SOCIAL SECURITY AND INTERNATIONAL COMMUNITIES – EMERGING DYNAMICS

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IN 1944, Albert Einstein summed up the discovery of atomic energy with characteristic simplicity; "Everything changed." He went on to predict "We shall require a substantially new manner of thinking if mankind is to survive." Although nuclear explosions devastated Nagasaki and Hiroshima, humankind has survived its first critical test of preventing world- wide nuclear devastation. The same sentiment was echoed when in June 1945 the US Secretary of State Edward R. Stertinius reported to his Government on the results of the San Francisco Conference.

"The battle of peace has to be fought on two fronts. The first is the security front where victory spells freedom from fear. The second is the economic and social front where victory means freedom from want. Only victory on both fronts can assure the world of an enduring peace ………… No provisions that can be written into the Charter will enable the Security Council to make the world secure from war if men and women have no security in their homes and their jobs."[1] The statement also identified the two fundamental components of human security and their connections. But more than sixty years later and more than a decade after the end of the cold war, the transition in thinking from nuclear security to human security is far from complete.

The existence of social protection can be recognized as one of the most significant social achievements of the 20th century. Systems of social protection enable societies to advance the well-being and security of their citizens by protecting them from vulnerability and deprivation so that they can pursue a decent life. On the one hand, social protection can meet the essential needs of human survival by ensuring that all men and women have basic social and economic security. At the same time, it can play a more far-reaching role in enhancing the quality of life of individuals and societies by developing and unleashing human potential, facilitating structural change, increasing stability, advancing social justice and cohesion, and promoting economic dynamism.

Socio-economic security is the key to the well-being of the individual and the family. By responding to people's needs, social protection fosters social inclusion and cohesion - secure families are the building blocks of secure communities and stable societies. When properly managed, it is an instrument of empowerment and social progress. It affects capacity to work and productivity at work. And social protection gives poor people a platform to step from fighting for survival to working for a better future and staying out of poverty.

Fundamental international human rights instruments have recognized the need for social protection. Most notably, article 22 of the Universal Declaration of Human Rights of 1948 states that "everyone, as a member of society, has the right to social security". Article 9 of the 1966 International Covenant on Economic, Social and Cultural Rights also refers to "the right of everyone to social security, including social insurance".

Social protection has also been a prominent issue in International forum. The Human Development Report 1994 of the UNDP was solely devoted to it. It developed a new concept of security:

"Several insights can help in redefining the basic concept of security;

1. Human security is relevant to people everywhere, in rich nations and in poor. The threats to their security may differ- hunger and disease in poor nations and drugs and crime in rich nations – but these threats are real and growing. Some threats are indeed common to all nations– job insecurity and environmental threats in particular.
2. When the security of the people is attacked in any corner of the world, all nations are likely to get involved. Famines, ethnic conflicts, social disintegration, terrorism, pollution and drug trafficking are no longer isolated events, confined within national borders. Their consequences travel the globe.
3. It is less costly and more humane to meet these threats upstream rather than downstream, early rather than late. Short-term humanitarian assistance can never replace long term development support.

Most people instinctively understand what security means. It means safety from the constant threats of hunger, disease, crime and repression. It also means protection from sudden and hurtful disruptions in the pattern of our daily lives – whether in our homes, in our jobs, in our communities or in our environment[2]".

"Human security is people centred. It is concerned with how people live and breathe in a society, how freely they exercise their many choices, how munch access they have to market and social opportunities – and whether they live in conflict or in peace. Several analysts have attempted rigorous definitions of human security. But like other fundamental concepts, such human freedom, human security is more easily identified through its absence than its presence. And most people instinctively understand what security means. The loss of human security can be a slow, silent process – or on abrupt, loud emergency. It can be human-made – due to wrong policy choices. It can stem from forces of the nature. Or it can be a combination of both – as it often the case when environmental degradation leads to a natural disaster followed by human tragedy.

In defining security, it is important that human security not be equated with human development. Human development is a broader concept - defined in previous Human Development Reports as a process of widening the range of people's choices. Human security means that people can exercise these choices safely and freely – and they can be relatively confident that the opportunities they have today are not totally lost tomorrow. There is, of course, a link between human security and human development; progress in one area enhances the chances of progress in the other. But failure in one area also heightens the risk of failure in the other, and history is replete with examples.

"Failed or limited human development leads to a backlog of human deprivation – poverty, hunger, disease or persisting disparities between ethnic communities or between regions. This backlog in access to power and economic opportunities can lead to violence[3]".

Social protection has also been a prominent issue in international forums. It was the central theme at the World Summit for Social Development held in Copenhagen in 1995, where governments committed themselves to "develop and implement policies to ensure that all people have adequate economic and social protection during unemployment, ill health, maternity, child-rearing, widowhood, disability and old age".

The 24th special session of the United Nations General Assembly, convened in Geneva in June 2000 to provide a five-year review of the Summit, underscored the importance of establishing and improving social protection systems and sharing best practices in this field. The issue of social protection also received serious consideration at the Financing for Development Summit, held in Monterrey, Mexico, in March 2002. Moreover, the Summit on Sustainable Development in Johannesburg stressed the need to "strengthen the social dimension of sustainable development by emphasizing follow-up to the outcomes to the World Summit for Social Development and its five-year review and by support to social protection systems".

The International Community has also been working towards making social development and human well-being central to sustainable development and poverty reduction. It has united around a series of shared values, goals, and strategies, and is working to achieve them through a continuum of efforts, with social protection playing an important role. These include: The World Summit of Children (1990); The United Nations Conference on Environment and Development (1992); The World Conference on Human Rights (1993); The International Conference on Population and Development (1994); The Fourth World Conference on Women (1995); The Second United Nations Conference on Human Settlements (Habitat II) (1996); The World Food Summit (1996); The United Nations Millennium Declaration (2000) adopted by the General Assembly; The United Nations World Conference Against Racism (2001); The Second World Assembly on Ageing (2002).

SOCIAL PROTECTION IN THE MANDATE OF THE ILO

Although the theme social security is multi-dimensional in nature, encompassing rights and benefits with or without employment, there are perspectives such as one shared by International Labour Organisation that appears to be fairly balanced in outlining the scope and its social positioning. ILO (2010) views social security as measures which provide protection from lack of work related income caused by contingencies, lack of access to health care, lack of family support for dependents and poverty and social exclusion. It is important to note that, as given by ILO recommendation no. 67 and no. 69, income security and medical care respectively have been identified as core components of social security. Moreover, this view of social security presumes strong support of public institutions in providing financial resources for the system, mainly generated from sources like taxes or contributions. Alternately, privately run institutions also play not less important a role in shaping the social security system, either acting as a compliment or substitute to public institutions. Broadly there are four types of social security solutions: (a) social insurance (b) social assistance (c) means tested social assistance and (d) conditional cash transfers.

(a) Social insurance: This form of social security exists in three forms. One form of this option resembles insurance schemes for which the person who benefits would contribute to the whole fund almost like a systematic investment plan. Another form is the solution with contributions from person and institutions –state or employer. The third model is non contributory in nature, being financed by contributors such as state.

(b) Social assistance: This model is universal in nature, covering all the citizens. Usually this option is used for guaranteeing access to health care, supported by the state.

(c) Means-tested social assistance: This model provides social security to those categories of population, who have been identified as the needy. This is a non-contributory system financed by the state.

(d) Conditional cash transfer: This scheme provides financial resources to households subject to particular requirements such as ensuring daily school attendance of their children.

Of these four, the first option is akin to savings which protects persons from lack of work related income, called pension while other options tend to be non-contributory, protecting persons from multiple deficits such as lack of work related income, health, family support, poverty and social exclusion.

Interestingly, since 1919 International Labour Conference (ILC) has adopted thirty one conventions and 23 recommendations on social security. In 2002, six of these have been confirmed by ILO governing body as up to date social security conventions. These include the following: Social Security Convention 1958 (no. 102), Employment Injury Benefit Convention 1964 (no. 121), Invalidity, Old age and Survivor's Benefits Convention 1967 (no. 128), Medical Care and Sickness Benefit Convention 1969 (no. 130), Employment Promotion and Protection against Unemployment Convention 1988 (no. 168) and Maternity Protection Convention 2000 (no. 183).

An important aspect about the reach of social security is how effective the scheme is in reaching people. While contributory social insurance programmes may not face this challenge, the reach of other models, in particular social assistance and cash transfer, enabled by legislations, is likely to fall short of what is promised by the law, understood as legal coverage; this is a situation of the disparity between effective coverage and legal coverage. Moreover, the legal coverage is sensitive to the labour market structure of the region. As shown by ILO (2010), more the country is developed; higher will be the share of wage and salary of the workers. While one fifth of the employed in under developed regions like South Asia and Sub-Saharan Africa are wage and salary employees, this segment of employment forms more than four fifth of employees in developed economies. This pattern points to the enormity of informal workforce in least developed countries who are deprived of social security.

The ILO's mandate and "raison d' être" is set out in the Preamble to its Constitution and can be summarized as follows:

CONTRIBUTE TO UNIVERSAL AND LASTING PEACE THROUGH THE PROMOTION AND DEVELOPMENT OF SOCIAL JUSTICE

Since its very beginning, the primary concern of the ILO has been to develop international policies and programmes to improve working and living conditions worldwide. Within this context, social protection has been a central issue for the Organization.

In fact, the Preamble to the Constitution[4] states that the ILO's mandate is to improve working conditions by ensuring "the prevention of unemployment ... the protection of the worker against sickness [and] disease and injury arising out of employment ... [and] provision for old age and injury".

The International Labour Conference adopted the first International Labour Conventions on social security at its very first session in 1919, and the most recent conventions were adopted in June 2006. The set of ILO Conventions and Recommendations on social security is divided into "generations" of standards, corresponding to different approaches. With the emphasis placed firmly on the principles of social insurance, the earliest standards applied only to certain categories of worker. The second generation was inspired by the more general concept of social security enshrined in the Declaration of Philadelphia, the main aims of which were to ensure a minimum income and comprehensive medical care for everyone who needed them.

ILO Convention No. 102 of 1952, which covers social security and lays down minimum standards in the nine branches of social security, provides a basic reference text in this area for the ILO and its Member States. The nine branches of social security are: medical care and benefits covering sickness, unemployment, old age, employment injury or occupational disease, family, maternity and invalidity, and survivors' benefits. Of the branches of social security covered by Convention No. 102, only family benefits and allowances are not covered by a specific ILO standard.

Since then, in an attempt to adopt standards which are appropriate to developments in the social and economic sphere, the ILO has concentrated on drawing up new instruments which supplement or revise existing standards in order to guarantee protection which is better adapted to individual circumstances than that provided by Convention No. 102.

The most recent standards adopted by the ILO focus on one of the Organization's four main aims, namely to extend social protection to everyone and increase its efficiency in order to make this right into a universal reality. The ILO's aspiration for achieving a minimum level of social security for the greatest number of people is shared by other organizations with standard-setting powers. Particular mention should be given to the active regional role played by the Council of Europe. Specifically, the Council, with which the ILO has a special working relationship, has made social protection one of its main priorities with standard-setting activities representing a key aspect of the work undertaken by its member countries.

The factors driving the development of international social security standards are many and varied, making it difficult to list them all in a comprehensive manner. Nonetheless, fit is possible to highlight a few important examples .The first, essential, reason for these standards comes from the observation that social security is vital to the well-being of workers and their families and to society as a whole.

In this respect, social security is a vital element of social integration and cohesion. This observation was underlined with a degree of force at the general debate on social security which took place at the 89th Session of the International Labour Conference in 2001[5]. With 80 per cent of the world's population living without adequate social security, the extension of coverage remains one of the ILO's main concerns in the social security field. The general debate mentioned above (International Labour Conference, 89th Session, 2001) considered this aim to be "an absolute priority[6]".

The second reason for developing international social security standards is fear and a growing sense of insecurity.

- For States, it is the fear that they will no longer be able to control health spending and that globalization will affect their own decision-making capacity.

Economic globalization makes social security more essential than ever, while limiting States' capacity to finance it. The increasingly competitive economic situation should not, however, be a pretext for the adoption of measures which will tend to reduce social costs unjustifiably.

- For individuals, it is the fear of insecurity, social inequality and unemployment, since unemployment is one of the greatest social risks faced by people whose livelihood depends on their own labour. The creation of a minimum security net for all would thus help to reduce the risk of social exclusion to a significant extent.

The third reason stems from a number of fundamental factors which affect the development of modern societies:

- The ageing of the world's population is a phenomenon which has significant effects on pension systems, whether fully pre-funded or pay-as-you-go (PAYG).
- The dramatic impact of AIDS in some parts of the world is a cruel reminder of the crucial and urgent need to achieve minimum sickness coverage and easier access to medical care.
- The welcome increase in equality between men and women in the social security field cannot fail to have consequences for standard-setting.

This situation is explained by the fact that many systems are heavily weighted in favour of men, largely because women have lower incomes, they are more numerous in sectors which are not covered by social security and they take on major and unpaid family responsibilities.

- Finally, developments in the informal economy and clandestine employment mean that a large number of workers are excluded from any social protection system. This also poses the main challenge to their integration into the formal economy. The decent work campaign, advocated by the ILO and forming one of the major strategic directions of the Organization and its Director General, Mr. Juan Somavia, is particularly relevant here.

Being at one and the same time ambitious yet indispensable, international standards combine two purposes: on the one hand, to create security and provide effective protection for the whole world population by establishing a minimum level of social security and, on the other hand, to better control the social effects of an increasingly competitive and global economy. However, international social security standards are not intended to impose a single model of social security.

It is up to each society to decide on the best way of ensuring access to care and the other benefits of social security in its own specific situation, since it is for States to enact legislation to encourage, improve and extend social security coverage.

The ILO's approach to social protection has been and continues to be shaped by its unique tripartite structure in which governments and their social partners, employers and workers, have an equal voice in the development of its policies and programmes. The Organization has always recognized that there are various actors in social protection, and therefore, social dialogue and partnerships are central to its operations and its efforts to extend effective social protection to all.

The ILO's new unifying strategy of "Decent Work for All" is enshrined in the original principles and values of the ILO – the promotion of social justice and humane conditions of work. The Decent Work Agenda establishes as its primary goal "to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity[7]", which reflects the principles of freedom, dignity, economic security and equal opportunity espoused in the ILO's Constitution.

The ILO's Decent Work Agenda upholds the fundamental human right to social protection as laid down in the International Covenant on Economic, Social and Cultural Rights. Accordingly, a key feature of the decent work strategy is that everyone is entitled to basic social protection, and therefore the decent work strategy aims at universality of coverage. This overarching official goal has been translated into the strategic objective of the Social Protection Sector: enhancing the coverage and effectiveness of social protection for all which is one of the four strategic objectives of the Agenda for Decent Work for All:

1. Promote and realize standards and fundamental principles and rights at work.
2. Create greater opportunities for women and men to secure decent employment and income.
3. Enhance the coverage and effectiveness of social protection for all.
4. Strengthen tripartism and social dialogue.

Both the World Summit on Social Development in 1995 and the 24th Special Session of the United Nations General Assembly in 2000 had concluded that employment is fundamental to the fight against poverty and social exclusion. The ILO was called upon to develop a coherent and coordinated international strategy for the promotion of freely chosen productive employment. The Global Employment Agenda is the Office's response to this request.

The Global Employment Agenda, whose principal aim is to make employment central in economic and social policy making in order to create more and better jobs, was adopted by the ILO's Governing Body in March 2003. Consistent with the Millennium Development Goals, the Agenda seeks, through the creation of productive employment, to better the lives of the hundreds of millions of people who are either unemployed or whose remuneration from work is inadequate to allow them and their families to escape poverty. The Global Employment Agenda is the Employment Sector's twofold contribution to the Office's broader agenda of decent work. First, promoting employment opportunities is fundamental to decent work. The Global Employment Agenda thus promotes the quantitative objective of increasing freely chosen productive employment in the world. Second, the Global Employment Agenda (GEA) also has an important role in improving the qualitative dimension of employment.

A report on social protection as a productive factor (core element 8 of the Global Employment Agenda), was before the 294th Session of the Governing Body of the Office in November, 2005. It provided an overview of the key determinants of economic performance, the debate about social protection as an input to economic growth, the relationship between social protection containment policies and economic growth, empirical evidence on productivity and social spending, and ILO action to date.

The term "productive factor" is mainly understood as a force enhancing sustainably the total level of output of an economy in particular through enhancing the level of output per worker or per hour worked (i.e. "labour productivity")[8].

Social protection (or social security)[9] can be understood as being a set of institutions, measures, rights, obligations and transfers whose *primary goal* is:

(a) To guarantee access to health and social services; and

(b) To provide income security to help to cope with important risks of life (inter alia, loss of income due to invalidity, old age or unemployment) and prevent or alleviate poverty.

Core element No. 8 of the GEA basically lists three major conduits by which national social protection systems may become a productive factor. Firstly, social protection helps people to cope with important life risks and loss of income. In doing so, it can enhance and maintain the productivity of workers and creates possibilities for new employment[10]. Secondly, social protection can also be a critical tool in managing change in the economy and the labour market. Thirdly, social protection can stabilize the economy by providing replacement income that smoothens consumption in recessions and thus prevents a deepening of recessions due to collapsing consumer confidence and its negative effects on domestic demand. The extension of social protection through universal and community based methods, as well as overcoming the challenges created by ageing populations, are seen as the major challenges for national social protection systems. The potentially positive economic role of social protection thus found tripartite consensus when the GEA was adopted .Public discussions often convey the impression that social protection is rather considered as hampering economic growth (productivity) than reinforcing it. However, there is also a growing recognition that social protection policies can have a positive impact on the economic environment either directly through fostering productivity and – more indirectly through fostering social cohesion and social peace which are prerequisites for stable long-term economic growth. The core of the debate on the economic repercussions of social protection is thus whether social protection systems are purely mechanisms that redistribute consumption based on some normative rules among citizens – which could have negative effects on economic performance – or whether they can also be considered a societal investment in social and human capital with long-term growth enhancing effects.

The ILO has carried out an in depth analysis of the national social protection systems and their perceived effects on economic performance[11]. It has been a subject of intense policy debates in many countries during the last decades. On the one hand experts (notably those working in international finance institutions)[12] claim that social systems redistributing up to 35 per cent of countries' GDPs are no longer affordable. Social protection expenditure at and beyond this level is seen as an impediment to growth, creating negative short and long-term growth effects.

WORLD BANK AND SOCIAL SECURITY

The World Bank's attack on public Social Security systems has been both direct and indirect. The indirect attacks have been most important for industrialized countries like the United States.

Over the last decade, the World Bank has become one of the leading forces for privatizing public sector Social Security systems around the world. These systems, particularly in the industrialized nations, have been remarkably successful at reducing poverty among the elderly and disabled. There are no privatized systems that can boast a comparable track record.

The World Bank's role in promoting the privatization of Social Security systems in the developing world has been far more direct. In addition to providing rhetorical support to the ideological and financial interests who support privatization, the World Bank has also provided loans and technical assistance to nations that have privatized their Social Security systems.

The World Bank's initial emphasis on a public pension scheme for formal sector workers and the need for reform of this scheme was dictated by high and often rising pension expenditures in the transition economies and the dysfunctional and often deficitiary schemes in most client countries worldwide.

A comprehensive research effort (World Bank, 1994) prompted the World Bank proposal for a multi-pillar pension scheme and a suggested mixture of financing (unfounded/funded), benefit types (defined benefit/defined contribution) and administration (public/private). As it turned out, the proposed multi-pillar scheme became a benchmark rather than a blueprint for the Bank's work with client countries (over 60 so far), and the work on best design and implementation for a public scheme is ongoing.

While the support of countries to reform the public scheme continues because their financing needs often crowd out other social expenditures (such as education and health), the share of people covered by formal sector schemes is typically very small (some 10 to 20 per cent in the Bank's poorest client countries). This has triggered work with client countries to investigate the design and implementation of non-contributory schemes for the life-time poor, micro-insurance schemes for the low-income groups, and enhanced access of the large share of informal sector workers (the current non-poor, but potential future poor when old) to market-based financial instruments for old-age income. Investigation of the complicated issue of "coverage" under old-age income support schemes has become prominent in the Bank's work.

The proportion of persons aged 60 years and older throughout the world is expected to more than triple in the next half century. According to UN projections, 72 per cent of the population over 60 years of age will be living in developing countries by the year 2025. The majority of aging people are women. Today, there is an estimated 81 men for every 100 women over 60. At age 80, this ratio decreases to 53 men for every 100 women. An aging, mostly female population has important implications for the World Bank's work to reduce poverty.

Elderly women and widows heading households or living alone face a particularly high risk of being poor. This evidence is valid for both developed and developing countries, and there are several reasons to that (World Bank 2001), including: (i) Older women tend to have poorer access to productive assets, such as land, capital, credit, technology and extension services. They tend to have weaker property rights and fewer savings than men. They are less likely to be in the labour force or to have pension income. When they are in the labour force, they tend to have lower wages and shorter pension accumulation times. (ii) Older women are less likely than men to have economic support through marriage (worldwide, approximately 79 percent of men aged 60 and older are married, compared with 43 percent of women). (iii) In some societies, widows face cultural constraints that limit their ability to ensure a basic standard of living in old age. The erosion of the traditional support to widows in many countries further increases their risk of being poor. The gendered nature of aging and its implication for development has been recognized in several international platform. For example, the Beijing Declaration and the Beijing Platform for Action adopted in 1995 and reaffirmed in 2000 recognized that women face barriers to full equality and advancement because of certain factors, including age. As the World Bank moves forward, the different needs and constraints facing aging women and men need to be increasingly taken into consideration when designing projects and policies. Several studies on the links between gender and aging have been produced by the World Bank.

The World Bank has vigorously promoted the notion that Social Security systems, such as the one in the United States, are unsustainable. This was done most clearly in a 1994 World Bank book, titled "Averting the Old Age Crisis[13]".

The World Bank's policy on the privatization of Social Security systems of member nations has been criticized severely by several leading economists. According to Dean Bake[14]: "This book implies that longer life spans, due to increasing wealth and improved medical technology, are going to impose an unbearable burden on nations, unless their Social Security systems are radically altered. It is easy to show that the basic premise of the book is wrong. Life spans have been increasing rapidly in the industrialized nations for more than a century. In most industrialized countries — including the United States — the increase in spending on Social Security programmes in the past thirty to forty years was actually larger (measured relative to the size of the economy) than it is projected to be in the next thirty or forty years. In other words, the World Bank could have more appropriately written 'Averting the Old Age Crisis 'in 1960 than in 1994.

There is no plausible scenario in which the continued growth in the size of the elderly population will prevent future generations of workers from enjoying substantially higher living standards than their parents and grandparents. On average, living standards for workers in the industrialized nations have improved significantly over the last four decades, even after deducting the taxes needed to support a larger population of retirees. The World Bank studies have produced no evidence that the next four decades will be any different in this respect. (The distribution of income does raise a possibility of declining living standards for the majority of people, as an upward redistribution of income has led to stagnant or declining living standards for many workers in the United States in the last two decades. In spite of the greater threat it poses to the future living standards of the majority of people in the industrialized nations, the distribution of income has received almost no attention from the World Bank.)

The lack of evidence to support its basic premise has not prevented 'Averting the Old Age' Crisis from being extremely useful to political groups with an interest in privatizing Social Security systems around the world. It is highly unusual for economists to use the sort of inflammatory rhetoric of the book's title (i.e. referring to an old age "crisis") and in much of the text. Since the World Bank is often regarded as a neutral authority, conservatives opposed to Social Security systems for ideological reasons —as well as the financial firms that stand to profit from the privatization of Social Security — have often cited the World Bank's writings to promote their efforts.

The World Bank's role in promoting the privatization of Social Security systems in the developing world has been far more direct. In addition to providing rhetorical support to the ideological and financial interests who support privatization, the World Bank has also provided loans and technical assistance to nations that have privatized their Social Security systems.

The single-mindedness of the World Bank in promoting privatized systems is peculiar, since the evidence — including data in World Bank publications — indicates that well-run public sector systems, like the Social Security system in the United States, are far more efficient than privatized systems. The administrative costs in privatized systems, such as the ones in England and Chile, are more than 1500 percent higher than those of the U.S. system.

The extra administrative expenses of privatized systems comes directly out of the money that retirees would otherwise receive, lowering their retirement benefits by as much as one-third, compared with a well-run public Social Security system. The administrative expenses that are drained out of workers' savings in a privatized system are the fees and commissions of the financial industry, which explains its interest in promoting privatization in the United States and elsewhere. (U.S. firms like Merrill Lynch have been some of the big beneficiaries of Social Security privatization in developing nations such as Chile.)

The former Senior Vice President and chief economist at the World Bank, Joseph Stiglitz, sought to alter the Bank's single-minded support for privatized Social Security systems, co-authoring a paper ("Rethinking Pension Reform: Ten Myths About Social Security Systems[15]") which pointed out that many of the reasons given for preferring privatized Social Security systems are not supported by evidence".

The first World Bank overview on pension reform in India was started in late-98, and presented to the government in 2001. The eventual outcome was a proposal to reform the Civil Service pension to be a contributory defined contribution scheme. The structure was put forward as a framework for pension saving in the non-government sector, but more recently, a pension regulatory commission has been established. Income tax breaks are envisaged, but such a small proportion of private-sector workers pay income tax that this will not be an effective incentive for most. It will perhaps encourage the self-employed to save for retirement. Current work by the World Bank includes a three-state investigation into establishing a social pension, and a joint World Bank/ADB conference on pension reform has been planned[16].

ASIAN DEVELOPMENT BANK AND SOCIAL SECURITY

The Asian Development Bank defines social protection[17] as set of policies and programmes designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, enhancing their capacity to protect themselves against hazards and interruption/loss of income. The Asian Development Bank has identified five main areas in social protection[18]:

1. labour market policies and programmes designed to promote employment, the efficient operation of labour markets and the protection of workers;
2. social insurance programmes to cushion the risks associated with unemployment, ill health, disability, work-related injury and old age;
3. social assistance and welfare service programmes for the most vulnerable groups with no other means of adequate support, including single mothers, the homeless, or physically or mentally challenged people;
4. micro-and area-based schemes to address vulnerability at the community level, including micro insurance, agricultural insurance, social funds and programmes to manage natural disasters; and
5. child protection to ensure the healthy and productive development of children.

These policies and programmes are expected to make a major contribution to poverty reduction when properly implemented. Social insurance programmes mitigate risks by providing income support in the event of illness, disability, work injury, maternity, unemployment, old age, and death. Programmes include

- **unemployment** insurance to deal with frictional or structural unemployment;
- **work injury** insurance to compensate workers for work-related injuries or diseases;
- **disability and invalidity** insurance, linked to old-age pensions, to cover for full or partial disability;
- **sickness and health** insurance to protect workers from diseases;
- **maternity** insurance to provide benefits to mothers during pregnancy and post-delivery;
- **old-age** insurance to provide income support after retirement; and
- **life and survivor** insurance to ensure that dependents are compensated for the loss of the breadwinner.

According to the Asian Development Bank, social insurance systems have developed in developing member countries in various forms. In the transitional economies (such as ours) there are comprehensive schemes now in the process of being reformed to meet market economy conditions. However, the extent of social insurance coverage in a country will be governed by the kind and age of the system, and the degree of economic development.

MACROECONOMIC LINKAGES

If the cost of social insurance places too high a burden on employers, this could affect inward investment if competitors in other countries have lower wage costs. High costs could also restrict the ability of employers to compete in the export market. Against such considerations must be placed the economic costs to a nation of not having a fully developed social insurance scheme. A modern industrialized economy cannot function efficiently unless both employers and employees know there is some guarantee to cover income in periods of sickness and unemployment and eventually retirement. Without social insurance to spread these risks, industry will tend to experience more unrest among workers when the economic cycle is at its lowest point and may find it more difficult to make surplus workers redundant. Any large-scale redundancies could more easily lead to social disorder in the absence of arrangements for some form of income replacement.

FISCAL IMPACTS

Wage levels, and hence revenue receipts, will probably be lowered as social insurance contributions are increased beyond a certain point. This point will be closely related to the pensioner's support ratio in those countries where the ratio is high. If benefit rates are set at a level where they affect the incentive to work, then clearly social insurance funds will be faced with higher than appropriate benefit costs and the government with lower revenues. If benefit rates are set too low this could affect the government's income from indirect taxation to a marginal extent and have knock-on effects for government expenditure if large-scale poverty is a result.

The Asian Development Bank approved its 'Social Protection Strategy' on the 13th September, 2001. The ADB has also started a Social Protection (Social Insurance) Programme in India in 2003- **'Pension Reforms for the Unorganized Sector'.** This Project will study the feasibility of introducing voluntary private pension schemes for the unorganized sector. A nationwide study will classify possible participants, develop suitable pension products, and develop a regulatory framework. It is an advisory and operational technical assistance programme.

Table 1 compares legal coverage of social security statutory provisions existing in different regions, including most developed ones like North America and Western Europe and least developed ones like Sub-Saharan and Africa. This table from ILO (2010)[19] provides estimates for three social security needs like old age, employment injury and unemployment.

The social security provision for old age varies from region to region. The legal coverage as a percentage of working age population varies from one fourth to three fourth; Sub-Saharan Africa reports the lowest coverage while

North America shows the highest. As shown in this Table, the provision has three models: contributory programmes, contributory voluntary coverage for self- employed and non-contributory programmes. The above comparison for the working age is based on all old age social security programmes. Clearly, contributory programmes have better reach than non-contributory programmes. In North America, the reach of contributory programme is three fourths while the reach of non-contributory is less than three out of hundred. Similar patterns exist in other regions as well. For employment injury, more than two third of North American working age population comes under legal employment injury coverage while the coverage in Sub- Saharan Africa is just one sixth. This indicator shows an increase for economically active population; more than four fifth of North Americans get coverage but the same measure for Sub-Saharan Africa is just one fifth.

The data base gives inter regional comparison of legal unemployment social security coverage as a percentage of working age population, comprising of four models of social security: mandatory contributory coverage, non-contributory coverage, voluntary contributory coverage and contributory and non-contributory coverage. It appears that across the globe, the first and last models are relatively more prevalent, while the third and fourth models have very limited reach. It is important to note the same order with developed countries having significantly more coverage than less developed countries. The coverage in North America under first and fourth models is two third of the working age population. On the other hand the coverage in Sub- Saharan Africa varies from 1.1 to 3.8.

The context of social security is sensitive to demographic trends. For instance aging of the population may throw up a distinct set of social security needs, becoming a major challenge for the fiscal system of the country. Contrary to this, those regions with higher fertility rates may have enormous under 15 population and consequently, social security needs weighing towards health care rather than the old age pension.

Table 2 based on ILO (2010)[20] captures the dynamics in demographics between 2010 and 2030. This table gives proportion of population less than 15 years and the proportion of population above 60 years, showing a comparison between regions. Owing to the larger social, economic and political developments, the world is going to witness the enormity of aged population in coming decades. In more developed countries, the share of 60 above population is going to increase from one fifth to one fourth in the next two decades. Similar trends prevail even for less developed countries albeit the magnitude of increase in aged population is much lesser. On the other hand, during the same period the proportion of 60 above will increase from 5% to 9% in Sub-Saharan Africa. It is important to note than the challenge for Sub-Saharan Africa will be the enormity of under 15 population which shows a slight decline from 42% to 35% during this period.

Table 1
Social Security Statutory Provision: Regional Estimates

	Old age coverage as a percentage of working age population			
Regions	*All old age social security programmes*	*Old age contributory programmes excluding voluntary*	*Old age contributory voluntary coverage for self employed*	*Old age non-contributory programmes*
North America	75.4	73.0	0.0	2.5
Western Europe	77.4	70.4	0.5	6.5
CIS	66.8	65.3	0.0	
Central and Eastern Europe	62.3	58.9	2.4	1.5
Latin America and Caribbean	63.8	58.4	4.7	0.9
Middle east	40.3	38.5	0.3	0.8
North Africa	34.4	34.4	0.0	1.6
Asia and the pacific	31.9	27.9	1.9	0.0
Sub Saharan Africa	26.1	14.0	3.7	2.1
Total	42.0	37.3	2.0	8.5
				2.7

Employment Injury

	Legal employment injury coverage as a percentage of			
	Working age population		*Economically active population*	
Regions	*Mandatory*	*Voluntary*	*Mandatory*	*Voluntary*
Africa	19.0	1.6	26.3	2.2
Sub-Saharan Africa	17.1	1.8	22.2	2.4
North Africa	26.3	0.8	46.2	1.4
Asia and the pacific	20.8	0.2	25.9	0.3
Middle east	36.0	0.0	61.6	0.0
Latin America and Caribbean	41.5	2.6	55.2	3.5
Central and Eastern Europe	54.5	2.8	82.4	4.3
CIS	55.8	0.2	75.8	0.3
North America	67.1	0.0	84.5	0.0
Western Europe	61.8	3.3	84.2	4.5
Total	30.3	0.8	39.3	1.1

	Legal unemployment coverage as a percentage of the working age population			
Regions	*Mandatory contributory coverage*	*Non-contributory coverage*	*Voluntary contributory coverage*	*Contributory and non-contributory coverage*
North America	65.7	0.0	0.0	65.7
Western Europe	60.3	2.9	0.8	64.5
CIS	49.0	0.5	1.1	56.2
Central and Eastern Europe	50.5	0.7	2.8	54.0
North Africa	9.9	4.1	0.0	14.0
Asia and the pacific	6.3	6.8	0.5	12.9
Middle east	11.5	0.0	0.0	11.5
Latin America and the Carribean	7.2	3.0	1.0	10.2
Sub Saharan Africa	1.1	2.7	0.0	3.8
Total	18.4	3.1	0.6	22.3

Regions	*Legal unemployment coverage as a percentage of the economically active population (as% of economically active population)*			
	Mandatory contributory coverage	*Non-contributory coverage*	*Voluntary contributory coverage*	*Contributory and non-contributory coverage*
Western Europe	79.4	3.9	1.0	85.0
North America	81.4	0.0	0.0	81.4
Central and Easter Europe	75.5	1.0	4.6	81.0
CIS	68.3	0.6	1.6	77.8
North Africa	17.2	7.4	0.0	24.7
Asia and the Pacific	8.8	9.0	0.8	17.5
Middle East	17.3	0.0	0.0	17.3
Latin America and the Carribean	10.0	4.0	1.3	14.0
Sub-Saharan Africa	1.9	2.2	0.0	4.1
Total	25.7	3.8	0.9	30.6

Note: Regional estimates weighted by the working-age population old age) or the economically active population (employment injury and unemployment).

Sources: ILO Social Security Department based on SSA/ISSA, 2008, 2009; ILO, LABORSTA; national legislative texts; national statistical data for estimates of legal coverage.

Table 2
Demographic Trends: Ageing

	Population less than 15 as % of total population		*Population over 60 as % of total population*	
Major Area, Region or Country	*2010*	*2030*	*2010*	*2030*
World	26.9	22.7	11	16.5
More developed regions	16.5	15.4	21.8	28.8
Less developed regions	29.2	24	8.6	14.2
Least developed countries	39.9	33.7	5.2	7
Less developed regions, excluding least development countries	27.3	21.9	9.3	15.8
Less developed regions, excluding china	32.2	25.9	7.5	11.8
Sub Saharan Africa	42.3	35.6	4.9	5.9

Source: ILO (2010).

Table 3
Demographic Trends: Dependency Ratios

	Total dependency ratio (%)		*Old age dependency ratio (%)*		*Youth dependency ratio (%)*	
Major area, region or country	*2010*	*2030*	*2010*	*2030*	*2010*	*2030*
World	52.7	52.3	11.6	17.8	41.2	34.5
More developed regions	48.1	61.1	23.6	36.2	24.4	24.8
Less developed regions	53.8	50.8	8.8	14.6	44.9	36.2
Least developed countries	76	61.8	5.8	7.3	70.2	54.5
Less developed regions, excluding least development countries	50.4	48.6	9.3	16.1	41.1	32.5
Less developed regions, excluding china	59.1	51.4	7.9	12.2	51.2	39.2
Sub Saharan Africa	83.5	65.4	5.8	6.4	77.7	58.9

Source: ILO (2010)

Total dependency ratio (%): a measure showing the number of dependents (aged 0-14 and over the age of 65) to the total working-age population (aged 15-64).This indicator gives insight into the number of people of non-working age compared to the number of those of working age. A high ratio means those of working age - and the overall economy - face a greater burden in supporting the ageing population. The total dependency ratio is the sum of the youth and old-age dependency ratios.

Youth dependency ratio (%): a measure showing the number of youth dependants (aged 0-14) to the total population (aged 15-64). The youth dependency ratio includes only under 15s. For example, if in a population of 1,000 there are 250 people under the age of 15 and 500 people between the ages of 15-64, the youth dependency ratio would be 50% (250/500).

Old-age dependency ratio (%): population aged 65 years or over to the population aged 15-64.

Further these trends are reflected in dependency ratios. The ILO data base gives three dependency ratios - total dependency ratio, old age dependency ratio and youth dependency ratio (Table 3). Total dependency ratio is the number of dependents who come under age categories 0-14 and 65 and above to the total working age population who are in the age category of 15-64. Youth dependency ratio is defined as the number of youth dependence (aged 0-14) to total working population (aged 15-64). Old age dependency ration gives the percentage of population in the age group of 65 and above out of total working age population. The data shows that total dependency ratio would increase for more developed regions from half to three fifths during the period 2010-2030 while the same for Sub–Saharan Africa is going to drop from four fifth to two third. For least developed countries, during this period, total dependency ratio will decline from three fourth to three fifth. In fact the world is expected to witness growth in old age population and old age dependency ratio is assumed to increase from 11.6 per cent to 17.8 per cent. This measure for developed regions will increase from one fourth to slightly above one third while the magnitude of increase is much lesser in less developed countries. An emerging demographic dynamics in the world is the declining share of below 15 age group; the share of this group is likely to decline from two fifth to one third. This ratio for less developed regions excluding China is anticipated to drop from half to two fifth while developed regions would experience an insignificant change–ratio stabilizes at one fourth. Given this dynamics, it is doubtful if state supported social security systems would be able to sustain in the long run, in view of the enormity of the dependent population.

Against this backdrop, an overview of social security systems in different countries/regions such as Japan, South Africa, Turkey, Brazil, Middle East, Africa and OECD have been done. Japan has a three pillar system for retirement income which encompasses social security pension plan, voluntary occupational pension plan and personal pension plan (Wantanabe, 2002)[21].

Of these, the social security pension plan is the most significant contributor; it accounts for 64 per cent of the incomes of aged population. This two pillared social security system comprises of the National pension plan and the Employees pension plan. Every citizen of Japan including the non-earning members between the age group of 20 to 59 is participant in the National Pension Plan.

Interestingly, even the non-contributors are eligible to receive benefits which are equivalent to one third of the full benefits. In 1999, of the 70 million persons insured under this plan, 18 million received pension benefits. Every citizen is required to make an average monthly contribution of ¥ 13,300. Against this contribution, they receive an average benefit of ¥ 49,000 from the age of 65 years (*ibid*)[22]. On the other hand the Employee pension plan is restricted to employees, consisting of five insurance programmes: (i) the Employees' Pension Insurance Plan for private sector, (ii) the Central Government Employees' Mutual Aid Association Plan, (iii) the Local Government Employees' Mutual Aid Association plan, (iv) the Private School Teachers' Mutual Aid Association Plan and (v) Agriculture and Fisheries' Mutual Aid Association Plan. For the private Employees' pension insurance plan, the age for receiving pension benefits has been increased from 65 to 70 years. However, the introduction of the Pension Amendment Act of 2000 witnessed a tested system being enforced which reduced the availability of pension for people in the age group of 65 to 70.

Interestingly, 30 per cent of people refrain from contributing to government pension schemes. Instead, 70 per cent of those who do not subscribe to these Government schemes prefer to buy private pensions. As viewed by Wantanabe (2002), there should be an 'anti age discrimination' plan wherein people will have the freedom to work until they experience a slack in physical and mental capabilities. In this way, it will lead to prolonged contributions to the social security fund which will forbid the fund run into losses.

Countries in Middle East region mainly subscribe to the traditional social insurance type of social security programme (Bailey *et al*, 2002)[23]. In the case of pension they adopt a defined benefit pay-as-you-go pension plan (Gill *et al.* 2008). However, this coverage is restricted to citizens, not covering migrants, who form major chunk of workforce, in countries such as Bahrain, Oman, Kuwait, Saudi Arabia and United Arab Emirates. Jordan and Yemen, having less influx of migrants, are the only two states that have extended their social security provisions to migrants (Bailey *et al,* 2002).[24]

Saudi Arabia, Kuwait, Jordan and Israel cover 21 per cent, 23 per cent, 40 percent and 82 per cent of the population respectively. In Bahrain and Saudi Arabia, social security is provided to employees in enterprises which have 10 or more employees, whereas smaller enterprises have the opportunity to volunteer for the scheme. In Jordan social security is a mandatory requirement for enterprises having 5 or more employees. In Kuwait, viewing a long life expectancy clubbed with early retirement, to finance social security, the government gives 10 per cent subsidy on the total wages earned by an individual. Similarly, Oman also offers a five percent subsidy in order to manage the social security fund (*ibid*). In general, the retirement age in the Middle Eastern countries vary from 40 to 60 for women and 50 to 65 for men and contributions for retirement benefits range from 7 to 14 per cent for employers and 5 to 7 per cent for employees, respectively. Moreover, two sources for supplementary income (income support and general revenue) are provided for people with a low income status. The biggest impediment in the social security system within the Middle East is that coverage is restricted to citizens, leaving a huge migrant workforce without social security (*ibid*).

Similarly, Oman also gives a five per cent subsidy in order to manage the social security fund (Bailey *et al,* 2002). Social security systems in transitions economies such as Brazil, China, India, Russian Federation and South Africa are in a transient phase experiencing a series of policy changes (Gill *et al.* 2008)[25]. For instance, in 2001, the Russian Federation reformed the pension system into a three pillar system encompassing (i) pay-as-you-go defined benefit scheme comprising of flat basic benefit and a notional defined-contributory scheme, (ii) public-private managed mandatory defined contributory scheme, and (iii) a voluntary privately managed component.

The structural pension system of Latin America is relatively more liberal compared to the other countries. This system ensures a comfortable old age through its pension schemes to all its citizens. Specifically, Brazil has a three pillar social security system which includes (i) systems' mandatory first pillar (ii) mandatory individual savings (iii) voluntary and complementary personal saving schemes. The subsidies on public expenditure on pension in Brazil underwent a deficit of 5.6 per cent of the GDP in 2004, after which the government opted to strengthen the third pillar of social security system that is voluntary and complimentary personal saving schemes (*ibid*) [26].

In the African continent, armed conflicts and prevalence of HIV and AIDS related diseases have proved to be a hindrance in implementing social security programmes. This has created a situation wherein merely 10 per cent of the population receives social security (Bailey *et al*, 2002). In Sub-Saharan Africa this is further compounded by economic pressures which have restricted the social security benefits to merely one fifth of the labour force. Moreover, the total contribution rate varies from 10 to 17.5 per cent. In most of the African countries, the government does not contribute to the social security funds. However, in Mauritius and South restricted the social security benefits to merely one fifth of the labour force. Moreover, the total contribution rate varies from 10 to 17.5 percent. In most of the African countries, the government does not contribute to the social security funds. However, in Mauritius and South Africa, social security is completely financed by the government. Other countries like Tanzania, Uganda, and Swaziland exclude domestic workers, small firms and self-employed workers respectively from availing social security provisions. Morocco, on the other hand, is still working towards the construction of a systematic pension reform. As far as, the agricultural sector is concerned, farm workers in Africa, in particular those who are engaged in subsistence agriculture, are hardly covered by social security.

Moreover, in Tunisia the coverage of social security provisions for agricultural workers is much lower when compared to urban workers. It is important to note that factors such as excessive administration cost, low returns and recession have been major hurdles in providing adequate provident fund.

By contrast, South Africa seems to have a more robust social security system which encompasses social insurance, social assistance and universal benefits. Social insurance includes unemployment insurance, compensation for occupational injuries, disease fund and road accident fund. The Unemployment insurance, funded by the employer and employee, is provided during contingencies like termination of employment, maternity, illness and adoption. However, it has succeeded in covering a mere 5 per cent of the population. Interestingly, unlike other countries, the social insurance scheme in South Africa is one of the few that also covers domestic workers (Kaseke, 2010)[27].

Social assistance is a means tested provision which has contributed significantly towards the reduction of poverty in South Africa. It also has a provision for a Child support grant, a disability grant and an old age pension grant. The child support grant has a monthly allowance of R 240 to care givers and R 690 to foster parents respectively. A disability grant of R 1010 is given to care givers of disabled children, as well as, to children with disabled parents. Old age pension has been successful in reaching out to 80 per cent, which has reduced poverty level by 9 per cent (*ibid*).[28]

However, the redistributive social security has been unable to cater to the needs of all the poor. Furthermore, in comparison with the other provisions, minimum attention has been given to health and safety benefits. According to Kaseke (2010), the inclusion of informal sector workers in government pension schemes and national health insurance in social security would prove to be more effective in reducing inequalities.

It is interesting to see if race can be correlated with the availability of social security in South Africa. The black race in South Africa has the lowest personal per capita income (rand per annum) which amounts to rand (R) 2520. Moreover, the unemployment rate is also at its highest touching 38.3. In order to keep a balance in the income between various races in South Africa, the social security benefits given to them are larger compared to other races (1722.5) and the value of these grants are 2264.7 million. The colored race has a personal income per capita (rand per annum) of R 5316 and high unemployment rate of 20.8 percent. The social security is relatively high among the Blacks i.e. 493.3 and the total value of grants is 724.8 million. The Indians in South Africa have a relatively higher personal income per capita (rand per annum) of R 11112 and lower unemployment rate of 11.3 per cent. Hence, they receive the lowest social security in South Africa i.e. 101.3 and the value is 176.9. The whites in South Africa are the highest earning citizens (R 25344) with the least unemployment rate i.e. 4.3 per cent. They receive a low level of social security benefits 215.5 and the value is 717.8 million. The value of the grants in terms of the proportion of income are 5.3 per cent for the black race, 6.6 per cent for colored race, 0.8 percent for whites and 3 percent for Indians (Berg, 1997).[29] Therefore, it can be inferred that the South African social security system has made efforts to ensure a balance between the incomes of different races.

In select OECD (Organisation for Economic Co-operation and Development) countries such as Japan, Australia, USA, Portugal, New Zealand, Spain, UK, Netherlands, Norway, France and Denmark, a relation between wage employment and social security cannot be drawn.

These countries invest half or more than half of the government expenditure on social security. The wage employment in the above mentioned countries ranges from 71.7 per cent in Portugal to 91.6 per cent in US.

Among these countries, Norway has the highest wage employment which is 91.3 per cent and relatively high social security coverage i.e. 73 per cent. Portugal has thelowest wage employment 71.7 and relatively low social security coverage i.e. 50 per cent. On the other hand France has a relatively high wage employment (88.6%) and social security (81%). In contrast, Ireland has a high wage employment i.e. 80 per cent coexisting with the lowest social security i.e. 41 percent (Ghai, 2003).[30]

In comparison with OECD countries the social security provisions in transient 25 economies (Czech Republic, Hungary, Poland, Romania, Russian Federation and Latvia) in terms of social security and wage employment is lower. The social security coverage in these countries varies between 42 per cent in Romania and 71 per cent in the Czech Republic (*ibid*).[31]

Transient economies are economies that have undergone a transition from communism to capitalism. The wage employment in transient economies is lower compared to the OECD countries as it ranges from 62.4 in Romania to 90 in Russian Federation. In Poland, social security as a percentage of total government expenditure is 76 per cent and the wage employment is 70.5 per cent. Russian Federation retains 45 per cent of government expenditure for social security but has a high wage employment as a percent of labour force i.e. 90 per cent. In comparison with the OECD and transient economies, social security and wage employment is still lower in the developing countries. The main reasons behind this could be the absolute poverty, under employment, unemployment, dual economies and limited industrialization prevalent in the developing countries.

The social security expenses in developing economies like Korea, Chile, Malaysia, Mauritius, Mexico, Botswana, Brazil, Costa Rica, Indonesia, Egypt, Sri Lanka, India, Kenya and Ethiopia range from 7 per cent (Kenya and Botswana) to 57 percent (Chile) and the wage employment ranges from 6.6 percent (Ethiopia) to 80 percent (Mauritius). Additionally, the social security provisions in countries like Kenya, Botswana, Indonesia, India, Malaysia, Egypt and Sri Lanka range from merely 7 to 16 percent as a per cent of total government expenditure. From these countries, Malaysia, Botswana and Sri Lanka are the only countries having higher wage employment as a percent of labour force, ranging from 71.4 to 59.9 (*ibid*).

In Turkey, the three main social security institutions are the Social Insurance Institution (known as *SSK*), the Retirement Fund (known as *ES*) and the Social Security Institution of Craftsmen, Tradesmen and other self- employed people (known as *Bag-Kur*). In 2004, these three schemes covered 89 per cent of the total population in Turkey. A small portion of the population (0.6 %) has opted for privately managed funds. Social Insurance Institution and the Retirement Fund are contributory schemes whereas the Social Security Institution of Craftsmen, Tradesmen and other self-employed people is a non-contributory scheme. Among these, the Social Insurance Institution is the most popular; its coverage increased from 47.40 to 53.24 per cent of population in Turkey during 2000-2004. SSK caters to two categories of workers: all private sector workers and the blue collared public sector workers. It chiefly provides work injury and occupational disease insurance, sickness insurance, maternity insurance, disability insurance, old age insurance and death insurance. The Retirement Fund provides retirement pension, job disability pension, disability pension, survivor's pension, retirement bonus, death grant, marriage bonus, lumpsum payment and repayment of contribution. The coverage of this fund has remained nearly constant from 12.23% in 2000 to 12.9% in 2004.

The social security institution of craftsmen, tradesmen and other self-employed people provides disability insurance, old age insurance, death insurance and health insurance for farmers, artisans and self-employed people. Its coverage increased from 22.14 per cent in 2000 to 53.24 per cent in 2004.

Additionally, there is also a green card programme that provides health services to the poor who are not beneficiaries of any social security programme. The share of insured people in Turkey increased from 66.3 per cent in 1990 to 89.2 percent in 2004. However, the dependency ratio increased from 3.62 in 1999 to 4.02 in 2004. This could be mainly due to large number of children or low participation within the labour force participation.

International labour organisations in 1995 had predicted that, in 2005 the social security funds in Turkey would have deficits up to 10.1 percent of GDP. Moreover they released a report entitled "the Turkish Government Social Security and Health Insurance Project" which outlined a strategy for restructuring the social security system in Turkey. After in consultation with the International Monetary Fund and World Bank, the central government of Turkey implemented two reforms in 1999 and 2006.

The 1999 twofold reform has a two pillared system; the first pillar is Social Security Institutions (SSI) and the second pillar is the private pension schemes. This reform aimed at extending the contribution period and increasing the minimum contribution rate. It created a legal framework for voluntary private pension funds and set up administrative reforms. The reforms in 2006 had four constituent parts mainly to initiate general health insurance systems, categorize and congregate the benefits received by different Insurance scheme, establishment of new retirement insurance programme and integrating the ongoing institutions under a structure. The funds for the health insurance are pooled from obligatory premiums paid by all the citizens while the poor receive this benefit from the state (Elveren, 2007).[32]

SOCIAL PROTECTION AND ECONOMIC GROWTH

Social protection is considered to have detrimental economic growth because of the following:

(a) Labour markets are negatively affected if transfers are exclusively financed through taxing labour (under rigid wage structures; see, however, point (l), below).

(b) Alternatively, if financed out of general revenue, social protection (due to its system dynamics) negatively affects the government budget balance, increases interest rates and, hence, by crowding-out effects, reduces public and private investment.

(c) Institutions providing income protection in case of unemployment or in the form of early retirement schemes trigger withdrawals of potentially productive employment from the labour force.

(d) If administration costs are at levels constituting fiscal waste, high economic opportunity costs occur as required contributions or taxes could, alternatively, be used for financing investment into capital.

On the other hand, potential reasons for positive economic growth effects of reliable social protection systems are that:

(e) They substantially reduce existential insecurity, counterbalance the need to resort to extra legal or illegal methods of income generation, reduce the potential for social unrest and, hence, create social prerequisites for long-term profitable investments.

(f) Employment-related schemes (including unemployment insurance) help to facilitate labour force adjustments to structural changes of economies.

(g) General health care and occupational safety and health, increase labour productivity.

(h) National pension savings can become a major supply in financial markets and may thus, transitionally, play an important role in economic growth policies.

(i) Social services themselves generate substantial employment.

(j) Providing income to the unemployed, the disabled, the elderly, the sick and other social groups stabilizes consumption during recessions and hence supports firms' sales and their preparation (restructuring) for the next growth cycle.

(k) Formal social protection systems are channels through which positive income effects of globalization can be allocated to the vulnerable persons in societies; through this mechanism they contribute to acceptance of globalization and reinforce global pro-growth policies.

(l) Labour productivity is positively affected if transfers are partially or exclusively financed through taxing labour (under rigid wage structures; see, however, point (a), above).

(m) In the presence of social protection systems, the equilibrium labour cost in economies is substantially lower than in their absence; this is a result of the risk-pooling under social protection, which allows for achieving pre-defined lifetime income levels at a lower cost than where workers would have to strive individually for lifetime income security. In short, risk-pooling reduces the equilibrium wage, frees resources for investment and, thus, contributes to productive employment.

(n) Formal social protection systems provide an enormous source of information to business on core parameters of competition, such as national and regional wage structures and distribution of purchasing power among people. Thus, social protection helps to avoid growth-hampering decisions of firms. Also, through the participation of employers, workers and governments in social protection administration, core economic actors set up an invaluable communication network fostering growth.

(o) In developed countries, social protection systems facilitate attracting foreign workers, a process required to replace upcoming employment shortages due to ageing (replacement migration) and, thus, to avoid deterioration in the standards of living.

Despite the fact that the weighted list of pros and cons seems to be fairly balanced, insufficient attention has been devoted to analysing the net impact of these competing forces in the real world.[33]

While the academic debate on the economic effects of social protection was raging, the ILO over the past decades has taken pragmatic measures to improve the impact of social protection on economic performance. The rationale behind its action was simple: if social protection systems are a social necessity in decent societies, then improving their (productive) efficiency (i.e. avoiding waste) can only improve the overall allocation of resources in an economy and hence–according to all economic theory – improve the growth performance of that economy.

Notes

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2. UNDP: Human Development Report (1994) p. 3.
3. UNDP: Human Development Report (1944) p. 23.
4. Constitution of the ILO (1919).
5. Provisional Record, International Labour Conference (ILC), 89th Session, Geneva, 2001, No.16.
6. *Ibid*, Note 5.
7. ILO: Report of the Director General: Decent Work (Geneva, 1999) p. 7.
8. Other concepts are capital productivity or total factor productivity.
9. The term "social protection" has been used interchangeably with " social security".
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