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ISSA RESEARCH REPORT

# The socio-economic impact of social security



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Julien Damon

Associate Professor, Sciences Po (Paris)

Scientific Adviser, École nationale supérieure de sécurité sociale (En3s)

International Social Security Association  
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International Social Security Association  
4 route des Morillons  
Case postale 1  
CH – 1211 Geneva 22  
T: +41 22 799 66 17  
F: +41 22 799 85 09  
E: [issacomm@ilo.org](mailto:issacomm@ilo.org)  
[www.issa.int](http://www.issa.int)

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## Summary

Social security can be evaluated in terms of its impact on the social sphere (what is the contribution, positive or negative, of social security to social progress?) and the economic (what is the contribution, positive or negative, of social security to growth?). A combined approach to these major issues involves addressing the socio-economic impact of social security. Such a strategic approach involves highlighting the positive impacts, without overlooking other types of impact, which may be neutral or even negative.

Above and beyond issues concerning the financial sustainability of social protection, the question of reconciling redistribution with economic competitiveness lies at the heart of the current debate on the evolution of social security programmes. Are the costs and systems of financing at the root of problems concerning competitiveness and low growth? Especially in times of crisis, social security is the subject of twofold attention: as a shock absorber to mitigate the worst consequences of the crisis, and also as a springboard for recovery.

But before any academic considerations of the impact of social security programmes on economic development, an overview of socio-economic development is required. The global socio-economic and positive consequences of social security are marked by four trends:

- First, social security is in fact undergoing a dynamic expansion. While it is true that seven out of ten people in the world do not yet enjoy access to any protection that may be termed “adequate”, the trend is towards rapid growth, with a range of positive effects for the health of populations and national economies.
- Then, in terms of doctrine, social security is conceptualized and increasingly defended not just as a tool to withstand crises but, more fundamentally, as an investment in socially inclusive growth and well-being.
- Then too, among the main achievements of social security that are growth-related is that of enabling people to escape from extreme poverty with a view to its eventual eradication, which is one of the main positive socio-economic consequences of the development of social security.
- Finally, along the same lines, the affirmation of the middle classes worldwide is one of the main outcomes of and key challenges for social security. With their relative erosion in the West, and their expansion – possibly slower than might have been hoped – in emerging countries, the middle classes have enjoyed social security. They expect further support of this kind.

It is with these global developments in mind that we must reflect on the socio-economic results, products and performance of social security. The subject becomes more technical, but vitally important, when it becomes necessary to identify causal relationships and linkages between social security and economic growth.

In the present case, measuring the impact of social security involves not only examining its financing, which influences major macroeconomic equilibrium. We must also examine its expenditures. Is the wide range of benefits provided by social security more, or less favourable to growth, competitiveness and employment?

Its critics recall the limits of social security (possible disincentives to work, the generation gap, deficits). Its supporters emphasize its achievements (increased life expectancy, reducing inequality, improved public health, mitigated impact of economic crises). While it was created as an engine of progress and growth,

social security is criticized by its detractors as an obstacle to competitiveness. This debate is cyclical. Promoted in 2008–09 as maintaining constant minimum domestic demand and acting as a crisis shock absorber, social security has since then been attacked once again as a source of economic imbalance.

Two radically different concepts are involved:

- The first is probably dominant at present: more growth and competitiveness imply reductions in social protection on account of the costs that it generates.
- The second argues that competitiveness, growth and social cohesion are complementary and mutually reinforcing. What matters is not so much the number of mandatory levies, but rather their use for investment and maintaining social cohesion.

With these contrasting viewpoints, researchers' debate whether social security programmes can promote or inhibit economic growth, but few empirical studies directly address the overall relationship. Their work addresses the causal impact of social security programmes on factors that lead to economic growth.

While the links are discussed and disputed, both in academic circles and in the political sphere, mixed conclusions emerge from work on four major areas.

- As regards the labour market, all branches of social security contribute, each in its own way, to potential incentives and disincentives to economic activity. Social security programmes in this view are increasingly favourable to employment.
- In relation to consumption, savings and even investment, social security programmes are designed to support consumption. The consequences of such support in the medium and long term are not clearly defined. The same applies to the connection with savings. By contrast, a new direct function is emerging of investment in productive capital.
- In terms of demography, social security undoubtedly has a far-reaching impact on health, which is always positive for growth. Links with fertility are less clear, but having a young, dynamic and educated population is an asset for growth.
- With regard to human capital, the linkages are the subject of a body of research but with less detailed conclusions. In any case there clearly appears to be a causal chain between, on the one hand, maintaining and improving human capital through social security and, on the other hand, economic performance.

In these four areas, the impact is not unequivocal. If one focuses here on the consequences of social security programmes, one could also address the consequences of changes in these four major areas for the direction and structuring of social security. Relationships are always reciprocal.

Ultimately, social security should be regarded not only as a cost, but also as an economic investment. In this sense, social security is a social investment, embodying the preventive and proactive dimensions of Dynamic Social Security. The development of social security is hence a tool for global social development, not simply a factor solely affecting economic aggregates.

Here conviction must take precedence over academic definitions. Hence an observation and a wish: while in the decades following the Second World War, social security was first considered favourable to growth and, accordingly, socio-economic progress, it has for years been the subject of criticism, which has been strengthened by the recent crisis. The main issue at stake lies outside the academic sphere, and in the field of political strategy. Supported by the most rigorous data and showing relevance and capacity for change, we must once again reconcile social security and growth, with the aim of achieving inclusive growth for the well-being of all.

## Introduction: A fundamental question of evaluation

This report aims, first, to provide knowledge and bring together ideas, and second, to develop thinking on a highly complex and much debated subject: the relationship between social security and socio-economic development.<sup>1</sup>

Some studies focus on the impact of specific social security programmes – approached in the narrow sense as a set of mandatory insurance mechanisms – on economic growth (also approached in the narrow sense, for example, as GDP).

Other studies focus on the broader effects of social security programmes – approached more broadly as the sum of all social protection instruments and mechanisms – on growth, approached in a broad sense that goes beyond economic indicators to include all those related to well-being.

The report describes a set of academic studies and strategic observations examining the socio-economic impact of social security. Analysis of such impact provides two sets of conclusions.

- First, some general lessons on the major social developments related to social security, globally. This is the theme of the first part, which describes the major social and strategic transformations resulting from social security, with their socio-economic consequences, particularly in terms standards of living.
- Second, more technical observations on the nature and direction of the linkages between social security and economic growth. This is the theme of the second part, more analytical, which covers all possible linkages, which may be regarded as positive or negative.

This work, produced on the occasion of the World Social Security Forum in 2016, is based on the work of the International Social Security Association (ISSA) and work done for the ISSA, including extensive literature reviews, and offers a synthesis. It documents the ISSA's thesis: social security is an increasingly necessary tool for socio-economic development. This is the case in developing countries, which need to expand the coverage of social risks to gain control over their growth and the well-being of their populations. This is also the case in developed countries, which should not ration but rather should streamline their social security programmes with a view to adapting them to their new economic and sociological realities. In both contexts the thinking proposed aims to assert what is now called social investment logic in favour of so-called inclusive growth.

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1. The International Social Security Association acknowledges the Social Protection Research at UNU-MERIT in Maastricht, the Netherlands, for undertaking the literature review that supported the development of this report. The literature review was conducted by Hanna Röth and André Bongestabs under the supervision of Zina Nimeh.

# 1. The socio-economic impact of social security: An overview

Measuring the overall socio-economic impact of social security is not easy. In attempting to do so, we will base our approach on five ideas.

- First, it is necessary to emphasize a phenomenon that is paramount – the expansion of social security itself (1.1). From its historical origins in Europe in the late nineteenth century, social security and the coverage of social risks have extended worldwide. The outcome is a very mixed picture, but the general movement is towards progress.
- This geographical expansion and extension of policy has gone hand in hand with the main positive developments experienced by people (1.2), in particular in relation to health. Reductions in child mortality and increasing life expectancy are common to systems that differ widely across the globe, but which have brought about a revolution in human existence.
- Beyond the academic debate, we can observe how social security is now assessed and valued worldwide, based on the social investment logic (1.3). This trend, already studied by the ISSA, basically consists in the reconciliation of social security with economic growth.
- It is then possible to show that one of the main outcomes of the development of social security is the strong decline in poverty worldwide (1.4). In socio-demographic terms, one of the main current developments is the major reduction in extreme poverty – a process that is still occurring, despite the crisis. This decrease in poverty, which is not even across countries, is the result of economic growth models that attach major importance to social security programmes to initiate and specially to maintain this process of poverty reduction.
- Finally, as a result of all of these trends – and a factor that calls for increased efforts to develop social security in order to stabilize such situations – is the major impact of social security in affirming the middle classes worldwide (1.5). While in the high income economies the middle classes have been destabilized, and while the size of the emerging middle class is probably not as large as what might very optimistically have been forecast at the beginning of the 2010s, the growth of the emerging middle classes is the outcome of the development of social security programmes. The demand expressed by these new middle classes also speaks volumes on the matter. And we should not disappoint them.

Naturally these trends are global snapshots, based on summaries and data that can be discussed. But the general direction remains clear, and must be grasped in terms of their interaction. Indeed, the affirmation of the middle classes through social security programmes that target poverty and accompany growth, fuels aspirations to greater social protection on the part of the new middle classes (Damon, 2013; Damon and Ferras, 2015). Moreover, it should be remembered that such global trends show significant variation geographically. While inequalities between countries are declining, they are increasing within countries. While the emerging middle classes are affirmed, aspiring to greater social security, the middle classes in higher income economies are experiencing and, indeed, fear erosion, and criticize their social security systems.



## 1.1. Expansion of social security and extension of coverage

Efforts by international organizations provide an overview of contexts and initiatives in social security. The data are admittedly not all of the same quality. Statistical services are not all equipped equally. The degree of inaccuracy and uncertainty can be high. With this in mind, the data gathered by the International Labour Organization (ILO) can be used to generate precise information to highlight this trend and situation: global social spending accounted for 6 per cent of global GDP in 1990; it represented 9 per cent in 2010. The figure is a total, not an average. This is the sum of global social expenditure divided by the sum of national GDP figures (Table 1.1).

This ratio, which shows major differences between geographical areas, is notable for its development over time since it has increased by almost one half in two decades, reflecting the efforts made.

**Table 1.1.** *Social security expenditure as a proportion of GDP (%)*

|                             | 1990 | 1995 | 2000 | 2005 | 2010 |
|-----------------------------|------|------|------|------|------|
| Africa                      | 2.7  | 2.8  | 3.7  | 4.3  | 5.1  |
| North                       | 4.2  | 4.3  | 5.9  | 6.4  | 9.0  |
| Sub-Saharan                 | 2.4  | 2.5  | 3.2  | 3.8  | 4.2  |
| Asia                        | 3.4  | 2.8  | 3.5  | 3.0  | 5.3  |
| Middle East                 | 4.9  | 5.2  | 6.6  | 7.6  | 8.7  |
| Western Europe              | 20.9 | 23.6 | 23.3 | 24.8 | 26.7 |
| Central and Eastern Europe  | 12.8 | 15.5 | 14.6 | 16.6 | 17.6 |
| Latin America and Caribbean | 8.0  | 9.6  | 10.2 | 11.4 | 13.2 |
| North America               | 14.0 | 15.8 | 14.7 | 16.1 | 19.4 |
| World                       | 5.8  | 6.0  | 6.5  | 6.7  | 8.6  |

Source: ILO (2014, p. 297).

The ILO source (2014), based on OECD data for the higher-income countries, shows that France – in 2007, 2009, 2013 – appears to be in the lead globally with a social effort (or social redistribution rate) of 33 per cent of GDP. This is followed, in 2013, by Denmark, Belgium and Finland, each with about 31 per cent of GDP going to social spending.

At the other extreme are some thirty countries that allocate – in 2010 (no more recent data available) – less than 3 per cent of their GDP to social spending. This is the case of lower-income and lower-middle income countries such as Bangladesh, Cambodia, Chad, Gambia, Kenya, Niger and Nigeria but also very rich countries reluctant to make public expenditure in general (Singapore), and others that are so rich that a small proportion of GDP can already represent high expenditure (Brunei Darussalam, Qatar).

**Box 1.1. Extending coverage in China**

Recent years have been marked by an unprecedented extension of coverage in China. A minimum income guarantee programme was implemented nationwide in 2007. Between 2005 and 2010, China's health insurance coverage rose from 318 million people (24 per cent of the population) to 1.26 billion people (94 per cent of the population), a monthly average increase of nearly 16 million people over a 5-year period. The number of people covered by different pension insurance programmes increased from 359.84 million in 2010 to 858.33 in 2015, representing an average annual growth of nearly 100 million people per year. As a result, China has achieved universal health insurance coverage and almost universal pension insurance coverage.

National research shows that the social security reforms in China, including the rapid expansion of social security coverage, have created a solid and sustainable environment. These reforms have become an important engine of growth and socio-economic development over the past 30 years, especially during the Asian financial crisis in 1997 and the financial and economic crisis of 2007–08.

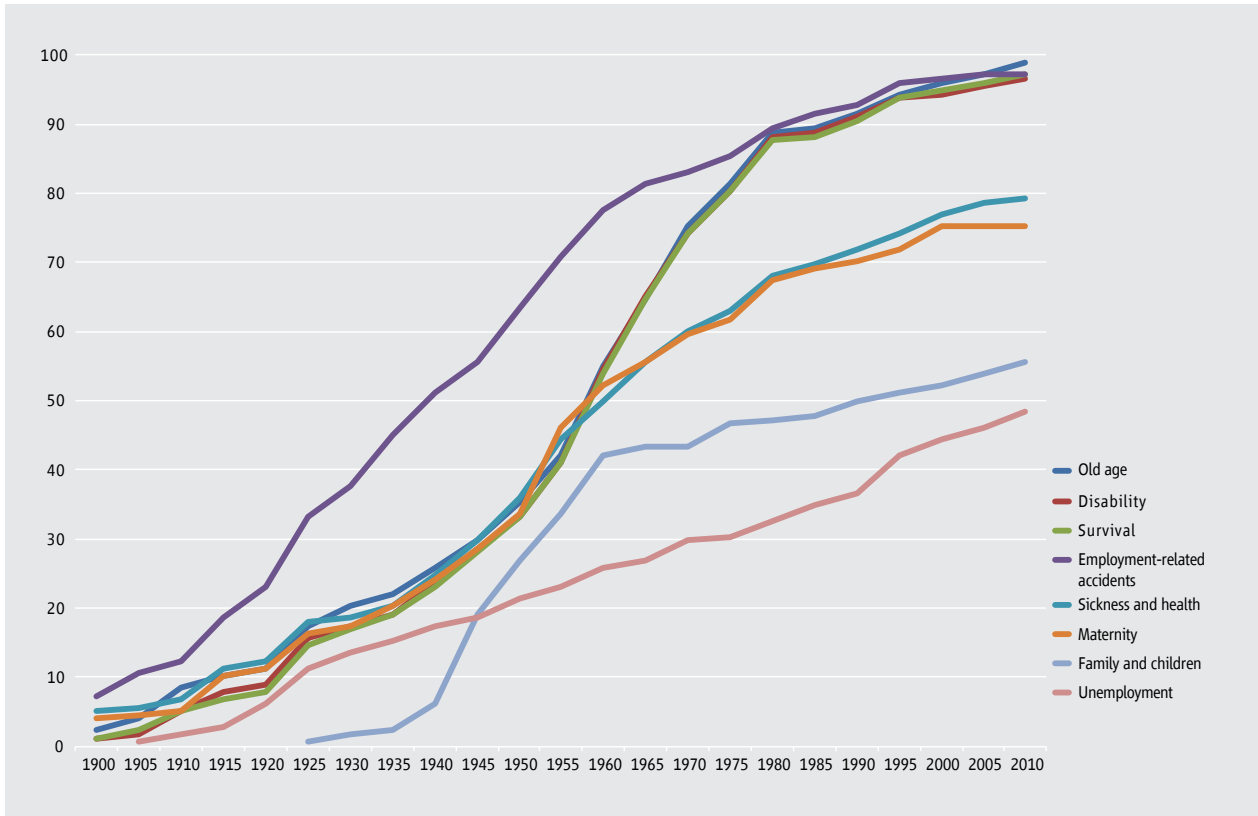
*Sources:* ISSA (2013); see also [www.mohrss.gov.cn](http://www.mohrss.gov.cn).

Measuring the extension of social security involves not only measuring financial efforts. Extension also means an increase in the coverage of different risks. The methodology used (see Appendix) is to take the branches of social security and examine whether there is a national system of coverage in each country's national legislation (Box 1.1).

The risk of "work injury" is historically the first to be considered, and is currently the one with most coverage (in almost all countries). But this does not mean that the populations concerned are necessarily well covered. At the other extreme, the risk of "unemployment" is the least widespread, since less than half of the countries have any compensation scheme in place. The second least likely risk covered – in the form of institutions and legislation to lend it form – is what are usually called "family" risks (that is, primarily, compensating the burden of having children). A little over half of the countries have family policy (in the sense of family benefits policy). Currently three-quarters of countries have a maternity branch, with coverage levels (e.g. for paid maternity leave) that vary considerably, often scoring below the standards expected internationally. Health risks enjoy coverage in 80 per cent of countries, but such coverage is still in most cases underdeveloped, since it does not cover the majority of the population. Other risks and their related branches are present in nearly all countries.

It should be recalled that coverage is now formally at a high level (in the sense that 30 years ago it was clearly unthinkable to expect such developments), though it is still incomplete, and in real terms low. Nevertheless, the most important information is the major growth of the past century, which is clearly illustrated in Table 1.1 and Figure 1.1.

Figure 1.1. Percentage of countries with social security systems, by branch

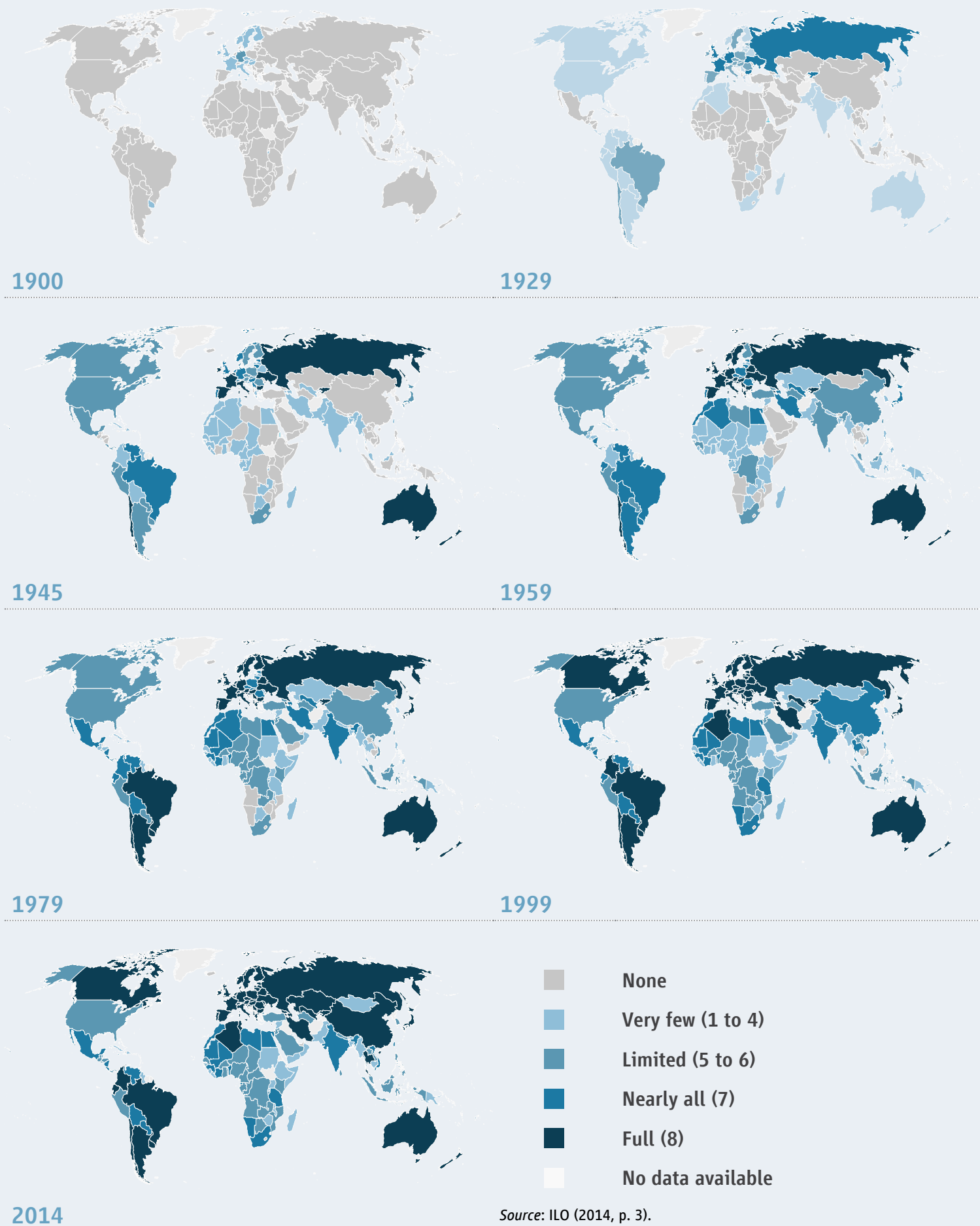


Source: ILO (2014, p. 5).

Originating in Europe in the late nineteenth century, social security has gradually spread to every continent. In 2016, most countries have implemented legislative programmes establishing coverage of certain risks and in some cases all risks. While such systems may be in place, they may only cover a small fraction of the population. Social security is being extended, but it is neither generalized nor universalized (Figure 1.1).

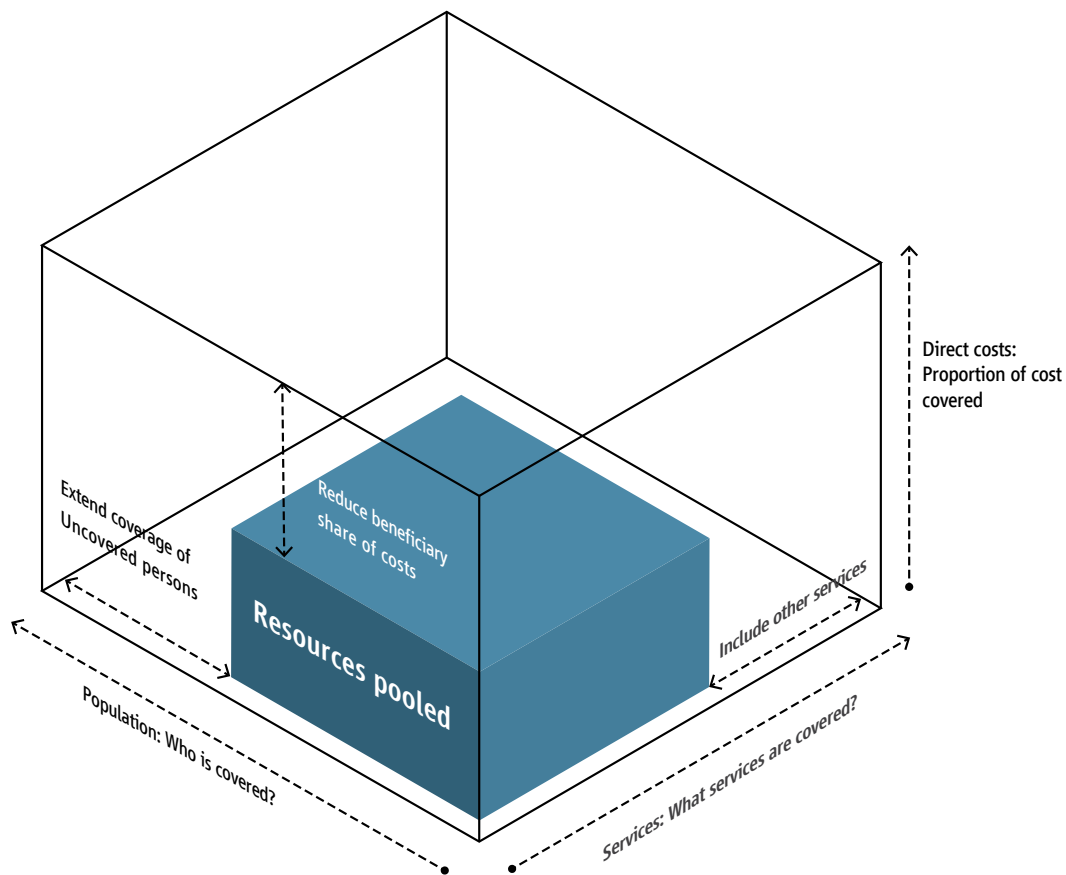
Despite the impressive extension of social security over the last century (that is, of its different branches), only a minority of the world population is completely covered. In 2012, according to the ILO, 27 per cent of the world population had access to comprehensive social security systems (with eight branches), whereas 73 per cent enjoyed only partial coverage, or none at all. According to the ILO, more than five billion people do not have coverage that can be termed “adequate” or “complete” (Figure 1.2).

Figure 1.2. *The extension of social security, 1900-2014*



The mere existence of a national system does not guarantee coverage of the population. Where coverage does exist, then as the World Health Organization (WHO) states with regard to health coverage, we must identify its width (the proportion of the population covered); its height (the proportion of costs covered); and its depth (the proportion of services covered) (Figure 1.3). The ILO talks in terms of the extent of social protection (number of risks covered), its scope (the share of population covered), and its level (in terms of satisfaction of needs).

Figure 1.3. Three dimensions of extension (health care coverage)



Source: WHO (2013).

Social security has hence developed and over the past three decades has seen its strongest historical growth, despite the setbacks associated with the economic crisis that began in 2007–08.

## 1.2. Improving public health and adapting to new challenges

While the world is still full of contrasts, the overall picture is that of relatively fast progress in social security in recent decades. The main impact is the general progress of sanitary conditions and services, summarized by the main demographic variables affecting human existence globally (Table 1.2). Over the seven decades since end of the Second World War, life expectancy has risen by 25 years, and child mortality has fallen to one quarter of its previous level.

**Table 1.2.** *Selected socio-demographic indicators worldwide*

|                                       | 1950     | 2015     |
|---------------------------------------|----------|----------|
| Life expectancy at birth (both sexes) | 47 years | 71 years |
| Life expectancy at birth (men)        | 48 years | 73 years |
| Life expectancy at birth (women)      | 45 years | 68 years |
| Child mortality                       | 14.2%    | 3.3%     |

Source: ESA (2016).

The constant increase in life expectancy between 1950 and 2015 can be explained by the fall in infant mortality (from 142 per thousand live births in 1950 to 33 in 2015), child mortality, and adults living longer.

These figures are crucial to any approach seeking to identify the achievements of social security. For this reason, these recent advances are among mankind’s greatest achievements.

The figures are nevertheless averages, hiding sometimes deep differences and inequalities, but the overall picture is clear (Box 1.2). The introduction and expansion of social security systems leads to safer and healthier lives. For all countries, the levels of infant and child mortality are now lower than in 1950. In India and China – which still in 2005 accounted for more than one third of the world population and nearly one half of the poorest people on the planet – children at birth can now expect to live to age 64 and age 73, respectively.

**Box 1.2.** *Health: A world of disparities*

The global health landscape is characterized by considerable disparities. Some particularly notable examples are the following.

- A gap of 38 years between countries where life expectancy is the longest (83 years in Japan) and the shortest (45 years in Sierra Leone).
- 14 countries have a life expectancy at birth of less than 55 years, while 25 have a life expectancy greater than 80 years.
- Life expectancy has increased in all rich industrialized countries over the last 20 years, but has fallen in five African countries (South Africa, Botswana, Lesotho, Swaziland and Zimbabwe), mainly because of HIV.
- The infant mortality rate is over 60 per 1,000 live births in 19 countries, and less than 4 in 32 countries.
- 99 per cent of all child deaths occur in low- and middle-income countries.
- Worldwide, women can expect to live 4 years longer than men. But this difference is less than 2 years in 24 countries, probably because the preference given to male children translates into poor treatment of girls.
- 28 countries (mostly in sub-Saharan Africa, accounting for about 13 per cent of world population) spend less than USD 50 per capita on health, while 16 countries (10 per cent of world population) spend over USD 4,000 per inhabitant.

Humanity has accomplished great things in the prevention and management of infectious diseases. This progress is attributable largely to improved access to clean water and sanitation, to the widespread use of safe and effective vaccines, revolutions in diagnosis and medical treatment, and improved nutrition, education and income. Health systems – the people, rules and formal institutions, informal practices and other resources that make it possible to meet the health needs of the population – have played a substantial role. This is particularly so where they focus on disease prevention, aim for universal coverage

and ensure quality surveillance to detect existing and potential threats to public health, by promoting healthy behaviour and higher health standards, as well as training health professionals and doing what it takes to motivate them and facilitate their work.

Health is undeniably a fundamental aspect of well-being, and the protection and promotion of health play a role in the increased prosperity of individuals and societies. Improving health services embodies the legitimacy and effectiveness of Dynamic Social Security. Health spending is certainly a heavy burden on consumption; but it is also an investment in productivity, in income growth, and in reducing poverty. Such health expenditure is one of the main components of what constitutes social investment.

In the future, Dynamic Social Security will, through its health system component, have to maintain its investments and adaptations. For the scenario of health, problems evolve. It involves diseases that may, as a result of medical progress, disappear; but it also involves many formerly fatal diseases that become chronic. Finally, it will involve profound changes in the health situation. One such change concerns the general effects of social security. Social security improves health and income. But it is facing profound changes that call for adjustments. One example are the problems related to obesity. In the past, poor people were underweight and the rich were overweight. Today it is the opposite, primarily in rich countries, but increasingly so in poorer countries. In 2012, about 44 million of children younger than age 5 worldwide (7 per cent) were overweight or obese. This number and percentage increased from a value of 31 million (5 per cent) in 1990. In the WHO African region, the number of overweight children increased from 4 to 10 million over the same period. This radical inversion of the problem of weight (which has not yet reached the poorest in the poor countries) is not only the result of changes in diet, but also and especially of increased household consumption capacity. All this is the outcome of improvements in health and incomes made possible by social security.

Its dynamic and adaptive nature makes social security able to adjust to change, with both the positive and negative effects that it engenders. The general conclusion, in health terms, can be expressed as: huge progress has been made; immense progress is still needed.

### 1.3. Cushioning the crisis and social investment in the future

During the current period of extension of social security, one of its main socio-economic impacts has been widely reported. This is its role as an economic shock absorber. Social security plays this fundamental role for individuals. It also plays this role for the community.

In the first phase of the crisis (2007–2009), at least 48 high- and middle-income countries had implemented recovery packages totalling USD 2,400 billion, of which about a quarter was spent on social protection measures. This acted as a stabilizer helping economies to regain equilibrium and protect the unemployed and the most vulnerable. But in the second phase of the crisis, from 2010 onwards, many governments changed course and have since been engaged in fiscal consolidation, which may have a negative impact on support for vulnerable populations.

Contrary to popular belief, the fiscal consolidation measures are not confined to Europe and other rich countries. No fewer than 122 governments reduced public expenditure between 2000 and 2014, including 82 developing countries. These measures included reforms of pension schemes, and of health and social protection systems, which often involved reductions in the coverage or funding of such systems, downsizing among social workers and health personnel, or capping their salaries.

If the global trend is undoubtedly towards the extension of social protection, especially in middle-income countries, the effectiveness of social security systems could be compromised in some countries by fiscal consolidation and the adjustment measures introduced.

This involves the concrete question of finance and public policy. This mostly involves a question of principle and doctrine relating to social security. In the current stage, social security is no longer treated as a cost factor that can be trimmed annually, but as a long-term investment whose performance must be evaluated (Box 1.3).

This reflects the full logic of the social investment principle, already studied by the ISSA. Social security programmes and policies can reduce the consequences of social risks. In particular, they make it possible to prevent them. This in turn gives rise to all the technical and political difficulties involved in measuring the impact of social security, since social security always makes it possible, on the one hand, to repair and cushion, and, on the other hand, to prevent and invest.

### Box 1.3. Conditional cash transfers: Brazil's Bolsa Família

Brazil's *Bolsa Família* programme combines the objectives of poverty alleviation, health promotion and empowerment through education. Established in 2003, the programme consists of monthly cash transfers to poor households with children or pregnant women conditional on greater use of health and education services.

As of June 2016, the programme has reached over 50 million Brazilians whose current incomes are below the poverty line, making it the largest conditional cash transfer programme in the world. The Brazilian government attributes the improvement in household incomes to several decisions including the adjustment of the minimum wage, efforts to expand the formal sector, and finally the implementation of the *Bolsa Família* programme.

Among the notable achievements of the *Bolsa Família* programme are the near elimination of extreme poverty (a reduction of 89 per cent), a 28 per cent reduction in the poverty rate, and a decrease in the total number of Brazilians living with less than BRL 70 (USD 21.73) per month to 3.6 per cent from 8.8 per cent. School performance and health conditions of beneficiaries have improved, small businesses in poor areas have emerged due to localized increases in household consumption, rural development and the reduction of regional inequalities.

Sources: IBSA (2012); Soares (2012a, 2012b); Sousa and Santos (2009).

Social spending, in times of crisis, is seen as an essential instrument of social mitigation: it limits the consequences of the crisis. In view of the considerable stress placed worldwide on social finance, there is the risk of a degree of social disinvestment (which is either strongly desired or viewed with great apprehension) as a result of spending cuts. The prospect of social investment, stemming from academic, administrative and political debate, provides an opportunity to review the stakes.

To put it more simply, the logic of social investment is based on an extremely common maxim: prevention is better than cure (Box 1.4.). Two further maxims could also be attached to social investment systems: "Women and children first", and "The sooner the better".

The idea of social investment, as understood since the first decade of the 2000s, stems from a dual perspective.

- In wealthy countries, it arises from awareness of the crisis, and from the relative inadequacy of the various formulas used by an already complex welfare state, which are increasingly questioned.
- In developing countries, it arises from awareness not only of inadequacy but of the new opportunities for growth, and to guide and develop a nascent welfare state.



In either case, the choice involves emphasizing the primary aim of social protection: it must seek not only to compensate for problems, but more specifically it must give everyone the opportunity to create a basis for their autonomy.

Economically distinct from both Keynesianism (as regards “priming the pump” or providing a stimulus) and liberalism (to support growth), the aim is primarily to support capacity rather than income. The systems in place or under construction should not only compensate for the lack of income experienced by individuals, but invest in order to enable them to progress in their personal lives and professional careers.

The concept of social investment today has its proponents and its admirers. It also has its detractors, some of whom see it as neoliberalism (evaluating everything under the sun), while others see it as neo-socialism (legitimizing expenditure and debt).

#### Box 1.4. *Prevention pays*

To calculate the economic benefits of prevention, the ISSA led a study on the performance of the prevention of occupational accidents and diseases in 2013. Based on a survey that involved interviews with 337 companies from 19 participating countries, the study found that a company that invests in preventive measures in its places of work can generate a return that is 2.2 times greater than the initial investment.

The results of a similar international study to that of the ISSA, which will calculate the return generated by professional reintegration measures after an accident at work, are expected in 2017. A pilot study conducted in Germany in 2016 calculated the following yields: for employers, 1: 2.02; for the social security system, 1: 2.35; and for society, 1: 1.56.

*Sources:* Bräunig and Kohstall (2013); Echarti (2015).

On a financial level, social policies are confronted not only by the economic crisis of 2007–08, but, and especially structurally, by the volume and rate of growth in expenditure. While margins are reduced as a result of the level of expenditure and sometimes the indebtedness of social services, demographic ageing and progress in medical technology will significantly increase the overall cost of covering the risks of old age, disease and dependency. More generally, poorly covered needs (early childhood, disability) and fresh demand (reconciliation of family and working life, guaranteeing career paths, demand for qualifications and re-qualification) are the subject of fresh attention and new promises.

The subject is quite different in the narratives of developed and developing countries. They nevertheless have many points in common.

- In developed countries the idea of social investment, which is not necessarily all that new in Europe, is seen as a global and coherent response to the challenges of post-industrial society, whether economic, demographic, or social. A central idea that has fuelled public debate since the early 2000s comes from the observation that the inertia of social protection systems intended to ensure replacement income for wage earners, leads to suboptimal allocation of collective resources. It contributes to the persistence of inequality between men and women over the course of their lives in relation to income and the ability to access education. This redistribution is detrimental to overall productivity and hence to future growth. With this in mind, the proponents of social

investment propose a reorientation of the social protection strategy towards new risks (linked to the accelerating obsolescence of skills, aspirations to reconcile family and working life, and increasing demand for services).

- In developing countries, the subject of social investment involves analyses and proposals concerning a “social protection floor” – an official initiative by UN agencies and the subject of the ILO Recommendation concerning national floors of social protection, No. 202 (2012). In a context of chaotic crisis, the aim is to make social security a competitive asset. A social protection floor must be designed as an instrument adapted and extended progressively to specific, national requirements and systems, promoting prosperity and not a financial burden. Rather than introduce it at a minimum level (a minimum floor) or on an overambitious level (with an unrealistic range of services), one should initially identify where there are huge differences (between the levels of social protection in rich countries and poor countries) and similarities (e.g. between family allowances and conditional cash transfer mechanisms).

In either case, the principle of a floor is based on the idea that investments in social security (initially in preventive health care and health insurance) bring rewards. Such expenditure saves lives, but more importantly, and more generally, it improves human capital. Social investment is not only a review of priorities for the rich countries, but also a desire to develop social protection everywhere that provides basic guarantees in terms of access to care, access to basic training, and basic income security. Social protection as an investment and as a floor is not a brake on the economy. It is coming to be recognized as a stabilizer and as a vehicle to accelerate development (Box 1.5).

### Box 1.5. *Growth and economic efficiency of “safety nets”*

The World Bank deals with so-called “safety nets” in developing countries. These basic social security instruments consist in cash and in-kind benefits targeted at poor and vulnerable households, in order to protect families from the consequences of economic shocks, natural disasters and other crises; ensuring that children grow up healthy, well-nourished and attend school regularly; make girls and women more independent; and create jobs. These “safety nets” are just one dimension of social security. They are undergoing major expansion. In 2015 the World Bank listed more than 1.9 billion people in 136 low- and middle-income countries now benefiting from social safety net programmes. In Africa alone the number of countries that have adopted social programmes has doubled since 2000, as demonstrated by rigorous evaluations attesting to the effectiveness of such initiatives. Conditional cash transfer programmes, which are one of the main vectors of these “safety nets” (with school feeding programmes and exemption from school fees), are now present in 64 countries – considerable progress in view of the fact that such programmes only existed in two countries in 1997. They have also had a significant impact on the local economy in the targeted communities. Recent evidence shows that for every dollar transferred, the effective nominal multiplier effect of income is from 1.34 to 2.52 dollars. In this case basic expenditure on social security does not come at the expense of growth. On the contrary, it promotes it.

The general approach combining the theoretical and concrete elements of social investment emphasizes that social policies can no longer be limited to mere compensation schemes, but must uphold a collective investment strategy that is favourable to both the resources of individuals and households, and the economy as a whole. The need is to move from a “nanny” welfare state to an “investor” welfare state.

This twofold approach sees social security systems as having a double impact on the contemporary world: it makes it possible to significantly reduce poverty; and it ensures the development of the middle classes.

## 1.4. From the decline of extreme poverty to its possible extinction

Poverty, internationally, is measured against an indicator that is now classic: the so called “\$1 a day” threshold. Since the initial report by the World Bank (1990), experts of the Bank and the International Monetary Fund (IMF) now calculate poverty rates for all countries worldwide. Specifically, they are interested in developing countries and extreme poverty. According to the threshold set by the international institutions, there are in fact very few if any poor people in France or the United States. This index measuring poverty, which after being re-evaluated in 2005 for \$1.25 purchasing power parity is now set at \$1.9, and aims to define deprivation in absolute terms, indicating very low purchasing potential.

The trend observed over several years is a decline in world poverty and an even more positive outlook, to the extent that even the extinction of poverty by 2030 is often referred to as a possibility. Beyond methodological disputes, it is necessary simply to bear in mind that moving from less than \$1.9 per day consumption capacity to \$1.91 may mean crossing the threshold, but this still leaves the individual in an extremely fragile situation. Nevertheless, the trend is particularly evident: the world is becoming less poor (Box 1.6).

### Box 1.6. *While poverty declines, the very wealthy get wealthier*

While extreme poverty has never fallen so much, the better off – understood as the top 1 per cent of the wealthy – are even wealthier. While income and wealth inequality had fallen sharply in the rich countries, even in the 1970s, since then such inequalities have again risen. This is particularly the case in the United States, the United Kingdom and Australia. By 1900, in the United States the top 1 per cent accounted for 18 per cent of total income, but this had fallen to 8 per cent in 1970, yet the level of 18 per cent was re-attained in 2010. National analyses of the 1 per cent in the rich countries illustrate this trend: across the world the population of the 1 per cent in rich countries make up what has been dubbed a “superclass” which has certainly benefited from the dynamics of globalization. In developing countries, the question of the top 1 per cent is sometimes presented in the wider context of corruption. Between these two extreme populations, the favoured few who escape poverty, and the highly privileged, come the anxious middle classes (in rich countries) and those desiring change (in poor countries).

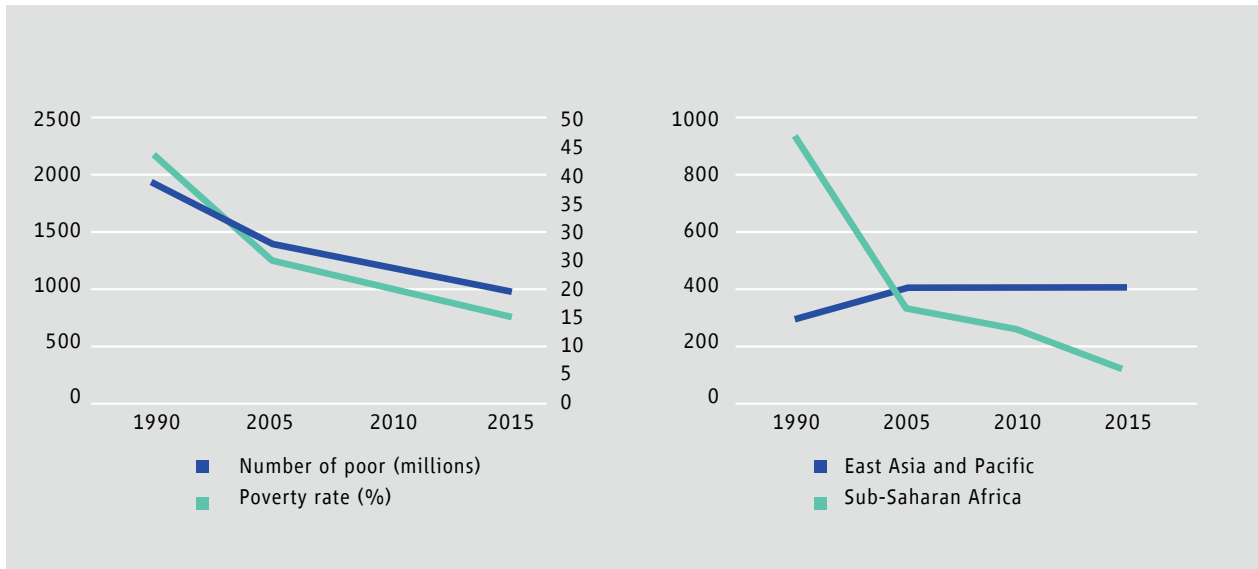
To get an idea of the decline in world poverty, Figures 1.4 and 1.5 help illustrate the strong and contrasting trends in progress. The first figure shows the evolution observed in the number and proportion of the world’s poor from 1990 to 2015. The 2015 figures are extrapolations on data that is becoming more reliable but remains open to discussion. Even with this proviso, the trend is clear. Over a quarter of a century, while the total population has been increasing rapidly, the number of poor in the world has been halved (Figure 1.4).

This powerful downward trend in poverty is particularly fuelled by the sharp decline in poverty in certain demographic giants that have now become economic giants. This applies in particular to China and Brazil, who are in very different economic and political situations in 2016, but are still seeking to develop social protection alongside their economic development.

This positive trend in poverty reduction does not concern all countries. The second figure clearly shows the drop in poverty in East Asia (the number of extreme poor has fallen by a factor of 5) but also its persistence and even increase in sub-Saharan Africa (Figure 1.5). Investment and adjustment is still needed in social security (Box 1.7).

Figure 1.4. Global evolution of poverty

Figure 1.5. Evolution of the number of poor people in Africa and Asia



Note: Poverty Threshold: 1.25 \$ PPA 2005.  
Sources: World Bank and IMF online data bases.

From these observations, and despite evaluations of the negative consequences of the financial collapse of the end of the first decade of the second millennium, the projections and forecasts still point to a continuing decline in poverty.

The central projection (which is the figure most commonly used) presented in Table 1.3 may seem very optimistic, particularly in view of the reversal of the trend that affected many emerging countries in 2013 and 2014. Still, this is not the complete eradication of poverty defined at \$1.25 that was promised, since even in the most optimistic scenario, there still remain some 400 million poor people in the world. In this projection and forecasting exercise, the boundaries of different scenarios are fairly wide, since if in an even more optimistic scenario there might be only 100 million poor left in 2030, a more pessimistic scenario might set that figure at around one billion, as at present. But even then, proportionally, poverty would have been reduced.

Table 1.3. Number of poor people worldwide (millions)

|      | Low scenario | Official or middle estimate | High scenario |
|------|--------------|-----------------------------|---------------|
| 1991 | -            | 1,900                       | -             |
| 2013 | 824          | 964                         | 1,112         |
| 2030 | 98           | 385                         | 1,089         |

Source: Chandy, Ledlie and Penciakova (2013).

**Box 1.7. Poverty in focus**

The impact of social security programmes varies across the different regions of the world. In sub-Saharan Africa, the low levels of coverage estimated at 5 to 10 per cent of the working population stand in the way of measuring their effect on poverty reduction.

Nonetheless, evidence from Ethiopia, Ghana, Kenya, Lesotho, Malawi, South Africa and Zambia and a number of other sub-Saharan African countries show that social security programmes, when designed and implemented effectively, are pivotal in counteracting poverty rates in the region.

Cash transfer programmes are emerging as an indispensable component of national poverty reduction strategies. In sub-Saharan Africa, cash transfer programmes show significant positive impacts particularly in terms of improved nutritional intake, access to health and education as well as reductions in poverty and inequality.

In Zambia, for example, the implementation of the Child Grant Programme led to a 5 percentage point reduction in poverty over a three-year period (2010–2013). Kenya's Cash Transfer for Orphans and Vulnerable Children led to a 13 percentage point reduction in poverty (incomes of less than \$1 per day) over a two-year period (2007–2009). In South Africa, the implementation of social security programmes is credited with a 45 per cent reduction in the poverty gap.

*Sources:* AIR (2014); Benjamin (2013); FAO (2013); IPC (2008).

## 1.5. Rise of the middle classes and increased demand for social security

It may be noted in passing that in many higher-income countries the middle classes are suffering relative decline and anxiety, while in emerging economies the middle classes are only just appearing and are about to undergo expansion. In a certain sense, a trend towards “averaging out” could be said to characterize developing countries, as it was characteristic of France – allowances made for the different scale – in the 30 years of the post-Second World War boom. At the same time a trend away from the average can be said to describe the higher-income industrial economies.

Since the nineteenth century, many analyses have attempted to define the contours of the middle class. Celebrated, criticized, courted or despised according to the times and the authors concerned, they are, especially now, the subject of careful observation. In the rich countries they are at the epicentre of social issues and electoral concerns. These social strata, whose definition varies widely in different studies, are at the crossroads of many trends and issues. Globally, their emergence in developing countries has the potential to cause a revolution affecting the economic and democratic equilibrium, both in individual countries and on a global scale.

***Emergence of the middle classes with social security.*** Before attempting to describe the growth of those middle classes, it is useful to highlight one of the first links between social security and the middle class. Social security expenditure to some extent enables the emergence of the middle classes. These are in fact people who have been poor but who have benefited from both economic growth and social security programmes.

More broadly, there is a correlation, at least in the OECD area, between social protection expenditure and the size of the middle classes.

The proportion of the middle classes in the population – defined as households enjoying between 70 per cent and 150 per cent of the median standard of living – is partly linked to the level of wealth of each country. The compulsory rate of levies is correlated with the size of national middle classes. The correlation between the size of the middle class and the amount of social spending is also important. The dynamics are obvious: first,

varying in size according to country, but still substantial, low-income populations enter the middle classes through social security benefits. The higher the taxes and redistribution, the more widespread the middle classes. Here a remark in passing is appropriate, but it does not necessarily mean causality: the small size of the middle classes in Bulgaria, Ireland, Latvia, and Spain runs exactly in parallel with low compulsory levies. In Denmark, Sweden, France and the Netherlands, where tax rates are high, the middle classes are sizeable.

To counter some radical attacks – which however have their validity – international comparisons show that the welfare state, rather than disadvantaging or forgetting the middle classes, is one of the drivers of their existence. It should however not be imagined that, by simultaneously increasing the tax burden and social spending, the middle classes would automatically increase in size or that their relative position would improve.

**Expansion of the middle classes.** Outside the OECD area, available studies showing income brackets and boundaries or consumption levels that make it possible to estimate the size of the emerging middle classes use different statistical intervals. The approach used may be more or less strict, more or less close to poverty and affluence thresholds. Some examples: the African Development Bank and the Asian Development Bank have published studies on the middle classes receiving between 2 dollars and 20 dollars a day; the World Bank has used a range of 2 dollars to 13 dollars (the lower limit corresponds to the median poverty threshold of 70 countries; the upper limit to that of the United States); McKinsey (Dobbs et al., 2012) used a definition of having more than 10 dollars a day in disposable income.

Whatever the methods, ceilings and floors, the sources or data collection methods used, the findings go in the same direction. Experts and reporters relate and reiterate an ongoing confirmation of the growth of the middle classes in emerging countries.

We will focus on one of these international comparative studies which has been used worldwide. It has its admirers and detractors, its virtues and its defects. The analysis, released by the OECD, should also be approached with caution, but it makes it possible to obtain an overview.

The economist Homi Kharas (2010) produced an OECD report which attracted considerable attention around the world. According to the author, the middle class can be defined as having an income range of between 10 to 100 dollars per capita daily purchasing power. The advantage of using an interval of 10 to 100 dollars is to exclude from the global middle classes both the poor in the poorest countries and the rich in the richer countries (Figure 1.6). This OECD working paper, which is one of the few studies of social stratification worldwide, covers 145 countries, representing 98 per cent of the world population and 99 per cent of global GDP. It lists, for 2009, a little over 1.8 billion people in the “global middle class”. Half of the people included in this class (approximately 1 billion people) live in emerging economies with strong growth. The United States alone includes 230 million, Europe (in the broader sense) 664 million, and Asia half a billion. Sub-Saharan Africa as a whole has only some 30 million, as much as Canada alone. China, with 157 million people, accounts for the second largest population after the United States in the range defining the global middle class. While this global middle class is very largely situated in the United States, it is still very low in China (12 per cent of the total population), and some commentators believe that the figure is very exaggerated. This also applies to India, where local experts and newspaper correspondents refer to a middle class that is actually only a small elite (Table 1.4).

With these new caveats in mind, we can return to the work of Kharas, who states that this global middle class could grow to 3.2 billion by 2020 and 4.9 billion in 2030. Some 85 per cent of this growth would come from Asia. The size of the North American middle class is expected to remain constant, this being linked to two phenomena which cancel each other out. The poor enter the middle class, while members

of the middle class grow rich and leave it statistically. Europe will see its middle class rise until the early 2020s, but it will then fall due to the decline in population in a number of large countries such as Germany and Russia.

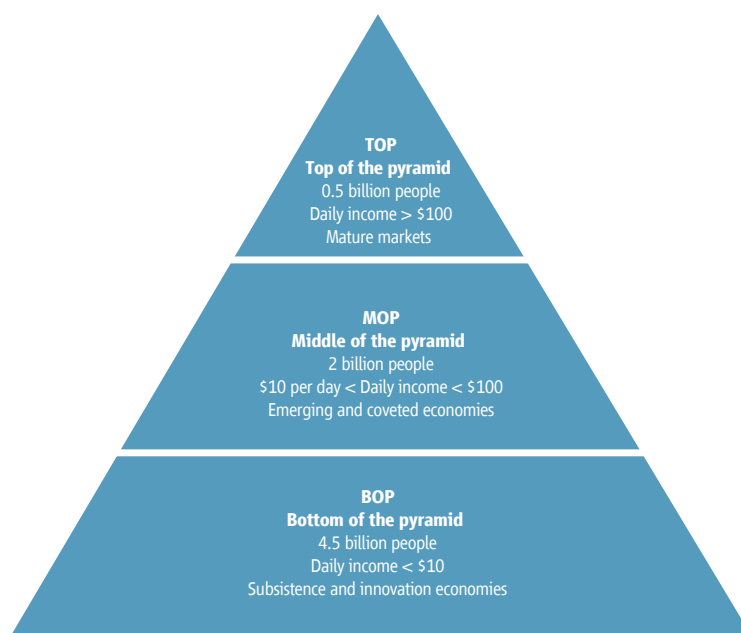
**Table 1.4.** *Middle classes worldwide: Estimates and projections (millions of individuals, and in %)*

|                              | 2009  |      | 2020  |      | 2030  |      |
|------------------------------|-------|------|-------|------|-------|------|
| North America                | 338   | 18%  | 333   | 10%  | 322   | 7%   |
| Europe                       | 664   | 36%  | 703   | 22%  | 680   | 14%  |
| South America                | 181   | 10%  | 251   | 8%   | 313   | 6%   |
| Asia                         | 525   | 28%  | 1,740 | 54%  | 3,228 | 66%  |
| Sub-Saharan Africa           | 32    | 2%   | 57    | 2%   | 107   | 2%   |
| Middle East and North Africa | 105   | 6%   | 165   | 5%   | 234   | 5%   |
| World                        | 1,845 | 100% | 3,249 | 100% | 4,884 | 100% |

Source: Kharas (2010).

Based on these OECD estimates and according to UN population projections, we can estimate that the overall middle class represented 27 per cent of the world population in 2009. It could represent 42 per cent in 2020 and 59 per cent in 2030, when the world may have 8.3 billion inhabitants. The shift is staggering. At the same time, while Europe and North America together in 2009 accounted for more than half of the global middle class, these countries would include only about 20 per cent of the global middle class in 2030. Again the transformation is remarkable. It should be recalled, however, that these assessments, and even more so the projections, are based on data, hypotheses and changes that call for caution in interpreting the figures. Regarding the data itself, there is no need to point out that they are not entirely confirmed.

**Figure 1.6.** *The three-tier world economic pyramid (2010)*



Source: Author.

**Increased demand for social security.** Emerging classes have other needs and demands than the poor. They want more access to consumption. They want to secure their position. They were able to benefit from social security assistance programmes to escape poverty. To continue to progress they expect much in terms of social security, both for themselves and their children.

All over the world, hand in hand with the development of social security, great social movements are associated with the affirmation of these new central social categories. This is true of the demonstrations in India on the status of women, mobilizations against youth unemployment in South Africa, demand for social protection in China, and the “Arab Spring” (although in the latter the issue is very complicated). The tensions shaking the developing world are both the result and the cause of rising living standards and changing lifestyles. With their national differences, in extremely varied political and institutional contexts, the new middle and consumer classes aspire to the standards of living and lifestyles of the “West”, at least in terms of consumption and levels of protection. Some of them are achieving this gradually.

The influx every year since the early 2000s of several million new consumers drives growth, credit, construction, in short, all business sectors. New middle class consumers push for the opening of shopping centres, the implementation of new services, and innovation to satisfy growing needs with a level of demand that can be paid for. In Asia alone, the middle classes are said to total more than 500 million people, equivalent to the total population of the European Union. This means that the material basis for innovation in social security is available, and that it is necessary to continue to expand forms of coverage that uphold the middle classes, who otherwise risk falling back into poverty, and to support their continued upward mobility.

With the sudden emergence of such middle classes comes, first, a shift in the centre of gravity of the world economy and, second, numerous hotbeds of tension in countries that have become highly strategic and which face growing demand for rights and services. To frustrate such demand is to risk political and social instability; and to fail to meet those demands, particularly in social security, is to run the risk of degrading this growing human capital and the growth potential that it represents.

A key issue is to ensure that the middle classes enjoy adequate social protection, first by stabilizing social situations and social security coverage for workers who, even though included in the middle classes by virtue of their income, in many cases remain in the informal sector, with unstable jobs and contracts (where they exist). Providing access to the wage-earning sector that is associated with social guarantees, or access to a valued entrepreneur sector, is the first challenge for major cities, countries, and the international community.

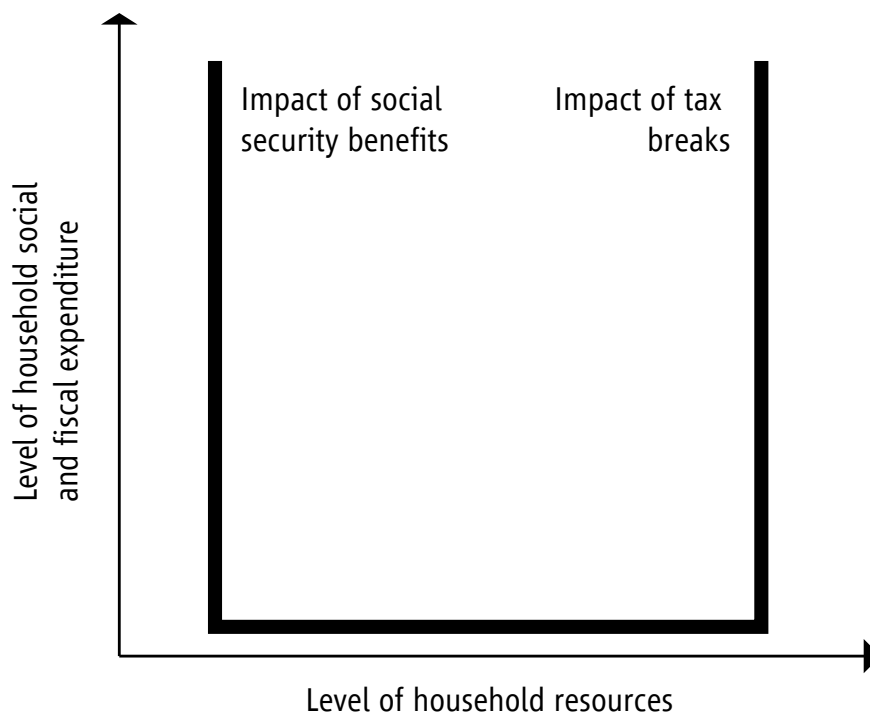
In developed countries, the issue is to allow the existing middle classes, who are apprehensive about and critical of social security, to support the system once again. For decades the middle classes have been those leading public opinion with discussions on the justice and performance of the tax benefit system. In terms of levies, those middle classes are represented as being held back or overburdened by taxes. In terms of social benefits, the contemporary middle class are allegedly excluded from the mechanisms to which they nevertheless contribute (through social security contributions and taxation).

The socially-oriented fiscal mechanisms that govern the expenditure and financing of social security do not always favour the middle classes (defined as categories located between the richest and the less well-off). Social aid (assistance) goes first to the less privileged, while tax expenditure (tax cuts) benefits the better off. This phenomenon can be represented by a U-curve (Figure 1.7). On the one hand, the less affluent see their incomes rising thanks to family benefits, housing allowances, and social security



benefits. On the other hand, the better off are said to derive greater benefits from taxation through tax cuts. The middle classes would hence be at the base of the “U”. The stylized curve of redistribution (benefits and taxation) has in fact the shape of a “U”. The less fortunate receive benefits; the more privileged obtain tax relief. In the middle, the middle classes do not benefit so clearly from even the more modest benefits, nor do they benefit from tax breaks as much as the better-off.

**Figure 1.7.** *The U-curve of socio-fiscal expenditure*



*Source:* Author.

In developed countries, the middle classes have historically been consolidated by the development of social security programmes. Today the middle classes are almost everywhere concerned about changes in the priorities of social security, and also because it is difficult to comprehend. While the major socio-economic impact of social security has been the emergence of the middle classes, it is dangerous that they do not see social security as a factor responsible for their good standard of living. This is a matter of fine-tuning programmes, but it is in any case a particularly important issue.

The good news from a global point of view, which is increasingly recognized – not always on the basis of reliable information – is seen in a simple equation: the more assertive the middle classes, the more freedom and property are consolidated, the more social security is regarded as a tool for development. But this development must be accompanied by rights, civil and social, and by quality services. The inverse of this equation is easy to appreciate: the more the middle classes are eroded, the more the political and economic challenges mount.

There is hence here a highly strategic role to be played for world stability, with social security reassuring the middle classes in the rich countries, and supporting the emerging middle classes in poor countries.

## 2. Growth and social security: Mechanisms

Whereas the socio-economic impact of the extension of social security has had few critics in the past, this is no longer true, especially with regard to the strictly economic impact of social security.

The ambition of experts is to measure the compatibility of social security programmes with growth. In what ways do they influence growth? Among the programmes that form the substance of social security's various branches, which are more and which are less favourable to growth? Is it possible to characterize each branch in isolation in terms of the nature and extent and its impact, in terms of growth or well-being?

While it is difficult, if not impossible without lapsing into theoretical considerations or ideological affirmations, to fully reflect the general relationship between growth and social security, it is realistic to study the nature and orientation of such links on the basis of the mechanisms involved.

Because it is difficult to assess the direct impact of existing social security programmes and systems on the economic growth of a society, it is necessary to focus on the results that in turn lead to growth. Specifically, attention should be given to the mechanisms linking social security with four areas:

- labour markets;
- consumption and savings;
- demography;
- human capital.

In each of these four areas we will examine the various impacts of social security programmes, both in developed and developing economies. Caution is again necessary. Such impacts, identified in a great many studies that do not all go in the same direction, can vary. Naturally, they vary very significantly, depending not only on the specific context but on the specific characteristics of the programme in question. Not all the social benefits of the various branches are composed, organized or financed in the same way. Studies endeavour to evaluate highly specific impacts in highly specific contexts. The consolidation of such studies, however, does not lead to clear conclusions. But they provide insightful reasoning. Conclusions with a more general scope can be drawn by combining their results.

This report does not claim to answer questions, but rather to highlight the elements of the debate.

### 2.1. Social security and growth: Links discussed and disputed

The impact of social security on growth is the subject of a vast literature with mixed findings in the academic sphere, which are disputed in the political sphere.

***A growing field of research.*** While much of the academic literature on social security has focused on the role that social security programmes play in providing income protection for vulnerable members of society and reducing inequalities within societies, fewer studies address the impact of such programmes on growth, or if they do, then it is purely to criticize the cost and the burden that they represent on public finance, without considering the impact or outcomes for society.

The relationship between social security and economic growth has hence historically been the subject of opposing theoretical positions. It is sure to remain a subject of controversy, primarily in the political sphere.

Empirically it is difficult, without launching into partisan opinions, to identify the general impact of social security, taken as a whole, on economic growth, also taken as a whole. Esteemed theoretical and political positions, primarily the various liberal and socialist traditions, are at loggerheads in the matter.

By contrast, thematically less ambitious research which is more specialized in scope and uses more reliable methods and results, is not concerned with global consequences but with the intermediate results (e.g. for labour markets, consumption and savings, etc.) whereby social security programmes can affect economic growth.

Such economic studies involve highly sophisticated methods (randomized evaluations, natural experiments, microsimulations, etc.) by processing the administrative data available to researchers or the survey data that they produce. Throughout the developed world, as in the developing world, such literature is growing in volume, improving the understanding of the mechanisms related to social security programmes in their great diversity.

#### Box 2.1. *Social security programmes as automatic stabilizers*

The recent global financial and economic crisis has forcefully underlined the importance of social security as key to crisis recovery by sustaining consumption.

As the crisis took hold in 2008, the vast majority of governments in countries immediately scaled up public social expenditure in order to sustain growth and protect their populations from the adverse effects of the food, fuel and financial shocks. A total of 145 countries ramped up public expenditure during this first phase of the crisis. At least 48 countries announced fiscal stimulus packages totalling USD 2,400 billion, of which approximately a quarter was invested in social protection measures. Social protection played a key role in attenuating the immediate negative effects of the crisis on households in this first phase. In the absence of such social protection measures, the effect of the crisis on unemployment, households' disposable income and poverty rates in 2009–2010 would have been much higher.

One of the key lessons from these initial crisis responses is that social security systems function as an automatic stabilizer most effectively when the relevant schemes and programmes are implemented before crisis conditions take hold.

*Source:* ILO (2014).

***Inhibition or stimulation of growth?*** Some economists argue that social security programmes inhibit economic growth by generating unproductive public expenditure, weakening the vitality of labour markets, and eroding personal savings. Others argue exactly the opposite: social security programmes stimulate economic development in developed and developing economies alike.

Such research also argues that social security spending, particularly when targeted at inequality, promotes economic growth by increasing demand and consumption by low-income people. Such increased demand is said to lead to job creation and enhanced growth (Box 2.1).

In a similar vein, social security spending can to some extent improve productivity by protecting workers who are economically and socially downgraded by technological change. In such cases social security is not seen as a tool for growth, but as an instrument limiting its negative consequences.

In developing economies, programmes such as public retirement pensions and cash transfers encourage both the development of human capital and productive investment favouring the economically vulnerable. Such programmes enable such people to participate in emerging markets, to bring some structure to the informal sector, and to catalyse economic growth. Given that it helps to formalize situations and activities, particularly in the vocational sphere, social security has a function of triggering growth, if only in official statistics.

## 2.2. Social security and labour: Complex and reciprocal links

The first area to be discussed is labour. It is from work that growth and the possibility of financing social security arises. This obvious observation is all the truer in essentially Bismarckian schemes (where work produces the contribution which itself produces social security), but it is also perfectly justified in essentially Beveridge-type schemes (where work produces the taxes that produce social security).

The topic is related to methods of financing social security (how to balance taxes and contributions?), and especially to the nature and orientation of programmes in the various branches of social security.

Social security, in covering risks, poses the highly classic problem of “moral hazard”. In other words, people who otherwise would work can opt out of the labour market in the presence of a social security programme which pays them. The subject of “moral hazard” can be discussed from a philosophical point of view. This is a reality for the economy and for insurance. The big question is not so much whether it exists, but to measure its extent. Some exaggerate the degree of moral hazard, while others deny its importance. Indeed, the way in which employment, disability, and work accidents are approached has an impact on individuals who leave the labour market who should not otherwise necessarily do so.

Such exits from the labour market, if sufficiently widespread, can weaken the dynamics of the labour market and hinder economic growth. The research, however, does not give a uniform image of the existence or especially of the extent of such risks, which are a disincentive to work.

The moral hazard posed by social security programmes is a fact. It is its extent, potential or actual, which is problematic. It varies according to the nature and organization of the programmes that create a disincentive to work to varying degrees. Since the beginning of the 2000s, in particular, many governments have modified their programmes to reduce moral hazard. This is the logic, which remains largely unchanged, of “workfare”, which has the aim of making social benefits to the extent possible dependent on the exercise of professional activity. The extent of such moral hazard is deeply and passionately debated, and a similarly passionate debate is advanced by politicians seeking to increase workfare.

As regards the labour market, it is primarily unemployment benefits which are questioned and investigated. There are two research traditions concerning the impact of unemployment benefits on the labour market, which produce diverging findings. The first approach, influenced by neoclassical economic theory, holds that unemployment benefits reduce participation in the labour market because they are in essence disincentives. The second approach, influenced by Keynesian economic theory, asserts that unemployment benefits help keep the unemployed connected to the labour market, especially in times of economic recession (Box 2.2). This area of research around social security is one of the richest, and its conclusions are still the subject of political battles.

**Box 2.2. Work share: Maintaining capacity to accelerate the recovery**

During the Great Recession in the immediate period after 2007, the implementation of “work sharing” became more prevalent.

The goal is to help companies and employees adjust to production slowdowns by sharing the available work through hour reduction among the affected employees rather than through layoffs. Work-sharing is a three-party agreement involving employers, employees and the social security institution. Employees on a work-sharing agreement must agree to a reduced schedule of work and to share the available work over a specified period of time. Participating employees receive employment insurance benefits to partially offset income lost due to reduced hours.

In addition to serving as a shock absorber, the division of labour protects workers’ income while allowing the company to maintain the capacity of its human resources, thereby enhancing the company’s ability to successfully expand when the crisis ends.

The links between the labour market and social security are also assessed in terms of pensions. According to their structure, they move people away from the labour market, profitably or otherwise, people who could and in some cases would like to continue working. This is the case, in particular, of those taking early retirement. More generally, the issue for growth – beyond the macroeconomic theme of the sustainability of different retirement schemes – is the age of retirement. This variable has a significant impact on people’s lives, and a significant impact on growth. Studies show that countries can increase their workforce and reduce spending on pensions by raising the retirement age, which is legitimate in view of the increase in life expectancy. Nevertheless, increasing the retirement age may also have unintended consequences for the overall balance of social security. Some of the savings accruing from the non-payment of pension benefits are offset by an increase in the number of older workers receiving unemployment or disability benefits.

The general lesson is that social security programmes should be studied first in isolation from each other, but feedback must always be obtained to make it possible to gain an idea of the global consequences, first for social security, then for growth.

Social security has an impact on workers with disabilities, either by seeking to compensate for forced exit from the labour market because the level of disability dictates it or, conversely, to make it possible for the disabled, with reduced productivity, to remain in the labour market. In the first case, the disability programme may be regarded as a cost, in the other as an investment. In terms of moral hazard, a number of studies indicate that disability benefits may be a disincentive for some disabled workers. The issue turns on levels of disability and compensation. To address this disincentive aspect, programmes are reformed, for example, to allow the partial accumulation of earned income and benefit, or even with rewards for return to work, and in some cases even individual work contracts. The focus is increasingly on adding rehabilitation services for disabled workers to return to work.

The link with the labour market and thereby with growth depends, first, on the defined objective of the programme and, second, on the structure of the programme.

Health insurance benefits have an impact on the labour market. Some benefits – not the reimbursement of health care spending, but benefits for sick and absent employees – may be a disincentive for some workers, but not for workers with long-term illnesses. Partial sick leave policies may help some workers stay in the labour market. Some studies argue that in the long term health benefits reduce absences from work and increase productivity. This finding by economists is in no way counter-intuitive. It points to a clear fact: health insurance systems provide improved health for the population, employees in particular.

Work injuries – which are historically the primary social security risk – play an important role in terms of the labour market. In most countries, prevention is considered as a tool to enhance employability. Organizing coverage for work injuries, which has existed since the late nineteenth century, is primarily seen as a prerequisite for growth, offering security for both workers and employers, and not as a problem of disincentives with the effect of inhibiting economic growth.

Finally, family benefits also play a full role in the labour market. They were initially in many cases instituted to support the prohibition of child labour. Developing economies' conditional cash transfers also have this aim: to provide resources to cover the need to educate children. More generally, the issue today is the role of women in the labour market (Box 2.3). In a context of marked concern for issues of equality between men and women, and with the ambition of better reconciling work and personal life, family policies – particularly in the form of paid parental leave or equipping families for the arrival of a new child – are transforming the world of work. There are immediate costs in social spending. There are also investment costs for parents (not only women, but also men) and children. In total, such family policies encourage growth that is more inclusive.

### Box 2.3. *Gender equality: Tapping into the true economic potential of everyone*

The participation of women is closely linked to the implementation of programmes that reduce barriers to their participation in the labour force. Quite aside from gender-equality issues, the participation of women allows the economy to reach its full potential. Social security programmes that have been shown to help increase women's labour participation are parental leave, early childhood care as well as long-term care.

Sweden was the first country in the world to extend paid parental leave to include fathers in 1974, and the policy has since continuously been reformed to strengthen the gender equality dimension. Based on the dual-earner family, Swedish family policy asserts the same rights and obligations regarding family and labour market work for both women and men. It rests on the strong political consensus that as many individuals as possible should be employed. The introduction of parental leave insurance and the expansion of day care services are the two major factors that make it possible to combine work and children for both men and women.

Closing the gap between male and female labour force participation increases the productive capacity of the economy. By way of example, the Head of the IMF recently estimated that in Canada, in the absence of such a gap, the level of the real GDP could be about 4.5 per cent higher.

*Sources:* Parkinson (2016); Duvander (2008).

To conclude on this point, while moral hazard is a reality, social security now goes well beyond it. It represents the supply of services and protection arranged so as to enable people to perform occupational activity in a peaceful and secure environment. This is the traditional historical logic of social security. This also applies to its other dimension, where social security assumes the role and takes up the ambitions of social investment and of maintaining and even improving human capacity. The link between social security and labour is not a problem that calls for controls. It is a positive link which results in work that is improved and strengthened by the guarantees and coverage offered by the different branches of social security.

### 2.3. Social security, consumption and savings: Capital links

Social security spending can stimulate economic growth when it increases overall spending on consumption, savings and productive investment. Although researchers have devoted more attention to the relationship between social security programmes and overall savings, this body of research has not produced any clear consensus. While the academic sphere does not produce indisputable results, three ideas are valid.

- Social security supports consumption, whether such support is favourable or not to growth in the medium term. From the point of view of the so-called demand economy, social security is an income policy instrument.
- Social security expenditure can contribute to increased savings capacity, which can be used in addition to or instead of social security programmes (especially pensions).
- Cash benefits can, especially in developing economies, contribute to productive investment spending. In such cases, social investment is entirely favourable to growth. Social investment becomes productive investment.

In terms of consumption, social security payments have a significant effect on private spending. That is their role. Some economists argue that social security programmes, as automatic stabilizers, are one of the most important elements of macroeconomic policy. When they are designed appropriately, sometimes without their undesirable side effects, according to this argument, they contribute to long-term economic growth. In times of economic downturn, unemployment insurance serves to stabilize expenditure. As a stabilizer, social security expenditure maintains consumption during recession.

In terms of savings, the links between social security and private savings have been the subject of extensive research and debate for decades. Some studies consider that the first impact of social security is to depress savings. As in the case of the labour market, there is here a form of moral hazard, a disincentive to save. Other studies provide conflicting results, reporting very little or no impact on the reduction of savings.

These econometric studies together provide no uniform information. Do social security expenditures replace or complement savings? The answer is not obvious. A major underlying question is whether it is really necessary to have savings, and if one has savings, what are they to be used for? They can be used not only for consumption, but also for investment.

In relation to investment, the links have been studied especially in developing countries, and in particular in relation to conditional cash transfers. Studies tend to agree that well designed social security programmes encourage growth not only by increasing aggregate demand, but also by increasing productive investment by beneficiaries. In other words, individuals can use social security benefits to invest in physical capital (minor equipment, for example), which increases economic activity and growth.

Certain social benefits can hence be regarded as obvious investment vectors. Some are structured in this way. Others are steered towards this goal. Together they reduce liquidity constraints, opening potential scope for investment, with a possible positive impact as an engine for growth.

In short, social investment represents not only social expenditure for social repair and adjustment, but also a purely economic investment in the apparatus of production and in growth. Again, emphasis is needed to lend weight to the idea that not all social expenditure is governed by the logic of social investment.

It should be emphasized that social security complements and replaces absent or inadequate income. This applies to all its branches. All of them, from pensions for disability benefits, play a role of substitution and supplementation. They do not necessarily maintain the same links with consumption and savings. Social security expenditure on unforeseen contingencies (disability, unemployment, health, accidents at work) support continued consumption. Social security spending focused on generally more predictable risks (changes in family circumstances, retirement) can prompt fresh ideas and stimulate investment capacity out of savings. The former – expenditure for unforeseen risks – hence serve to compensate lack of savings, while the latter – on more predictable risks – can augment savings that are productive for the economy (Box 2.4).

### Box 2.4. *Multiplier effect of pensions*

Public pensions whose redistributive benefits are primarily oriented at populations with middle and low income have a strong multiplier effect. Indeed, the consumption patterns of retirees is characterized by the consumption of outreach services and daily consumer goods (food, household, local shops, local public services, etc.). Furthermore, old-age retirement homes may support local businesses, due to the high level of service jobs related to providing care.

This assumption is verified by various empirical studies: in the larger studies incorporating the tax and economic impacts, conducted primarily in North America (e.g. Shields, Stallman and Deller, 1999), it is estimated the multiplier effect of pensions is between 1.43 and 2. European studies (e.g. Vollet, Roussel and Herviou, 2007) establish that households with two (optimistic scenario) to five (worst case scenario) pensioners will create one sustainable full-time job in the local economy.

Finally, it is important to note that social security is a huge financial mass. Social security consists of entitlements, organizations, information systems, and especially finances. While social protection accounts for 10 per cent of global GDP, according to the ILO, this sum is at the heart of the economy of the rich countries, which in the OECD area spend on average about a quarter of their GDP on social security. Such masses of financing at the heart of redistribution systems, include not only daily management of funds, but also reserve funds (private pension funds or institutional and government funds) that play an essential role in the financing of modern economies. Social security hence includes investment funds that feed into large capital reserves that can be invested in enterprise development, infrastructure development, or strategic acquisitions that bring significant economic benefits where the projects are well chosen (Box 2.5).



**Box 2.5. How social security financing can be positive for economic growth**

For social security systems, a combination of pay-as-you-go (PAYG) financing and partial funding is typical.

The use of employee and employer contributions paid can increase the productive capacity of the economy (e.g. through investments in housing, education, training, hospitals, etc.).

Investments of Reserve Funds in strategic infrastructure can also be a more efficient way of using contributions if such investments are more efficiently managed (economies of scale, lower transaction costs and expertise), take into account positive externalities (e.g. redistributive, social and environmental), have a longer-term time horizon.

There are a number of positive examples of social security Reserve Funds investment in critical infrastructure, including social housing, transport infrastructure and strategic equity investment which fulfil these criteria. For example, one of the largest social security Reserve Funds in Europe has an expense ratio of 17 basis points compared to an average of 55 basis points in the funded second pillar system, whereas a number of Canadian pension funds are big investors in infrastructure projects such as airports.

In conclusion, two facts should perhaps be remembered. First, consumption is both an objective and a function of social security: an objective, because social security seeks to maintain consumption capacity; and a function, since social security itself is, through contributions and payments, a form of consumption. Finally, savings is something quite unique, in terms of social security, in that it has traditionally been and still is an instrument of social security. As a form of providence, individual savings do not fall within the logic of collective and compulsory social security. But they are a dimension of individual social security practised by persons and households. Here too, reflecting on social security is to reason in a coherent manner.

## 2.4. Social security and demography: Some obvious links, some less so

The links between demography and social security are, like most of the links studied here, reciprocal. Demography has an impact on social security, and vice versa. The direction, priorities and functions of social security are political. They also largely depend on demographics and its internal balances. Health, fertility, family structures, and ageing are all fundamental determinants of social protection systems. Conversely, social security programmes have an impact on these areas, with more or less obvious consequences in terms of growth. We could add another key demographic variable, migration: systems that are more or less complex, more or less open, will respectively attract or repel people wishing to migrate to benefit from them. This is true of wealthy people in wealthy countries who would like to enjoy better services elsewhere. It is also true of disadvantaged people in poor countries seeking to benefit from what they do not have in their country.

In terms of health status and health systems, the consequences of social protection programmes for growth are the best documented. By improving productive capacity, health systems increase the capacity of individuals to participate in economic activity and growth. No study denies this. As in many cases, the discussion turns on the elements and forms of organization that are best suited to improving the health of the population and insertion in the labour market.

In terms of fertility rates, generally linked to sickness and family benefit branches of social security, the primary impact of social security is the reduction of infant mortality, enabling a greater number of young people eventually to enter the labour market. The relationship between fertility rates and family policy is more debatable. While a positive relationship is often asserted in developed countries with the aim of better reconciling family and working life, a similar relationship is also emphasized in developing

countries, but in relation to birth control. The correlation between the level of public spending on family benefits and fertility rates is not all that high. By contrast, however, it appears that certain elements of family policy, especially those supporting the arrival of a new child, make it possible for parents to participate more in the labour market, especially mothers. Conversely, pension systems, as they become more complex, are less favourable to fertility. This observation is pertinent: pensions replace the support expected from children.

At a more general level, social security programmes, especially when they follow the logic of social investment, are regarded as supporting youth. The countries with the youngest population are those whose growth potential is perhaps the largest.

In conclusion, it would seem that whereas the links between social security programmes and fertility rates are not as obvious as one might think, the social security programmes that are most favourable for youth are those that are most favourable to growth.

### 2.5. Social security and human capital: The need to strengthen links

While social security programmes may have an impact on productive capital, they primarily affect the human capital that every individual holds. This capital consists of innate abilities and skills acquired at the expense of investment such as expenditure on training or treatment.

Many studies address this subject from specialized viewpoints. The issue concerns health, the links between family leave and the academic performance of children, care pathways for older people who want to keep fit, or pensions that allow retirees to finance or help finance the education of their grandchildren. In most cases, the impacts can be measured in terms of the thematic objectives of such programmes, although it is still not easy to discern the consequences for growth. This is also true of the causal relationships to be examined between programme costs, increased life expectancy of retirees, and the impact on overall economic growth. In this regard, nothing is really certain.

While it is possible, step by step, branch by branch, to argue about the linkages between social security, human capital and growth, the issue raised is the scope of social security. Generally, and conventionally, alongside unemployment insurance this includes vocational training policies. These contribute to the maintenance and improvement of the human capital of workers, making it possible to retain and advance them in the labour market. The link is mechanical. However, education is not usually included in economic typologies or aggregates in social security. Yet it is educational expenditure that has the greatest impact on human capital and thereby on growth. This is true in developing economies, where conditional cash transfers encourage the enrolment of children in school (but which is based on the assumption that open educational institutions of quality are available). This is also true of developed economies, especially in the so-called knowledge economy, where social transfers do not directly concern schools, but where schools are a major item of public expenditure.

As an interim conclusion on this last point, it would seem that to improve understanding and enhance the impact of social security on human capital, it is important to further expand the concept of Dynamic Social Security, which is not limited to the risks and branches as conventionally defined, but extends to all forms of measures contributing to the training and improvement of human capital.

## Conclusions: Three main threads

This overview of the links between social security and growth is intended as a panorama of the generally favourable consequences of social security programmes for economic growth. In conclusion, we can identify three main threads from this synthesis.

- It has not only brought mixed findings, but has made it possible to express a conviction. The contrasting conclusions of specialized studies cannot possibly lead to any unequivocal conclusion on the links between social security and growth. Academic studies lead to knowledge, evaluations, and questions. Synthesizing them and putting them in perspective leads not only to more nuanced observations but to firm opinions. Long before it is regarded as a result of scientific method and knowledge, social security is above all a matter of conviction and policy. Taken independently and evaluated rigorously, the various instruments of social security – funding or spending – each have more or less positive impacts on economic growth. It is inconceivable, given the inexhaustible diversity and high degree of complexity of the systems and contexts, to draw any global conclusion that would be scientifically valid. However, in view of the decades of progress and the considerable challenges still before us, one strategic conclusion should be stressed. In connection with the series of ISSA studies concerning Dynamic Social Security and social investment, social security can without any doubt serve as an engine of growth. Studies have shown, for certain areas of social security and in certain contexts, and for some structures, how programmes can be obstacles to growth. However, there are many more studies that highlight the decisive role – in developed economies and developing economies alike – played by social security that is in step with the dynamics of the economy. Well-structured social security accompanies and supports growth.
- This report also leads to two caveats. First, social security should be understood in a broader sense – not just the branches of social security, but all measures dedicated to maintaining human capital must be taken into consideration. Second, growth should not be measured solely in terms of stringent economic indicators such as GDP. Social security, or rather well-adjusted social security programmes, make significant contributions to such growth possible. But they should be understood in a broader context, that of inclusive growth, fostering a high-employment economy delivering social and territorial cohesion.
- Finally, this report opens another perspective. Growth, particularly if it is to be inclusive, is increasingly linked to the relative “attractiveness” of countries and regions, which means enterprises and skills. Social security plays a huge role, but paradoxically one that is little studied, in making them attractive. While most national social security benefits are blind to the territory where they are assigned, they are implicitly one of the main factors involved in making that territory viable, and policies in this area have social aims that are increasingly explicit. This is the case in the developed and the developing world alike, since in both worlds local realities and authorities are becoming increasingly important.

Social security systems, especially in terms of their presence on the ground, either attract or repel. Such phenomena, which are valid at local, national and international level, need to be better understood. This is so because they contribute too, positively or negatively, to socio-economic growth and well-being which belongs not only to society as a whole, but increasingly to its different territories. Hence the need to better understand the impact of flows related to social security financing and expenditure in these different territories, for it is in those territories that inclusive growth will be extended, or reduced.

## Appendix: Summary tables on social security branches

The following two tables are proposed as a general summary to aid discussion. The first deals, branch by branch, with the impact of social security on growth and social inclusion. The second, again branch by branch, deals with aspects that are intermediate to growth and well-being – labour, consumption capacity, demographics and human capital.

In measuring the socio-economic impact of social security, a simple set of categories often prevails. On the one hand, presented are the generally favourable consequences in terms of economic growth and social inclusion; on the other hand, symmetrically opposed, are the awkward consequences for public finances, the productivity of businesses and individuals, and the competitiveness of nations. The literature available analyses all these effects without systematically making any clear-cut or definitive conclusions. Since we consider the criticism to be well-known and not without validity, we will focus in this appendix on the positive lessons that can be learnt, branch by branch, in assessing the impact of social security on economic growth and social inclusion (another term for collective well-being). This involves an array with two dimensions and six rows, following the classical typology of social security used by the ISSA.

**Table A.1.** *The impact of social security on economic growth and social inclusion*

|                       | Economic growth   | Social inclusion  |
|-----------------------|---|---|
| Disability            | <ul style="list-style-type: none"> <li>• People returned to or retained in employment.</li> <li>• Solvency of facilities and services that may be responsible for the functioning of a specific economic sector.</li> <li>• An outstanding financial performance for businesses and social security institutions that carry out return to work programmes and reinstatement.</li> </ul> | <ul style="list-style-type: none"> <li>• Integration of persons with disabilities.</li> <li>• Development of innovations and activities that are not always necessarily profitable but are socially useful.</li> </ul>                              |
| Employment            | <ul style="list-style-type: none"> <li>• Support the demand, particularly in periods of stagnation or even economic overheat.</li> <li>• Retain the unemployed in the formal economic sphere.</li> <li>• Improve, through training, the capacity and skills of active jobseekers.</li> </ul>  | <ul style="list-style-type: none"> <li>• Protection of workers downgraded economically as well as socially and destabilized by technological change.</li> <li>• Maintain a link between the active unemployed and the labour market.</li> </ul>     |
| Occupational risks    | <ul style="list-style-type: none"> <li>• Provide a sound legal basis for workers and employers, allowing more peaceful industrial relations.</li> <li>• Annuities and capital feed consumption.</li> <li>• The financial return for companies that invest in prevention amounts to a factor of 1: 2.2<br/><a href="http://www.issa.int/rop">www.issa.int/rop</a>.</li> </ul>            | <ul style="list-style-type: none"> <li>• Coverage of the most negative aspects of vocational activity.</li> <li>• (Re)insertion of injured workers into society.</li> </ul>   |
| Family policies       | <ul style="list-style-type: none"> <li>• Better reconciliation of family and working life.</li> <li>• Contribution to the renewal of generations, youth, and hence to economic dynamism.</li> </ul>   | <ul style="list-style-type: none"> <li>• Better integration of women into the labour market.</li> <li>• Greater involvement of men in family life.</li> <li>• Development of human capital as productive capital.</li> </ul>                        |
| Health                | <ul style="list-style-type: none"> <li>• Reducing insecurity and uncertainty to increase investment in labour.</li> <li>• Funding the medical sector and innovation.</li> <li>• Structuring strategic economic activity.</li> </ul>   | <ul style="list-style-type: none"> <li>• General improvement of living conditions.</li> <li>• Cooperation in the management of extreme situations and crises.</li> <li>• Adaptations always necessary to new situations and aspirations.</li> </ul> |
| Old age and survivors | <ul style="list-style-type: none"> <li>• Pensions as one of the main components of consumption expenditure.</li> <li>• Pension system funds as one of the main drivers of contemporary economies.</li> </ul>  | <ul style="list-style-type: none"> <li>• Tools available in old age to ease its burden.</li> <li>• Spending that contributes to mobility and spatial planning.</li> </ul>   |

This second table summarizes what has been studied in terms of the impact of social security on four intermediate mechanisms for growth. It singles out the positive and negative effects. Hyphen (–) indicates nothing specific to report.

**Table A.2.** *Social security and labour, consumption capacity, demographics and human capital*

|                       | Labour  | Consumption and savings  | Demographics  | Human capital  |
|-----------------------|---|--|---|--|
| Disability            | Retention of and capacity to access the labour market/possible disincentive to work.  | Benefits that compensate for lack of income and enable consumption/savings that are not necessarily well-oriented.           | An ability to save and keep people suffering from or incurring disabilities in good health/sometimes high cost of care. | Preservation of human capital of persons with disabilities and development of a particular sector. |
| Employment            | Maintaining consumer capacity/potential disincentives.  |  | –   | Retention and improvement (training) of the human capital of the unemployed.                       |
| Occupational risks    | Secure occupational activities and smooth labour relations.   |  | An ability to save and keep people suffering from or incurring disabilities in good health/sometimes high cost of care. | Preservation of human capital of victims of accidents, and development of a particular sector.     |
| Family policies       | Reconciling family and working life/exit from the labour market for some mothers.   | Consumer spending and saving for the future of children/benefits used improperly.  | Contribution to fertility, youth and growth.  | Renewal of generations and social investment in children.  |
| Health                | Healthy population and investment in a strategic sector/higher costs for public finances.   | Consumption capacity maintained and access to medical consumption/disincentives to savings.                                  | Increased life expectancy and lower infant mortality, a more productive population/ever increasing demand for coverage  | Actual improvements in human capital, one dimension of which is health capital.                    |
| Old age and survivors | An intended disincentive to labour, and problems in employing older workers/early retirement provoking premature exit from the labour market. | Consumption of the elderly and significant funds for the financing of the economy/ imbalances of wealth between generations. | Limiting the number of births and an improvement in the situation of the elderly/high costs for public finances.        | Recent emergence and assertion of a third and even a fourth stage of life.                         |

One final lesson resulting from a study of these tables is to refrain from reasoning for each branch in isolation. All branches interact with each other. Social security is a dynamic and interdependent whole. Choosing the right combination of risks, each well-organized, gives rise to positive developments both for economic growth and for social inclusion.

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A roadmap for dynamic social security  
Une feuille de route pour la sécurité sociale dynamique  
Una hoja de ruta para la seguridad social dinámica  
Ein Plan für dynamische soziale Sicherheit  
План развития динамичного социального обеспечения  
迈向充满活力的社会保障的路线图  
خارطة طريق لضمان إجتماعي ديناميكي

**ISSA General Secretariat**

4 route des Morillons  
Case postale 1  
CH-1211 Geneva 22

T: +41 22 799 66 17  
F: +41 22 799 85 09

E: [issa@ilo.org](mailto:issa@ilo.org)  
[www.issa.int](http://www.issa.int)

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