



Social Policy Highlight

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The Americas: Improving coverage through the innovative transformation of social security

The track record of the Americas in driving the innovative design and delivery of social security programmes is widely acknowledged. As part of this, a key success factor is the scale of political commitment to building a culture of social security, offering national and regional lessons of global significance. Notwithstanding often large national variations in economic, social, labour market and demographic indicators, ISSA evidence reveals how four key regional developments and trends in social security have impacted positively on recent outcomes. Together, these cover measures to ensure the sustainable financing and wider provision of benefits and services, the role of social security in reducing inequality and efforts to confidently transform administrative procedures and organizational practices through the management of fragmentation in benefit and service delivery and investment in preventive and proactive measures. As this *Social Policy Highlight* concludes, a number of important challenges remain. A priority among these is how to significantly extend social security coverage under the region's contributory programmes.

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Coverage extension under financial constraints

Across the Americas, the recent period has borne witness to the need to plan and implement coverage extension efforts against a backdrop of wide variations in countries' fiscal positions. Whether these efforts have sought to extend existing coverage to a greater proportion of the population, have introduced new universal or targeted schemes or have improved the adequacy of benefit provision, social security administrations have made significant advances despite the reality of limited national fiscal resources. This is a major finding of a new report by the ISSA: *The Americas: Improving coverage through the innovative transformation of social security*.

Notwithstanding limited resources, the recent advances have been carried forward by innovative fiscal and financing

This issue

- Confirms social security administrations in the Americas as innovators in programme design and social security education efforts
- Draws attention to the region's positive results in tackling poverty and inequality
- Pinpoints coverage extension under contributory programmes as a priority challenge
- Underscores that fragmented social security systems can be inefficient and ineffective

approaches, involving in some countries the use of counter-cyclical financing mechanisms. Furthermore, these achievements have often come in spite of a context of wider constraints. In a number of countries, for instance, social security spending must take heed of new fiscal responsibility laws. And there is a growing political need to demonstrate the positive social and economic impacts of social security interventions.

Key facts and figures

- In 2010, with close to 14 per cent of the global population, the Americas were home to over 950 million people, with three countries alone accounting for two-thirds of the total: Brazil, Mexico and the United States with 194.9 million, 113.4 million, and 310.4 million, respectively. In contrast, over 20 countries in the region have a population of less than 10 million.
- The scope of social security coverage varies widely across the countries of the Americas, with comprehensive coverage offered only in a number of countries such as Argentina, Brazil, Canada, Chile, Colombia, United States and Uruguay.
- In Latin America and the Caribbean, the lowest-income countries have less than 30 per cent of employed persons affiliated to social insurance. In the middle-income countries, this figure is close to 50 per cent, and reaches up to 60 per cent in the relatively high-income countries.
- The extent of health care coverage varies widely across the countries of the Americas, from as low as 10–40 per cent of the population in some to near-universal coverage in others.
- Public health and social security spending as a percentage of GDP is estimated at 10.2 per cent in Latin America and the Caribbean and 16 per cent in North America.
- In North America nearly 85 per cent of workers are salaried employees. In Latin America and the Caribbean the figure is around 60 per cent. The informal sector is important in the region; in Latin America close to 50 per cent of the urban workforce is in the informal economy.
- The top net receivers of international migrants over the next four decades are projected to be the United States and Canada.
- After average GDP growth of 4 to 6 per cent per annum between 2004 and 2008, Latin America suffered a sharp slowdown with economic contraction in 2009. Despite a brief recovery to positive growth figures in 2010, latest figures indicate a fall in growth rates in 2012.

As regards the latter, conditional transfer programmes are frequently presented as evidence of this, with mechanisms built in to ensure that payments are not only well targeted but supportive of wider development aims. Although such programmes are often positively evaluated, their longer-term success will depend on available resources, appropriate interaction and coordination with other social programmes, and their design should include a credible “exit mechanism” offering incentives and a clear path towards the formal sector, independent living and social security affiliation for those leaving the programme.

Financing the extension of health care coverage, and preventive primary care in particular, is recognized as a key factor in meeting the broader objectives of social security systems. As for cash benefits, recent successful efforts to extend health

care have considered the question of financing at a more holistic level, incorporating both contribution income and general tax revenue while minimizing overlaps and improving the coordination between these two financing sources.

In spite of the financial challenges to coverage extension, the recent evidence of social security’s impact in the Americas is a positive one, witnessed via a reduction in poverty levels and inequalities, in particular for primary health care indicators.

Reducing inequality

Historically, income distribution in Latin American and Caribbean countries was one of the most unequal in the world. However, over the last ten years, the situation has generally improved in most, but not all, countries. This improvement has often been accompanied by significant increases in public social spending.

Social security plays an important role in mitigating the effects of a wide range of factors associated with inequality. In the short term, it acts to reduce poverty gaps and cushion the consequences of crises by addressing reductions in income through financial transfers. In the longer term, it supports human capital development through facilitating access to employment and training opportunities and health care services.

For many countries, the task of reducing inequality remains challenging. High levels of informal-sector activity continue to hamper coverage extension efforts to the most vulnerable, often women. Addressing the needs of youth may require greater investment in education and health care subsidies, while elderly inequality resulting from substantial numbers without formal pension coverage is no less deserving of attention.

Conditional cash transfer programmes are a common response to these issues, targeting those in need and reaching out to population groups often excluded from social security. Even with the generally positive evaluation of such programmes, identified challenges include, for example, ensuring the design of such programmes provide appropriate incentives for workers to seek (formal) employment – and therefore to pay social security contributions – and to avoid exacerbating gender inequalities despite more direct support being accorded to female household members.

Looking ahead, the role of social security in further reducing inequality will depend to a great extent on its continuing ability to reach those in the informal sector. It will also depend on how well it can exploit increased levels of formalization in the labour market to extend coverage under contributory programmes.

Effective intervention requires management of fragmentation

The region is characterized by high levels of fragmentation in the institutional delivery of social programmes – at the country level a large number of different programmes are often used to pursue similar goals. This has resulted in the duplication of resources, inconsistencies in provision and eligibility and, ultimately, in inefficiencies which heighten the risk of not meeting objectives and vulnerable populations being left without

adequate protection. Accordingly, a key factor in advances made in the extension of coverage and in reducing inequality is the better coordination of different social policy actors, including social security administrations.

For social policies to be effective requires not only political coordination at the highest level but clarity regarding the roles of different agencies and how the interests and objectives of each one can be met. With administrations likely to face mounting financial constraints, the efficiency gains and synergies sought through better coordination are like to act increasingly as drivers for greater integration in delivery.

In practice, the innovative transformation of the design and delivery of policies, especially those focusing on improving access for lower-income groups, offers a notable recent social security success story. This success has been made possible by a reorientation of the objectives of benefits and services as well as through wider organizational change. For example, many conditional cash transfer programmes, by design, offer proactive support to improve access to health, education and employment opportunities, thereby requiring close coordination with stakeholders in these policy areas. While different national approaches to coordination exist, a frequent common feature is the appointment of a dedicated government department or ministry as the coordinating authority.

Integrated programmes are often designed and implemented centrally, thus improving horizontal intersectoral coordination, and are built typically on the premise of a life-cycle approach to individual needs. Programmes in Chile and Mexico, for example, offer policies based on a range of needs for vulnerable populations as they progress through life and as the risks they face evolve. Among others, this requires coordination amongst health, education and employment stakeholders.

Coordination is more fully realized by the effective use of administrative platforms and ICT, enabling one point of contact through which to manage all information regarding individual cases. Examples of unified and holistic IT systems are found in Chile and Uruguay, which ensure coordination between public and private health care providers.

ICT solutions require due care and attention. With benefits and services in some countries increasingly tailored to individual needs and local realities, this may feed demands for more decentralized approaches to service delivery – for instance, where case management systems have been introduced. As a result, the need for a closer coordination of the different agencies involved becomes more urgent. To this end, integrated information systems offer an appropriate tool.

Supporting social security through tailored communication efforts

As the ISSA's report on the Americas underlines, the observed potential of social security to support the objectives of economic growth and greater equality can be strengthened by effective and tailored communication measures to inform and educate the general population about the role of social security. Emerging evidence from the region suggests that boosting

positive public attitudes and confronting negative ones as regards the importance of social security can create a virtuous circle. Specifically, by making the population more aware of their rights and responsibilities this can facilitate coverage extension efforts, especially to hard-to-reach populations.

One specific particularity is that the dissemination of information is often targeted at children and youth, not least to instil from an early age the importance of solidarity, individual saving behaviour and formal-sector employment. This approach recognizes that young people are often important purveyors of information for the rest of the household, informing parents and relatives of their rights and responsibilities regarding social security.

The approaches vary widely in the region. While countrywide information campaigns inform populations regarding rights and encouraging affiliation, other approaches focus on reaching high level government and social security administration officials, including promoting the necessity of a more proactive and preventive outlook as part of the daily work ethos of managers and administrators.

It is recognized that once workers join the social security system, educational effort is still required to maintain their adherence. Initiatives include frequent and tailored benefit entitlement statements – for example, periodic pension statements showing projected outcomes on different scenarios – and health education campaigns which encourage early diagnostic and preventive measures. These health awareness campaigns typically start at school age, such as Colombia's Healthy Schools' Programme and Costa Rica's Health and School Nutrition Programme. In addition to initiatives developed at the national level, other communication initiatives in support of social security are increasingly Pan-American.

Pan-American developments to protect workers

At a Pan-American level, efforts are underway to broaden knowledge and extend cooperation between countries on matters relating to occupational safety and health (OSH), especially for migrant workers. Building on an original agreement between the United States and Mexico that highlights the importance of promoting and encouraging OSH education and training programmes, the list of signatories has extended to include Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua and Peru. These agreements to extend information-sharing initiatives and, indeed, the application of OSH regulations to migrant workers in the Americas represent a significant step forward in efforts to extend the right to social security coverage to groups of workers who are commonly excluded from protection and engaged in vulnerable and often dangerous work.

Towards a culture of social security in the Americas

Looking to the future and regardless of the positive developments of recent years, the challenges of how to extend sustainable social security and health care systems providing adequate coverage across the life cycle will remain high on national and regional policy agendas.

In the year when the International Labour Conference adopted Recommendation No. 202 (2012), concerning national floors of social protection, the region is leading by example as regards to how horizontal coverage extension in particular can be achieved. In this respect, measures implemented in the region can be considered as a precursor to the social protection floors initiative. But the political expectations that have accompanied the adoption of Recommendation No. 202 hide a more practical concern for social security administrations. Specifically, how to marry success in horizontal coverage extension with sustainable improvements in vertical coverage extension under contributory programmes?

Therefore, some of the biggest challenges facing social security in the region may lie ahead. Recently, financial resources have been available to put in place or extend systems of tax-financed social protection in a number of countries. However, in this period of relatively healthy financial resources, the need now is to build on this success and increase coverage under contributory programmes. If this challenge is not met, not only are the goals of increasing social security coverage extension put under pressure but, under a future deterioration of government revenues, current tax-financed social programmes are likely to be threatened in their current form.

In its favour, the track record of the Americas with regard to its ability to innovatively transform social security is a distinguished one. In future it is to be expected that the region will stay true to past form. Current investment in support of a culture of social security, to encourage the adoption of a more proactive and preventive outlook as regards managing risk across the life cycle, is one positive indication of this innovative and forward-looking outlook. Importantly, the application of a more proactive and preventive outlook as regards risk management is being extended to those employed in social security administrations too. All in all, the realistic expectation is that these elements will positively influence the future design, financing and delivery of sustainable services and benefits, to foster Dynamic Social Security, across the region.

Sources

ISSA. 2012. *The Americas: Improving coverage through the innovative transformation of social security* (Developments and trends). Geneva, International Social Security Association.

The **International Social Security Association (ISSA)** is the world's leading international organization bringing together national social security administrations and agencies. The ISSA provides information, research, expert advice and platforms for members to build and promote dynamic social security systems and policy worldwide.

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