Social Security Coverage Extension in the BRICS - A Comparative Study on the Extension of Coverage

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BRICS Social Security Extension Project Objectives

- To enhance international visibility and facilitate knowledge sharing on social security reforms in the BRICS countries.

- To highlight major challenges and innovative responses to extending social security coverage in the BRICS countries.

- To facilitate the promotion and implementation of the international social security standards for social security administration in the BRICS countries.
The BRICS – Dynamic Countries with Dynamic Social Security

- Dramatic transformation in the economic, social and demographic environment in the BRICS countries, which can bring a number of opportunities but also raise challenges for social security to adapt to the dynamic situation.

- A number of initiatives to extend coverage have already been taken which can be shared and built on.

- The five countries also face a number of shared challenges –
  - Greater awareness of what social security among the population
  - Reduction in more traditional or ad hoc support mechanisms leading to greater demand for social security
  - Changing demographic, health, social and labour market environment – thereby leading to dynamic changes in Social Security in the BRICS countries
The five BRICS countries have enjoyed significant and sustained economic growth over the last two decades.

There have also been significant and fast-moving cultural and societal changes, including changes in family structures, and a large rural to urban migration.

The BRICS share a political will to extend social security coverage, and the dynamic economic environment has facilitated efforts to achieve this aim.

For most of the countries, there is also a “demographic window” as an incentive to act now – young populations with growing workforces make extension measures easier to put in place.
Diverse Starting Points, Varying Challenges and Differing Responses

- Although the BRICS share a number of common characteristics, Social security extension efforts are operating in very different environments in the five countries.

- Each country’s current social security framework reflects to a large degree the history of the country and its aims for and attitudes to social security.

- In the last 50 years, all countries have seen significant transformations in their societies, with most moving from economies with substantial state presence to a freer market economic environment.

- Moreover, each of the BRICS will also face different demographic, economic and societal changes and external pressures in the future.
Brazil

- A number of well-developed social security vehicles including old-age, disability, maternity, unemployment and family benefits.

- Efforts for universality of coverage and services between the rural and urban areas and between the formal and informal sector from 1988.

- Excellent coverage level of the over-65s and an increasing proportion of those aged 16–64 covered for social security.

- Conditional cash transfers (like Bolsa Família programme), in-kind transfers and other supplementary schemes provide benefits on top of the standard state benefits.
Challenges:

- **Coverage and benefit levels vary widely by region** – better medical services and hospital facilities are often provided in areas with a better-off population.

- **A number of sectors of the population not covered** – such as rural workers, domestic employees and informal urban workers.

- About 50% of the working population do not contribute enough.

- **Policy delivery is fragmented** – duplication of services, higher costs.

- **Increasing inequalities by region** – between state and private provision of health and pension benefits and between private-sector and public-sector workers.

- **Administration constraints** – lack of personnel and data to enable proper management.

- **Compliance is a problem** – tax evasion amounts to 2.4 per cent of GDP which has implications on financing and sustainability.
Russian Federation

- Russian social security encompasses a wide range of programmes, including both mandatory and voluntary pension schemes, health, family and maternity programmes, unemployment and work injury provision.

- These schemes backed up with a number of social assistance measures to target certain vulnerable groups.

- Measures for contribution compliance and reduction in social security contribution rates for self-employed and agricultural workers (only 12.2 per cent of earnings compared to 30 per cent for salaried employees).

- Easier access for self-employed and agricultural workers, extended coverage to migrant workers.
Challenges:

- Growth in the number of migrant workers coming from other former Soviet Union countries, many of whom are working illegally in the informal sector, raising a number of coverage challenges.

- Difficult demographic situation (population decreased by over 5 million over the last 20 years) which impacts both benefit adequacy and the financial sustainability of the system.

- Enhance coverage of informal sector and self-employed workers by improving the levels, quality and range of benefits for those within the system.
India

- During last decade a number of initiatives in both contributory and non-contributory programmes initiated.

- Non-contributory National Old Age Pension Scheme (NOAPS) reaches 17 million poor people, Annapurna Scheme, health insurance (RSBY).

- A number of new contributory schemes have also emerged, providing benefit coverage for health insurance (Universal Health Insurance Scheme), death, old-age, employment injury, medical and family benefits.

- Other schemes include reduced food prices, village grain banks and free midday meals.

- Innovative application of ICT (e.g. Smart Card);

- Recent initiatives on universal banking coverage.
Challenges

- In the absence of formal social security, ad hoc systems of provision came up which is gradually breaking down with migration of workers.
- Mismatch between labour market realities and social security laws.
- Challenge of extending coverage to a large informal sector (90 %), migrant workers and rural economy.
- Administrative challenges in terms of birth certificates and other records.
- Fraud and corruption- about 20 million “Ghost Cards” (holder does not exist).
- Lack of access to contribution and benefit mechanisms - Less than 50 per cent of the rural population has a bank account; payments of both contributions and benefits are thus difficult and costly.
- Difficult to finance coverage for the 90 per cent of the working population in the informal sector solely from government finances.
- Legislative barriers - difficulty of putting in place clear legislative instruments to support new schemes or make changes to existing ones.
China

- China adopted a step-by-step approach with the objective of coverage of the whole population by 2020.
- Enabling legislation to allow social security to move from a number of disparate schemes covering certain groups to a truly universal system - backed up by measures such as effective communication, good governance and financial support from central and regional government.
- Reasons for the success of many of the programmes - initially tested through a series of pilot programmes and recognition that reaching rural populations and ensuring efficient administration and compliance to effectively manage such schemes required a nationwide social security card system.
- Health insurance – for more than 97% of population with different focuses on rural and urban residents.
- Pension schemes - covering more than 852 million people including rural migrants
- Unemployment insurance - focus on linking the benefit with employment policies such as retraining,
- Employment injury coverage - new groups covered with emphasis on prevention. Coverage increased by 75 per cent between 2006 and 2011.
Challenges

- Provision of benefits under certain branches such as disability and maternity benefits to informal workers is still limited.
- Fragmentation of benefit provision and management.
- Compliance and collection of contributions is a challenge.
- Capacity to actually deliver the increased level of services and benefits is a challenge.
- Number of social security plans have accumulated large funds which need to be effectively managed.
South Africa

- Characterized by a young population, but 10 per cent of the population affected by AIDS.

- All risks covered by a mixture of contributory and non-contributory schemes together with cash transfer programmes.

- Social assistance in the form of non-contributory social security for old-age benefits, family benefits, disability grants, universal medical service.

- Compulsory funded work injuries coverage.

- Other important schemes are the Road Accident Fund and the Unemployment Insurance Scheme.

- For the employer- and employee-financed medical plans, around 40 per cent of employees are covered.
Challenges

- Key challenges for social security are therefore related to extending coverage to excluded groups and reducing inequalities in the system with regard to self-employed, domestic workers, migrant workers and other informal-sector workers.

- Reinforcing unemployment insurance with effective job reintegration measures.

- Administration challenges - corruption and fraud, duplication of services.

- Initiatives taken for “one-stop shops” which would improve services and allow easier access to beneficiaries.
Summary of common challenges

- Challenges to cover population that do not fall into the salaried category, such as the self-employed and those in the informal sector.

- Growing inequalities - rural populations and informal sector are less covered;

- Increasing mobility of workers – both within country and cross-border migrants – which requires appropriate policy responses.

- Existence of national, regional and local levels of government – and a federal structure – means fragmentation of administration and delivery;

- Financing the increase in coverage is a challenge.
There has been a mixed success rate for voluntary schemes targeted populations may simply not have the resources;

Although schemes exist for most or all social security branches, coverage levels vary, with higher coverage generally achieved by medical systems and lower coverage for old-age, disability and unemployment benefits.

Proactive and preventive measures are still not always an integral part of benefit programmes.

Monitoring of claims and encouraging return to work needs to be developed.
Selected Responses of the BRICS Countries

- Innovative approaches to covering rural populations (simple benefits and contribution rates)

- Management and administrative improvements (delivery and improving frontline services) - through the application of modern management techniques, the effective use of ICT.

- Fragmentation of delivery and benefit provision is being addressed by better coordination and the use of ICT - social security cards, mobile offices and e-services.

- Development of proactive and preventive measures - for example, linking unemployment insurance with employment policies (such as retraining) or increased focus on rehabilitation after accidents.
Future challenges

- Increasing life expectancy and a low birth rate mean that there will be pressure on financing SS extension efforts.

- Increasing migration, both internally and externally, will require appropriate responses from social security.

- Social security will have to act in response to future shocks such as economic downturns and natural disasters.

- An increasingly interlinked and interdependent world – which would require different strategies.

- The challenge of not just extending coverage but providing an adequate benefit will become increasingly important.
THANK YOU