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INTERNATIONAL SOCIAL SECURITY ASSOCIATION

Highlight 01



Strength in diversity: African pathways to improved social security

As part of the efforts of African countries to improve the social security coverage of their populations, the diversity of the continent's social protection mechanisms is an opportunity says the ISSA. But the longer-term goal must remain the development of integrated and comprehensive national social security systems anchored on an appropriate role for contributions-based financing.

A report – *Africa: Strategic approaches to improve social security*¹ – has been released by the ISSA to accompany the 2014 Regional Social Security Forum for Africa, to be held in Casablanca, Morocco from 3 to 5 December. The report shines important light on the fact that the countries of Africa, which are often confronted by challenging economic, social and demographic situations, are also characterized by the diversity of their social protection mechanisms. Encouragingly for a continent seeking to improve the social security of its growing population, this diversity offers positive scope for innovative “made in Africa” policy and practice. In many countries, this diversity is being harnessed to improve the well-being of populations, for example in Cabo Verde, Ghana, Mozambique and South Africa.

Confronting Africa's challenges

In international terms, social security coverage levels in Africa are low, especially so in sub-Saharan Africa, and these can be attributed to a combination of factors. Issues in this regard include the relatively less developed status of many African economies, political instability, high levels of poverty, a relatively recent history in the development of national social security systems, large rural populations, high levels of employment in rural and informal sectors, and a weak tax base and limited fiscal space. Other influencing factors are the negative institutional, social and economic impacts of natural disasters, conflicts and infectious diseases and epidemics such as HIV/AIDS, malaria and, most recently in West Africa, Ebola.

Growing political belief

Confronting the challenges, high-level political support to sustainably advance effective coverage extension for cash benefits and access to health care is helping to strengthen public trust in African social security. Positively, progress witnessed in coverage extension in a number of countries, especially for health care coverage, has seen many African countries moving from ad hoc social safety net interventions to more integrated and

Key facts and figures²

- In sub-Saharan Africa only 16.9 per cent of older persons receive an old-age pension; 36.7 per cent in North Africa.
- Effective old-age pension coverage of the working-age population attains 5.9 per cent of the working-age population in sub-Saharan Africa and 23.9 per cent in North Africa.
- The effective coverage rate under unemployment protection schemes (both contributory and non-contributory) is less than 3 per cent in Africa.
- Legal coverage under mandatory work injury programmes is available to less than 20 per cent of the total labour force in Africa.
- In sub-Saharan Africa, some 80 per cent of the population have no access to legal health coverage.

efficient social protection programmes. Rwanda, for example, is commonly cited for its progress in health care. In many cases, these endeavours have been formalized in national social protection strategies (e.g. Ghana, Mauritania and Senegal).

As part of such strategies, non-contributory schemes have contributed to closing coverage gaps, and especially for the female population. Notable progress can be seen in Botswana, Lesotho, Mauritius, Namibia, South Africa, and Swaziland. Generally, however, further innovative and complementary measures are needed. Coverage policies must be supported, for example, by those which actively promote employment, facilitate transition to the formal economy, guarantee a minimum standard of protection, strengthen the tax base and constantly enhance contribution compliance and enforcement.

Low public expenditure figures for social security underlines why even greater political support for investment in African social security is necessary. The average percentage figure of GDP allocated to public social protection expenditure to support income security for the African working-age population is 0.5 per cent. On average, governments in Africa allocate only 0.2 per cent of GDP to child and family benefits. The global averages for these two expenditure items are much higher: 2.3 per cent and 0.4 per cent respectively.²

Total public non-health social security expenditure accounts for only 1.3 per cent of GDP in Africa. One again, this figure is well below by the global average of 3.3 per cent. Average total health expenditure in African countries in 2011 was USD 135 per capita. This compares to USD 3,150 per capita in an average high-income country.³ Greater investment in health is a priority where in about half of African countries at least 40 per cent of total health expenditure comes from out-of-pocket payments. This burden exposes families, and especially the poorest, to higher levels of health-related inequalities.²

Finding innovative financing mechanisms, such as Gabon's use of tax income from telecoms profits, and opportunities for creating fiscal space to reallocate expenditures in favour of social policies have become a priority.

The contributory capacities of workers in rural and informal economies

In many developing economy settings, including across much of Africa, the contributory capacities and social security needs of workers in rural and informal economies remain to be better accommodated and addressed by conventional social security arrangements.

Significantly, in Africa as elsewhere, there is an expectation that social security schemes for working-age populations should be financed, as far as possible, through contributory income. There are important justifications (mutual support, self-help, labour market incentives, equity, etc.) why this should be so. These aside, that government finances are likely to remain volatile is one further pragmatic reason why there is the need to include a greater share of the current working-age population in financing social security.

Moreover, in the near to medium term, the majority of opportunities for economic activity in Africa will continue to be found in rural and informal economies – on average, more than 70 per cent of the African labour force is engaged in the informal economy and rural activities. Currently, it is in these sectors that social security coverage for the vast majority in African countries is typically absent. They thus present a fertile area for social security coverage expansion and, albeit defined by the non-uniform capacity of workers to contribute, for improved social security financing.

Paradigm changes in support of coverage extension

A growing evidence base demonstrates that social security contributes strongly to improved well-being and economic development and greater social cohesion. Specifically, in recent years, three paradigm changes at the global level have had a positive impact on efforts to extend social security in Africa:

Incremental coverage extension has the potential to make a significant difference

A national survey of the informal sector in Senegal showed 2.2 million workers in the informal (non-agricultural) sector in 2012 (82 per cent of whom are entrepreneurs). Formal contributory social security schemes, which do not cover independent workers, have around 25,000 employers affiliated. The implementation of a scheme adapted to the needs of the informal (non-agricultural) sector, combined with other policies, would dramatically increase levels of social security coverage – the affiliation of only 1 per cent of this very large group of excluded informal workers in Senegal would double the national social security coverage rate.

- First, social security is more widely and better understood to be an investment and not a cost.
- Second, it is accepted that it is not necessary, nor advisable, to wait for a certain level of economic development before extending social security coverage.
- Third, social security systems have proven to be essential instruments in responding to changes in the external environment and will be no less essential in the face of an increasing number of economic, social and environmental shocks that are likely to lie ahead.

Positive social and economic impacts of social security systems

That social security systems have positive social and economic impacts for individuals, families, communities, enterprises and societies applies is thus increasingly accepted. Although effective social security coverage is low in many African states, the majority of countries can afford to sustainably provide at least some forms of basic social security to all their populations.

That said, there is also an understanding that a number of intervening factors (political, demographic, labour market, economic structures and production processes, institutional structures, environment, etc.) will continue to present policy hurdles for social security systems, including for tax revenue generation and public redistribution objectives. In spite of this, African states are looking to rise to the challenge of extending effective social security coverage and to more fully realize the inherent positive social and economic potential of their national social security systems to the benefit of all. Unsurprisingly, in the first instance, basic “floor” provisions are being prioritized in less-developed economies in advance of a more comprehensive coverage of risks. In the recent period however more comprehensive provisions have been developed in some countries, including Morocco and South Africa.

Good governance and administrative excellence

The ISSA draws attention to a marked commitment in Africa to enhance the management and administration dimensions of benefit and service delivery mechanisms. The progressive achievement of good governance, high performance and improved service quality is what the ISSA calls “excellence in social security administration”.

Generally, these achievements apply not only in countries with more comprehensive social security systems, but also for those with less-developed systems seeking to further develop and strengthen national provisions. From the perspective of the ISSA, “excellence in administration” is no longer viewed as an option but as an obligation. To this end, the ISSA Centre for Excellence offers the guidance, toolkits and platform to better enable social security administrations to improve their performance and, through the sharing of good practices, support their peers.

Meeting this obligation may be more important for many African social security systems where contribution compliance and trust in public social security agencies may be incomplete or requiring reinforcement. In this vein, the evidence suggests that many African countries are investing heavily in human resources, in ICT solutions, in communication efforts and, above all, in building solid management solutions based on transparency and participation.

Frontrunners in administrative improvements

With work to achieve “excellence” having become a priority for ISSA’s African member organizations, the ISSA report flags up a number of indicative examples. In North Africa, the Collective Scheme for Retirement Allowances (Régime collectif d’allocation de retraite – RCAR) in Morocco has launched a programme to improve its management system, choosing the highly demanding “Total Quality Management” model. In southern Africa, the Swaziland National Provident Fund has developed a model of strategic planning aiming to address a number of identified weaknesses in management structure and methods. The establishment of the Strategic Management Framework in Uganda by the National Social Security Fund (NSSF) shows the need to develop a robust administrative framework as a condition for improving the well-being of the population. A programme introduced by the National Social Insurance Fund (Caisse nationale de prévoyance sociale – CNPS) in Cameroon, “Setting the Rates Right”, shows how giving attention to establishing the prices of services has led to a measurable decrease in the costs of many of those services, and consequently the release of funds for other strategic activities.

Megatrends and social security responses in Africa

The uncertainty and risks associated with projected megatrends require innovative design and financing responses from social security systems that take into account that:

- The formalization of many African labour markets will not be achieved in the short term.
- African economies remain predominantly agrarian and engaged in primary commodity production and long and difficult transitions for youth from school to work are common.
- Demographic trends show that Africa is ageing too, but projected fertility rates in Africa remain relatively high.
- Future migration flows (rural/urban; cross-frontier) are likely to increase.
- Environmental challenges may come to contextualize all other megatrends.

Longer-term challenges require strategic responses

In the longer term, anticipating and then responding to shocks and future challenges is likely to hold the key to the successful development of social security in Africa. The ISSA report highlights a number of these uncertainties and risks – the demographic challenges, pressure on resources, increased migration and urbanization, labour market challenges and a heavy concentration of the economy in a small number of sectors (e.g. natural resources and agriculture).

Social security administrations, ISSA member organizations, will need to work with other stakeholders to ensure that benefit design and delivery is consistent with the likely evolution of external factors and the contributory capacities of different population groups.

For example, if informal labour markets remain the norm, then financing and design approaches that do not adapt to this will not only mean that coverage targets are not met, but that social security systems' positive social and economic impacts are not realized more fully. As but one risk factor, this example acts to spotlight the possibility of an increasingly marginalized and vulnerable labour force working in precarious conditions without even basic social protection. This may take the form also of an alienated but well educated youth who are without access jobs or training relevant to their needs or aspirations. Equally, many households will be confronted by health challenges. But without benefits, working-age household members will be under pressure to drop out of economic activity to care for members who are frail or in ill-health.

Ultimately, the ISSA report concludes, the continuing progress and future success of African social security systems, leading to wider effective rates of coverage and positive impacts for economic development and social cohesion, requires excellence in the strategic activities and the timely and appropriate responses of policy-deciders and social security administrations.

Sources

¹ ISSA. 2014. *Africa: Strategic approaches to improve social security*. Geneva, International Social Security Association.

² ILO. 2014. *World Social Protection Report: Building economic recovery, inclusive development and social justice*. Geneva, International Labour Office.

³ Musango, L. et al. 2013. *State of health financing in the African region*. Brazzaville, World Health Organization – Regional Office for Africa.

For more information: www.issa.int/africa/introduction

The **International Social Security Association** is the world's leading international organization for social security institutions, government departments and agencies. The ISSA promotes excellence in social security administration through professional guidelines, expert knowledge, services and support to enable its members to develop dynamic social security systems and policy throughout the world.

4 route des Morillons
Case postale 1
CH-1211 Geneva 22

T: +41 22 799 66 17
F: +41 22 799 85 09

E: issacomm@ilo.org | www.issa.int