

EXTENDING AND MAINTAINING **SOCIAL SECURITY COVERAGE**

Priorities for social security



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EXTENDING AND MAINTAINING SOCIAL SECURITY COVERAGE

Extending and maintaining social security coverage stands out as a perennial challenge for social security administrations in the Americas. The rapidly evolving needs of different population groups, especially children, women and the elderly, as well as economic and socio-political changes and demographic and technological transitions, have brought about societal transformations with an ever-increasing number of people in need of social security protection.

The region has expanded the scope of its social security coverage to the so-called difficult-to-cover groups – informal workers, domestic workers, migrant workers, among others – through innovative policy design and improved administrative efficacy and efficiency. This, along with economic recovery, improvement in employment and measures to reduce informality, has enabled the fundamental right to social protection to be extended to the greater majority of the region's population.

The International Labour Office (ILO, 2021b) estimates that 64.3 per cent of the population of the Americas has

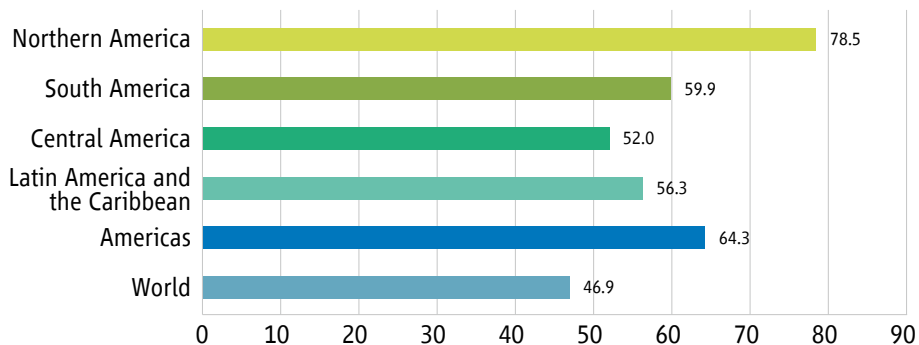
access to at least one form of social protection benefit, with 57.4 per cent of children receiving childcare benefits and 51.9 per cent of mothers receiving birth-related benefits. A higher proportion (88.1 per cent) of the elderly receive pensions, and 71.8 per cent of persons living with severe disabilities receive social protection benefits. While social assistance programmes cover 36.7 per cent of vulnerable persons, only 16.4 per cent of the unemployed receive social protection benefits.

The traditional employer-employee based social security model is challenged by high levels of informal employment and the digital economy. This hinders progress towards universal and sustainable social protection in the region. At the same time, the need for social protection and health care with improved access to benefits and services is increasing. In addition, climate change, economic volatility and digitalization are driving job losses in different sectors, thereby creating new groups of vulnerable populations with an acute need for social security protection.



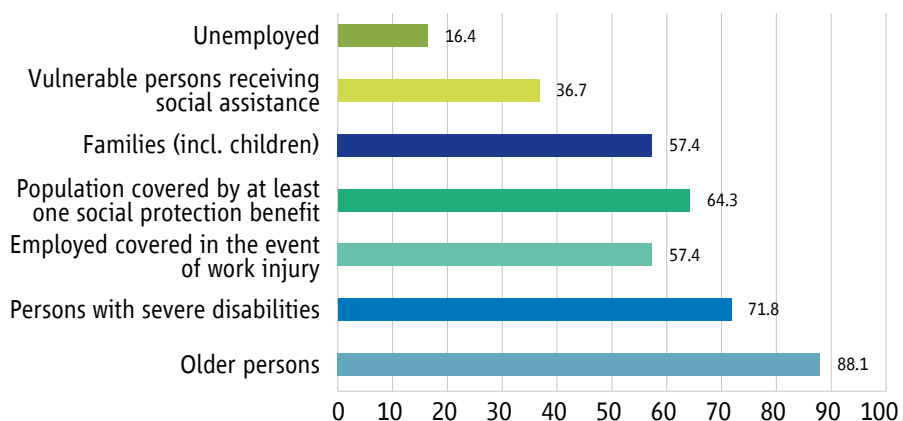
Effective coverage

Figure 1. Share of population covered by at least one social security benefit (%)



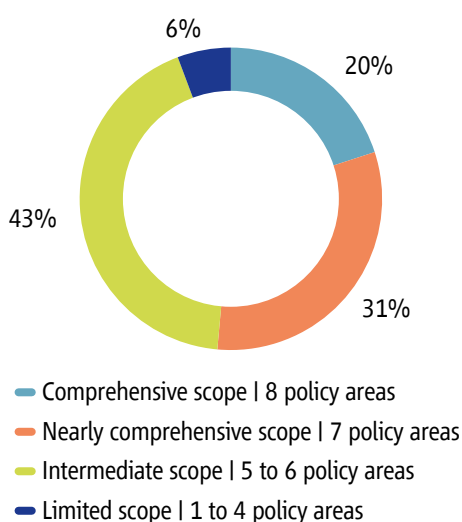
Source: ILO (2020).

Figure 2. Coverage by population group (%)



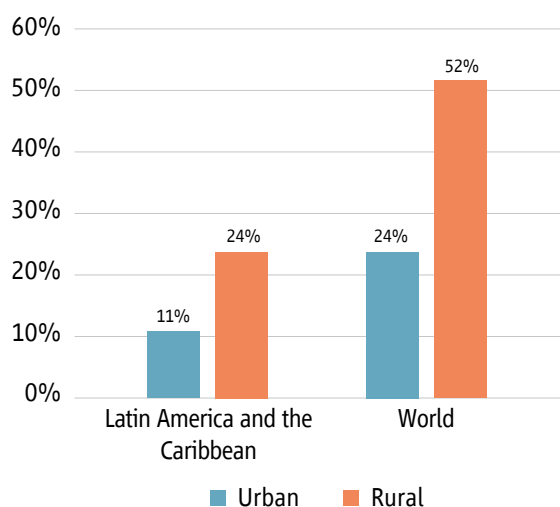
Source: ILO (2020).

Figure 3. Share of countries by level of coverage by social security branch



Source: ILO (2017).

Figure 4. Share of population without access to health services due to health workforce shortages



Source: ILO (2017).

Health social protection

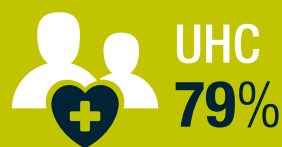


In terms of health social protection for 2010–2015, the Americas was the only region that saw an increase in health service coverage.

Source: WHO (2019).



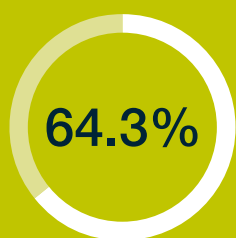
The number of people with out-of-pocket health spending exceeding the 10% threshold fell on average by 2.4% a year (between 2010 and 2015); the number of people exceeding the 25% threshold for out-of-pocket spending also fell, on average by 2% a year.



UHC
79%

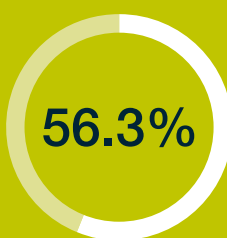
As per latest estimates (2017), the Americas had the highest Universal Health Coverage (UHC) service coverage index, with a value of 79%.

Effective and legal social security coverage

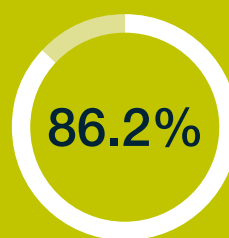


64.3% of the population in the Americas is covered by at least one cash social security benefit.

Source: ILO (2021a).



In Latin America and the Caribbean, the coverage rate is 56.3%, above the global average of 46.9%. However, coverage varies intra-regionally: 78.5% of the population in Northern America are covered by at least one social protection benefit, while one in four in the United States does not have access to any social protection.



The most accessible type of social security benefit is old-age pensions: 86.2% of those of pensionable age were receiving an old-age pension. In contrast, 16.7% were entitled to unemployment insurance coverage.

Public expenditure in social security



% of
GDP

Public social protection expenditure as a share of GDP (1996–2016) has been steadily increasing in the Americas, with a slight decrease in Northern America from 2010 to 2015 from 18.45% to 18.08.

Source: ILO (2017).



Public social protection expenditure in the Americas accounts for 24.2% as a share of GDP, above the world average (18.7%).

Source: ILO (2021d).

TOWARDS UNIVERSAL SOCIAL PROTECTION

Some countries in the Americas region have made significant progress in developing universal social protection systems. Social protection coverage levels are above the global average. For instance, 64.3 per cent of the population is covered by at least one cash social security benefit (ILO, 2021b) and the ISSA Country Profiles show that most countries in the region have legislation providing benefits for at least seven of the eight main social security branches (old age, disability, survivorship, maternity, sickness, unemployment, work injury and family benefits).

At the global level, only 30.6 per cent of the population is covered by comprehensive social security systems that include the full range of benefits, from child and family benefits to old-age pensions, while 69.4 per cent (4 billion people) are not protected or only partially protected (ILO, 2021b, p. 55).

The extension of social protection through a nationally appropriate combination of contributory and non-contributory schemes is a priority. The COVID-19 crisis has, once again, highlighted the key role of social protection in supporting resilience in society, but has made reaching the global goal of universal social protection more urgent. Contributory schemes play an essential role in this process and enhance the financial sustainability, adequacy and public support of social protection coverage.

Social protection floors, a key component of universal social protection, can be described as nationally defined social security guarantees, aimed at securing access, at least, to essential health care for all residents and ensuring a basic income security for all children, people of working age and older people over the life course. Social protection systems have enabled countries, such as Canada, Guyana, the Plurinational State of Bolivia and the United States, to attain universal social protection coverage for older persons, while Brazil, Chile and the United States have achieved universal coverage for persons living with severe disabilities. With 418 public social security organizations active in the Americas, broad social security coverage is offered across the region, including non-contributory pensions and essential health care for older people, and conditional cash transfers for children and vulnerable families.

All countries, including low- and middle-income countries, such as El Salvador, Honduras and Paraguay, have the potential to implement social protection floors financed by domestic resources. Efforts to do so are ongoing, with a focus on improving service provision and enhancing access to health-care facilities, as well as expanding the scope of social protection coverage and extending social insurance coverage to informal, self-employed and domestic workers. Generally, social security interventions in the Americas tend to be skewed towards pensions and health care for older people. With the population ageing, the needs for health and long-term care and the rising cost of pensions may crowd out other social protection interventions, targeted at children and the working poor, as well as at the so-called “missing middle”.

PROTECTING THE MISSING MIDDLE

The “missing middle” refers to workers in the informal economy who are excluded both from access to contributory social security schemes that are normally confined to formal economy workers and from access to social assistance benefits targeted at those living in extreme poverty. They can therefore be defined as the “working poor”. Subject to national legal frameworks, the missing middle may include the self-employed, rural workers, migrant workers, domestic workers, micro- or small (and even medium-sized) enterprise workers, as well as people engaged in new forms of work. As most existing statutory social security programmes in the Americas are contributory (usually social insurance programmes covering various branches), their extension to cover the missing middle is crucial if the region is to achieve sustainable and equitable universal social security coverage by 2030. The ongoing challenge in the Americas is to explore ways in which this can be done, either under existing or new social protection schemes.

Coverage deficit

In the Americas, especially Latin America and the Caribbean, significant challenges remain in closing coverage gaps for contributory schemes. While social insurance and major social assistance programmes cover just over half of workers (53.6 per cent) and their families in the subregion (ILO, 2020), including most poor households, 65 per cent (OECD, 2020b) of vulnerable informal workers do not benefit from any form of social protection. In some countries with extremely high levels of informal employment, more than 80 per cent of women have informal jobs with no social security coverage or protection under labour law. Unemployment insurance for workers in the formal economy is only available in six countries: Argentina, Brazil, Chile, Colombia, Ecuador and Uruguay.

The COVID-19 pandemic evidences the inequalities in access to health services in the subregion, where 125 million people (Bonaglia and Nieto Parra, 2020) still lack access to even basic health services and more than 40 per cent of the population lacks access to social security (OECD, 2020b). Out-of-pocket health payments constitute a significant barrier to health care, representing on average 34 per cent of total health spending in Latin America and the Caribbean (OECD, 2020a), which is well above the 21 per cent average in OECD countries. While most Latin American and Caribbean countries have organizations and policies for older people, and some have made advancements on certain regulations that include aspects related to dependency care, comprehensive long-term care policies remain virtually non-existent and regulation or direct provision by the public sector is scarce.

In 2018, 27.5 million people, representing 10.4 per cent (rising to 10.9 per cent in 2019) of all United States’ citizens, had no health insurance coverage, and thus would incur staggering health-care costs in the event of a medical emergency (Stasha, 2021). Each year, roughly 4 per cent of uninsured citizens of the United States are forced to declare as bankrupt due to overwhelming health-care costs; 40–50 per cent rely on employer health insurance. The economic

impact of the COVID-19 pandemic has triggered unprecedented increases in the number of uninsured people in the region. In the United States, for example, the number of employed people in February 2021 was 8.5 million less than in February 2020 (Kochhar and Bennett, 2021). The number of citizens of the United States without health insurance coverage was around 31 million in 2020 and estimated to be around 44 million in mid-2021. The previous record was set when the number of uninsured adults rose by 3.9 million in the period 2008 to 2009 (Stasha, 2021).

Recent achievements

Over recent years, economic growth in the region of the Americas has enabled a significant reduction in the social security coverage gap. Nearly all countries in the region have adopted comprehensive national social security development plans and strategies, including the introduction or extension of a basic social security package incorporating essential health care, child support for school-age children and a minimum pension.

Unemployment insurance is increasingly recognized not only as a compensation system but also as a macroeconomic stabilization tool. In recent years, countries such as Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile and Uruguay have implemented a series of unemployment insurance reforms aimed at helping redundant workers to find work, while protecting income levels in the event of dismissal. These reforms are designed to improve the efficiency and coverage of unemployment insurance and boost affiliates' access to a set of active labour market policies, including training and labour intermediation.

In order to cover "missing middle" workers, over the past few years, countries such as Argentina, Brazil and Uruguay have implemented a "monotax" or similar mechanisms, simplifying tax and contribution collection for small contributors. These have proven to be effective in extending social security coverage to self-employed workers and workers in micro- and small enterprises. While participation in monotax programmes is usually voluntary, simpler procedures and low contributions make this mechanism attractive to eligible categories of the self-employed and microenterprises.

The past ten years have seen evolving trends in the design of pension systems in Latin America and the Caribbean. A common thread has been increased involvement of the State in the administration and financing of pension systems. In Colombia, the newly adopted state-subsidized Periodic Financial Benefits (*Beneficios Económicos Periódicos* – BEPS) scheme has extended old-age income protection to millions of previously unprotected low-income workers. This complementary system, based on individual accounts, allows workers with low and irregular income to voluntarily save for retirement and provides affiliates with an incentive payment equal to 20 per cent of their account balance once they reach the retirement age. The Colombian Pension Administrator (*Administradora Colombiana de Pensiones* – Colpensiones) has managed the BEPS programme since 2015 and launched in 2018 an initiative to incentivize the affiliation of self-employed persons working in the creative economy (e.g. artisans, visual artists, actors, musicians, among others).

Since 2019, the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social* – IMSS) has been implementing a pilot programme for the formalization of domestic workers, through a simplified system for the payment of worker and employer contributions. Once fully implemented, the programme will benefit an estimated 2.3 million Mexican domestic workers, 95 per cent of whom are women. The pilot programme offers the same benefit guarantees that are provided by the General Social Security System (*Régimen General Obligatorio* – RGO), notably old-age and death benefits, sickness, maternity, disability, and work injury insurance as well as certain social family benefits, and daycare services for the insured's children. Employers can opt for fulfilling their obligations towards their domestic workers by affiliating them directly to the RGO or through the special system that is being piloted. The scheme's design considers the specificities of domestic work (i.e. the existence of multiple employers and part-time work) and allows employers to pay prorated contributions. The implementation of the pilot comprised a communication campaign to inform employers of their social security obligations supported by tutorials, explanatory videos and a contributions estimator.

Recent parametric and structural reforms have introduced a gender dimension into some Latin American pension systems in an attempt to address gender inequalities. These measures include special benefits for women who opt for early retirement, equal pension rights for female domestic workers, recognition of maternity and of unpaid work through bonuses for each live-born child, and the recognition of spouse or partner pension rights. In 2017, El Salvador eliminated sex-differentiated mortality tables for the calculation of benefits. The gender dimension is believed to have cross-cutting effects, for example in the areas of coverage, benefits and financial sustainability. In Latin America and the Caribbean, 30.1 per cent of the working-age population contribute to a pension scheme. Looking at the contributor coverage ratio as a percentage of the labour force, 47.0 per cent contribute to a pension insurance scheme, and can therefore expect to receive a contributory pension upon retirement (ILO, 2021b, p. 171).

Encouraging progress has been made in expanding health protection coverage in the region by means of subsidized contributory systems (Costa Rica, Uruguay), lower-cost segmented insurance programmes (the public social security system in Mexico) and free-of-charge insurance programmes covering a subset of basic benefits (the Explicit Guarantees Universal Access Plan in Chile).

ADDRESSING THE ADMINISTRATIVE CHALLENGES TO COVERAGE

Extending and maintaining social security coverage requires a well-functioning social security administration. The organization must be able to identify and register contributors and beneficiaries, collect contributions, enforce compliance, manage claims, deliver benefits and services, and ensure the safeguarding of assets.



While progress has been made in normalizing and harmonizing the policy framework for social protection, the implementation of social protection programmes has been the subject of ongoing discussion, leading to administrative and sometimes legal changes concerning existing schemes and programmes.

Fragmentation, stratification and lack of articulation and coordination between programmes and organizations pose administrative challenges, which often result in duplication of effort and high administrative costs. In response, to avoid duplication and inefficiency, the Brazilian Government merged pre-existing

cash transfer programmes to form the *Bolsa Família* conditional cash transfer programme. In addition, inter-institutional data sharing has been instrumental in implementing new programmes and coverage extension measures, as undertaken by the Federal Administration of Public Resources (*Administración Federal de Ingresos Públicos – AFIP*) of Argentina for implementing the monotax and programmes to cover domestic workers.

Across the region, the implementation of operational measures to improve social security coverage has long been a challenge for social security administrations. Addressing the often constrained administrative capability, as well as the rising expectations of users for modern solutions, requires innovative responses. Interestingly, social security administrations, especially ISSA member organizations, in the Americas are designing and implementing innovative solutions by adapting to the evolving socioeconomic and new digital realities. Tools being used include communication, digitalization, automation, and online and mobile solutions to support progress towards the modernization of social security administration.

To improve the coverage of informal workers, the Social Security Institute of Guatemala (*Instituto Guatemalteco de Seguridad Social – IGSS*) digitalized the admission process to a voluntary scheme providing pension benefits, enabling to shorten the decision-making time from 13 months to one day or less. In Peru, Derrama Magisterial, which provides social security benefits to teachers, developed a comprehensive approach to improve teachers' voluntary affiliation based on digitalization, process simplification, improved online controls and partnerships.

Automation has enabled Employment and Social Development Canada (ESDC) to facilitate the enrolment of eligible individuals to the Old Age Security (OAS) programme, the country's largest pension programme providing eligible seniors with basic income in retirement. To address the operational challenges due to the rise in number of beneficiaries, ESCD developed a service improvement strategy including automatic enrolment of eligible individuals for OAS benefits, eliminating the need for many seniors to apply in writing. In addition, ESDC used artificial intelligence to identify vulnerable Canadians who qualify to the Guaranteed Income Supplement (GIS) – a benefit paid to low-income OAS pension beneficiaries. In just two months, machine learning models were able to identify more than 2,000 vulnerable Canadians whose benefits were increased under the GIS programme.

Limited knowledge about social security rights and responsibilities constitutes a relevant barrier to extend social security coverage to different population groups. To address these issues, several organizations in the Americas have developed educational activities on social security.

The Superintendence of Pensions of the Dominican Republic (*Superintendencia de Pensiones – SIPEN*) developed a roadmap for promoting pension education implemented through projects and initiatives to provide straightforward information and create awareness about rights and responsibilities. In Mexico, the IMSS developed an online educational platform for health education for beneficiaries and the general public, which aims to disseminate knowledge to help improve the population's health. In Uruguay, the Social Insurance Bank (*Banco de Previsión Social – BPS*) has developed since 2007 an education initiative called "Know your

rights and obligations to social security" as reading for all the students. In Costa Rica, the Pension and Retirement Board of the National Teachers' Union (*Junta de Pensiones y Jubilaciones del Magisterio Nacional – JUPEMA*) deployed an awareness programme for students. The Social Insurance Fund of Costa Rica (*Caja Costarricense de Seguro Social – CCSS*) has developed a QR code-based mobile application to allow patients to access educational materials on health. It has also developed a mobile application that allows insured patients to access their health data on their mobile phones. The use of digital identification tools can also help extend social security coverage to population groups that are difficult to reach and cover.

Beyond general measures, improving the effective coverage of difficult-to-reach population groups requires permanent efforts. In Uruguay, the BPS carries out efforts to consolidate social security rights for domestic workers, who are subject to mandatory coverage under the general social security system since 2006. To ensure that legal coverage translates into effective coverage, BPS has continued to innovate, notably by encouraging clients to switch from face-to-face transactions to online services while ensuring the availability of technical support through a chatbot and specialized customer service agents available 24/7. Based on the institution's administrative data, the number of affiliated domestic workers reached 76,360 in 2019, compared to 43,272 workers in 2006.

In Argentina, the AFIP has also implemented tailored digital channels to improve the coverage of domestic workers by facilitating registrations and contributions payments. AFIP followed a one-stop-shop approach by developing a single window connected to the involved social protection services, notably the health authority, the National Social Security Administration (*Administración Nacional de la Seguridad Social – ANSES*), Superintendency of Occupational Risks (*Superintendencia de Riesgos del Trabajo – SRT*) and insurance companies, thereby ensuring the social coverage of the workers and guaranteeing their social rights.

The success of social security coverage extension in the digital era will depend on the capability of social security administrations to exploit digital opportunities and deliver services in a fast, reliable and user-friendly manner. Social security organizations must also be aware of the risks associated with digitalization approaches to improve social security coverage, particularly cyber attacks, new types of fraud, and the loss of the human touch in public service delivery.

Furthermore, social security administrations have been confronted with other challenges, mainly inherent in programme design and emanating from auxiliary activities and services. Key among these are overcoming legal barriers and bridging legal gaps, creating an enabling environment to support the extension of social security coverage, as well as managing socioeconomic and political risks. ■

GOOD PRACTICES

Guatemala: Extending coverage to the informal economy

In Guatemala, 70.2 per cent of the economically active population works in the informal economy. The Social Security Institute of Guatemala (IGSS) has therefore established a voluntary contributions scheme, which enables workers to receive a pension, even if they are not formally employed. Initially, admission took around 13 months, leaving applicants uncovered during this admission period.

To address these issues, the IGSS established new administrative rules and developed a digital solution to accelerate admission, aiming at accelerating the admission process. The introduction of an ICT application has automated the admissions process, as a result of which, in 2019, 591 applications were processed in real-time. Furthermore, this development enabled the IGSS to improve its institutional capacities further to digitalize service delivery and business processes.

Colombia: Extending coverage to informal workers in the creative economy

In Colombia, 47.9 per cent of workers are employed informally. Almost half of these workers earn less than the minimum wage, which is an obstacle to their formalization. Particularly vulnerable are workers in the creative sector, called the “orange economy”, because they have a predominantly low income and occasional employment.

The Periodic Financial Benefits Programme (BEPS) provides support to vulnerable groups and extends social security to creative workers, who usually operate in the informal economy, such as artists, actors and musicians. BEPS ensures that they can rely on resources generated by municipal taxes. The objective is not only to encourage them to contribute to a pension scheme, but also to promote creative expression and preserve cultural heritage through innovative incentives and schemes. Since the start of the programme in 2018, the BEPS has collected over USD 44 million and now has more than 18,000 registered creative workers, 4,451 of whom benefit from regular pension payments.

Canada: Using artificial intelligence to identify and cover vulnerable Canadians

Employment and Social Development Canada (ESDC) applied artificial intelligence (AI) to identify beneficiaries of the Guaranteed Income Supplement (GIS), which is a cash benefit targeting low-income old-age persons. Due to changes in the GIS eligibility rules, many persons who initially did not qualify for the programme were afterwards included.

A series of AI models were developed to quickly identify claimants that were denied the GIS to receive their benefits. In a two-month period, machine learning models identified over 2,000 vulnerable Canadians who were entitled to the GIS by processing more than 10 million records of unstructured text data. In order to maximize the coverage of vulnerable beneficiaries, the business experts of the GIS programme decided that the model should have a high degree of inclusion and intentionally accepted false positives that would have to be reviewed manually.



KEY MESSAGES

- 64.3 per cent of the population of the Americas is covered by at least one cash social security benefit. Subregional differences between northern America and Latin America and the Caribbean show higher social security coverage rates in the former (78.5 per cent). Notwithstanding, one in four people in the United States does not have access to any kind of social protection. In Latin America and the Caribbean, the coverage rate (56.3 per cent) is above the global average (45.9 per cent).
- Social security administrations, in particular ISSA member organizations, have been sensitive and responsive to the challenges faced by social security schemes and programmes in the Americas.
- Most countries in the region have a good record in maintaining social protection floors, providing non-contributory pensions and essential health care to the older generation, and conditional cash transfers to children and vulnerable families.
- Social security organizations in the region are making important efforts to improve the effective coverage of some population groups, such as the “missing middle” and domestic workers.
- The COVID-19 pandemic has increased the need for accessible and adequate social protection and health care in the region.
- Innovative approaches, including modern ICT solutions, are emerging to ensure coverage by existing schemes as well as to reach difficult-to-cover groups.
- Developing social security education initiatives to enhance populations’ knowledge and awareness of social security constitutes a promising approach to improving social security coverage.

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