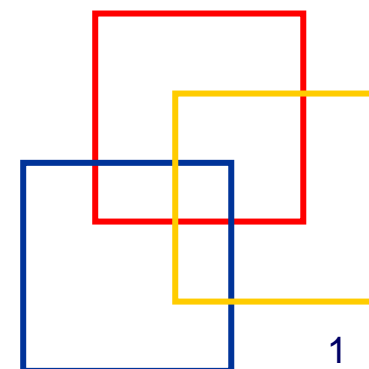




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Social pensions in the context of an integrated strategy to expand coverage: The ILO position

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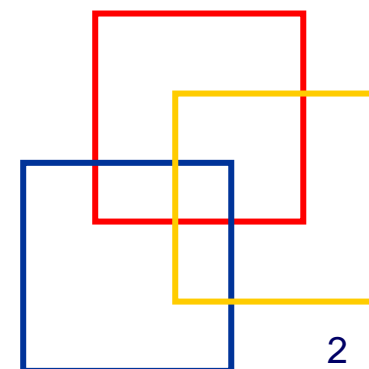




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The context: Social security is a human right

- Universal Declaration of Human Rights (1948, art. 25):
 - Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control

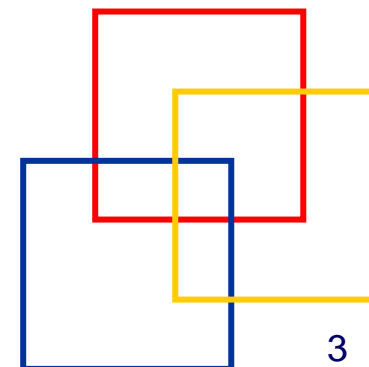




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The context: ILO mandate

- ILO Constitution (Declaration of Philadelphia:
 - all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity;
 - the attainment of the conditions in which this shall be possible must constitute the central aim of national and international policy;
 - all national and international policies and measures, in particular those of an economic and financial character, should be judged in this light and accepted only in so far as they may be held to promote and not to hinder the achievement of this fundamental objective;
 - it is a responsibility of the International Labour Organization to examine and consider all international economic and financial policies and measures in the light of this fundamental objective;

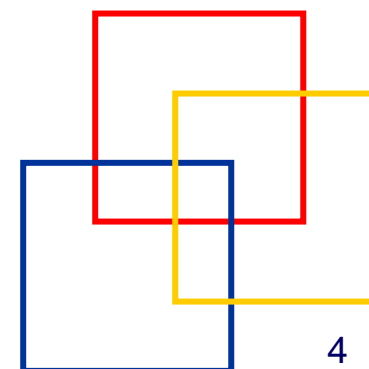




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The context: ILO mandate (2)

- ILO Constitution - Declaration of Philadelphia (1944): “...the solemn obligation of the International Labour Organization to further among the nations of the world programmes which will achieve:
 - ...
 - the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care;
 - adequate protection for the life and health of workers in all occupations;
 - provision for child welfare and maternity protection;
 - ...”

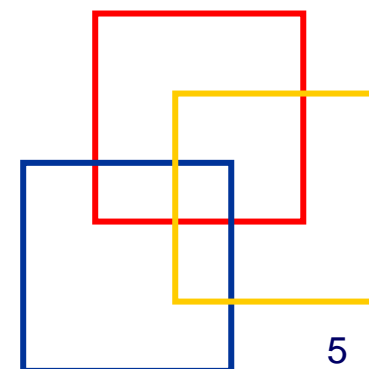




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ILO integrated social protection strategy: the objective is comprehensive and universal coverage at least at a basic level:

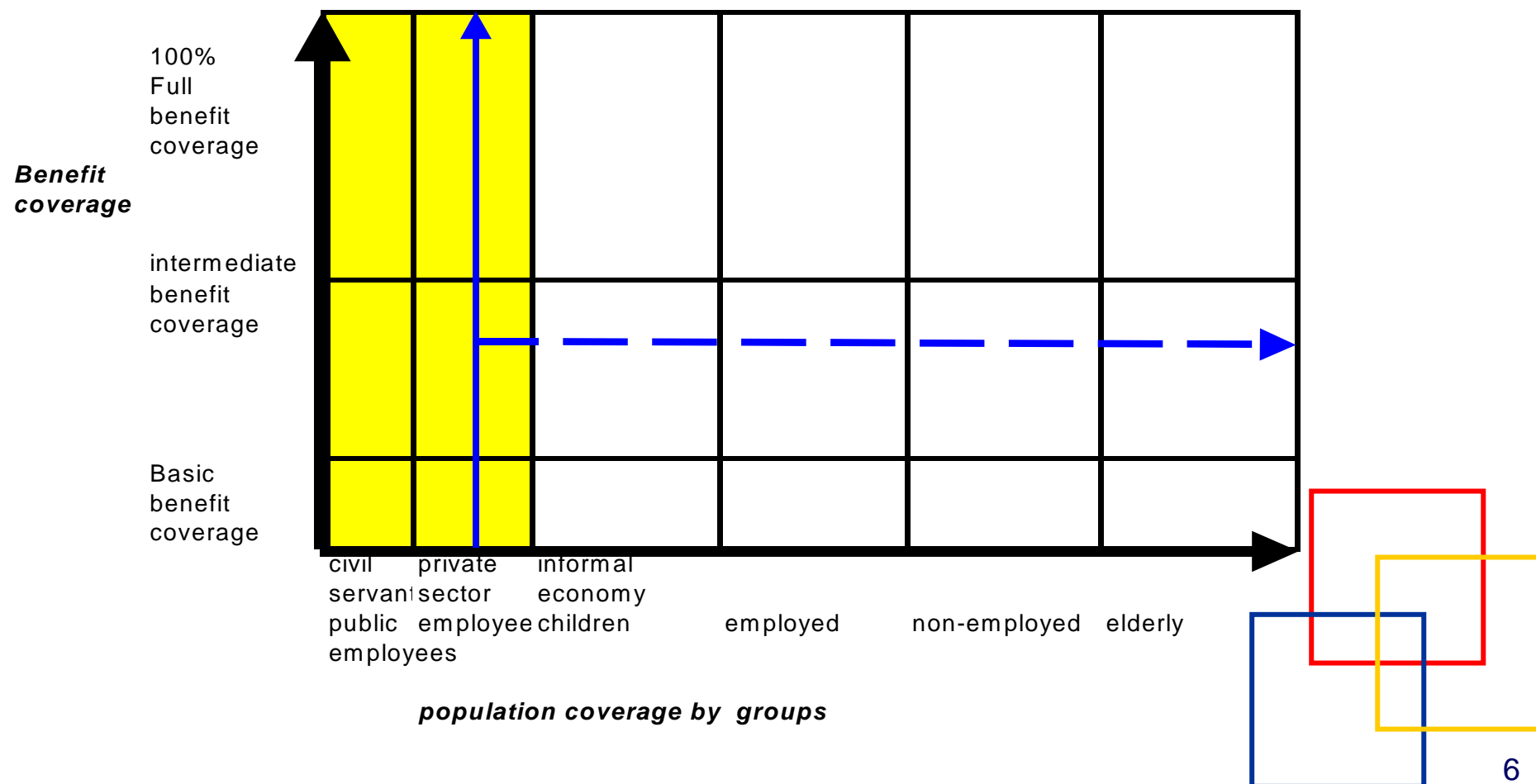
- All residents have access at least to basic/essential health care benefits through pluralistic delivery mechanisms;
- All children enjoy income security at least at the poverty level through various family/child benefits aimed to facilitate access to nutrition, education and care;
- All residents of active age unable to earn sufficient income due to sickness, unavailability of adequately remunerated work, loss of breadwinner, care responsibilities etc. enjoy income security at the minimum level through a combination of basic social insurance, social assistance and employment policies interventions
- All residents in old age or with disabilities enjoy income security at least at the poverty level: through pensions for old age and disability.





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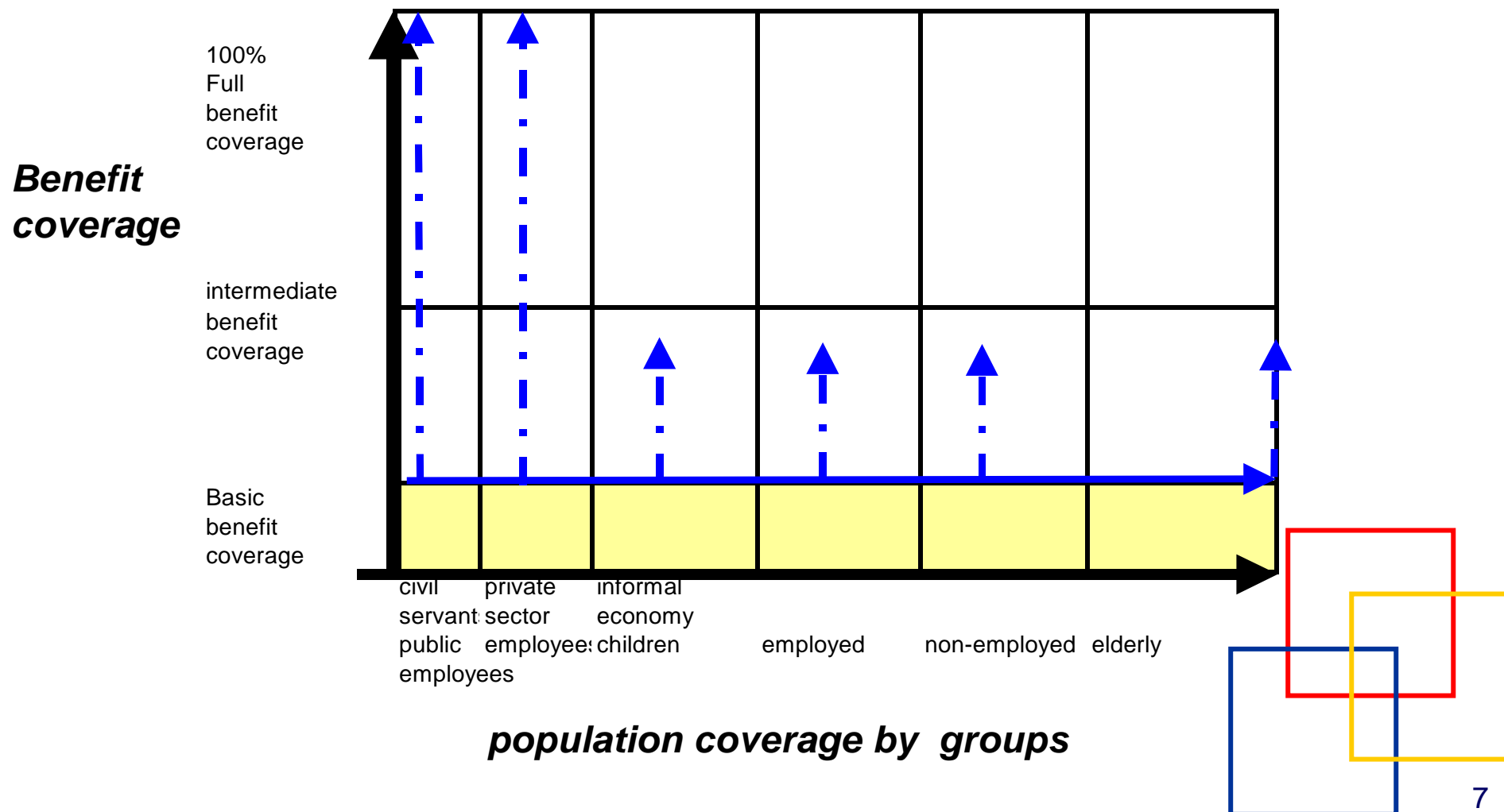
Past strategies in many developing countries: building coverage for formal sector workers and hoping that expansion of the formal employment will gradually make it universal – did not work





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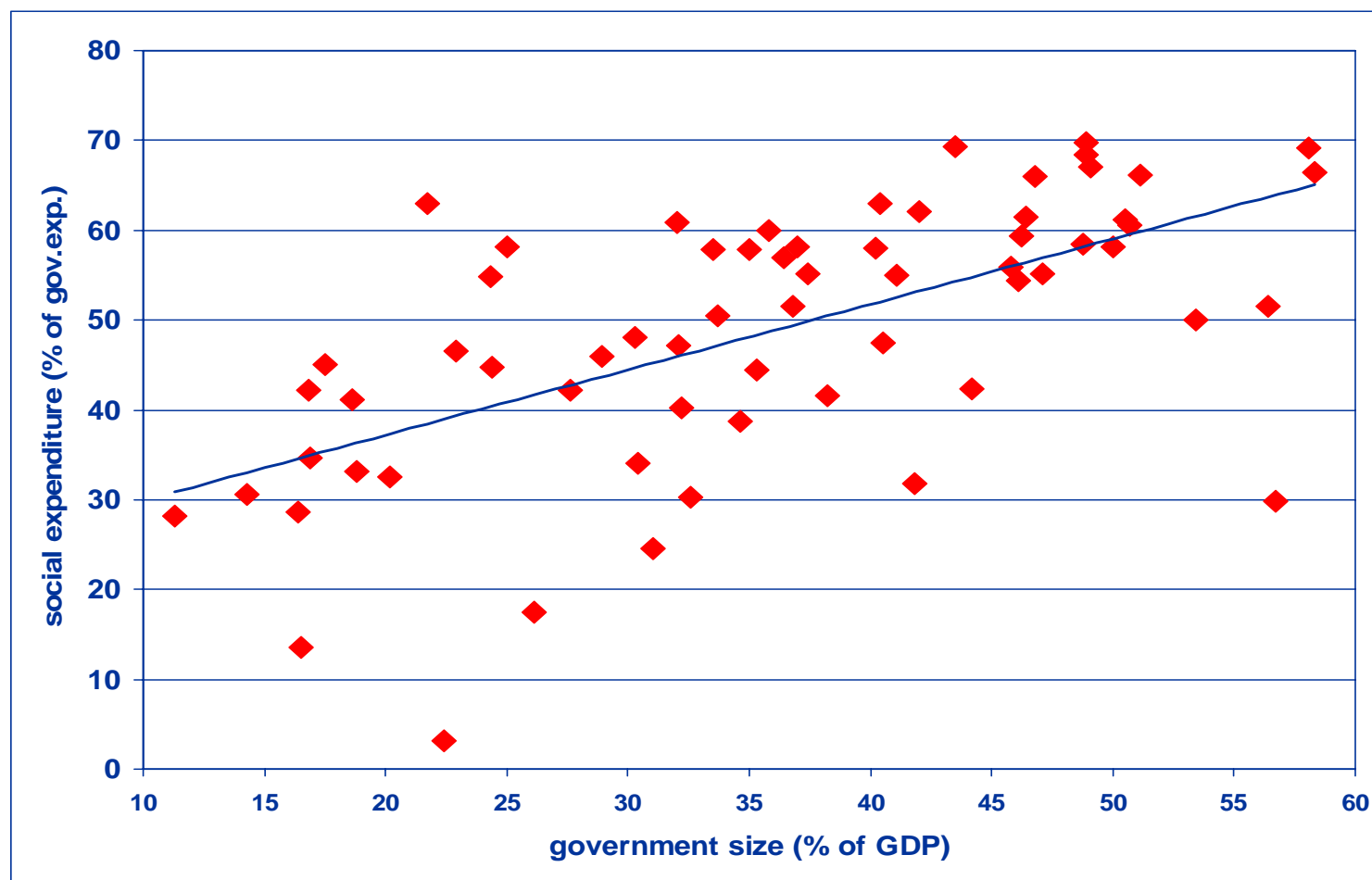
New strategy - progressive universalism: achieving gradually universal coverage for a basic benefit package (including basic pension) as a priority





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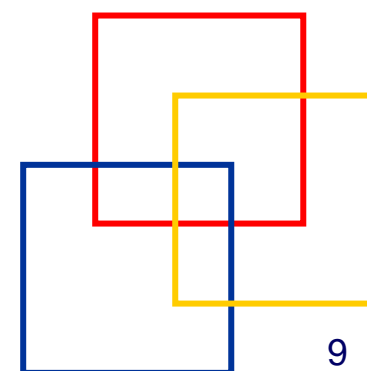
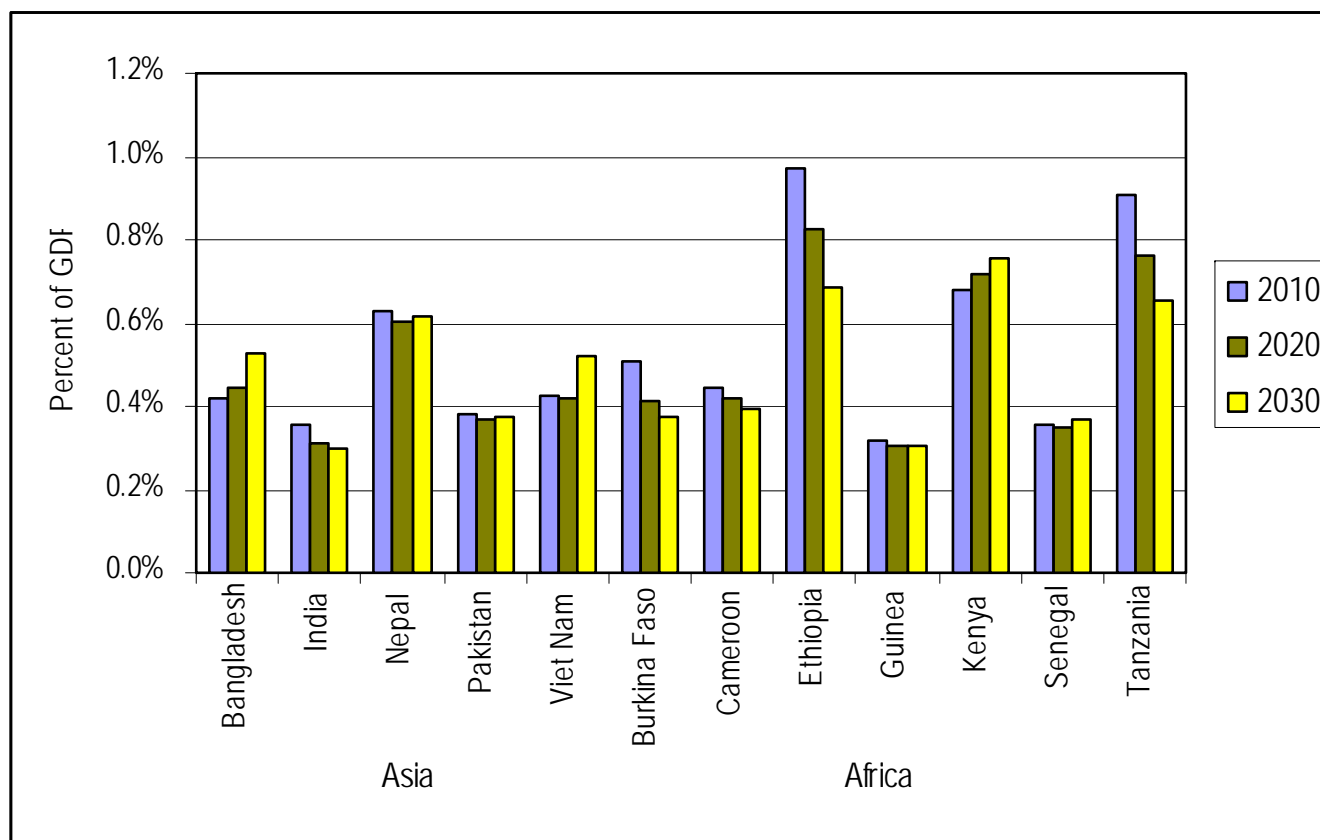
Coverage increases with level of economic development but affordability of social policies is also a function of political will: societies at same level of income and same size of government can decide to allocate more or less to certain policy objectives





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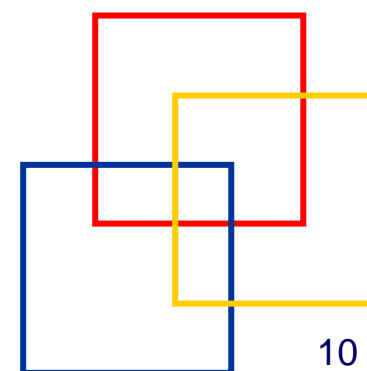
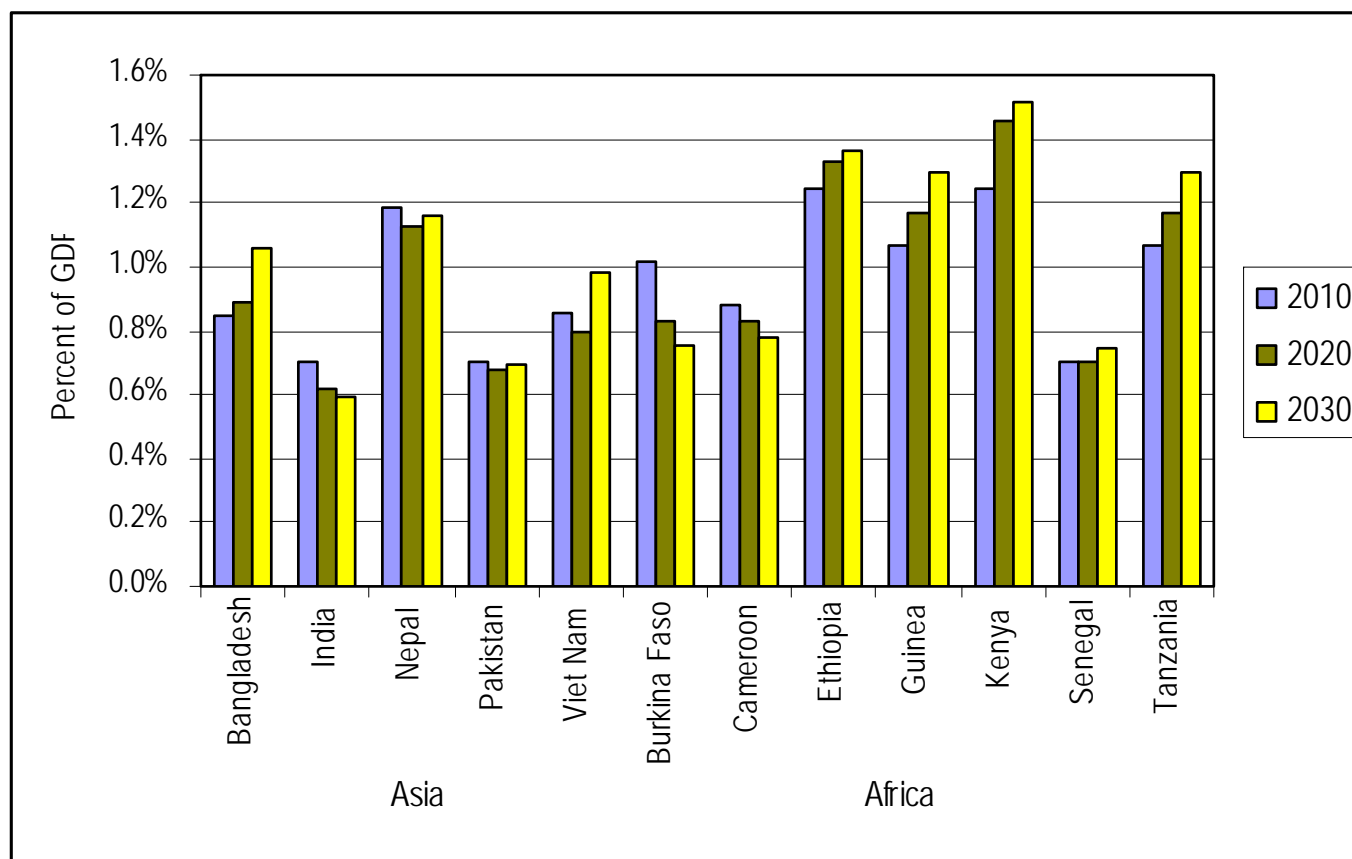
There is nobody too poor to share: Basic benefit package is potentially affordable even in low income countries.
Cost of universal basic old age and disability pension (benefit = \$0.5 per day)





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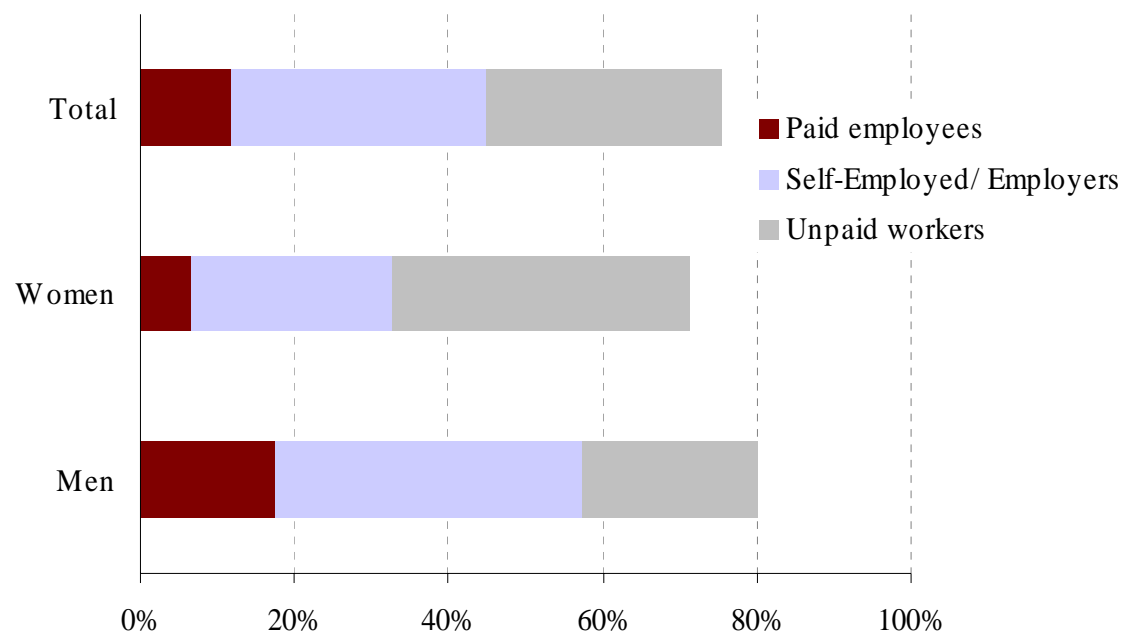
There is nobody too poor to share: Basic benefit package is potentially affordable even in low income countries
Cost of universal basic old age and disability pension (benefit = 30% of GDP per capita)



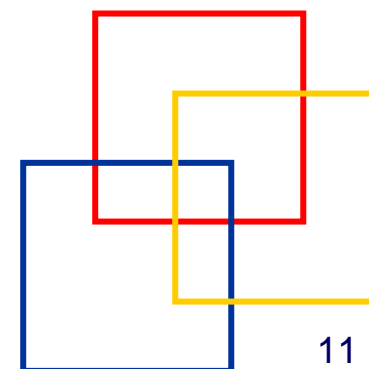


In low-income countries majority of the working population has no right to retire

Zambia 2005: Employment rate by sex and employment status (population 15 and older)



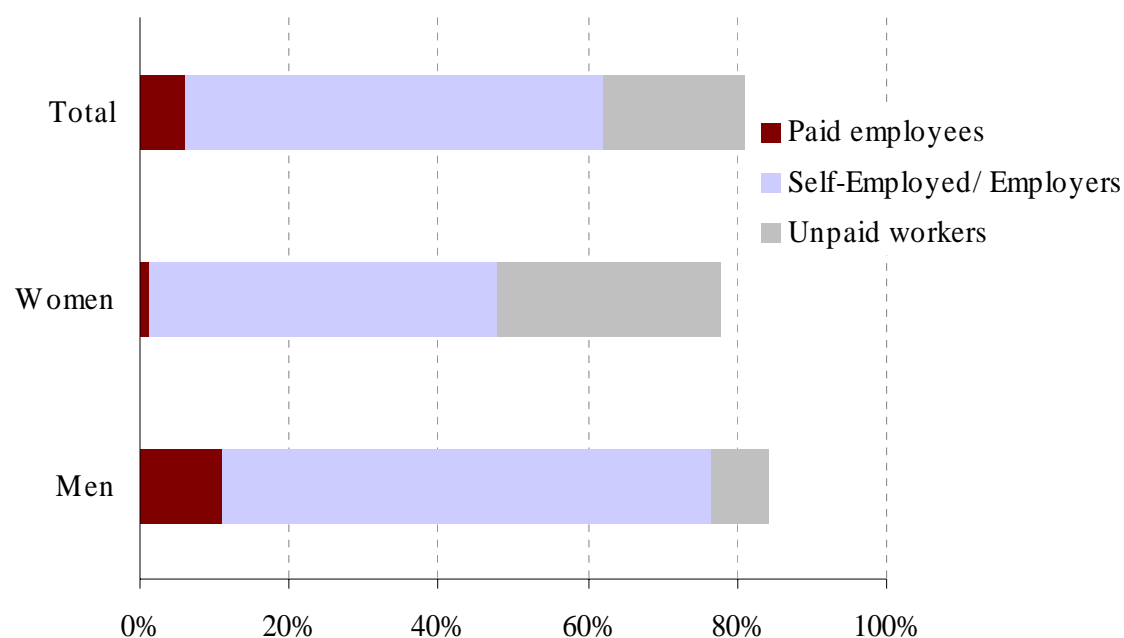
Source: CSO LFS 2005.



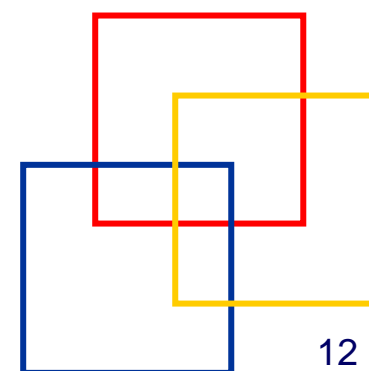


Thus in these countries economic activity rates of the elderly are not lower than of the younger population (and sometimes even higher)

Zambia 2005: Employment rate by sex and employment status (population 55 and older)



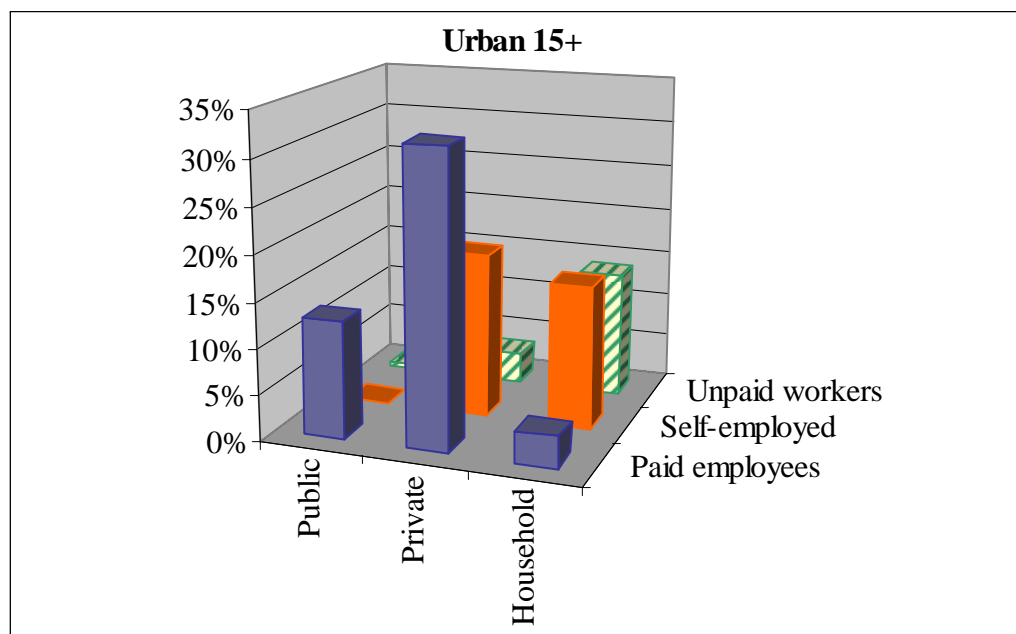
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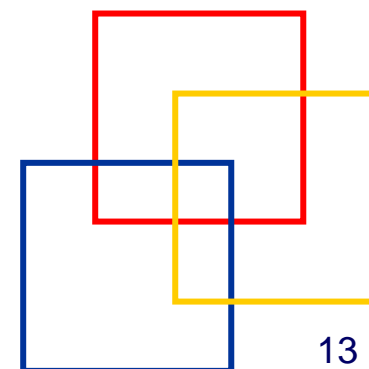


What forms of coverage (contributory or non-contributory) are feasible for whom to a large extent depends on status in employment and regularity of incomes

Zambia 2005: Employment distribution by employment status and type of establishment



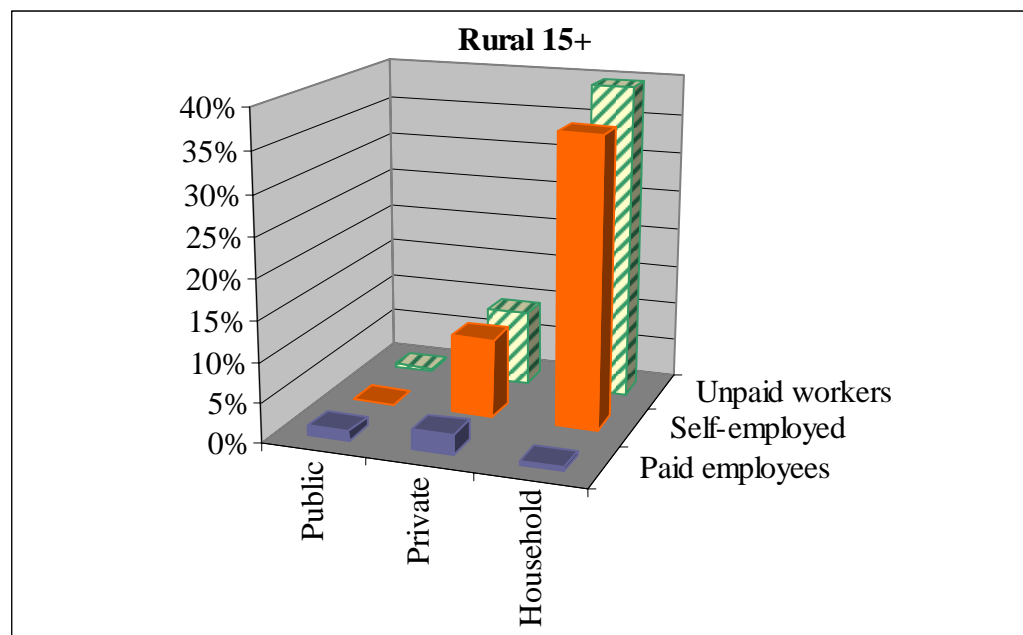
Source: CSO LFS 2005.



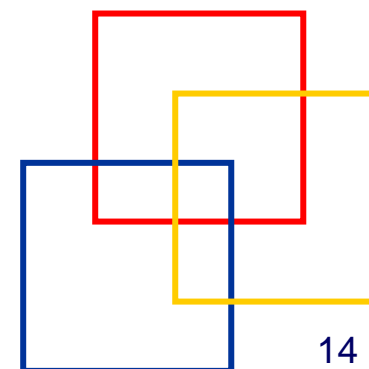


While coverage through contributory schemes is usually feasible for employees, usually will not be effective in securing income security in the old-age for self-employed, particularly those with low and irregular incomes

Zambia 2005: Employment distribution by employment status and type of establishment



Source: CSO LFS 2005.





Degree of formality/informality of employment is another decisive factor shaping feasibility of coverage through contributory arrangements: in low income countries often majority of employment has totally informal character

Zambia 2005: Degree of informality for all employed persons by gender

	Totally informal	High informality	Medium informality	Low informality	Totally formal	Total
<i>Share of group in total</i>						
Male	83%	6%	3%	4%	4%	100%
Female	93%	3%	1%	2%	2%	100%
Total	88%	4%	2%	3%	3%	100%
<i>Gender composition</i>						
Male	49%	67%	73%	76%	73%	52%
Female	51%	33%	27%	24%	27%	48%
Total	100%	100%	100%	100%	100%	100%

Source: CSO LFS 2005



Even many of those who are employees are often not covered by existing contributory programmes due to casual and highly informal character of their employment

Zambia 2005: Degree of informality for paid employees by type of employer

	Totally informal	High informality	Medium informality	Low informality	Totally formal	Total	
Central government	0%	4%	9%	40%	47%	100%	} 7% of workers
Local government	0%	16%	17%	38%	28%	100%	
“Parastatals”	0%	12%	18%	38%	32%	100%	} 9% of workers
Private sector	24%	23%	15%	21%	16%	100%	
Total	20%	19%	14%	25%	22%	100%	

Source: CSO LFS 2005

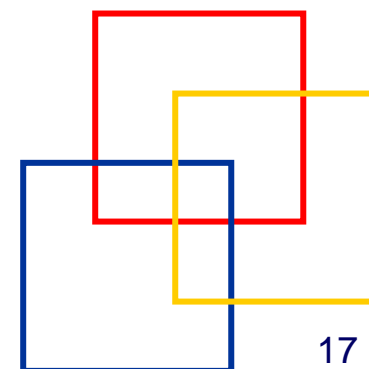
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Conclusions: the role of non-contributory pensions (1)

- Terminology: all social security pensions are “social” – however pension entitlements are built and whatever the source of financing
- Pension policy should be part of the comprehensive integrated social security strategy
- Strategy for universal coverage to provide income security in the old age (but integrated with policies aimed at income security for persons with disabilities and for survivors) is usually secured by mixed system composed of various pension programmes dealing differently with various objectives (minimum guarantees, income replacement) and different groups of employed depending on their employment status.
- Non-contributory pensions programmes are tools to provide at least minimum income security for those who could not be effectively or sufficiently covered by contributory schemes or universal minimum income guarantee

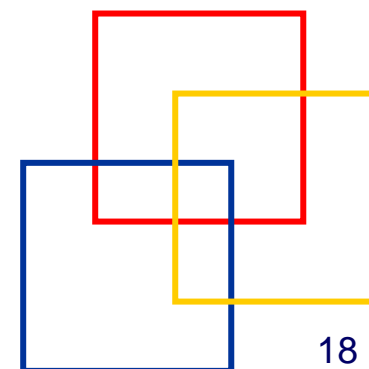




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Conclusions: the role of non-contributory pensions (2)

- Low-income countries with very low coverage (i.e. Africa): non-contributory pension the only way to provide at least basic income security for majority of the elderly. Attractive option to be selected as one of the first step to gradually build comprehensive social security system
- Countries with significant coverage gap mainly concerning poor self-employed (like Chile etc.): the way not only to close effectively coverage gap but also to strengthen minimum guarantees within the whole pension system
- Countries with coverage high now but which introduced reforms aiming at having “actuarially fair” pensions: as the coverage in terms of number of people entitled to reasonably adequate pensions will be falling, the role of non-contributory pensions will be growing in all respects: filling the emerging coverage gap, guaranteeing minimum incomes and taking over redistributive functions eliminated from contributory part of the system





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Conclusions: the role of non-contributory pensions (3)

- Choices and parameters:
- Entitlement conditions: universal pension for everybody over certain age more equitable, simpler and cheaper administratively than solutions with additional entitlement criteria or “tests”
- Age: should be coordinated with age in the contributory programmes, in the longer run can be easily linked to life expectancy or demographic structure, in some low income countries however may be chosen at a higher level for cost considerations and then gradually reduced.
- Benefit level: chosen depending on the structure and provisions of the overall pension system in the country and minimum income guarantee levels targeted by social policy

