

# Commentary

BUFFIN PARTNERS INC.

ECONOMIC INVESTMENT AND ACTUARIAL RESEARCH

## Global Extension of Social Security

The Geneva-based International Labour Office (ILO) has published a report on the challenge of achieving greater social protection for the world's population. *Extending Social Security to All: A Guide through Challenges and Options* provides an analysis of global coverage and identifies areas for needed extension. The ILO advocates the extension of social security as an effective means of reducing income inequality and poverty. There is international recognition of the fundamental right to social security, as expressed through universally-accepted instruments. This entitlement to social security has been established in several human rights statements adopted by the United Nations, as expressly formulated in the *Universal Declaration of Human Rights*, and the *International Covenant on Economic, Social and Cultural Rights*. The relevant ILO social security instrument is the *Social Security (Minimum Standards) Convention, 1952*. This international convention defines nine classical branches of social security and sets minimum standards for sustainability and good governance. It has also provided the basis for the European Code of Social Security and is referred to in the European Social Charter, the Treaty of Amsterdam of the European Union, and in regional instruments now being developed in Africa and Latin America. The right to social security has also been recognized in the national constitutions of several countries, including Germany, Brazil and India. The ILO is the specialized United Nations agency charged with responsibility for establishing the parameters and substantive provisions of the right to social security and assisting UN member states with its implementation.

One of the United Nations Millennium Development Goals is to reduce the global incidence of poverty by fifty per cent, but progress to date is behind schedule.

Recent developments involving substantial inflation of food prices and the global financial and economic crisis have had a significant impact on the population in the world's poorest regions. The United Nations is supporting the common concept of the social protection floor as a means of alleviating poverty. The 2004 World Commission on the Social Dimension of Globalization stated: "A certain minimum level of social protection needs to be accepted as part of the socio-economic floor of the global economy". The ILO and the World Health Organization, with the support of the United Nations Department of Economic and Social Affairs and the United Nations Children's Fund, are the principal UN agencies engaged in enabling countries to plan and implement sustainable social transfer arrangements. The key element in these transfer arrangements is the concept of the social protection floor. A main element to help realize this objective is a basic set of essential social transfers, in cash and in kind, paid to the poor and vulnerable members of the world's population to provide a minimum level of income security and access to essential services, including health care. The ILO is actively promoting the social transfer concept in the context of its campaign to extend social security to all. The most significant advance in social security coverage worldwide is presently being achieved by social transfer arrangements. Some thirty countries are successfully putting in place elements of minimum social security packages through social transfer programs. In Brazil this is accomplished through the *Bolsa Familia*; in Mexico it is being done through the *Oportunidades* program. In South Africa, Namibia and Nepal, it is being achieved through tax-financed basic pension systems. The *Bolsa Familia* is the world's largest social transfer program and covers about 46 million persons at a

nominal cost of just 0.4 per cent of GDP. The average per cent of GDP allocated to social security for all countries around the world is 17.2 when weighted by GDP, but only 8.4 when weighted by population size. The typical range is between 20 and 30 per cent of GDP in Europe but only about five per cent in Africa.

The ILO campaign to extend social security is based on a four-point strategy: (1) Generation, management and dissemination of knowledge; (2) Policy development; (3) Technical cooperation; and (4) Capacity building. However, the success of this strategy depends on the affordability of social security extension and, more specifically, on having the necessary "fiscal space" within which to operate. The ILO policy operates in two dimensions, horizontally and vertically. The horizontal extension of coverage applies to various population groups including civil service public employees, private sector employees, participants in the informal economy, non-employed persons of working age, children, and the elderly. The vertical extension of coverage adds to the basic floor of protection as countries achieve higher levels of economic development and may include mandatory social security benefits for contributors in the formal economy. In the context of global social and economic development, the ILO advocates investment in basic social transfer arrangements that foster health and social stability, as a means to develop the full productive potential of the world's population.

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