International
Labour
Office

Financing Universal Social Protection to promote Inclusive Development and Reduce Inequality

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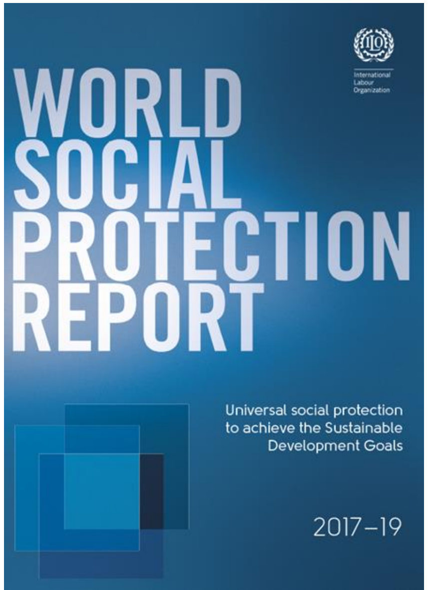
Universal Social Protection and the SDGs

- Social protection or social security is a human right. Article 22 of the Universal Declaration of Human Rights states *"Everyone, as a member of society, has the right to social security"*

- Universality at the core of ILO Conventions, including the Social Protection Floors Recommendation, 2012 (No. 202), approved by world governments, employers and trade unions



- Global Partnership for Universal Social Protection

- World countries have also agreed on SDG 1.3 to *Implement nationally appropriate social protection systems and measures for all, including floors*

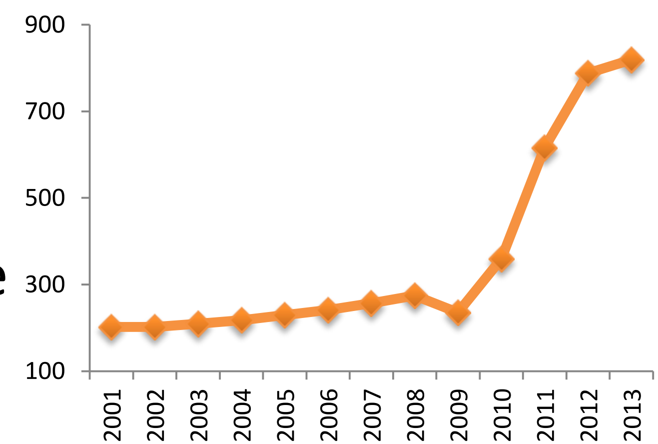
- Steady progress extending coverage and benefits, see World Social Protection Report 2017-19

Many developing countries have put in place universal social protection schemes:

- Algeria
- Argentina
- Armenia
- Azerbaijan
- Belarus
- Bolivia
- Botswana
- Brazil
- Brunei
- Cabo Verde
- Chile
- China
- Cook Islands
- Georgia
- Guyana
- India
- Kazakhstan
- Kiribati
- Kosovo
- Kyrgyz Republic
- Lesotho
- Maldives
- Mauritius
- Mongolia
- Namibia
- Nepal
- Samoa
- Seychelles
- South Africa
- Swaziland
- Tanzania (Zanzibar)
- Thailand
- Timor-Leste
- Trinidad Tobago
- Ukraine
- Uruguay
- Uzbekistan

Example: China Expansion of old-age pension coverage over 2001-2013

Number of people covered (in millions)



SEE 23 COUNTRY CASES AT: www.universal.social-protection.org

…and many development partners working together to promote Universal Social Protection and the SDGs #USP2030

WORLD BANK GROUP

International Labour Organization

AFRICAN UNION

EXPERTISE FRANCE

Food and Agriculture Organization of the United Nations

unicef

OECD dev DEVELOPMENT CENTRE

Finland

EU Social Protection Systems Programme

policy

UNDP

german cooperation DEUTSCHE ZUSAMMENARBEIT

IDB Inter-American Development Bank

HelpAge International age helps

Save the Children

See: www.universal.social-protection.org

Global Coalition for SOCIAL PROTECTION FLOORS

Most countries achieve universal social protection through
Public social insurance + Social assistance

Covering all in the areas:

Fiscal Consolidation vs. the Right to Social Security

Instead of financing the extension of social protection, many countries are adjusting expenditures since 2010 such as cuts to social benefits for cost-savings:

- Narrow targeting and reducing universal child and family allowances, disability benefits
- Cuts in gender equality programs, child-care services, services to victims of domestic violence
- Structural changes include replacing existing social benefits with a safety net for the poorest (sometimes called *Guaranteed Minimum Income*), a low benefit

Reforming pensions to reduce the long-term financial obligations of the state

- Pension reforms such as raising the retirement age, reducing benefits, lowering replacement rates, altering contribution rates, reducing pension tax exemptions, structural reforms introduced in some countries - old-age poverty increasing in many countries as a result of inadequate pension reforms

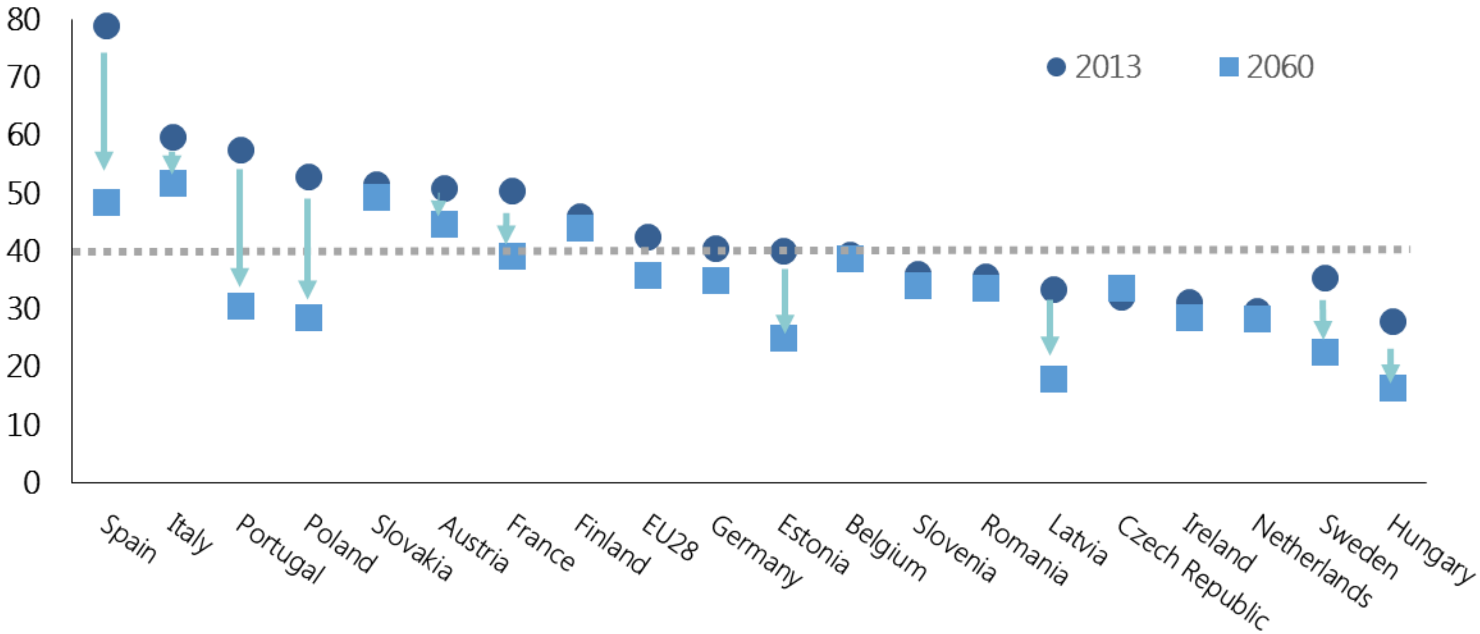
Many of this austerity reforms have a high human cost and have been found unconstitutional by national supreme courts (Latvia 2009, Romania 2010, Portugal 2013-14)

Instead of focusing on cuts, focus on extending fiscal space for universal social protection at adequate benefit levels

Inadequate pension reforms increasing old-age poverty and adding to inequality trends

Pension levels in at least 19 european countries estimated to decrease

Average replacement rates at retirement in public pension schemes in 2013 and projected for 2060, selected European countries (per cent)

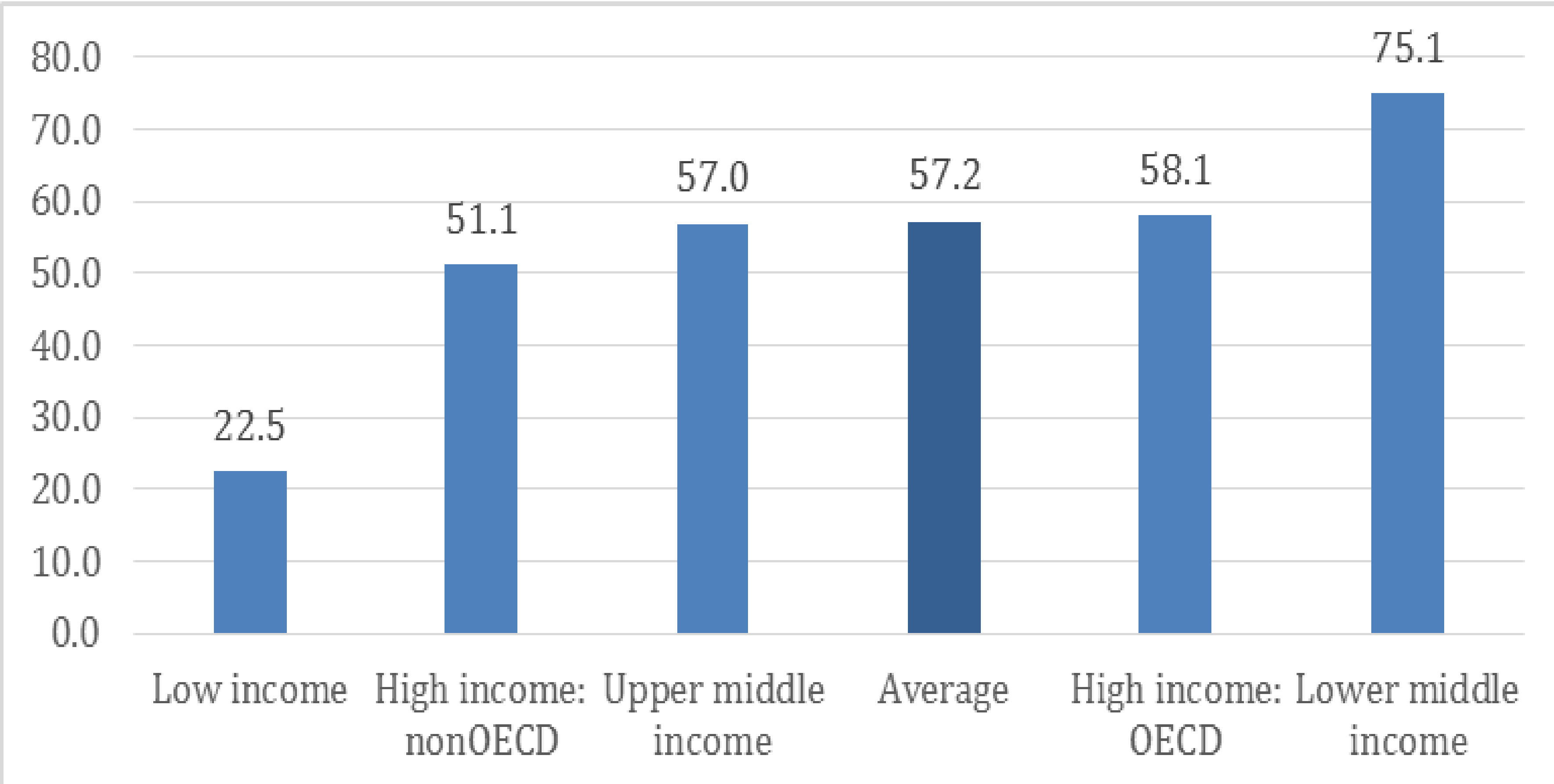


Source: European Commission, 2015, Adequacy and sustainability of pensions

- Social security reforms, if needed, need to balance equity and sustainability
- Must be agreed in national dialogue including government, trade unions, employers, CSOs, development partners where relevant

Caution with calls to cut employers contributions to social security ("labor taxes"), will make systems unsustainable, generate more inequality

Share of Social Contributions in social protection expenditure



Source: UN Inter Agency Task Force on Financing for Development 2018 Report, Annex

Fiscal space for universal social protection exists even in the poorest countries

- There is national capacity to fund SDG 1.3 in virtually all countries. There are many options, supported by the UN and IFIs:
  1. Re-allocating public expenditures
  2. **Increasing tax revenues (progressive taxes, not VAT)**
  3. **Social security contributory revenues (employers and workers contributions)**
  4. Lobbying for increased aid and transfers
  5. Eliminating illicit financial flows
  6. Using fiscal and foreign exchange reserves
  7. Managing debt: borrowing or restructuring debt
  8. Adopting a more accommodative macroeconomic framework (e.g. tolerance to some inflation, fiscal deficit)

Source: "Fiscal Space for Social Protection and the SDGs: Options to Expand Social Investments in 187 Countries"
ILO, UNICEF and UNWOMEN 2017

Financing - Examples

- Costa Rica and Thailand reallocated military expenditures for universal health
- Argentina, Brazil, Tunisia, Uruguay, and many others expanded social security coverage, formalizing those in the informal sector
- Brazil used a financial transaction tax to expand social protection coverage
- Bolivia is taxing hydrocarbons to finance "*Renta Dignidad*", a universal social pension for all older persons
- Mongolia financed a universal child benefit from a tax on copper exports
- Bostwana and Zambia are taxing mineral extraction for social investments
- Ghana, Liberia and Maldives have introduced taxes on tourism
- Chile, Norway and Venezuela, among others, are using fiscal reserves to support social development
- Ecuador and Iceland restructured their sovereign debt and are using savings from debt servicing for social programs
- **These different alternatives must be discussed in national dialogue**

Source: "Fiscal Space for Social Protection and the SDGs: Options to Expand Social Investments in 187 Countries" ILO, UNICEF and UNWOMEN 2017

Concluding: Key Issues

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- **Extending coverage until universality achieved**: normally by a mix of public social insurance and social assistance
- **Ensure benefit adequacy**: if benefits too low, limited or no reduction of poverty and inequality
- **Adequate financing**:
  - ✓ for social insurance, ensure adequate employer and worker contributions, above all, avoid cuts to employers contributions (regressive)
  - ✓ for social assistance, progressive taxation (not VAT) and other sources of fiscal space
- Social security reforms, if needed, need to **balance equity and sustainability**
- Instead of fiscal consolidation cuts, look for **extending fiscal space for universal social protection**
- Importance of **national social dialogue** on social protection systems, including floors