

Working paper

Extending social security coverage: Concepts, approaches and knowledge gaps

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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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Summary

This paper provides the conceptual framework for 12 studies that ISSA commissioned in 2009. For this purpose it briefly examines the state of social security coverage in the world, and presents experiences of reforms that have enabled access to social security benefits, and social insurance benefits in particular, for an increasing proportion of the population. It also reviews statistical sources and available indicators on social security coverage. Despite the existence of data-collection initiatives to measure social security coverage, a lack of regular and comparable data is an obstacle for effective and efficient policies to extend social security. The paper also presents a number of case studies on social security extension, including from the Republic of Korea, Senegal and Rwanda. It finally identifies six knowledge gaps that guided the definition of the terms of reference for the 12 studies.

Introduction

The International Social Security Association's (ISSA's) new strategic vision, included in its Programme 2008–10, aims at promoting dynamic social security as the social dimension in a globalizing world through supporting excellence in social security administration. Extension of coverage is one of ISSA's four overall priorities. To contribute to this objective, the 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. It will also provide 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 ISSA Initiative on Security in Social Security, undertaken between 2001 and 2004, concluded that there is a need to strengthen social security through the search for universality and inclusion, as well as to ensure sustainability through better governance and improved administrative capacity. It also underlined the critical need to build public confidence in and support for social security through more transparency, better information and participation of the protected persons in deciding on what are the real priorities.

One of the four main themes of the ISSA Initiative was "Assessing the coverage gap – What groups are excluded from social security and what factors lead to exclusion?" A study with this title examined in 15 countries of the world the following questions:

- Who is excluded from old-age and health coverage and why?
- Which programmes suffer most from lack of universality of coverage?
- What strategies are followed?
- What policy options are available?

The ISSA Initiative Study on "Assessing the Coverage Gap" (Roberts et al., 2004, p. 8) concluded that

coverage appears to increase the further the scheme moves away from a direct equivalence between individual contributions and benefits and towards a social security scheme that redistributes resources. In many cases it is not feasible to bring the excluded within the scope of contributory benefits. Providing adequate social protection for these groups necessitates a complete or partial de-linking of contributions and benefits and a redistribution of resources. The need is for much greater redistribution of resources across national borders: If economic mechanisms are trans-national, so

too should be economic justice. It follows that social citizenship cannot but take on a global connotation.

According to a recent estimate (Cichon and Hagemeyer, 2007), between 70 and 80 per cent of the global population do not have access to meaningful cash benefits, such as pensions. They live in a state of more or less severe "social insecurity", i.e. they have no access to formal social security. Of this 70–80 per cent, 26 per cent live in deep poverty, i.e. living on less than US dollar (US\$) 1.25 per person per day (in 2005 purchasing power). Between one-third and one-half of the population in the developing world lacks access to effective health services.

Over the past ten years the International Labour Organization (ILO) has brought the concern for extending social security into the global debate. At the International Labour Conference in 2001 (ILO, 2001, p. 2), governments, employers' and workers' organizations agreed that "of highest priority are policies and initiatives which can bring social security to those who are not covered by existing systems". In 2003 this resulted in the launch of the "Global campaign on social security and coverage for all". The overall objective of the campaign is to extend social security to all non-covered groups and to achieve universal access to health care as well as basic income security for all.

It is the contribution of the World Bank to have introduced social protection into the development debate. To a large extent this is due to the pioneering work by Holzmann and Jörgensen (2000) entitled *Social risk management*. In examining all development policies from a risk and social protection perspective, they showed the synergy between social protection and other development policies. Their approach is forward-looking, in that it wants to reduce the vulnerability of people and in particular the poor, so that they can participate in, and benefit from, the process of development and economic growth (OECD, 2006). The greater emphasis on poverty reduction and the Millennium Development Goals (MDGs) have also greatly influenced the debate on social protection over the past ten years.

The Report of the World Commission on the Social Dimension of Globalization (ILO, 2004a) supported the idea of a global socio-economic floor for all citizens. Subsequent research on the affordability of a basic social security floor (ILO, 2008a) shows that it can be a key instrument in the global fight against poverty, and particularly in reaching the first Millennium Development Goal (halving the proportion of people living on less than US\$1.25 a day by 2015). Cichon and Hagemeyer (2007) have shown that investing in basic social security at an early stage of development is affordable and can lead to significant productivity gains. These improvements will then progressively create the fiscal and economic space that permits a decent level of social security, including the development of sustainable contributory social security schemes.

This paper gives an overview of the main global trends and challenges with regard to the extension of social security. It starts by providing the conceptual framework within which the extension of social security can be understood. The first section reviews various social security coverage and performance concepts that can provide benchmarks for national and international strategies. The second section provides an overview of various experiences and approaches of low-, middle- and high-income countries in their efforts to extend social security. The third section will discuss key challenges for social security administrations in the extension of pension and health-care coverage. The fourth section identifies the knowledge gaps which prevent social security organizations participating in strategies to extend social security coverage more effectively and efficiently.

1. Social security coverage and performance concepts

The ILO (2000) defines social security as the protection which society provides for its members through a series of public measures:

- to offset the absence or substantial reduction of income from work resulting from various contingencies, notably sickness, maternity, employment injury, unemployment, invalidity, old age and death of the breadwinner;
- to provide people with health care;
- to provide benefits for families with children.

There is a variety of methods and approaches to extend social security coverage, according to its three dimensions, i.e. in terms of persons, contingencies and benefit levels. This variety is often the result of different economic and political circumstances and the history that a particular country has gone through. Coverage is therefore first of all defined in terms of the number of persons, who may – actually or potentially – receive benefits. But the coverage concept also includes two other dimensions, i.e. scope (contingencies and basic needs) and benefit levels. For the extension of social security, the priority is on the extension of personal coverage and on contingencies that are most relevant to the groups that are not covered by existing systems.

Social security includes not only statutory and mandatory schemes, but also private or non-statutory schemes with a similar objective, such as mutual benefit societies (micro-insurance) and occupational pension schemes, provided that the contributions to these schemes are not wholly determined by market forces. Social security consists of not only contributory but also tax-financed systems.

The effectiveness and efficiency with which (contributory and tax-financed) social security schemes can provide coverage is determined by their four principal constituent parts: personal coverage, benefits, financing and administration (see table 1.1). Each of these is characterized by certain aspects for which performance indicators can be established (Cichon et al., 2004, ch. 7). All these components have an influence on how effectively and efficiently social security coverage can be extended.

Table 1.1 *Social security schemes: Constituent parts and performance indicators*

Constituent parts	Principal aspects for which performance indicators can be established
Coverage	<i>Personal (legal) coverage:</i> beneficiaries; contributing and insured persons <i>Traditional contingencies:</i> old age, maternity, disability, health costs, survivors, employment injury, family, unemployment and sickness and subsistence
Benefits	<i>Conditions of entitlement:</i> definition of contingency; contribution history; income and assets; behaviour with regard to employment and the use of basic social services <i>Level of benefits:</i> flat-rate, earnings-related (subject to ceiling)
Financing	<i>Sources of financing:</i> state revenues; employers' and workers' contributions; contributions by beneficiaries <i>Level of contribution:</i> flat-rate or earnings-related (subject to ceiling)
Administration	<i>Delivery of benefits:</i> prompt and accurate payment; awareness of entitlement conditions <i>Contribution collection:</i> compliance <i>Organization and management:</i> public–private mix; efficiency and administrative costs

Source: van Ginneken (2007).

In most low-income and many middle-income countries, mandatory social insurance schemes cover only a limited section of the labour force in the formal economy. Legislators have usually justified such restrictions by a variety of practical constraints. For example, the administrative infrastructure does not exist to collect contributions from workers in small firms or from the self-employed; or adequate health-care facilities do not exist in rural areas, so workers there cannot be required to contribute to health insurance. In practice, social insurance schemes may therefore be legally restricted to enterprises above a certain size and to regular wage workers. However, effective coverage is often lower than legal coverage because of various problems, such as compliance, which will be discussed in section 3.

There are various ways of measuring efforts to extend the coverage of social security. The so-called beneficiary indicators constitute the most important group of coverage indicators; they measure the extent to which people receive benefits, for which contingencies and at what levels. Moreover, these beneficiary indicators apply to both contributory and tax-financed social security schemes. In principle, a beneficiary ratio can be defined as the percentage of persons actually receiving benefits compared to those who could potentially receive those benefits.

In the case of contributory pensions, replacement rates are often used as beneficiary indicators, and they compare benefit levels with previous earnings or industry-wide wage rates. For tax-financed transfers, which usually aim at the poor and the vulnerable, benefit levels are mainly compared to poverty lines. The effectiveness of poverty reduction can then be measured in various ways (Sowa and Behrendt, 2006), such as (i) the proportion of benefits that go to the (pre-transfer) poor; (ii) the percentage of the (pre-transfer) poor that are lifted out of poverty; and (iii) the proportion of the poverty gap closed as a result of social transfers.

Again in the case of contributory social security schemes, the most commonly used coverage rate is the number of contributing members (persons protected) as a percentage of the labour

force (Rofman and Lucchetti, 2006). This indicator is generally based on social security administrative records, but it may not always measure coverage correctly. People may be enrolled, but not eligible for benefits, for example because they have not contributed for a sufficient number of years. People may be registered several times over their contribution history, so they are counted twice, thrice or more. They may be enrolled, but do not make contributions (or just make a few), either because they lost their job, or because they abandoned economic activities, or simply because they stopped paying into the system, joining the informal economy, yet without "dis-enrolling".

Traditionally, coverage has been measured using administrative data. They provide a simple method for monitoring coverage trends over time, and they make it possible to analyse labour histories and observe the "density" of their contributions. In countries with multiple pension systems, it is common that records are readily available for the largest national schemes, but less accessible for smaller schemes. Administrative data also provide a good basis for the financial aspects of schemes, which can then be aggregated to the national level.

The great advantage of household survey data is that they can be used for welfare analysis (Sowa and Behrendt, 2006). Household surveys are usually strongest on old-age pension benefits at the individual and at the household level, from both contributory and tax-financed schemes. They can give useful information on contributions as well as on the status as a contributor, affiliate or beneficiary of each of the social security schemes. Household survey data also provide good data on the social and economic context, such as on demography, employment, health status, effective access to health care and health-related behaviour, as well as on income, expenditure and taxes.

There are some specific problems with measuring health-care coverage. In general, social health insurance and tax revenues are the two main ways to finance access to health care, but out-of-pocket payments and private insurance can also be important sources of finance. Many countries adopt a system of mixed financing, where most of the high-income groups are usually covered by private insurance, the middle-income groups by social health insurance and people with low incomes by government-financed and often government-provided health care. For these types of financing it is possible to establish beneficiary indicators, in terms of population coverage and the benefit package. The quality and level of the benefit package can be established by various criteria, such as affordability, geographical access and quality of treatment. The degree of financial protection provided by these systems can be assessed by the amount of out-of-pocket expenses for user fees and co-payments as well as for non-covered medical treatment. Also protection against catastrophic (mainly hospital) expenses is an important criterion, because the absence of such protection can push people into debt.

2. National approaches and experiences

There is a great variety of positive experience in extending social security coverage (van Ginneken, 2007). Many high-income countries have achieved almost complete personal coverage in pensions and health care. A good number of middle-income countries, such as Argentina, Brazil, Chile, Costa Rica, the Republic of Korea and Uruguay, have reached universal personal health-care coverage. Many other middle-income countries, such as China, Colombia, Thailand and Tunisia, have also been successful in extending health-care coverage. The extension of mandatory pension insurance schemes has generally been more difficult, but some countries, such as Brazil and Thailand, have been able to extend coverage. Some low-income countries, mainly in sub-Saharan Africa but also in South Asia, have successfully experimented with micro-health insurance schemes that principally cover workers in the informal economy. Almost all countries have increased the coverage of tax-financed social benefits, or are in the process of doing so.

In low-income countries mandatory contributory pension systems cover only the relatively small group of formal economy workers, and these systems have problems in extending to workers in the informal economy. The low health-care coverage in low-income countries is generally the result of: (i) low public expenditure often brought about by structural adjustment programmes; and (ii) limited capacity of the state to manage the health system as a whole. Nevertheless, there are new efforts to extend social security coverage, in particular to workers and their families in the informal economy.

In sub-Saharan Africa a first important trend is the development of community-based and micro-insurance schemes, which have emerged since the beginning of the 1990s. They mainly provide insurance against health-care costs, because governments have generally not been able to provide free access to health care to the population as a whole. They have emerged in many countries, particularly in West Africa and notably in Senegal where they now cover about 5 per cent of the population. In West Africa as a whole, the ILO (2004b) estimates that about 1.5 million people contribute to such schemes. As will be noted in section 3, the challenge is to further develop micro-insurance schemes and to provide linkages with other social protection schemes, as part of a national strategy to extend social security coverage.

The second 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. For example, the Senegalese government formulated its social protection strategy in 2005. The current situation is that about 17 per cent of the population are covered by statutory social security schemes (health and pensions), about 70–75 per cent work in the informal economy and are hardly protected, while about 10–15 per cent of the population live in extreme poverty. The strategy aims at extending social protection from 20 to 50 per cent of the population by 2015 through new schemes designed to respond better to the priority needs of informal economy workers. It also suggests the introduction of a universal minimum pension for all elderly not covered by any social insurance pension. Gassmann and Behrendt (2006) estimate that the introduction of a universal old-age and disability pension would lift 3 per cent of the population out of extreme poverty, and would cost about 1.2 per cent of GDP (excluding administrative expenses).

The third trend is that some countries, such as Botswana, Lesotho, Mauritius and Namibia, pay universal social pensions. South Africa provides a means-tested pension, while other countries, such as Zambia, are experimenting with general means-tested social assistance benefits. Research has shown that social pensions in these countries reduce hunger and extreme poverty, while improving health care, education and gender equality (Samson and Kaniki, 2008).

There is a wide range of middle-income countries that have either reached universal coverage in at least one of the social security branches (such as Chile, Costa Rica and the Republic of Korea), or are making serious efforts to reach universal coverage (such as Brazil, the Philippines, Thailand and Tunisia). Middle-income countries generally do have the financial, human and political resources to achieve universal coverage through a combination of contributory and tax-financed social security schemes (van Ginneken, 2003). The Republic of Korea and Tunisia are both characterized by a strong government structure, and have successfully extended social security coverage in a classical, gradual way – mainly through mandatory contributory schemes. Probably the most striking example is the Republic of Korea, which achieved universal health insurance coverage within a 12-year period, between 1977 and 1989 (Kwon, 2002). This process took place in a context of social dialogue and consensus-building and with the active support of the state. Tunisia managed to increase personal coverage of health insurance, pensions, maternity and work injury benefits from 60 per cent of the labour force in 1989 to 84 per cent in 1999 (Chaabane, 2002). The most

difficult part of the extension process is the inclusion of the urban and rural self-employed workers. Both countries have been willing to subsidize (the employers' part of) the contributions, and they have designed systems to fairly assess the income position of the self-employed on which their contributions as workers should be based. Costa Rica also achieved universal coverage in a relatively short period of time by integrating contributory insurance, tax subsidies for the self-employed, and tax-financed assistance for the poor.

Particularly in middle-income countries there has been spectacular growth of tax-financed (social assistance) benefit schemes (Barrientos, 2007). The aim of such schemes is not just to cope with the symptoms of poverty, but also to deal with its causes. Poverty is increasingly seen as a multi-dimensional reality. Moreover, the Millennium Development Goals have focused attention on poverty reduction as the main priority of national governments and international organizations. In addition, informalization of employment undermines the development and financial sustainability of employment-based social insurance.

Conditional cash transfers represent a new form of tax-financed social security in low- and middle-income countries. In some cases the condition is that beneficiary households provide work. In other cases the conditions extend to children attending school or household members attending primary health care on a regular basis. Income transfers are also increasingly embedded in integrated anti-poverty programmes providing basic services, such as health care and education (e.g. *Oportunidades* in Mexico), or a broader social integration strategy (e.g. *Solidario* in Chile). The programmes also focus on the household, rather than on individuals or communities. According to Barrientos (2007), the impact of conditional transfers is still difficult to assess, because it is not clear whether and to what extent excluding, or removing, conditionalities would seriously impair achieving programme objectives.

In many middle-income countries, such as in Latin America, mandatory pension insurance coverage has stagnated or fallen, in spite of the change to defined contribution systems. In some of the richer Latin American countries, such as Argentina, Brazil, Chile, Costa Rica and Uruguay, this had led to the growing importance of tax-financed pensions (Bertranou et al., 2004). Rofman and Lucchetti (2006) find that in these countries 60 per cent and more of the elderly beneficiaries are covered by contributory and tax-financed pension schemes together. If contributory pension schemes cannot cover more than, say, 50 per cent of the workforce, it may be too great an outlay for the state to provide tax-financed pensions for the other half – or the majority – of the population. The existence of large tax-financed pension schemes may also discourage participation in contributory schemes. The big question is therefore whether and to what extent contributory pension schemes and other policies can be designed to improve old-age income security, particularly for workers in the informal economy.

Broadly speaking, high-income countries have reached full personal coverage of social security, at least in certain branches. However, with increased international competition, informalization of employment and the growth in the proportion of the population who are elderly, high-income countries face strong challenges to maintain personal coverage and benefit levels.

With regard to health care, most European Union (EU) countries have been able to maintain full personal coverage, even though benefit levels have slipped in some cases. They generally have strong single-payer health insurance or provider systems which are able to maintain low administrative and other operating costs. Countries with multiple insurance systems, such as the United States, experience high administrative costs (Woolhandler et al., 2003) and sometimes less than universal coverage. In all high-income countries there is a strongly increasing demand for long-term care. Current provision of long-term care is already seen as insufficient, and will become more so because people are living longer and can count less on family support.

In almost all high-income countries benefit levels of statutory contributory pension schemes have been eroded. In general, this has been the result of fewer years of contributions and longer years of benefits. Zaidi et al. (2006) for example, show that recent pension reforms in the majority of EU countries are driven mainly by increased concerns over fiscal consolidation and that benefits drawn from the public pension systems are on the decline. Many policies therefore now focus on increasing the effective retirement age (European Commission, 2006). The loss of coverage is particularly large in Central and Eastern European countries, as a result of the informalization of employment, privatization of part of the pension package and a shift to "Notional Defined Contributions". The decreasing coverage of statutory contributory pension and other income protection schemes has been an important factor in the rise of tax-financed social assistance and pension benefits.

3. Pension and health-care coverage: The role of social insurance

Classical economic theory had anticipated that with economic growth and development, an increasing part of the work-force would be employed in the formal economy and that this would provide the base for progressive coverage by mandatory social insurance. However, with the current forces of globalization in place, this is not, or at least not necessarily, the case – not even in high-income countries. The supply side of the global labour market is determined by widespread poverty and unemployment. The demand side is determined by the process of economic globalization, which requires continuous restructuring and flexibility. As a result, large groups of workers are employed in the informal economy, including both urban- and rural-based activities. They do not have labour contracts that would be the base for social and employment protection.

An additional reason for exclusion from statutory contributory social security coverage is that many workers outside the formal economy are unable or unwilling to contribute a relatively high percentage of their incomes to financing social security benefits that may not meet their priority needs (van Ginneken, 1999a). In general, they prioritize more immediate needs, such as health and education, in particular because structural adjustment measures have often reduced or eliminated access to free health care and primary education. In addition, they may not be familiar with, and/or distrust, the way statutory social security schemes are managed. As noted before, there are also a host of factors that restrict access to the statutory social security schemes, such as legal restrictions, administrative bottlenecks and problems with compliance.

One key issue is therefore to ensure that social security benefits and programmes are attractive to people who are so far not covered. It is necessary to establish to what extent current social insurance programmes correspond to the needs, priorities and the contributory capacity of non-covered workers in both the formal and in the informal economy, and how social security administrations can respond to these challenges. Good governance plays an important role here, as well as appropriate regulations and enforcement structures that are based on a wide political and social support within the country. As an example, the administrative costs in six African countries surveyed by the ILO ranged from 25 to 50 per cent of total contribution income. This is ten times higher than the rates in some OECD countries – and constitutes a substantial barrier to the extension of social security (ILO, 2008b).

3.1 Pensions: Linkages between contributory and tax-financed systems

Over the past 20–25 years there has been a great change in pension policies all over the world. In the early 1980s Chile was the first country to replace its partially funded defined-benefit scheme by a fully funded defined-contribution scheme, i.e. a privately managed mandatory retirement savings scheme. In 1994 the World Bank, in a landmark publication, *Averting the old age crisis*, advocated a three-pillar system, consisting of a modest social assistance scheme financed from taxation, as well as a mandatory and a voluntary individual savings scheme. The main message of the book was that this system would insulate pension schemes against the effects of ageing societies and government intervention, and would also increase growth thanks to a rise in national savings.

However, subsequent assessments, as summarized for example by the ILO (2008c), have shown that national pre-funding of pension schemes did not actually make pensions less vulnerable to the effects of ageing, bad governance or economic shocks. Systematic reforms often camouflaged the fact that actual benefit levels were reduced over time. In response to the World Bank, the ILO therefore published in 2000 a compendium (Gillion et al., 2000) called *Social security pensions: Development and reform*. The ILO shows itself to be non-dogmatic with regard to paradigm change, such as the choice between pay-as-you-go (PAYG) and funded pension systems and that between public and private management. However, it does stress the importance of social outcomes and adequacy of benefit levels, so as to provide income security in old age and thus give people the right to affordable retirement.

In low-income countries contributory systems for formal economy workers have problems in extending to workers in the informal economy. In middle-income countries, such as in Latin America, formal pension coverage has decreased (Mesa-Lago, 2008a), in spite of the change to defined contribution systems. In other middle-income countries, such as Tunisia and the Republic of Korea, the extension of contributory pension coverage has taken place, but is now also supplemented by tax-financed pensions. As noted in section 2, in high-income countries pension benefit levels from statutory contributory systems have generally not kept up with wages and in various cases not even with inflation. As noted by Barr (2007), the coverage of contributory pensions remains incomplete as a result of compliance problems and affect large groups of workers, such as women, the self-employed and informal economy workers, as well as those with fragmented careers.

There is a variety of vulnerable groups who have no or very limited access to pension coverage, particularly in many low- and some middle-income countries. Informal, migrant, casual, domestic self-employed and unpaid family workers tend to be part of such groups, as well as people with disabilities. Casual and unpaid family workers are probably the most seriously un(der)covered groups with regard to social security.

Pension coverage – by contributory and tax-financed schemes – has a strong gender dimension. Since women often play a large part in unpaid caring work at home, they do not build up pension entitlements through employment. In most countries, women are more likely to be in informal employment than men. When women are dependent on their husbands for retirement pensions, their entitlements to survivor pensions are usually lower. Where tax-financed pensions are available, women tend to benefit relatively more from them, but the level of such pensions is significantly lower than that of contributory pensions (van Ginneken, 1999b).

As noted before, over the past 20–30 years the trend has therefore been towards a greater use of tax-financed social assistance pension schemes. Historically speaking, important

contributory statutory pension schemes were in place in all high-income and most middle-income countries before the state began to set up tax-financed pensions, as a last resort. However, various low- and middle-income countries have already started financing social assistance pensions before a significant statutory contributory pension scheme is in place. The challenge is therefore to design and manage the link between tax-financed and contributory social security schemes, to ensure that – in the presence of social assistance pensions – workers remain motivated to contribute to the long-term development of contributory and financially sustainable pension arrangements. It is also necessary to define pension policies in the context of a broader socio-economic framework. While pensions are the basis for ensuring income security in old age, it is also important to promote diversification of assets and income sources. Such an approach would therefore also take into consideration family support systems, the employment status of workers, as well as the accumulation of savings and other personal assets, such as housing.

3.2 The role of social insurance in health-care coverage

Social health (including community-based) insurance can play an important role in extending coverage, because it makes health care financially more accessible. Without such access, workers cannot maintain their employment capacity and income levels, whereas high medical bills can reduce household savings or plunge people into permanent poverty (OECD, 2003). The World Health Organization (WHO) estimates that every year about 100 million people are vulnerable to falling into destitution as a result of unaffordable health care.

Illness leads to important direct economic costs, such as income loss and the financial cost of medical care. But the indirect economic costs are probably as important. Illness can lead to the sale of livestock and other assets, as well as to a reduction in labour supply. These economic costs result in the reduction of productive capacities, of creditworthiness, and in less opportunity to hire out or hire in labour. The non-economic costs, such as low leisure time, exclusion from social activities and the risk of being handicapped or of death, are also substantial.

If the government does not provide adequate health care at low or no cost, social (including community-based) health insurance can provide a good alternative. Under these schemes, members pay a premium to a social security or another (often non-profit) agency in exchange for an agreed entitlement to a defined package. Health insurance allows payments for services to be spread across time and between those insured, and implies cross-subsidization between the healthy and the sick. Social health insurance can ensure that people are treated on time and with quality services. It also provides a secure and cost-effective protection against the financial consequences of medical treatment and it greatly increases the predictability of household expenditure. All these advantages have a direct and positive impact on the income-earning capacity of the household.

Statutory social security (SSS) schemes can finance quite comprehensive health benefit packages – as a result of the relatively high contribution rates from employers and workers. Once established, SSS schemes often achieve high levels of administrative sophistication and financial sustainability. The success of these schemes very much depends on the political backing of the compulsory nature of the scheme. On the other hand, community-based social protection (CBSP) health insurance schemes have more flexible administrative arrangements that are suitable for specific population groups, such as rural workers, certain occupational groups or community workers. If such schemes insure all members of certain civil society institutions, such as cooperatives and trade unions, the costs of registering members, collecting contributions and providing health care can be significantly reduced. CBSP

insurance mechanisms usually provide a limited benefit package, as a result of the relatively low contribution rates affordable for informal economy workers.

In most low-income and many middle-income countries SSS schemes are not capable of covering the whole population. However, in synergy with CBSP schemes, a much greater coverage can be achieved. To that end, Coheur et al. (2007) have identified five types of linkages between the two schemes that can improve the efficiency and effectiveness with which they can extend coverage. These linkages can improve the financial sustainability, the administration, governance and policy planning, as well as the provision of health care. Under all circumstances, the role of the government is critical for these synergies to be strong and sustained.

In sum, health services can be financed by a variety of sources (public, international, private and social contributions) and they can be provided by various types of service providers (public, private, non-profit organizations, etc.). The challenge is to define a strategy towards universal access to health care that aims at incorporating all existing coverage and financing systems into one pluralistic national system. To reach that goal (ILO, 2008d), it is necessary to assess the access deficits, and then to develop a coverage plan which fills these gaps in an efficient and effective way.

4. Knowledge gaps

The first three sections of this paper reviewed the main global trends and challenges with regard to the extension of social security. Against this background it is now possible to identify some of the main knowledge gaps that may prevent social security institutions extending coverage more effectively and efficiently. The project on "Examining existing knowledge on coverage extension" foresees seven or eight sub-studies to take stock of good practices and lessons learnt. Priorities will have to be set among the large number of possible topics that have been identified under the following six points.

1. **Seeing the big picture.** There is a great need to relate the existing knowledge on social security coverage in the world to trends in, and debates on, employment, poverty and development. A first step in such an effort would be a statistical overview of social security in the world – disaggregated by region, (groups of) countries, and possibly by major branches, such as pensions, child benefits and health insurance. The ILO has started the collection of social security coverage statistics in a number of countries, based on common concepts (ILO, 2005). Such statistics are indispensable for national and international strategies to extend coverage. Within the context of this project, it would be useful to review the existing statistics on social security (insurance) coverage. It would be best if both contributory and tax-financed schemes were included in the study. But if that is not possible, one should give priority to information on coverage by contributory schemes for the purposes of this project. Generally speaking, a global effort to regularly collect and publish such statistics would be an important step forward, and could be undertaken by interested institutions, such as the ILO, the World Bank and the United Nations Development Programme (UNDP).
2. **Extension within existing contributory schemes.** Many low- and middle-income countries, including ISSA members, have been able to extend coverage to workers in the formal and informal economy – within the context of existing social insurance programmes (e.g. China, Kenya, Latin America, South Africa). Some of these experiences have recently been documented by Mesa-Lago (2008b) for Latin America and by ISSA (2008) for Africa. Social security institutions, particularly in low-income countries, may be interested in the documentation of individual country extension

experiences, such as China, and in low-income countries, such as Kenya. Social security institutions need to know why certain groups of workers who are legally covered, are not effectively covered. There may be a variety of reasons for this, such as high contributions, dissatisfaction with the package provided and the lack of compliance coupled with the reasons for evasion. Social security organizations might also wish to know whether new groups (see point 3), who have so far not been legally covered, could be motivated to affiliate with the existing programmes. One relevant issue worth studying might be the collection of contributions (for example from the self-employed). One such study has already been undertaken for Central and Eastern Europe by Fultz and Stanovnik (2004). Other issues worth reviewing are: the estimation of income from self-employment and the costs of social security administration.

3. **Coverage problems of vulnerable groups in contributory schemes.** As noted in section 1, personal coverage is the priority dimension with regard to the extension of social security. **Casual workers** are probably the most seriously un(der)covered groups with regard to social insurance. A study on social security coverage for casual labour would therefore be a priority. Such a study would examine the labour contract situation of casual workers and the problems they encounter to affiliate to existing social insurance schemes. The study would provide examples of various countries. There is a significant literature on improved protection of **migrant workers** through international social security agreements, such as by Holzmann et al. (2005), Kulke (2006) and Tamagno (2008) for the ASEAN region. This issue is also important for countries in the Caribbean, and will become important for migration towards the Russian Federation from neighbouring European and Asian countries. As noted in section 3, there is a vast literature on the gender dimension of social security coverage, in particular with regard to pensions. **Women** constitute the large majority of unpaid family labour, and have generally no social security coverage. Gilbert (2006) reviewed the gender dimension of social security reform, while Sabates-Wheeler and Kabeer (2003) reviewed it for developing countries, and in particular for South Asia. Fultz and Steinhilber (2004) provided an overview on Central and Eastern Europe. A comparative study on the role of social security in promoting women's employment (in the formal economy) might be a relevant issue. There is quite a literature on **people with disability**, who require social services well beyond social security. The ILO is presently undertaking an in-depth review of **domestic workers**, with a view to a possible ILO standard on this.
4. **Extension through new schemes.** This paper has reviewed some of the opportunities to extend coverage through community-based social protection schemes. Such extension can take place in synergy with statutory social security schemes, and in the context of an overall strategy to extend coverage. As noted by Mesa-Lago (2008b), there are also a number of other possible schemes, such as those based on certain occupations or areas. It might therefore be useful to provide an overview of new social security schemes in low- and middle-income countries, which have been successful in extending coverage to workers in the informal economy. Such a review could cover, for example, savings schemes (Baruti, 2008) as well as employment guarantee schemes (such as in India), as well as new health insurance schemes (e.g. in China and India). The overview would also investigate the links of such programmes with existing social security schemes, and how they could fit into an overall strategy towards social security for all.
5. **High-income countries.** As noted in section 2, high-income countries face strong challenges to maintain personal coverage and benefit levels, in a context of increased international competition, informalization of employment and ageing societies. It may

be informative to provide an overview of trends of social security coverage in high-income (OECD) countries, and identify gaps or deteriorating coverage. Important issues include career fragmentation, increasing precariousness and informalization of work, as well as insufficient health-care coverage in some high-income countries. The study would show examples of countries and/or of programmes that have "re-extended" social security coverage. Examples of high-income countries can also provide various lessons for low- and middle-income countries that are in the process of extending social security coverage.

6. **Extension through tax-financed schemes.** There has been a great deal of recent work on tax-financed schemes, such as on cash transfers and social pensions (IPC, 2008), the global social security floor (ILO, 2008c) and the financing of social assistance (Weigand and Grosh, 2008). It would be interesting to know more about social insurance organizations administering tax-financed social benefits in countries such as Costa Rica, France or Kenya. Such a study would also investigate the advantages and disadvantages of administration by social security institutions. Having analysed the situation in Latin America, Mesa-Lago (2001) recommends against this combination of administrative functions, because social insurance institutions are often not properly remunerated for the administrative costs of delivering tax-financed benefits. In relation to pensions, it may be worthwhile to study income security in old age, particularly in low-income countries. As noted in section 3, such a study would review the impact of family support and the ownership of assets, such as housing, on income security in old age. A third type of study might investigate the right to social security, the recognition of which could have a strong impact on the extension of social security. Recent work on this has been done by Kulke (2007), ILO (2008e) and van Ginneken (2009). A fourth relevant issue could be the new information technology-based approaches and techniques to deliver cash benefits, such as smart cards, multiple cross-feeding digital registers, biometric (fingerprint) identification techniques and mobile ATM vans. These issues have been reviewed in various studies on cash benefits, but no overall study seems to exist that analyses the advantages and disadvantages of the various techniques. The lessons learnt may also be useful for social insurance administrations.

Note

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