, the most commonly used coverage rate – measuring potential coverage – is the number of contributing members (persons protected) as a percentage of the labour force. This indicator is generally based on social security administrative records, but for various reasons it may not always measure coverage correctly (Mesa-Lago, 2008b, van Ginneken, 2009a).

### **2.5.1 Social insurance statistics**

In the context of these ISSA studies, it was decided to focus attention mainly on social insurance statistics, because these are the statistics most used and produced by ISSA members. Various efforts have been made to produce social insurance statistics that are comparable over time as well as between countries (Annycke, 2009).

One important step in this direction has been made by the ILO who started the collection of social security coverage statistics in a number of countries, based on a common Social Security Inquiry (SSI) (ILO, 2005). Out of the 135 countries for which the SSI collected information, only 30 countries can provide statistics on potential coverage. The ILO has also launched a series of reports called SPERs (Social Expenditure and Performance Reviews) which analyse the extension of social security coverage and the level of benefits, based on social security statistics available. For the time being, nine SPER reports have been completed.

Through the "Social Security Programs Throughout the World" (SSPTW) database function the ISSA gathers a large amount of legal information from more than 180 countries on eight branches of social security (old age, disability and survivors' pensions, cash sickness and maternity benefits, work injury benefits, unemployment benefits and family allowances). ISSA also maintains a database on complementary and private pensions (CPP). Almost all the information available in SSPTW concerns cash benefits. Major social security branches such as health care and social assistance consist mainly of benefits in kind and are not included in this publication. One limitation of the SSPTW is that it describes only one main scheme per branch, while several schemes often coexist in a country. In 2005 ISSA launched a pilot project collecting social security statistics in Africa, Asia and the Pacific with information on contributors, beneficiaries and benefit levels. This information was included in the ILO SSI database, but the data collection was not continued in spite of its relatively successful initial pilot exercise.

There are also a number of other international organizations that collect information on social insurance coverage. The European Commission has developed data collection on social protection statistics for its 27 members called the European System of integrated Social Protection Statistics (ESSPROSS); these data are similar to those collected under the ILO Social Security Inquiry. Within Europe two more systems have been developed, i.e. the Mutual Information System on Social Protection in the European Union (MISSOC) and the Mutual Information System on Social Protection of the Council of Europe (MISSCEO). These information systems collect data similar to SSPTW and include health-care and social assistance provisions. However, they do not provide information on the number of beneficiaries and affiliated members.

Finally, the Organisation for Economic Co-operation and Development (OECD) – in collaboration with the World Bank – has extended its collection of information and statistics on mandatory pension coverage to a number of non-OECD countries. For the time being, new statistics have been generated for 12 Asian non-OECD countries (OECD, 2009).

Reliable and comparable statistics on social insurance coverage are an important prerequisite for effective national and international policies to extend coverage. ISSA could therefore take the initiative for an annual survey to collect extension data with their members. It would also be good to make sure that these ISSA efforts fit into, and contribute to, a global strategy to collect statistics on social security coverage.

### **3. Conclusions and ways forward**

This paper has shown that social insurance and other universal social security schemes constitute some of the most powerful instruments to reduce poverty. Through access to health care and income maintenance, social security prevents workers and their families falling into poverty. But it also has other good effects, such as on productivity, on social cohesion and the investment climate, as well as on development in general. Through their mandatory character, social insurance and universal social security schemes provide greater income security and also contribute to economies of scale in administration.

This paper has reviewed good examples of countries all over the world, as to how social security coverage can be extended and maintained in low-, middle- and high-income countries. Extension has taken place within social insurance schemes, such as through improving compliance, including some difficult-to-cover groups, and working together with community-based schemes. Extension has also taken place through tax-financed measures, such as subsidized contributions, social pensions and other social assistance measures.

This paper has also shown that various policies can be pursued to cover the majority of world's population, i.e. the large groups of informal economy workers and their families, such as through specific and tailor-made approaches that adapt benefit packages and contribution collection to their needs and capacities. Recognition of the right to social security is also a powerful means to support extension efforts, in particular to groups that are vulnerable to poverty (Olivier, 2009). Access to health care is generally the first social security priority for workers in the informal economy, and Ron (2009) shows that social security administrations have a clear added value in extending health-care coverage through social health insurance. Pension coverage is a second key priority, and Asher (2009b) shows that social pensions or some form of social assistance are necessary to reduce poverty among older people in low- and middle-income countries. This can best be achieved in the context of a multi-tier pension system adapted to the particular circumstances of these countries.

Many migrants, and in particular women, are not covered in either their country of employment or their country of origin. Sabates-Wheeler (2009) documents the situation for the world as a whole, and concludes that most South–South migrants have virtually no social security coverage. However, some LMICs sending large numbers of emigrants have successfully established pension and health insurance schemes to which migrant workers can contribute while working abroad. When migrants work in middle- or high-income countries, the question is how they can affiliate to social security systems in those countries, and how they can be protected by bilateral and multilateral social security agreements.

Annycke (2009) documents various sources of social insurance coverage statistics, and concludes that they are an indispensable element in effective and efficient national and international strategies to extend social security coverage.

All studies emphasize the **key role of the State** in the provision of social security, and in determining the success of extension efforts. The State and the society at large have to muster political will, consensus and mobilization, and they also have to develop the resources and the capacity to extend coverage in an effective and sustainable fashion. Moreover, Merrien (2009), Uthoff (2009) and Zhu (2009) stress that national social security systems – based on solidarity and without too great a dependence on markets – have the best chances to extend coverage to everyone and to protect enterprises, workers and their families against the current crisis and other macroeconomic and social circumstances. Such systems are most egalitarian and also more effective, because of economies of scale through uniformity of conditions and benefits, and because of lower transaction costs through the portability of benefits (Barr, 2004).

**Social security administrations** are in the forefront of the extension process. They have to maintain and improve compliance (Thiam, 2009); and they are involved in including difficult-to-cover groups of workers some of whom may already be covered by community-based schemes (Samson, 2009). Social security administrations are increasingly called to go beyond their traditional mandate, and be involved in social assistance benefit administration, as in the case of family benefits in Uruguay (Lagomarsino, 2009). Social security administrations are also increasingly involved in social policy development, so that social security is well coordinated with, and supportive of other development policies.

### 3.1 Ways forward

The ISSA has an important role to play in providing a **forum for discussion and information sharing on the practical aspects in the extension of coverage**, in which both formal sector and the new informal schemes have the opportunity to interact and find ways to work together (Ron, 2009). Particularly useful exchanges of information could be organized not only on the

administrative issues of efficient registration and contribution collection in diverse populations, but also on how difficult-to-cover groups and their organizations could be included in this process. Such exchanges would also be most useful on the current approaches to control costs through enhanced health promotion and prevention and through appropriate health-care provider payment mechanisms.

There are already many existing bilateral and multilateral social security agreements, such as in the European Union, the Caribbean (CARICOM) and South America (MERCOSUR). Some other regions in the world are in the process of establishing them, such as in the ASEAN region, or would like to do so, such as in Eastern Europe and Central Asia, including the Russian Federation and a number of neighbouring countries. Hence, it is crucial to ensure the proper implementation of such provisions as a first step to improving formal social security of migrants. ISSA may therefore have a future role – **helping their members, including low-income countries, to set up and monitor international social security agreements** (Sabates-Wheeler, 2009).

Given the slow development of social insurance coverage an increasing part of the world population risks falling into poverty. While high-income countries have generally implemented such schemes, many middle-income countries and a growing number of low-income countries are setting up basic income, health protection, pension and child benefit schemes, or are considering doing so. **Two in-depth studies are recommended** on the following subjects:

1. The possible role of social insurance institutions in the administration of budget-financed basic social security guarantees, as proposed by the ILO (2009), i.e. basic income, pension, basic health protection and child benefits.
2. The extent to which tax-financed social assistance, minimum guarantees or contribution subsidies have encouraged or discouraged workers to seek higher levels of protection through affiliation to contributory social insurance schemes.

**Reliable statistics** that are comparable over time as well as between countries are necessary for the development and implementation of effective and efficient national and international strategies to extend social security coverage. ISSA could therefore take the initiative for an annual survey to collect extension data with their members. It would also be good to make sure that these ISSA efforts fit into, and contribute to, a global strategy to collect statistics on social security coverage.

Finally, **capacity building** is a key ingredient for supporting ISSA members in their strategies to extend coverage. Capacity building could be developed by the ISSA Secretariat through a variety of activities, such as (i) the organization of national awareness seminars; (ii) promoting cooperation between ISSA members, in particular through so-called "twinning projects"; and (iii) training in, and possible development of toolkits on various aspects of social security coverage extension strategies, in particular with regard to groups that are difficult to cover.

## Note

<sup>1</sup> Many thanks for the enthusiastic support from Timo Voipio during the whole project. I also thank him, Roland Sigg and Yukun Zhu for their most useful comments on the first draft of this paper. The author's email address is van.ginn@orange.fr

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