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SOCIAL PROTECTION

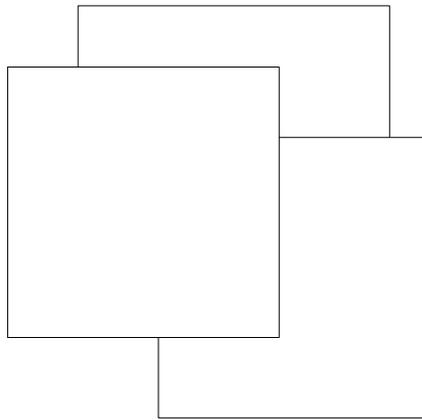


A. BONILLA GARCIA AND J.V. GRUAT

GENEVA, NOVEMBER 2003

SOCIAL PROTECTION

A LIFE CYCLE CONTINUUM INVESTMENT FOR SOCIAL JUSTICE, POVERTY REDUCTION AND SUSTAINABLE DEVELOPMENT



A. Bonilla García and J.V. Gruat

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NOTICE

This document is the first (Version 1.0) of a series intended to promote reflection, discussion and exchange of ideas and knowledge on contemporary social protection issues. The interested reader is kindly invited to send comments, suggestions and observations to the authors by electronic mail to any of the following addresses:

bonilla@ilo.org

gruat@ilo.org

The responsibility for opinions expressed rests solely with the authors, and publication does not necessarily constitute an endorsement by the International Labour Office of the opinions expressed in them.

Preface

Decent work expresses the basic aspiration of people everywhere for work that allows them and their families to live in dignity. For the poor, work is a key route out of poverty. This was the theme of my 2003 Report to the International Labour Conference. And underlying it was the fundamental idea that work offers a way out of poverty when it is done in conditions of equity, security and human dignity.

This effort to set out the connection between our decent work agenda and the poverty eradication agenda was well received and has generated great interest in, and expectations from, a decent work approach to poverty eradication. Social protection is an integral part of that approach.

For the ILO, social protection is about people and families having security in the face of vulnerabilities and contingencies, it is having access to health care, and it is about working in safety. But we are far from realizing the ideal of adequate social protection as a right for all. This is particularly true for the poorest in the informal economy. Commonly they are working and working hard just to survive. They experience many forms of insecurity. They are most in need of support and protection yet they are the least protected.

Socio-economic security is 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.

The decent work agenda is a universal agenda. This is why for us social protection is not optional but a necessary component of strategies for working out of poverty. And our highest priority is to reach those not covered by any system. This alone is a formidable challenge and it will not be accomplished overnight. But, with our long-term goals in mind, we can steer our short-term actions towards universalism and inclusive systems of social protection. This is the spirit of our campaign on social security and coverage for all.

In my Conference Report, I presented the ILO's work on poverty through a life cycle lens. What does poverty mean in terms of real life cycles? Too often, it is women dying in pregnancy and childbirth; children deprived of their childhoods through child labour; children and young people without opportunities to learn and to train for a better future; families without access to basic health care; it is girls losing out on opportunities for education and being hit harder by poverty as they grow up because of the gender differential; it is "choosing" any kind of work or not eating; it is a state of such extreme vulnerability that simple life cycle events easily throw families into crippling debt, even debt bondage. It is the elderly unable to work but having no support. And, in some countries, the AIDS epidemic is placing an additional burden of care on women as well as on children and the elderly. Over time, the cycle is repeated as successive generations become trapped in poverty.

I believe that a life cycle approach to work and protection helps us to connect directly with these realities and the interconnectedness of people's needs. People experience life in an integrated way. To be effective we must respond with an integrated approach and coherent policies. And this is the essence of the decent work approach. Social protection must be part of a supporting and enabling environment that allows people to work out of poverty. Policies and programmes must simultaneously tackle the different dimensions of the challenges of people hoping to work their way towards a better future. A life cycle approach taken together with constructive national dialogue can identify key areas where economic and social policies need to be aligned to the objectives of poverty eradication and the needs of people.

The ILO's historical values, its tripartite constituency, its mission and methods have heightened relevance in a world of growing insecurity and uncertainty. Our starting point is solidarity; we promote empowerment through organization; and we use social dialogue to find solutions that are appropriate to the diverse circumstances and priorities of people and countries. We can draw upon a range of instruments to help break cycles of poverty through social protection. It demands intergenerational as well as international solidarity. Nationally, regionally and globally, opting for solidarity and supporting the extension of social protection to all is to open the door to a dignified exit from poverty, to real choice, to freedom and, ultimately, development.

Juan Somavia
Director General
International Labour Office

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1. INTRODUCTION

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.

In spite of its achievements and contribution to human development, social protection has always been the object of intense criticism. Since their inception, social protection policies have been criticized on economic grounds for having a negative impact on overall economic performance. Critics argue that they cost too much and are a financial burden that deplete public funds and reduce opportunities for investing in other priority areas. They also argue that the policies create disincentives in the labour market leading to dependency on public support and undermining the work ethic, as well as hindering structural change.

In the closing years of the 20th century and into the present, the debate about social protection has intensified and has become more and more contentious. The criticisms listed above have largely been invalidated by the experience of countries successful in economic, political and social terms that show that economic development and social protection are mutually reinforcing; however, the fact that there is a global shortfall of social protection where more than half of the world's population does not have adequate social protection is indeed cause for grave concern and serious debate. The reality that 1.2 billion people¹ live in poverty is undeniably grounds for urgent attention. Increasing and recurrent natural disasters, armed conflict, financial crisis, and political and economic transitions continue to destabilize many countries and their systems of social protection where they exist. New pandemics such as the human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) are undermining human development in many parts of the world. International migration, demographic trends such as ageing and changing employment patterns also have significant implications for social protection. The changing global context includes a new wave of globalization that excludes the majority from its benefits and leaves increasing disparities and insecurity in its wake. In a world of plenty, a full one-third of the world's labour force of 3 billion people cannot obtain sufficient material reward from their work to survive. Many work in hazardous and dangerous conditions, leading to an estimated 2 million deaths every year.

For those already excluded, these pressures are daunting and social protection remains out of reach. Even in countries with developed systems of social protection such

¹ United Nations Department of Economic and Social Affairs: *Global Challenge Global Opportunity: Trends in Sustainable Development* (New York, 2002). Estimate is defined as living on less than US\$ 1 a day, in terms of one dollar's purchasing power in 1993. The \$1 per day base is a very low figure, and in some parts of the world, one could not live on that amount.

challenges make complete coverage difficult to achieve. If the global goals of poverty reduction and sustainable development are to become a reality, social protection for all men and women must be a key global objective. At the same time, for social protection to play an effective role in poverty alleviation and sustainable development its scope must be expanded to meet new global needs and to render it more effective and relevant to the world's entire population.

This paper presents a broader concept of social protection within the Decent Work Agenda of the International Labour Organization (ILO). It provides an analysis of the different dimensions of social protection within the context of life cycle events, considering all phases of life, not only working life but also including childhood and old age. Within this framework, it examines the role of the Social Protection Sector and how a broader concept of social protection can be advanced within the Decent Work Agenda. It is hoped that this paper will enrich and make a positive contribution to the debate on social protection in a time when its need has become more important than ever.

2. A WORLD IN NEED OF SOCIAL PROTECTION

Life, life contingencies and life cycles: the unbearable lightness of the human being²

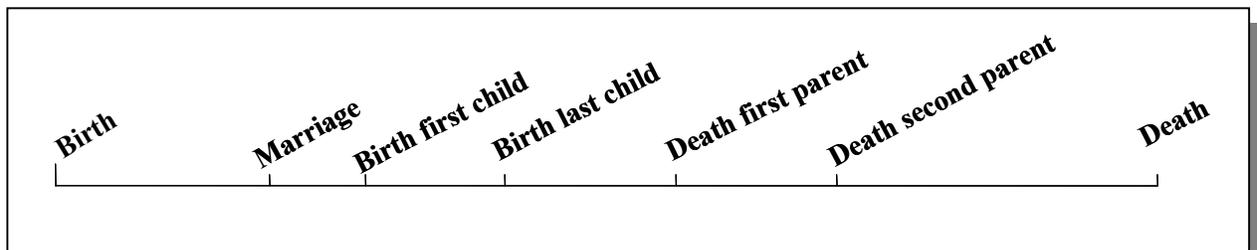
Regardless of geography, social structure, or political and economic systems, throughout their life all men and women are exposed to a wide and differing range of contingencies. Exposure to risk is undoubtedly part of the human condition. The sources of risk are many, and all populations are susceptible to adverse shocks resulting from natural, health, social, economic, political, and environmental risks³. Depending on the number of individuals or households that are simultaneously affected, risks are either idiosyncratic (individual) or covariate (aggregate). As the terms imply, idiosyncratic shocks are those that occur when only one or a few individuals or households in a community suffer losses, whereas covariate shocks affect a large number of households, entire communities, regions within a country or countries. Some of these risks may result from acts of nature, whereas others are caused by human activity. These risks are not evenly distributed among all men and women; hence people are not equally exposed. Certain individuals and groups have a much higher exposure to risk than others because of socio-demographic characteristics, economic status, physical or mental condition, age, lifestyle and so forth. Vulnerability is a state of high exposure to certain risks, combined with a reduced ability to protect or defend oneself against those risks and cope with their negative consequences. Examples of risks occurring at the individual level include those associated with health, such as disability, old age, death, or social shocks such as crime and domestic violence. Aggregate shocks affecting large populations can include natural disasters (earthquakes, floods), health epidemics

² From the title of Milan Kundera's *The Unbearable Lightness of Being* (New York, Harper Collins, 1984).

³ Taken from the World Bank Typology of Risk, which provides a useful breakdown of various risks. The typology or categories have a measure of overlap such as between natural and environmental, or health and social. Caroline Moser, 2001, offers a typology of risks based on sources of risk related to different types of capital, which was adapted from the World Bank typology. See Appendices 1 and 2 for a breakdown.

(HIV/AIDS), environmental calamities (pollution), political crisis (coup d'état) or economic risks (financial crisis). Another important factor is that men and women face some risks individually, others with their families, their communities, nations and regions and some at the global level. The Atlas of Major Risks⁴ provides a comprehensive account of the vast number of risks as illustrated by the following examples: global warming and thinning of the ozone layer; advance of the world's deserts; deforestation; acid rain; salt in the earth; threatened water or air supply; trash dumping in oceans; hurricanes; tornados; earthquakes; rainfalls; landslides; droughts; floods; high winds; volcanic eruptions; *El Niño*; polluting industries and polluting agriculture; energy deficits; pollution related to energy production; nuclear civil and military devices; urban cancer; HIV/AIDS; risks at work; risk during leisure activities; vegetal and animal extinction; genetic manipulation; ageing of the population; food; resurgence of sickness from the past; melting of the Antarctic Ocean; disordered migration.

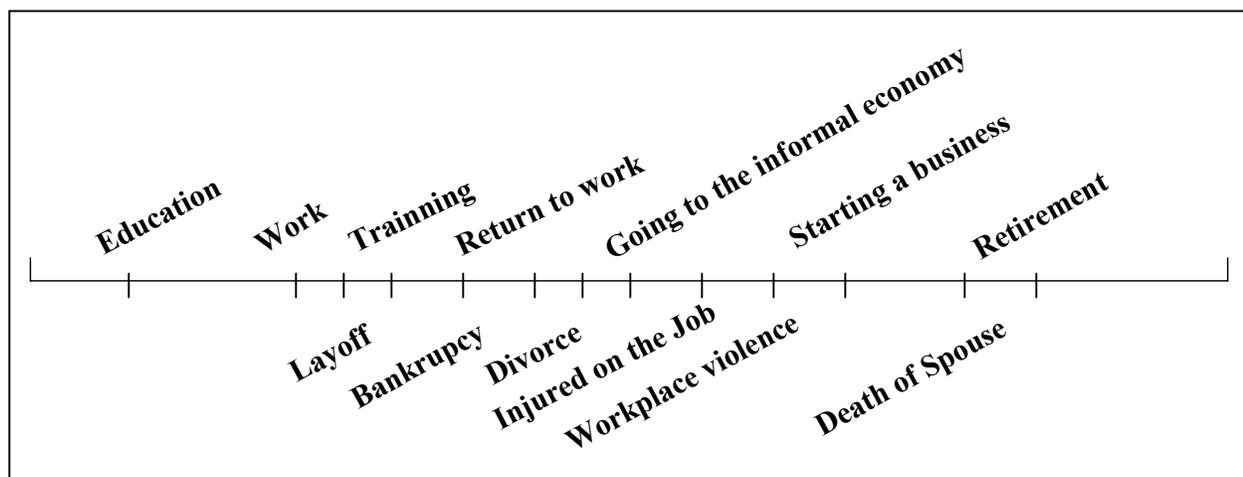
Men and women no longer adhere to the strict linear outline of events that has been the model for civilization up to the present: birth – education – work – marriage – family – retirement – death. Instead, men and women have been naturally gravitating to a more cyclic approach to life where the various stages and activities are revisited throughout a lifetime. Now, education, work, family and leisure are being reshuffled and reappear many times throughout each lifetime. Many go back to school at age 37, start a family at age 45, remarry at age 72. Others do not marry and will never have children. Life is getting longer and more complex than in the past. Life expectancy has increased everywhere and promises to become even greater.



In the global world a new life of cycles is replacing the straight and narrow linear path of yesterday, the individual's vulnerability is changing and a worldwide sense of insecurity is growing. The personal, social, political and economic implications of this life-shift from the linear to the cyclic are enormous. In the past, a single focused career was considered normal, sensible and the key to a successful career and a stable life. This made sense when life was shorter, more predictable, and the pace of change was slow. Not at the beginning of the third millennium, the cyclic life path offers all men and women the opportunity to have lateral or new careers almost constantly. Many will be able to choose to start a new cycle or not, many will be forced into it. Cyclical careers and cyclical lives will mean repeated life and career reinventions; work exit and re-entry, being a beginner in mid-life, sabbaticals, flexible hours, migration, etc.

⁴ Barnier, Michel : *Atlas des Risques Majeurs* (Paris, Plon, 2002).

Different life events at the individual, community, national and global levels push many men and women into a new life cycle. These can be death, illness or disability of a family member, a job-related accident, domestic violence, drug and alcohol problems, a natural disaster such as an earthquake or hurricane, a national economic, financial or political crisis (such as in south-east Asia, Russia, Mexico, Brazil or Argentina), wars (in Kosovo, Afghanistan or Iraq).



Each new life cycle represents renewed challenges and opportunities but also risks, not only for the breadwinner or the breadwinners in a household but also for its dependants. The success of a father or mother in adapting to a new life cycle will certainly have an influence on the family's present and future well-being.

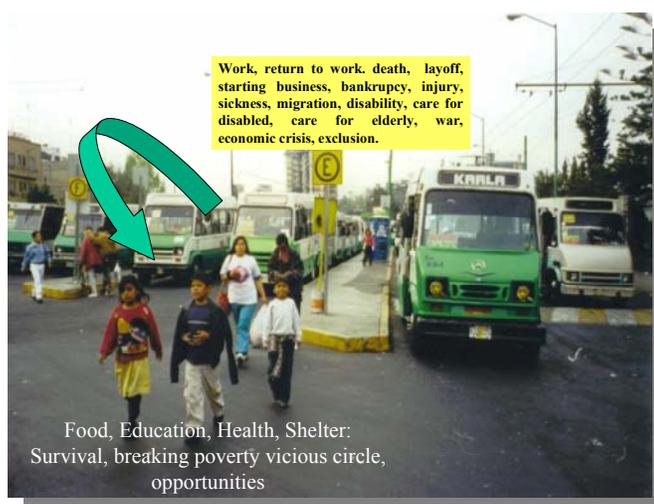


Photo. A. Bonilla Garcia. 2003

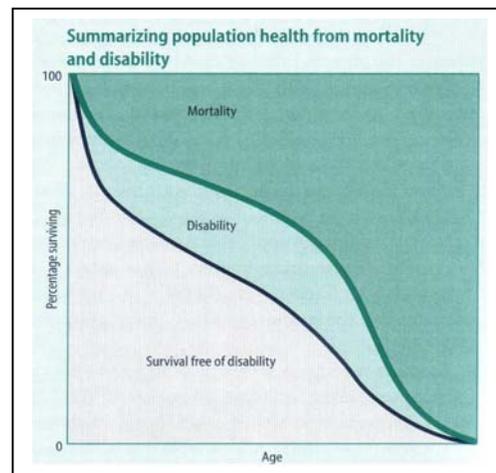
Young families with children are no longer the primary household type. Increased life expectancy and the possibility of having children safely at an advanced age have changed the concept of parenting. Traditionally, parenting started young and involved your own, or sometimes, your adopted children. Today, the definition is much broader. Men and women are parenting children at the age of 25, 35, 45, or even 55 and 65; parenting stepchildren or even grandchildren; parenting elderly parents, grandparents,

spouses, etc. More and more families are adult-centred and are influencing the family's shape, mechanics, opportunities and risks. In addition, as women have become an increasingly important part of the work force, families can no longer rely on a full-time gender-defined household manager. Divorce has further changed today's family landscape and influenced life cycles and is more and more of a reality for many men and women.

For the individual, certain identifiable periods in a life cycle bring particular risks related to age: the perinatal period; infancy: childhood; adolescence and youth; adulthood (working life); and older age. At the same time, the degree of exposure to risks and the ability to cope with risks vary from one stage of life to another. The most basic risk, which will sooner or later become a certainty, is death; we will all die. Another risk that will eventually become a certainty is the loss of health due to temporary illness or permanent disability. Some individuals are born with permanent disabilities, while others will become disabled for various reasons including work-related injury. Most of the world's population develops a disability as part of the natural ageing process.

Figure 1 illustrates the loss of population health from mortality and disability. The area labeled mortality represents loss of health due to death at all ages; people die every day and at any age. The area labeled disability represents the proportion of people at all ages who acquire a disability; men and women become disabled every day and at any age. The area labeled 'Survival free of disability' represents the average percentage of the population surviving every year without dying or becoming disabled.

Figure 1. Mortality, disability and survival free of disability



Source: *World Health Report* (Geneva, World Health Organization, 2000).

As already pointed out, no one is free from risk. However, some individuals and groups are more vulnerable to life contingencies and life cycle risks than others due to their socio-economic status, age, sex, physical or mental condition, etc. As mentioned before, vulnerability can be defined as a state of high exposure to certain risks, combined with a reduced ability to protect oneself against those risks and to cope with

their negative consequences.⁵ Each life cycle offers the challenges and opportunities for each man and woman to define, but also represents a number of risks. Nevertheless, the degree of exposure to risks and the ability to cope with them do not remain constant throughout life but vary from one life cycle to another. Additionally, risks change according to situations and circumstances. Therefore, vulnerability is a dynamic and relative concept, varying over time and across space and is not evenly distributed amongst all men and women. The 1.2 billion people living in poverty fall into the category of a population highly vulnerable to risk with little or no form of protection against any negative shock. Vulnerability and disadvantage are often used interchangeably although they are distinct. Disadvantage occurs when structural barriers created by society inhibit access to resources, benefits and opportunities. The structural causes that result in disadvantage include gender, race, ethnicity, indigenous or national origin and socio-economic status. For these individuals and groups, the consequences of risk are increased vulnerability to poverty, oppression and exploitation.⁶

Global challenges: increased risk and vulnerability

The nature and number of risks show no signs of decline and in many respects are becoming more complex, excluding a significant portion of the world's population from a decent livelihood. The current era presents many challenges stemming from a number of economic and social developments such as the process of globalization, the alarming levels of poverty and unemployment, demographic changes, the pandemic of HIV/AIDS, and the implications of growing international migration. All these result in greater insecurity and vulnerability.

Globalization offers great opportunities for human advancement. New opportunities for trade, investment and capital flows and advances in technology, including information technology, offer great potential for raising living standards around the world. However, they also entail considerable risk.

The present process of globalization has not reduced inequity nor set all nations on a sustained path of economic and social growth. Evidence from the past decade shows that globalization in its current form has had a number of negative social consequences with a global reach. Most notably, there is an alarming growing divide between the "haves" and the "have-nots", with increasing income inequality between the poorest and richest people and countries. The United Nations Development Programme (UNDP) estimates that 20% of the world's richest people had 74 times the income of the poorest 20% in 1997, compared to 30 times in 1960.⁷ Gaps in inequality are also widening within countries in both developing and industrialized nations, with the widest disparities found in African and Latin American countries. High-income disparity compromises the benefits resulting from economic growth and impedes the alleviation of poverty.

⁵ United Nations Department of Economic and Social Affairs: *Report on the World Social Situation, 2001* (New York, 2001) p. 210.

⁶ *Ibid.*, p. 210.

⁷ UNDP: *Human Development Report* (New York, 1999) p. 36.

Globalization has also increased the vulnerability of men and women to social risks such as job insecurity and unemployment. Globalization exerts pressure on job security in the same way that it has an impact on income inequalities. Workers can be displaced by competing imports, labour-saving technologies and foreign direct investment that relocates activities elsewhere. For example, changes in technology have led to an increased demand for skilled workers and increased their remuneration, while the demand and earnings for low and unskilled workers has declined. In general, the current trends in labour markets are leading to widening wage differentials within countries and industries; this has favoured skilled over unskilled labour. As such, low skilled workers, who tend to have limited labour mobility, are more likely to face job insecurity. The increase in international wage differentials is also leading to the migration of the best prepared people in developing countries to more prosperous areas of the world, creating a “brain-drain”.

At the same time, there seems to be some correlation between globalization and employment patterns.⁸ As the labour market becomes more volatile due to the pressures of competition, employers adopt more flexible labour policies and use non-standard and less secure forms of employment, such as part-time or temporary work where women are in the majority. Under such work arrangements, labour standards may not always be respected and workers may not be covered by collective agreement. Another prominent emerging pattern is the informalization of the labour market, with the majority of the world’s labour force working in the informal economy. In some developing countries, more than 90% of the labour force can be found in the informal economy. Working conditions are often hazardous, there is little or no security of employment or income, and workers are excluded from social protection, thus making them and their families highly vulnerable to risks.

In addition to changing employment patterns, unemployment levels remain high throughout much of the world. In both developing and industrialized countries, unemployment has reached 10 and 20%, with women more affected than men in most countries. In total, some 160 million people were unemployed at the outset of this decade. However, this figure does not tell the whole story of the global employment deficit. When the number of unemployed, underemployed, and working poor (those with incomes inadequate to support their families despite work) is taken together, a full third of the world’s labour force of 3 billion people cannot earn a sufficient income from work to meet their needs and to live a decent life.⁹

Given the deficit in decent employment, it is hardly surprising that little progress has been made to reduce poverty. One-fifth of the world’s population, or 1.2 billion people, is living on less than \$1 per day, roughly the same situation as a decade earlier. In less developed countries, the proportion of people living in poverty rises to 60, 70 and even 80%. In terms of human poverty, which refers to the lack of essential human capabilities such as being literate or adequately nourished, a quarter of the 4.5 billion people living in developing countries cannot fulfill their most basic needs. Clearly, these populations

⁸ See Torres, Raymond: *Towards a Social Sustainable World Economy: An Analysis of the Social Pillars of Globalization* (Geneva, ILO, 2001) pp. 35-39.

⁹ ILO: *Global Employment Agenda: Discussion Paper* (Geneva, 2002) p. 2.

face insurmountable vulnerability and risk and are in most need of protection. The risk of poverty also strikes large numbers of citizens even in the developed world. For example, in 1997 the European Commission estimated that 17% of all households in the European Union had income levels below half the national average, even after income transfers and other forms of social assistance. Without income maintenance and other forms of social protection, the Commission estimated that almost 40% of all EU households would have income levels below half the national averages.¹⁰

Evidence also suggests that globalization is undermining the capacity of governments to finance key social services, such as health, education and social protection. The increased mobility of capital has made it more difficult for governments to tax capital, and they must increasingly resort to taxes on consumption and labour.¹¹ Such type of interventions are limited in developing countries, which have a limited tax base since most people work outside the formal economy.

Globalization has also profoundly affected the character of population mobility and international migration, which involves a much larger number of countries than ever before. According to ILO statistics, of the estimated 20 million people living outside their country of origin, 70 to 80% are migrant workers, with a growing proportion being women and migrants with irregular status. Migrant workers are at particular risk, working in low-paying jobs and in poor employment conditions, which disregard their rights and provide them with little or no protection.

In addition to the discontents¹² of globalization, other trends are also leading to greater risk and insecurity. Health disasters such as the ravages of the HIV/AIDS pandemic are reversing decades of health-care accomplishments and undermining progress in human development. The disease is also exposing the inadequacy of social protection systems in countries most affected by the pandemic. HIV/AIDS has lowered life expectancy and has created large gaps in generational connections, where significant numbers of grandparents have become the main providers for their grandchildren. Approximately, 40 million people are estimated to be infected with the virus, with over 25 million being of working age. The disease has become a poor people's epidemic with 95% of all HIV-affected people living in developing countries.¹³ Clearly, the pandemic has condemned a great number of men and women to poverty and is an impediment to development.

Demographic changes are also presenting societies with significant challenges and introducing new risks. The world's population will continue to grow, with most future demographic growth occurring in the developing world. It is estimated that the world will need to accommodate an additional 5 billion men and women, which will put a great strain on economic, social and environmental systems.¹⁴ The world's population is also getting older. In itself, an ageing population is a sign of human progress. At the same

¹⁰ Hoskins, Dalmer D: "The Redesign of Social Security" in *Developments and trends in social security, 1996-1998: social security at the close of the 20th century: topical issues and new approaches* (Geneva, ILO, 1998) p. 3.

¹¹ ILO: *World Labour Report 2000* (Geneva) p. 9.

¹² From the title of the latest book of the 2001 Economics Nobel Prize Laureate, Joseph E. Stiglitz: *Globalization and its discontents*, (New York, W.W. Norton, 2002).

¹³ UNDP: (New York, 1999) p. 42.

¹⁴ United Nations Department of Economic and Social Affairs: (Johannesburg, 2002) p. 4.

time, however, the shift towards an older population has substantial socio-economic consequences, including pressures to provide adequate coverage and to protect against increased risks of disability and illness that are part of the natural ageing process. The proportion of men and women over 65 years old worldwide is expected to increase from its current level of 7% to 16% by 2050 with important differences by sex and region. The ageing process will differ between regions. For example, in southern Europe, it is estimated that the proportion of people over 65 years old will reach a staggering 40% by 2050. Africa, with a demographic growth rate of between 5 to 12% for persons over 65 years of age, will also need to address the challenges of an older population. In general, while developing countries have a relatively young population compared to a relatively older population found in the industrialized world, the speed at which populations in developing countries are ageing is faster than in the developed world.

The above analysis provides only a glimpse of some of the significant challenges facing the globe and its people. Clearly, the effects of globalization, poverty, unemployment, and population growth are complex and vast. Their implications for social protection systems are equally complex and multifaceted, and in some instances their impact is far from being fully known or understood. What the analysis does bring to light is that these global developments are exposing societies to greater risks and vulnerability. Insecurity has increased globally, and societies are finding it particularly challenging to meet the changing needs of its citizens. The fact that some 80% of the world's population is excluded from any form of social protection exposes an indefensible number of people and societies to enormous risk and vulnerability.

At the same time, for the majority the risks of poverty, disease, illness, disability, unemployment, etc., described in this section, are not risks but crude certainties. For example:

- ❑ Boys and girls born in households where poverty has been the only common element for generations are not at risk of being poor; poverty is a certainty.
- ❑ Populations without food, shelter, and access to health are not at risk of suffering from hunger, misery and persistent underdevelopment; living “without” is a certainty.
- ❑ For boys and girls having to work instead of going to school, continuous poverty and exploitation is not a risk; a life of deprivation and exploitation is a certainty.
- ❑ For boys and girls born with a disability, there is no such thing as a risk of being disadvantaged; disadvantage is a certainty.
- ❑ People without education, training and skills are not at risk of not being competitive; their lack of competitiveness is a certainty.
- ❑ People without a voice, the potential for dialogue, democracy, human rights and justice are not at risk of being marginalized from progress; it is a certainty that they will be left behind.

- ❑ Men and women living in war zones, occupied territories, or conflict areas, are not at risk of not having a safe and decent life; it is a certainty that their life is not a life.
- ❑ Indigenous and tribal peoples that are not included in national, regional and global economic, social and environmental plans are not at risk of being excluded from development; they are condemned to exclusion and extinction.
- ❑ People everywhere without safe work or the possibility of securing decent work, are not at risk of not having a future for themselves and their families; they and their families will have no decent future.

With such a great number of risks and such a significant portion of the world's population living with unbearable certainties, social protection has an essential role to play in providing the necessary support and tools to allow societies and their populations to break the vicious circle of poverty and to follow a path of sustainable development. The management of individual risk is an important component, but it is not enough. Changing realities and certainties is also essential.

This entails moving from the management of risk to developing human and societal capabilities and potentials that will provide the security necessary to enable people to meet their needs and to live a decent life. Social protection has a key role to play in this regard, but it is not sufficient to address the global challenges and crude realities that fall beyond its scope. As a result, it needs to be part of an integrated approach to sustainable development and poverty reduction where the social, economic and environmental dimensions of human well-being are jointly addressed.

Sustainable development and poverty reduction: a role for social protection

In the pursuit of sustainable development and poverty reduction a critical challenge is to find a new balance between economic goals and the social protection of the world's population.¹⁵ The unsustainability of the present development model has become all too obvious, and the shortcomings of dominant economic policy-making based on a "leader/follower" model, where macroeconomic policy (stability and economic growth) is determined first, and social policy is left to address the social consequences is increasingly coming into question. Indeed, economic growth is necessary for the advancement of human well-being. However, new approaches to economic growth must be based on a new understanding of the vital role that a healthy, literate and secure society must play in creating the conditions for economic progress.

Traditionally, social policy and measures of social protection have been regarded as obstructive to economic growth. The promotion of economic growth has been seen as having "equity-efficiency" or "equity-economic growth" trade-offs. This postulate has been debated for a long time. The persistence of poverty and rising inequality worldwide

¹⁵ Sustainable development encompasses economic, social and environmental dimensions. This paper focuses on the relationship between the social and economic goals of sustainable development. See Appendix 3 for an illustration of the interplay between all three dimensions.

has led to a growing consciousness that economic growth is not in itself sufficient to reduce poverty and that inequality may be an important determining factor. Studies have shown that economic growth has been retarded in poor countries where inequality is high, while it has been encouraged in rich countries, which mostly have low inequality. This suggests that unless policies are developed to ensure a more equitable distribution of income, current inequality is likely to depress economic growth, which will adversely affect poverty levels. This is of particular concern when one takes into consideration the recent lowered forecasts for economic growth. A recent ILO study shows that if the most favourable income distributions of the past had been maintained it would have been sufficient to reduce global income poverty by one-third. This would have been a major step towards the Millennium Development Goal of reducing poverty by one-half by 2015.¹⁶ This suggests that equity is not necessarily in conflict with efficiency, and that well designed macroeconomic and social policies may increase economic growth with greater equality and lead to poverty reduction. In this regard, social protection has a key role to play not only in enhancing equity through redistribution measures but also as a productive factor in promoting economic growth.

At the same time, high levels of inequality have also necessitated higher levels of economic growth to overcome setbacks in poverty levels that occur during periods of crisis. Research in Latin America shows that poverty levels were higher than the levels prior to periods of crises many years after the crises took place, even with positive economic growth.¹⁷ This example serves as an illustration of the important role that social protection measures can play in preventing people from falling into poverty and sustaining progress in poverty reduction. In this role, social protection can serve to prevent irreversible damage to the accumulation of human capital during periods of crisis, such as that caused by a rise in child labour, school drop-out or malnutrition. These measures are beneficial to the economy and contribute to poverty reduction on a more permanent basis rather than just during periods of crisis. Social protection can also be economic-growth-enhancing by providing safety nets. For example, if the poor have access to mechanisms that protect them from sharp downfalls in income, they will be more likely to undertake riskier initiatives in the labour market, which could result in a higher return for the poor and for the economy overall.

In advancing equality, social protection also contributes to greater social cohesion and stability, necessary for sustainable development. Societies that are highly polarized socially and economically are unlikely to pursue policies that have long-term benefits for all, since each group will be reluctant to make long-term commitments. Societies with high inequalities may be inflexible when faced with external shocks. At the political level, social protection facilitates the acceptance of reforms because men and women are shielded from potential risks. At the same time, social protection enables individuals to undertake riskier activities with greater returns, which induces economic growth. Additionally, social protection in the development process promotes the accumulation of human and social capital, which enhances individual productivity, which is essential for economic growth and sustainable development. While sound macroeconomic policy is

¹⁶ Lübker, Malte: *Assessing the Impact of Past Distributional Shifts on Global Poverty Levels* (Geneva, ILO, 2002).

¹⁷ Inter-American Bank: *Social Protection for Equity and Growth* (Washington, D.C., 2000).

important, social protection is also vital, and both should be mutually reinforcing in order to advance poverty reduction and sustainable development.¹⁸

The obvious failure of adjustment policies to address the problems of poverty and to place economies on a long-term economic growth path, have led the Bretton Woods institutions to pay more attention to poverty and developmental issues after years of exclusive focus on stabilization and efficiency. These institutions have shown an increased interest in social concerns and social policy, which now appear as part of the “social conditionality” accompanying debt relief. The Poverty Reduction Strategy Papers (PRSPs) and the Poverty Reduction and Growth Facility (PRGF) to which they are linked will significantly shape social policy in many developing countries receiving debt relief. A recent assessment of the ILO experience showed that the PRSPs gave “insufficient attention” to social protection,¹⁹ which is cause for concern.

To advance poverty reduction and ensure equitable and socially sustainable development, social policy needs to be seen as a key element that works in tandem with economic policy. Social policy should not be kept as a residual category to cater to social causalities. Instead, it should be integrated as a central component of development policies with more ambitious objectives such as the promotion of equity and economic growth and the development of human and social potentials, as well as serving as a safety net.

3. CONCEPTS AND ISSUES OF SOCIAL PROTECTION IN THE GLOBAL ERA

Social protection as a human right

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 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

¹⁸ See Appendix 4 for an illustration of the interplay between economic and social goals taken from a review of the development of Finland's welfare state.

¹⁹ See GB.283/ESP/3, p. 3.

recent 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

The ILO’s mandate and “*raison d’être*” is set out in the Preamble to its Constitution and can be summarized as follows:

To 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.²⁰ The fact that more than half of the ILO’s International Labour Conventions relate to social protection issues demonstrates the important role that the Organization has played in the development of social protection.

Social protection is defined by the ILO as the set of public measures that a society provides for its members to protect them against economic and social distress that would be caused by the absence or a substantial reduction of income from work as a result of various contingencies (sickness, maternity, employment injury, unemployment, invalidity, old age, and death of the breadwinner); the provision of health care; and, the

²⁰ The wording of the 1919 Constitution of the ILO includes a reference to “the protection of the worker against sickness, disease and injury arising out of employment, provision for old age and injury, protection of the interests of workers when employed in countries other than their own ...”. The 1944 Philadelphia Declaration refers to the ILO’s “solemn obligation ... to further among the nations of the world programmes which will achieve ... (f) the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care”.

provision of benefits for families with children.²¹ This concept of social protection is also reflected in the various ILO standards.²²

By definition, social protection is broader and more inclusive than social security since it incorporates non-statutory or private measures for providing social security, but still encompasses traditional social security measures such as social assistance and social insurance. It is important to note, that there are significant differences among societies of how they define and approach social protection. Differing cultures, values, traditions and institutional and political structures affect definitions of social protection as well as the choice of how protection should be provided. The ILO's definition is broader in scope than the definition adopted by some countries, and it does not imply value judgments.

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",²³ 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:

²¹ ILO: *World Labour Report: Income security and social protection in a changing world* (Geneva, 2000) p. 29; ILO: *Principles of Social Security* (Geneva, 1998) p. 8.

²² For example, the Income Security Recommendation, 1944 (No. 67); the Medical Care Recommendation, 1944 (No. 69); the Social Security (Minimum Standards) Convention, 1952 (No. 102); the Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128); The Plantations Convention, 1958 (No. 110); the Home Work Convention, 1996 (No. 177); (No. 189); the Part-Time Work Convention, 1994 (No. 175); The Job Creation in Small and Medium-Sized Enterprises Recommendations, 1998.

²³ ILO: *Report of the Director-General: Decent Work* (Geneva, 1999) p. 7.

- 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.**

Social Protection is a key element of the Decent Work Agenda. Its objective to enhance the coverage and effectiveness of social protection for all is a complex one, particularly in the current era of globalization. Indeed, the effective and efficient incorporation of social protection in the current process of globalization is a significant challenge. The challenge, however, does not lie so much in identifying ways to enhance the coverage and effectiveness of social protection, but rather in securing the resources to achieve them. Indeed, the extension of coverage has significant financial implications. In this regard, the ILO and the Council of Europe²⁴ have undertaken important work that demonstrates that the extension of social protection coverage is affordable and that the costs of **not** having adequate social protection are higher since they are paid in economic, social and developmental terms.

A series of considerations can be made in the costs of social protection and the costs of not having social protection. In this regard, it must be kept in mind that the costs as well as the benefits of ensuring effective access to social protection should be considered both in short and long-term perspectives since short-term savings might imply long-term, and possibly much larger, liabilities in economic, social and developmental terms. Furthermore, in the global era, it is necessary to view costs as having a national, regional and international dimension. It is worth remembering that, for example, emigration, asylum-seeking, etc., are often provoked by the lack of opportunities and attention to social rights and social protection within certain countries, which means that other countries must pick up the costs of this lack of attention.

The costs of social protection

According to the ILO Recommendation on Income Security (No. 67), 1944, social protection schemes should relieve want and prevent destitution by restoring, up to a

²⁴ Conference on Access to Social Rights. Council of Europe, Malta, 14-15 November 2002, Saint Julian's, Malta; and *Costs of no social policy: towards an economic framework of quality social policies and the costs of not having them*. Study carried out by the European Commission. Web page for the conference: http://europa.eu.int/comm/employment_social/news/2003/jan/1041848954_en.html

reasonable level, income which is lost by reason of inability to work (including old age) or to obtain remunerative work or by reason of the death of the breadwinner (Guiding Principles, General, §1).

The challenge currently facing many countries is in fact to reconcile the respect for existing provisions in terms of levels of benefits or the reliability of future pensions levels, with the strong appeal from many circles to create benefit formulae which ensure more predictable and long-term sustainable cost. Such formulae should satisfy the following criteria:

- ❑ **Economic and financial affordability**
- ❑ **Explicit and clearly defined**
- ❑ **Transparency**
- ❑ **Integration of benefits and services**
- ❑ **Monitoring and evaluation**
- ❑ **Individual equity**
- ❑ **Social efficiency**

In this context, economic and financial affordability means that taxes and contributions should remain reasonable; otherwise their levels would not be politically and economically acceptable, *inter alia*, to enterprises and to citizens. Individual equity means that a clear link should be maintained between pension amounts and contributions paid throughout the individual's career. Social efficiency means that the schemes should be designed in such a way, that they avoid poverty, ensure decent and reliable standards of living and have a strong redistributive effect. The challenge facing the designers of such schemes is therefore to reconcile within one conceptual model three equally important objectives. This in turn implies that all such models are by necessity hybrids, and the result of social compromises between the diverging interests of the various partners involved.

Economic and financial affordability is prominent in the debate around social protection schemes and systems, often to the detriment of the consideration, which ought to be given to the primary social goals of such schemes. In this respect, while the pattern of financing social protection obviously affects the relative costs of the production factors, influencing their weight in the production process and thus having an effect on labour and capital markets, as well as indirectly on productivity, it has to be noted nonetheless that social protection in operation basically remains a redistributive mechanism, from the active to the beneficiary segments of the population. Beneficiaries, at the end of the day, do nothing else but use, for their own consumption, goods which

are being produced by others. What matters therefore is not so much the absolute or relative share of social security financing, expressed as a percentage of salaries or of GDP, but what remains to cover other basic needs once the size of resources allotted to social protection has been decided upon. In other words, there is no absolute figure, or threshold, which would form an objective limit to what a society, or a group can afford to spend for its social protection.

Explicit and clearly defined. This is essentially a set of legal rules, which govern the functioning of redistribution of resources. In effect the legal rules determine how much the active population (contributing or paying taxes) has to allocate to the beneficiary. It is the outcome of that redistribution (the individual benefit levels and the distribution of income within the beneficiary group) which is crucial from a social point of view. While the overall cost clearly matters, the actual pattern of financing despite its role in the present public debate is of secondary importance in this respect.

Transparency. Absence of information and data on which to base dialogue and decision-making as well as secrecy are the opposites of transparency and are the real enemies of social protection. In many domains of public policy there prevails an internal/external or insider/outsider philosophy. This serves to create divisions, not just between social partners, but also between staff and users of services (or their advocates) as well as within services and agencies in terms of fragmentation into different units, divisions and so forth. In contrast, a policy of transparency and openness implies that organizations have a strategy of communication and participation. Such a strategy should be multi-tiered and sophisticated (in the sense of targeting different “audiences” and using different channels) and should also include the opportunity for people to make their own needs known. Other elements essential to an open approach – for example, ombudspersons, appeals procedures, clarity in responsibility across providers and sectors, and openness about how decisions are made – also must be part of the social protection system.

Integration of benefits and services. Monitoring, review and enforcement of the evolution of social protection schemes is crucial for their sustainability. It is important for the future of social protection to put in place a process that is open, on the one hand to permanently forecast, analyze the evolution of the social protection scheme and identify shortcomings in existing provisions, and, on the other is open to emerging needs. Without sound financial architecture and management, social protection systems cannot effectively reach all men and women. To understand the financial mechanisms of social protection systems, it is important to have a good understanding of population dynamics and their implications as well as being able to make macroeconomics work for social protection policy, turning theory into practice, and to see clearly the interdependencies between labour market developments and social protection performance.

Monitoring and evaluation. Since social protection schemes involve a series of probabilities, contingencies, risks liabilities, contingent liabilities, periodical Actuarial Valuations (AV) should be performed in order to continuously fine-tune and adapt policies and strategies. Another complementary tool is the Social Protection Expenditure and Performance Reviews (SPERs), which aims at providing detailed information on the

performance of national social protection schemes as well as on the extent of coverage and exclusion from social protection. The SPERS provide information about the structure and level of total social expenditure, and establish indicators of system performance with respect to its effectiveness, efficiency, population coverage and the adequacy of benefit levels. Secondly, the SPERS provide internationally comparable statistics on social protection.

Individual equity in turn represents the need, for any man and women, to see a clear link between what he or she (or his or her employer) earmarks for social security purposes in terms of taxes and contributions, and what benefits are derived from these taxes and contributions. Individual equity is in a way what fundamentally differentiates social insurance from social assistance of a social protection system. In the latter, contributors are usually the taxpayers, and what beneficiaries receive from the system has, by definition, no relation to what they put into it. As a matter of fact, social assistance beneficiaries are very often those who paid the least amount of taxes during their active life. Conversely, social insurance is a system where, again as a matter of principle, benefits go first to those who contributed or to their dependents. It is therefore usually considered normal that those who contributed more should receive more when a covered contingency occurs.

Social efficiency. When considering the possible reconciliation of these three criteria (affordability, equity, efficiency), one could envisage going a step further, and consider favorably systems, which combine, in one, two or more schemes, flat-rate and earnings-related components. The number of tiers, pillars or component parts to the pension system is in a sense not relevant to a debate on social security principles. What matters in the end is that, at the core of the system, the designated objectives of the scheme clearly appear to be met during the entire life cycle of all men and women in the population.

The costs of no-social protection

Costs and the impact of neglecting social protection are borne by society as a whole at different levels, including the state, communities, the voluntary sector, families, enterprises and individual citizens. There are several sets of costs and impacts resulting from neglect or abandonment of social protection.

The first two sets are poverty and vulnerability since there is a clear positive correlation between poverty and vulnerability and weak or non-existent social protection. These are huge costs since they not only lead to people being chronically socially excluded but also to people being dissatisfied and disaffected by society. Impoverished populations not only suffer from exclusion from essential goods, services and rights but also suffer the loss of potential for individual development and to contribute positively to collective development in the social, political and cultural fields.

A second type or set of costs relates to the economy or economic development. If there is a situation where many people are living in poverty or are unemployed, then this is a productive loss to the economy. Secondly, without social protection or any means of

support, wage demands will rise (a cost that must be met by the employers and/or the state). Thirdly, there is the fact that cutbacks in social and health services can lead to greater costs for the state in the long term.

A third type of cost is the cost to human capital. A lack of investment in public benefits and services means a decrease in life expectancy, health, education and skills, and a lack of investment in the younger generation. Hence the current and future stock of a country's human capital is diminished.

A fourth type of cost relates to a loss of social capital. Here again, a number of relevant costs can be identified. Firstly, there is the related question of burden upon the family. When a family receives support it is most likely to be from the state. Cutbacks and withdrawal by the state therefore risk the future sustainability of the family (which is already under huge pressure). Another point of relevance relates to the costs in terms of values such as social trust, social solidarity, etc. It is now widely recognised that these kinds of values are not only a key form of social capital but are essential for the functioning of democratic societies. If people lose such values – which are generally stronger in a society based on social solidarity – then this is a significant cost to society.

Fifth, there are political costs in terms of the reduction of political capital. Neglecting or abandoning social protection reduces the legitimacy of the state and therefore endangers the functioning of democracy.

If these costs are considered to be cumulative, then social sustainability itself is at stake. Not only are social cohesion and social stability threatened but there is a danger of political unrest. This also fuels the growth of extremist politics. In addition, there may be political unrest amongst countries because of inequalities across countries (between those that adhere to a social protection system and those that do not).

For all the above, it is clear that no country or indeed no region can afford to neglect or undermine social protection at any level, and that particularly integrated, transparent, deliberate and participatory approaches should be encouraged. Effective access to social protection is not a luxury and should be perceived as an investment in people, social justice and social cohesion, with a high rate of return, not only in economic terms but also in social and environmental terms, and as constituting an indispensable and solid foundation for sustainable and peaceful development for all.

Social protection is thus integral to the dynamic development of modern, open economies and societies; and it brings cumulative benefits through time. In this sense, social protection can be considered as an investment and consequently as a productive factor. Poor countries cannot afford not to invest in social protection if they want to break the vicious circles of poverty and underdevelopment and begin to contribute positively to local, national, regional and global development.

The evolution of social protection

The concept of social protection is not static and evolves as societies change. Initially, public assistance focused on keeping people out of poverty by guaranteeing a minimum income to meet basic needs. The basic objective was to provide a safety net to cover the risk of being too poor. Different actors such as governments, local authorities and charities provided the earliest forms of assistance. These were targeted at civil service employees and the very poor who had to meet strict requirements (such as living in workhouses) in order to receive public assistance.

In the late 19th and early 20th centuries, during the industrialization period, schemes for social assistance began to change due to the social and economic transitions in society. The most notable of these was the development of wage labour. Workers in industry became reliant on wages, or the sale of their labour. In the absence of wages, the majority had no form of security since they could no longer rely on traditional structures of protection, such as the extended family. As a result, the State began to take a broader interest in the provision of income security. Saving schemes were organized by governments and mutual aid societies, private insurance emerged, and the State began to introduce legislation, which required employers to provide some maintenance for sick and injured workers. Nevertheless, these measures were largely insufficient in providing adequate protection, and workers were expected to make their own arrangements to counter life contingencies.

In time, labour became more organized and more influential, and as a result more adequate social protection programmes began to take shape in industrialized countries. Schemes were made compulsory, initially affecting certain categories of workers but progressively extending to cover the population. Various benefits were also introduced, which with time, were also extended, and eventually the term “social security” was used to collectively describe them. Thus, social protection schemes assumed a new role. The safety-net function was preserved to ensure that people were able to meet their essential needs, and the coverage of socio-economic risks for all, through the pooling of risks, was added.

Over time, social protection schemes began to cover a wider range of risks, such as unemployment, invalidity due to age, workplace accidents or injury. The safety-net function also subsequently became more ambitious and was progressively enhanced to include more than basic subsistence needs, such as health care, housing and social services. In most industrialized countries, social protection schemes became universal. In the developing world, however, coverage has been largely limited only to those people with a formal employer-worker relationship, and therefore excludes the majority.

The extension of social protection to address more contingencies meant that its scope also began to broaden. Social protection evolved from having a primary safety net function, which aimed to ensure a minimum standard of well-being, to a more “proactive” function with the dual aim of protection against and prevention of risks. Most notably, in an attempt to address problems of unemployment, many countries put in place proactive

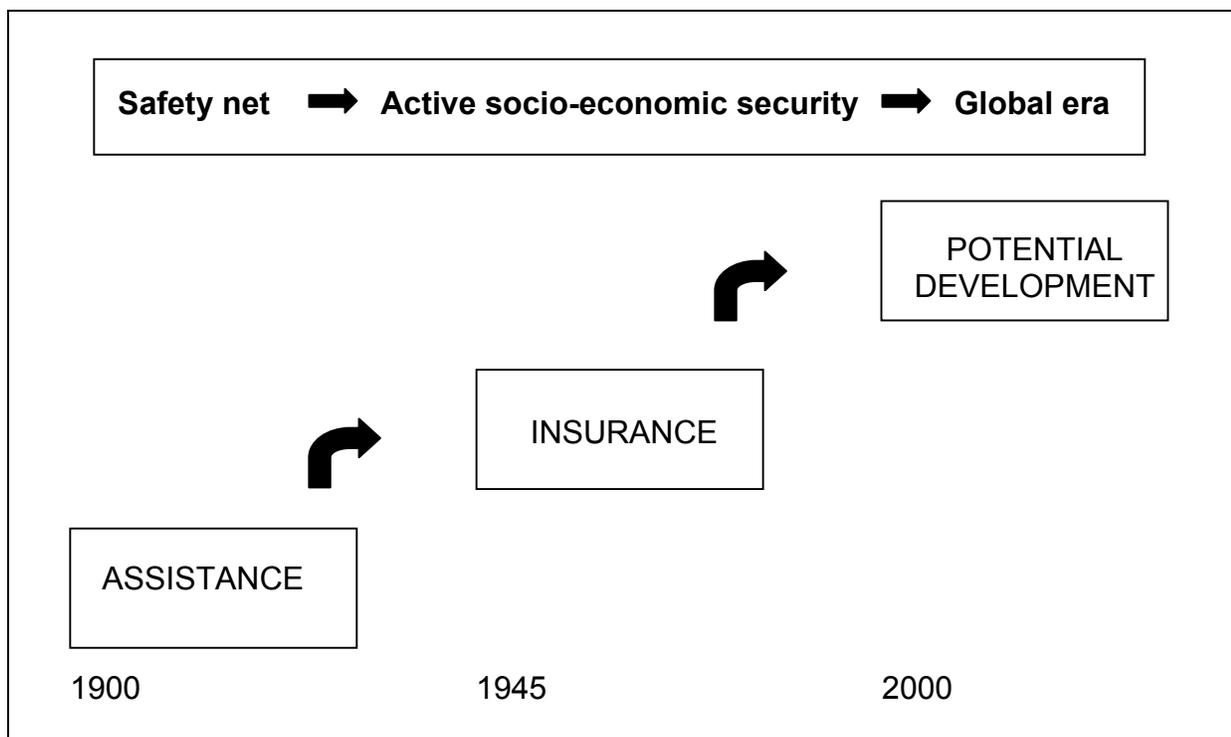
strategies to promote employment, such as programmes centred on skill training and development, retraining, and youth work incentives.

These proactive strategies play a dual role in that they promote employment as well as protect against the risk of unemployment. They also complement schemes that provide benefits to people when they are unemployed, thus ensuring that essential human needs are met. The ILO Convention on Employment Promotion and Protection Against Unemployment (No. 168), adopted in 1988, reflects this shift towards prevention and protection against risks through proactive security measures.

Today, social protection is at another juncture in its evolution. As noted earlier, the current era of globalization and the changing life cycle pattern of men and women are posing numerous challenges to which only social protection policies and strategies can respond. In the industrialized world, many countries are re-examining their systems of social protection and their effectiveness in light of increasing pressures such as greater poverty, high unemployment, ageing, greater mobility, changing social structures and increasing expectations.

In transition economies and the developing world there is concern about the inadequacy of coverage provided by orthodox social protection. Clearly, in a world with a changing life cycle of increasing risks and vulnerability, along with rising social exclusion caused by globalizing forces, the need for social protection is as great as ever.

Figure 2. The evolution of social protection



To better meet people's changing needs, and to adapt to the changing nature of risk and vulnerability in a global world, the concept of social protection again needs to be broadened. Its focus needs to extend beyond the provision of minimum well-being and the protection of risk, to the promotion of human and social potentials and opportunities. Such an approach entails a greater focus on the sources of risk and their prevention. In a global world of increasing risks and vulnerability, human and social potentials need to be developed and promoted in order to shield from these risks. At the same time, the development and promotion of their potential enables individuals and societies to exploit the opportunities offered in the global world.

A broader concept of social protection that focuses on the development and promotion of human and social potentials and opportunities will allow social protection to move beyond its traditional instruments, providing only a minimum income, towards the adoption of measures that promote a more holistic and integrated approach in the provision of social protection. As a result, social protection can play a more effective role in facing the global challenges of poverty, inequity, exclusion and underdevelopment.

4. A BROADER CONCEPT OF SOCIAL PROTECTION FOR THE GLOBAL WORLD

The objectives of social protection

Based on the analysis above, it can be concluded that a broader concept of social protection should include three key objectives. First, it should assure minimum well-being through a guarantee of essential goods and services that provide protection against life contingencies for all people. Second, social protection should adopt proactive strategies and policies to prevent and protect against risks. Third, social protection should promote individual and social potentials and opportunities. The foundation of these objectives would be to promote poverty reduction and sustainable development.

As a result, the following broader concept of social protection for all globally emerges with the following objectives:

- ❑ **Guarantee access to essential goods and services**
- ❑ **Promote active socio-economic security**
- ❑ **Advance individual and social potentials for poverty reduction and sustainable development**

The three objectives that form the wider concept of social protection are interconnected and mutually reinforcing in order to prevent and remedy the adverse consequences of negative life events while at the same time promoting positive life events. These

objectives will additionally perform two main functions: re-distributing resources so as to reduce poverty and improve life opportunities and support aggregate household spending during economic downturns by maintaining the income of the poorest which, on the other hand, is also a macroeconomic stabilizer.

The ability of people to exploit opportunities and to take on risk will depend on whether they have socio-economic security that will protect them should their efforts fail. In more general terms, socio-economic security and the guarantee of access to essential goods and services are necessary prerequisites to sustainable social and economic development. At the same time, economic and social autonomy provide security and guarantees access to essential goods and services. Moreover, socio-economic security can only be maintained by prevention of and protection against risks.

These objectives of social protection are consequently integral to the dynamic development of modern, open economies and societies, bringing cumulative benefits over time.

In this sense, social protection can be considered as an investment and consequently as a productive factor. Poor countries cannot afford not to invest in social protection if they want to break the vicious circles of poverty and underdevelopment and to contribute positively to local, national, regional and global development.

These three objectives, forming the wider concept of social protection, do not refer to the place where the activity of the breadwinner takes place, in the formal or the informal economy. The objectives in terms of social protection remain the same for both economies. This has been emphasized by the Decent Work Agenda which has as one of its strategic objectives the extension and enhancement of social protection for all.

Furthermore, the International Labour Conferences of 2001 and 2002 (on Social Security and the Informal Economy, respectively) have confirmed this approach. The objectives remain the same, but it is clear that policies and strategies may vary from the formal economy to the informal economy, from country to country and from one particular economic, political and social situation to another. Similar objectives can be reached through different instruments. The same instruments can aim at different objectives. Processes of change have a different pace in different countries and different actors may influence them.

The principles of social protection

While the objectives of social protection are clearly identified, there is considerable flexibility as to how to achieve them – social insurance, social assistance, public services – all become techniques supporting a broader objective. However, a few guiding principles emerge from theory and practice, which help to identify appropriate ways to meet the objectives, particularly in the global era.

These principles are:

- ❑ **Equality of treatment with particular attention to gender equality**, between nationals and non-nationals.
- ❑ **Solidarity**, which stems directly from the recognition of an individual right and extends to social protection for all human beings.
- ❑ **Inclusiveness**, which is derived from the solidarity principle. All members of society should participate in and benefit from social protection.
- ❑ **General responsibility of the State, which** derives from the human rights character of social protection.
- ❑ **Transparent and democratic management.** This is the participation of all members of society (particularly workers and employers' representatives) in the management of social protection schemes. This is a consequence of directly or indirectly financing benefits, guarantees and administration costs through collective funds, (earmarked taxes, tax exemptions, contributions, etc).

The principle of equality of treatment corresponds to the fact that the Universal Declaration of Human Rights²⁵, according to which every human being, as such, expresses the right to social security, prohibits discrimination of any kind as to race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status (Article 2.1). In the social protection field, this type of preoccupation is of particular importance concerning discrimination based on sex²⁶, nationality and residence. The fundamental importance of these factors must be carefully taken into account in the design of social security reforms. They are of particular relevance in the case of pension reforms.

The principle of solidarity is what justifies the existence of social security schemes in addition to individual protection measures, including those relying on insurance mechanisms. This solidarity principle applies first and foremost to financing techniques. Irrespective of the approach chosen for the financing of social security, including pension schemes (full or partial funding, pay-as-you go, taxation, or a combination of those) collective financing is indispensable to ensure that the most vulnerable categories enjoy real access to the social protection they require. This does not necessarily apply a priori to only low income categories, but to all those who, through the occurrence of social risks, lose a substantial portion of their earning capacities.

²⁵ and the associated International Covenant on Economic, Social and Cultural Rights, 1966.

²⁶ Article 11.1 of the UN Convention on the Elimination of All forms of Discrimination against Women, 1979, makes an explicit reference to social security (retirement and disability pensions).

The importance of collective financing is often misunderstood, and State intervention, *inter alia* through social assistance, is sometimes described as a tool to supplement individual protection against social risks, which would suffice to provide adequate coverage to the vast majority of the population. It should be noted, however, that social assistance, despite its merits, cannot be considered as a reasonable substitute to collective financing by reason of the limitations inherent in such schemes (*inter alia* budgetary constraints and discretionary access).

Furthermore, it should also be noted that, in cases where, due to the absence or the inadequacy of collective financing, huge parts of the working population cannot afford to buy decent protection in case of old age, invalidity or death of the breadwinner, it is up to the State, according to its constitutional mandate, to guarantee that those affected still enjoy acceptable living standards through expensive minimum pensions, without earmarked resources for the financing of the required interventions.

The principle of inclusiveness. It makes no sense to design social protection schemes for a limited group, particularly if this group is less vulnerable to risks. Social protection schemes should aim to include all men and women, particularly those in need. It is clear that the design of social protection schemes that consider only the “good risks” would possibly be more efficient in economic terms but would miss its main objective completely in terms of social justice, poverty reduction and an enhancer of development. In the social security component of a social protection scheme, compulsory affiliation would be appropriate. This formula does not focus so much on the need to maintain this principle, but on the extent to which optional, voluntary coverage may be accepted as a suitable supplement to compulsory schemes, to ascertain the global social efficiency of national systems. Suffice it to say that, according to international instruments, and notably The Convention on Social Security (Minimum Standards), 1952 (No.102) and the European Code of Social Security, voluntary coverage may be taken into account to evaluate global levels of social protection only when controlled by the State or managed by representatives of the social partners. These are also applicable to low-income workers, meeting the general requirements of compulsory social insurance schemes (*inter alia* collective financing, periodicity and predictability of benefits, legal protection, financial guarantees etc.).

General responsibility of the State. The practical levels of intervention of the State in social security management will vary according to national traditions and circumstances. According to all international instruments, this responsibility goes beyond the mere adoption of legal frameworks. The State should accept general responsibility for the overall management of schemes, which were rendered compulsory for the workers and their employers through its legislative action.

Democratic management. This is crucial, since it makes reference to the principle of free use of salary and income. Its suspension, through the introduction of compulsory contributions (deferred salaries), becomes acceptable only when workers have, through their representatives, the right to be heard concerning the use of money. Pension reforms should abide by these few general principles (equality of treatment, solidarity

including collective financing, compulsory affiliation, State responsibility and democratic management). Special attention should also be paid to the situation of the current pensioners and of those in the generation approaching retirement age, which corresponds to the respect of acquired rights or rights in the course of acquisition, an equally fundamental general principle in labour and social law²⁷.

Social protection in three dimensions

For social protection to achieve these multifaceted objectives, it must be approached on a number of levels. The first is **access** to essential goods and services. The second is **prevention of and protection** against various risks. The third is the **promotion** of potentials and opportunities in order to break vicious circles and pervasive tendencies.

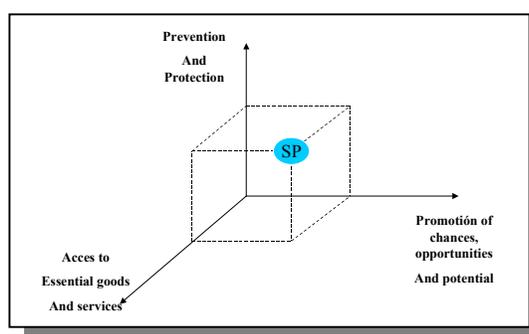
The first dimension: access to essential goods and services

The second dimension: prevention and protection (proactive security)

The third dimension: the promotion of potentials and opportunities

Graphically the three dimensions could be represented in the following manner:

Figure 3. The three dimensions of social protection



The first dimension: access to essential goods and services

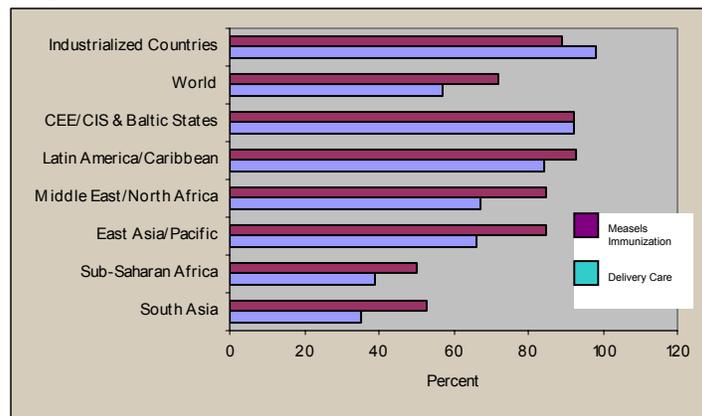
Access to essential goods and services is a traditional objective of social protection. The achievement of this objective is in itself an important goal of social protection, as well as a key prerequisite for the achievement of other social objectives. Obviously, it is ineffective to advance a social protection scheme when the majority of the population

²⁷ This is often referred to as the transition period, the cost and foreseeable length of which (several decades) is often considered to be a strong deterrent for a major or almost complete overhaul of existing pension schemes.

does not have access to essential goods and services. Social justice can improve only if all groups in society have basic social and economic security in which to pursue their lives and work. This requires income security, backed by voice representation security and legitimization of all forms of work, including voluntary and care work. It is thus shortsighted and unjust to protect a minority of people from risk when the majority live in unbearable conditions. However, this is the case in the majority of developing countries and reflects the inadequacy of social protection in these societies.

The “minimum floor” or “package of essential goods and services” that a society is guaranteed varies from country to country. In Europe, these floors have evolved throughout the 20th century. Initially, only nutritional needs and access to shelter were considered to be essential. Following the Second World War, almost every western European country included in its “floor” or “minimum package” universal access to health care, although it was achieved in different ways in different countries, for example, through national health schemes (Scandinavian countries and Great Britain) or through social insurance schemes (Germany, France). Regardless of the method used, all schemes provided universal coverage. The provision of a minimum or essential “floor” has been key to fostering social cohesion in Europe, as well as advancing its political, economic and social systems. Europe is indeed the most successful example of regional integration with a competitive advantage in the world. It would be difficult to imagine that this would have been achieved without the universal coverage of essential goods and services. This is in stark contrast with other regional integration initiatives, such as the North American Free Trade Agreement, where the coverage of essential needs in the three member countries is far from homogeneous.

Figure 4. Access to essential services: health



Source: UNICEF, 2002.

Access to primary education is a fundamental right and an essential need. The development of knowledge in childhood and adolescence is certainly a prerequisite for future success in life. A social protection scheme should ensure that all children attend school. In today’s rapidly changing world, skills and knowledge are of vital importance, and life-long learning should be promoted to ensure that men and women have the needed skills to access decent work throughout their life. Skill development, training and re-training should be promoted particularly for adults and youth. At the same time,

social protection schemes should also advance skill development for men and women with disabilities and other disadvantaged groups to promote their inclusion in the labour market. Increasing access to education and skill training and development to enable people to enter and re-enter the labour market can significantly increase the effectiveness of social protection schemes in developing countries as well as advance poverty reduction and sustainable development efforts. Evidently, the provision of education and training cuts across many sectors and requires a coordinated and integrated approach between social protection, education, labour and training specialists.

The floor of essential goods and services also varies between individuals, depending on age, sex, health, abilities, etc. For example, elderly people may require assistance to accomplish daily tasks such as washing themselves, preparing meals, cleaning their house, buying food, or going to the hospital. Persons with disabilities at any age may also require similar assistance. Individuals suffering from alcoholism, drug dependency or those subject to violence may also require a different package of essential goods and services adapted to their special circumstances and needs.

The floor of essential goods and services also varies between countries according to their level of development. In industrialized countries essential needs may include goods and services that may not be required for subsistence. In contrast, for many developing societies even basic subsistence needs, such as food, shelter and clothing, are not being met. If the vicious circles of poverty and underdevelopment are to be broken, the floor of essential goods and services should include the coverage of food and nutritional needs, adequate shelter, access to health care, social services and basic education and training. Social protection has a key role to play in ensuring that these essential needs are met.

The second dimension: prevention and protection (proactive security)

As noted earlier, the earliest function of social protection was to provide a safety net by giving basic income support to individuals who were casualties of certain risks (such as incapacity or old age). Subsequently, social protection schemes were extended to include more proactive measures with a dual function to prevent and protect against life contingencies. By differentiating the elements of risks that could be managed from those elements that should be assumed by society as an investment for the future, social protection began to intervene *ex ante* in reducing and preventing risks, as well as *ex post* in providing protection to cushion the impact of risks. Examples of proactive security include health care and occupational health and safety protection. Their interventions are not limited to providing protection after a health risk, but also prevent or reduce the probability, frequency and gravity of the risk.

A proactive security approach can be systematically applied to the set of factors that can potentially limit the well-being of individuals, their families, communities and countries. Risk analysis, management and preventive measures can also be integrated with macroeconomic strategies. In developing countries, the poor are among the most vulnerable to economic downturns. In most developing countries, the income of much of

the population is dependent on the prices of agricultural goods and products, which are determined by international markets. A decline in prices can throw a substantial part of the population into poverty. Similarly, errors in the implementation of macroeconomic policies or a political crisis can also throw a substantive proportion of the population into poverty if protective measures are not in place. For example, less than one year into its crisis, 40% of Argentina's population has become a "new poor" as a result of inadequate coverage.

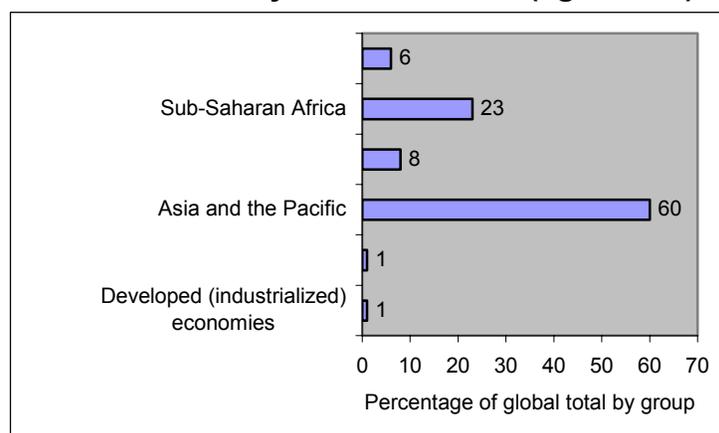
Proactive measures that would provide a cushion against such shocks would encourage efforts to diversify sources of income. That is, it would encourage individuals to undertake economic activities that would bring them greater returns. As an illustration, a poor farmer with access to crop insurance might choose to grow a crop with a more variable but more profitable yield, instead of choosing to grow a basic staple with low but stable returns. Such strategies not only have the potential of improving the incomes of the poor, but can also have a beneficial effect on overall economic performance.

Proactive security can also play an important role in curbing the risk of unemployment, in particularly long-term unemployment. Research has shown that a key factor leading to unemployment is the lack of skills and education. A proactive security approach would focus on human capital formation and promote opportunities to access education and training. While social protection cannot guarantee full employment, it can reduce the period of unemployment through promoting such proactive strategies. Short-term unemployment is much more socially acceptable than the social exclusion resulting from long-term unemployment.

In the case of developing countries, providing protection against the risk of unemployment is particularly important, and unemployment shocks should be included in the social protection agenda. Because the poor are not protected against the risk of unemployment, their survival strategy is to accept any work they can find, even if it means being underpaid, underemployed or exposed to hazardous work conditions. This not only impedes their ability to climb out of poverty, but also has a negative effect on the productivity and growth of the economy as a whole, and on sustainable development.

At the same time, protection against unemployment risk can prevent irreversible damage to the accumulation of human capital that often results when there is an interruption in family income and children are forced to work. Child labour violates the rights of children, perpetuates poverty and compromises economic growth and equitable development.

Figure 5. Economically active children (aged 5-14) in 2000



Source: Based on data presented in ILO. *A Future Without Child Labour*. 2002.

In industrialized countries, other quality-of-life concerns have emerged, in particular those associated with family care and the challenge of balancing work and family responsibilities. New strategies of social protection, such as parental care, which has been in place in Europe for a number of years, is an example of proactive intervention by social protection systems.

The examples above are not exhaustive, but serve to explain the concept of proactive security. Lastly, this second dimension of social protection is interdependent with the other two dimensions. A safety-net function that ensures access to essential goods and service is necessary as a coping mechanism if a risk occurs. Similarly, the prevention of risks through proactive security measures helps promote the development of individual and social potentials and opportunities.

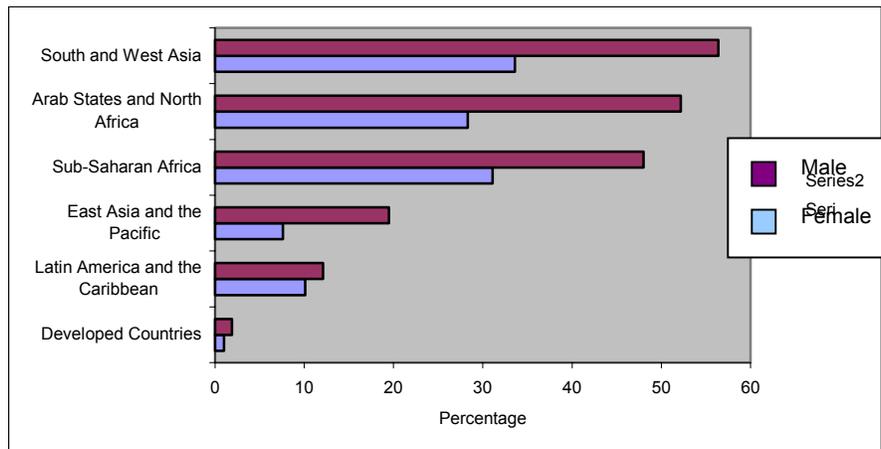
The third dimension: the promotion of potentials and opportunities

A broader concept of social protection also includes a dimension aimed at fostering individual and social potential and opportunities. This approach should not only aim to cushion risk or adversity but also to encourage individual and societal efforts to achieve autonomy and to improve their potential to contribute positively to society. The more people can fulfill their potential and take advantage of opportunities, the less likely they are to need assistance to access essential goods and services, and the less likely they are to be vulnerable to risk.

The third dimension of social protection can be illustrated by the following examples. First, in order to enhance the potential and provide opportunities to all men and women, it is critical that no member of society suffers from any kind of discrimination. Obstacles to accessing social structures and institutions based on sex, race, ethnicity, origin, religion, health, disability, etc., are insurmountable and impede the promotion of potential of all people. For example, girls and women suffer from considerable inequality, which prevents their access to many social institutions. The

denial of education unquestionably places girls and women at greater risk, preventing the exploitation of their full potential in society. Thus social protection has an important role to play in advancing measures to eliminate all forms of discrimination and to ensure equality of treatment and opportunity for all members of society.

Figure 6. Chances are not the same for everyone: illiteracy rates, 2002



Source: UNESCO, 2002.

Developing the promotion and providing opportunities to disadvantaged groups in society can be done through targeted programmes. In Western Europe, for example, it is difficult for people, particularly women, to reconcile work and family responsibilities, which places them at a disadvantage in the labour market. Therefore, policies to promote equal access to the labour market should incorporate measures to facilitate childcare and support services for parents.

Other instruments that can be used in a targeted fashion include education and training, active labour market policies, or micro-credit strategies. It is important that these policies are as open as possible to offer a real second chance to those individuals who could not fully benefit from their first opportunity to access education and training systems.

The promotion of potentials and opportunities of disadvantaged groups not only benefits the individuals directly concerned, but will also have a positive impact on society as a whole. For example, the discrimination that a great majority of women face in the labour market has significant negative consequences for society.

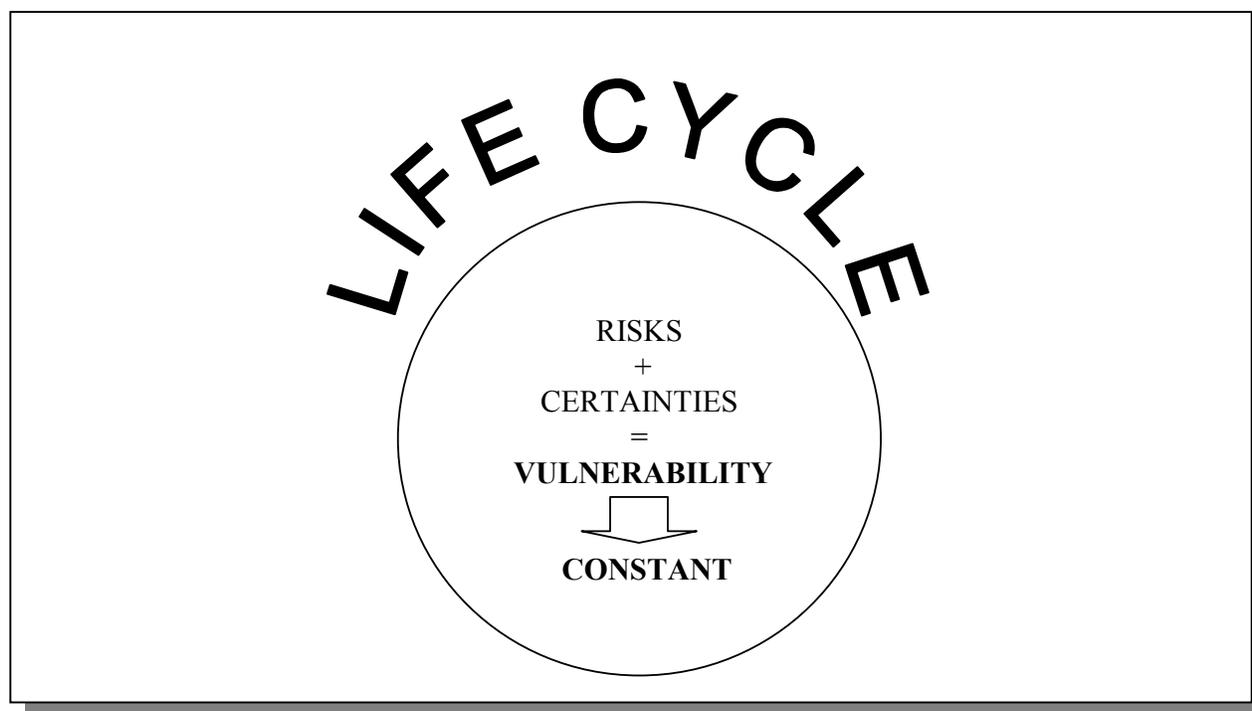
The fact that a large majority of women are forced to work in the informal economy because of discrimination, where they are paid less and have little or no protection, greatly limits their capacity to improve the well-being of their families, particularly of their children.

5. SOCIAL PROTECTION: A LIFE CYCLE CONTINUUM INVESTMENT

As already stated, men and women are exposed to various types of risks throughout their life span. These risks do not remain constant and vary from one cycle of life to another. There is no age where risks are not present and where social protection is not necessary. Social protection should not be considered as being one independent set of policies for boys and girls, another independent set for the young, another independent set for the those in working age and yet another for the elderly. People will go through all these phases all policies will affect the same people at different stages of their lives. Conceptualizations “opposing” or advancing trade-offs between generations, for example between the young who pay for the elder’s pensions, are static and over simplistic since if young people do not die prematurely they will become inevitably old and will require at their turn pensions that directly or indirectly will depend on the younger generations. As a result, social protection should be seen as a life course investment by all and for all, advanced within the context of its three dimensions.

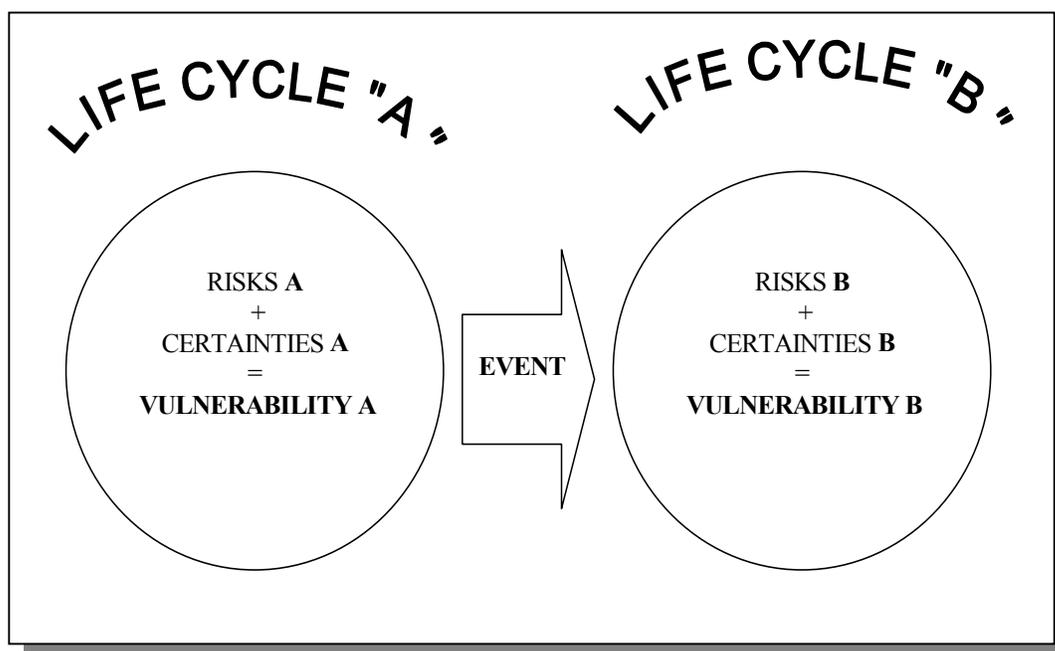
Life cycles, life phases and life paths

There are many definitions of life cycle according to different perspectives. In this text life cycle is considered as the period when for an individual, the whole set of risks and certainties to which he or she is exposed remains constant. One enters a new life cycle when the set of risks and certainties that define the level of vulnerability, changes in a positive or negative way.



Borrowing from physics, which defines inertia as the tendency of a body to maintain a state of rest or uniform motion unless acted upon by an external force, one could say

that an individual will stay in the same life cycle if risks do not materialize and if certainties do not change; this is if vulnerability is not modified directly or indirectly by a personal, social, political, economic, or environmental event.



Consider the following example of a life cycle for a family with two working adults and two children, one boy and one girl. They are in different phases of life but are living in the same life cycle (according to our definition) since they are exposed to a large number of common risks and certainties. All the following events would bring each member of the family into a new life cycle, which could be of greater, or lesser vulnerability according to the new set of risks and certainties:

Examples of negative life events likely to lead to a more vulnerable life cycle:

- ❑ one or both breadwinners lose her or his job
- ❑ one member of the family becomes ill, terminally ill or dies
- ❑ one or both breadwinners is HIV/AIDS positive
- ❑ breadwinners divorce
- ❑ household violence
- ❑ incapacity due to work injury
- ❑ economic meltdown
- ❑ unsuccessful access to the informal economy
- ❑ unsuccessful migration (national or international)
- ❑ crisis and emergencies
- ❑ war
- ❑ etc.

Examples of positive life events likely to lead to a less vulnerable life cycle:

- ❑ better job for one or two of the bread-winners
- ❑ enhanced education
- ❑ adoption of new skills
- ❑ successful opening of a business
- ❑ successful reintegration into the work market
- ❑ successful access to the informal economy
- ❑ Etc.

Examples of life conditions likely to maintain people in the same life cycle. Let us consider first a life cycle of low vulnerability (positive inertia):

- ❑ income stability
- ❑ prevention of risks
- ❑ healthy life styles
- ❑ effective access to basic good and services
- ❑ effective access to personal and social developmental tools
- ❑ effective voice
- ❑ effective representation
- ❑ etc.

Examples of life conditions likely to maintain people in the same life cycle of high vulnerability and consequently that tend to perpetuate poverty and endemic under-development (negative inertia):

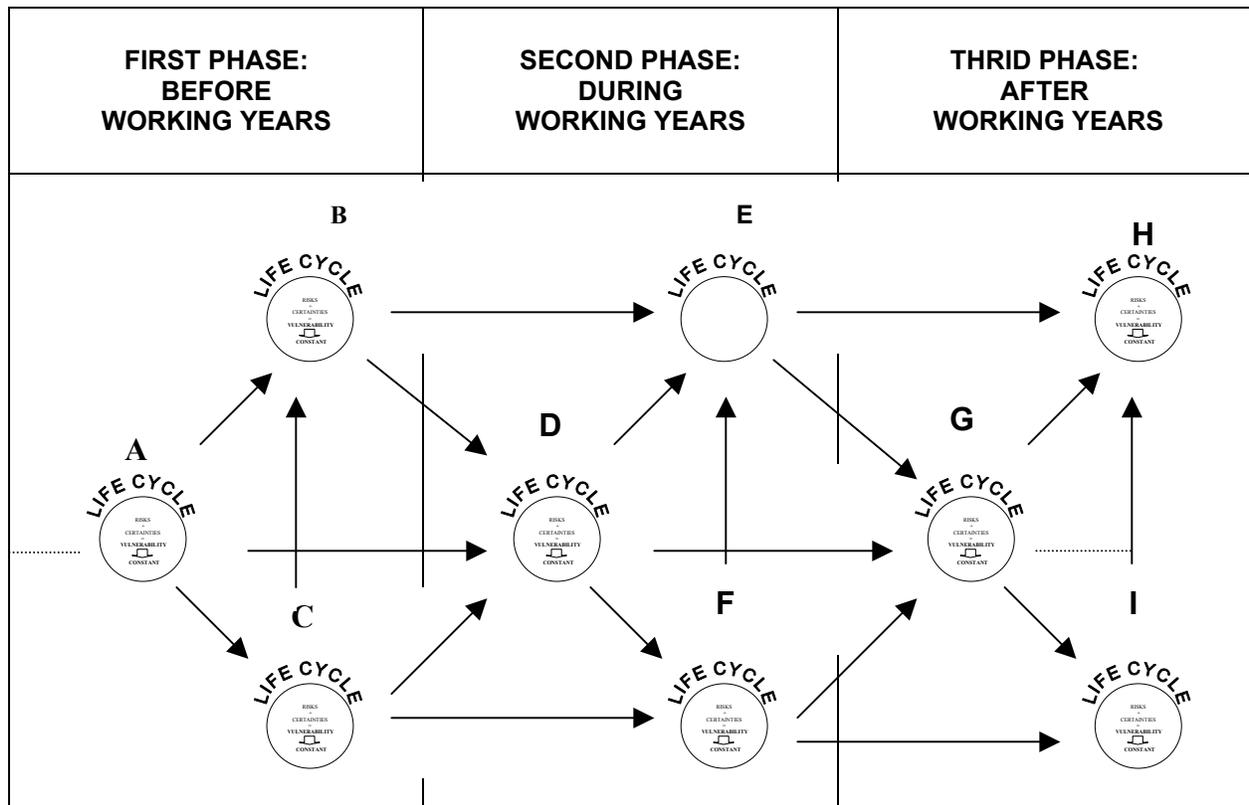
- ❑ non-effective access to basic goods and services
- ❑ non-effective access to personal and social developmental tools
- ❑ exclusion
- ❑ lack of voice
- ❑ lack of representation
- ❑ unhealthy lifestyles
- ❑ violence
- ❑ crisis and emergencies
- ❑ wars
- ❑ etc.

If vulnerability in the new Life cycle is higher than the vulnerability in the previous life cycle it is clear that this can be considered to be a positive or “good” development. If the new life cycle represents a higher vulnerability, this can be considered as a negative or “bad” development. It is clear that in any particular country at any particular moment people are in a variety of life cycles with different vulnerabilities. As proposed by G. Standing ²⁸ the following modified yardstick (rule) can be applied to “evaluate” the evolution:

²⁸ Standing, Guy: *Beyond the New Paternalism. Basic security as equality* (New York, Verso, 2002).

A society is “just” if and only if it reduces the vulnerability of the more vulnerable groups in society. Not worsening or maintaining unacceptable vulnerability levels is not enough since this would imply the impossibility of breaking vicious circles, particularly the vicious circles of poverty and underdevelopment.

Work being one of the basic means for personal and social realization and Decent Work one of the most felt aspiration of men and women worldwide, it is proposed to consider three broad life phases during which the succession of life cycles take place – before, during and after working years:

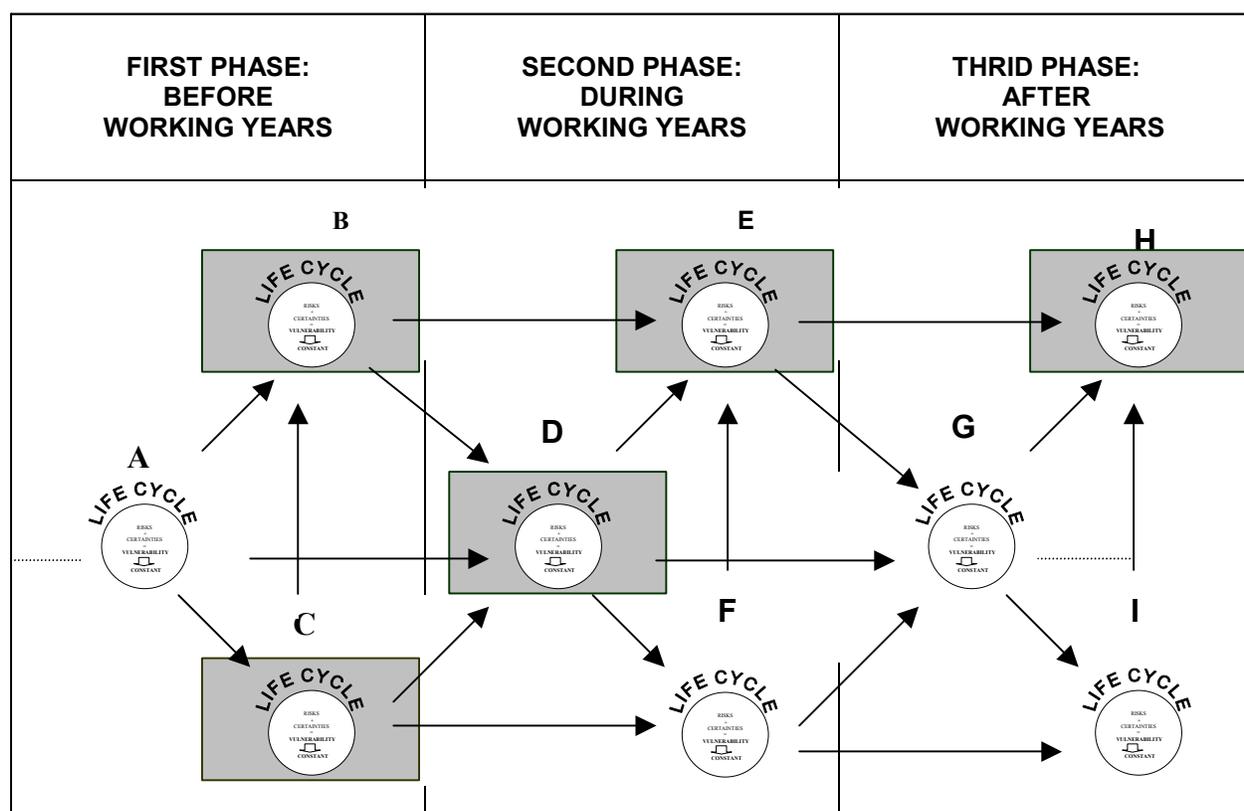


It is clear that there is a link in the evolution of life cycles between the breadwinners and the dependants. It seems also clear that vulnerability in the previous phases is likely to influence decisively your vulnerability in the following phases.

To exemplify this, let us suppose that in the three different phases, represented in the previous figure, the life cycles C, F and I represent high vulnerability. Let’s also suppose that the life cycles B, E and H represent low vulnerability and that A, D and G represent average vulnerability. Let us define as the life path the evolution of successive life cycles during the different life phases. One example of an individual’s life path would be to start in a vulnerability situation A, then move to B then successively to D, E, G and I. For simplicity, hereafter life paths will be described as the underlined succession of letters representing the life cycles. In this example the path would then be: ABDEGI

A child in a life cycle C not attending school, without access to health care services will have substantially reduced chances of having a competitive and well remunerated job or reasonable income through individual venture and even less chances of building an acceptable pension. It is almost certain that without any external deliberate action, he or she will move to F and to I and thus maintain his or her high vulnerability level during a whole life, not able to be free from the poverty trap and even condemning future generations to being trapped as well.

The best possible scenario for this boy or girl would be to follow the path: CBDEH or CDEH. This of course will not happen without external intervention.



Take another boy or girl in a life cycle B attending school, with access to health care services but whose working parents have lost their jobs. He or she could possibly follow the path: BCFI. It is clear that the examples concerning the need for protection and limiting the impact of the shocks of life can be multiplied and that the need to reduce vulnerability at every life cycle in all life phases is crucial for social justice, poverty reduction and development. This is valid for all countries. For developed countries where a majority of the population enjoys reasonably adequate social protection **some are left behind**. The challenge is to maintain it over time and ensure that the majority of the population follows life cycle paths closer to BEH. For countries in transition where only a reduced population benefits from social protection, **many are left behind**, following paths BEH. The challenge is clearly to broaden the scope of it to reach the

majority of the population and to bring particularly those in paths C, F and I to life cycles of less vulnerability. For the vast majority of the world's population living in developing countries, most of the population follows life cycle paths CFI and **most are left behind**. The challenge is enormous since in order to achieve economic success in a peaceful environment, social protection is a sine qua non condition. Social protection, with its three dimensions is the **visible hand** that can help men and women in developed, transitional and developing countries to break vicious circles at every life cycle and life phase. These are examples of how social protection is called upon to do it:

- ❑ *How can an exploited child worker live a life other than that of a poor worker?* Here, the role of social protection is to engage in active prevention (notably through labour inspection) and to provide access to essential goods and services (notably by providing access to health care and ensuring that parents work in conditions which will enable their children to avoid exploitation in the work place).
- ❑ *How can migrant workers, particularly clandestine workers, escape poverty and marginalization?* Here the function of social protection is to promote skills and potential by working towards better regulation of migrant labour flows and striving for training and respect for migrant workers. Migrant workers are confined to the most dangerous jobs. Their living conditions are the poorest and often, especially if they are clandestine workers, they have the greatest difficulty gaining access to social security.
- ❑ *How can a disabled person, whether by birth or as a result of work, escape extreme poverty?* Social protection comes into play by engaging in active prevention in order to prevent disability from developing; by ensuring access to essential goods and services when it is too late for prevention; and through the intermediary of social insurance and social security.
- ❑ *How can a poor person hope to be less likely to fall ill and a seriously ill person escape poverty?* Most poor workers are employed in the informal economy. It is they who handle dangerous materials and work without protective equipment or use badly maintained, adjusted and controlled machinery or equipment, including in agriculture. Apart from carrying out active prevention, social protection ensures access to quality health care for all under the provisions of social security and its extension.
- ❑ *How can a worker with AIDS avoid becoming marginalized?* To achieve this all three functions of social protection must be mobilized: active prevention to educate,

support and protect; access to essential goods and services to enable the sick person to receive medical attention, including state-of-the-art health care; the promotion of individuals' potential by engaging in dispassionate and constructive social dialogue in the work place.

□ *How can an elderly or invalid person no longer able to work for a living hope to have the minimum income needed to survive without placing too great a strain on the limited resources of his or her relatives?* Access to essential goods and services can be guaranteed by a broad social protection scheme²⁹.

□ *How can poor workers³⁰ break out of the cycle of poverty?* Here too the three functions of social protection must be mobilized. Social protection provides methods for analyzing the situation and coming up with realistic and effective solutions. Social protection analyses salaries as well as the protection of working women and workers with family responsibilities and their access to social security, including family allowances, not only for nationals but also for migrant workers. This includes non-discrimination. Preventive measures accompanied by effective labour inspection, social protection occupational safety and health policies and strategies reduce work related injuries and sickness.

□ *How can the most disadvantaged people be given access to social protection?* This can be achieved by ensuring that they have access to essential goods and services promoting their skills and enabling them to make use of their potential, both as individuals and as a group, and enabling them to practice active prevention even in the informal economy.

The above are examples of possible ways for social protection to have an impact on the life cycle of each man and woman. It seems obvious that according to the life in which the life cycle takes place, a set of **focused**, **deliberate** and **explicit** measures is required to efficiently promote the concept that the majority of the population transits through successive life cycles of lower vulnerability. There are also crosscutting issues

²⁹ Such as the one set up with support from, for example, Strategies and Tools against Social Exclusion and Poverty (STEP) or the Global Social Fund of the ILO.

³⁰ The increase in the number of poor workers raises a question as to the effectiveness of programmes fighting poverty, which are based too heavily on growth and access to employment. See, for example, the study on the situation in Russia, carried out by the ILO Sub regional Office for Eastern Europe & Central Asia (Moscow) in 2001. For a detailed analysis of the fight against poverty in Russia on the basis of the methodology developed by the InFocus Programme on Socio-Economic Security, see *Working Towards a Poverty Eradication Strategy in Russia: Analysis and Recommendations* (Moscow, ILO, 2001): www.ilo.ru/publications.htm

that in addition to the principles described earlier in this text should be present during the different phases of life.

Focus of social protection policies and strategies according to life phases

	FIRST PHASE BEFORE WORKING YEARS	SECOND PHASE DURING WORKING YEARS	THIRD PHASE AFTER WORKING YEARS
<p>The first dimension: access to essential goods and services</p> <p>The second dimension: prevention and protection (proactive security)</p> <p>The third dimension: the promotion of potentials and opportunities</p>	<p>FOCUS:</p> <p>Investing on sustainable personal and social potential, chances and opportunities, including active disability when possible</p>	<p>FOCUS:</p> <p>Investing in maintaining and enhancing sustainable personal and social potential, chances and opportunities, including active disability when possible</p>	<p>FOCUS:</p> <p>Investing in contributing to active ageing, maintaining of independence, maintaining and enhancing participation in society and disability prevention</p>

GOVERNANCE

FOCUS: Investing in social peace
 Minimizing costly social or industrial conflict. **SOCIAL DIALOGUE** is crucial in facilitating change and helping in the effective transformation of the economy and society. Such social partnership strengthens the social capital and institutional infrastructure that enables other policies to be effective.

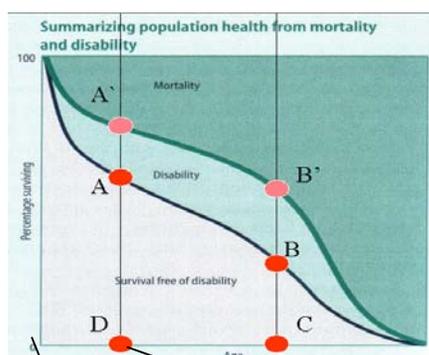
FOCUS: Equality and gender mainstreaming

FOCUS: Respect of the international normative framework

FOCUS: Complement and enhance policies and strategies in other fields

First phase. Life cycles in the years before working age

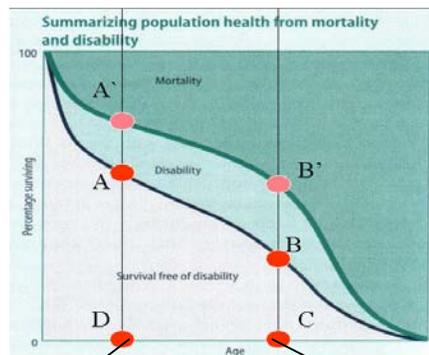
The focus of social protection is to invest in sustainable personal and social potential, chances and opportunities, including active disability when possible. During this first phase, social protection plays a key role in ensuring that there is sufficient investment to promote individual and social potentials necessary to provide people with the tools and capacities to lead a decent life. Many of the pathologies and challenges that social protection programmes address at a later stage of men and women’s life-course have their roots in childhood developments. Early interventions are certainly a more effective way of addressing these pathologies than trying later to cure and compensate. This investment prepares men and women to undertake productive labour activity once they reach working age. Examples of social measures during this early stage of life include family income security, maternity protection, health, child care, education, eliminating child labour, HIV/AIDS prevention, youth work training, reconciling work and family, etc.



		INVESTMENT ON SUSTAINABLE PERSONAL AND SOCIAL POTENTIAL, CHANCES AND OPPORTUNITIES INCLUDING ACTIVE DISABILITY WHEN POSSIBLE			
		PERI-NATAL	INFANCY	CHILHOOD	ADOLESCENCE
D I M E N S I O N	ACCES TO ESSENTIAL GOODS AND SERVICES	***	***	***	***
	PROTECT AND PREVENT	**	**	**	**
	PROMOTE POTENTIALS	*	***	***	***

Second phase. Life cycles during the working-age years

The focus of social protection in this phase of the life cycle is to maintain and enhance sustainable personal and social potential, chances and opportunities, including active disability when possible. At working age, social protection has multifaceted objectives including the promotion of decent work and employment, protection against the risk of not working, the advancement of a productive and healthy life expectancy and life-long learning, as well as preparing the foundation for an active life after the maximum working age is reached. Again, the three dimensions are present in differing degrees. Specific measures include safe and healthy work, orderly labour migration, and elimination of discrimination and trafficking, labour integration and inclusion, income security, HIV/AIDS prevention, etc. Investments in health and safety in the work place, regardless whether it is in the formal or the informal economy, increase productivity and reduce losses due to accidents. Poor or unsafe working conditions will inevitably diminish productivity and increase costs and vulnerability. Investment in continuous education and training directly increases productivity and lifetime earning. Moreover, increased literacy and competence also serve to improve labour market job matching, and reduce wage and income differentials.

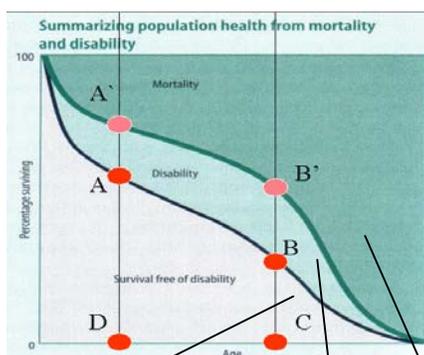


		MANTAINANCE AND ENHANCEMENT OF SUSTAINABLE PERSONAL AND SOCIAL POTENTIAL, CHANCES AND OPPORTUNITIES INCLUDING ACTIVE DISABILITY WHEN POSSIBLE
		WORKING AGE
D I M E N S I O N	ACCESS TO ESSENTIAL GOODS AND SERVICES	*
	PROTECT AND PREVENT	***
	PROMOTE POTENTIALS	***

Third phase. Life cycles after the working years

The focus of social protection in this phase is to contribute to active ageing, maintaining of independence, maintaining and increasing social participation in society and disability prevention. After working age, and during the third and fourth ages and when death occurs (at any age), the primary objective of social protection is to keep people from falling into poverty by guaranteeing a humane and decent quality of life. The focus during this stage of life is to guarantee access to essential goods and services, including food, shelter, health and care, which become crucial in later life, particularly for women who live longer than men. At the same time, to minimize the significant impact that death often has on survivors and dependents, it is very important that the risk of dying at any age is covered by social protection. As a person ages, the more certain death becomes and the greater its impact on younger generations.

The pandemic of HIV/AIDS has brought this fact into focus in many countries in the developing world, where an alarming number of households are now headed by grandparents looking after their grandchildren in the absence of parents who have fallen victim to the epidemic. In these stages measures focused on income security, health, disability, care, prevention of violence and abuse, the impact of HIV/AIDS on older persons, etc., play an important role.



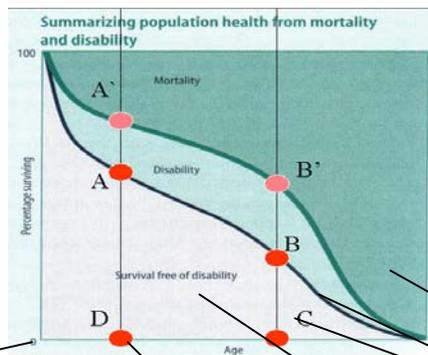
		ACTIVE AGEING MAINTAINING INDEPENDENCE INCREASED PARTICIPATION DISABILITY PREVENTION	AGEING QUALITY OF LIFE DISABILITY ATTENTION	DEATH
		3RD AGE	4TH AGE	AT ALL AGES
D I M E N S I O N	ACCESS TO ESSENTIAL GOODS AND SERVICES	***	***	***
	PROTECT AND PREVENT	**	*	***
	PROMOTE POTENTIALS	*	*	***

Crosscutting issues

Participatory social protection. Focus: investing in social peace

Since its inception the ILO has promoted social dialogue between its different constituents (workers, employers, governments). Its tripartite structure reflects the conviction that social protection is best advanced through giving people a voice and promoting social dialogue. All of society needs to participate to ensure that social protection schemes meet their needs and potentials and those of their society. Continuous dialogue should be inherent in all systems of social protection.

Similarly, no particular model of social protection should be imposed on any society, but rather a unique model should emerge through dialogue and popular support. Social dialogue is crucial in facilitating change and helping in the effective transformation of the economy. Such social partnership strengthens the social capital and institutional infrastructure that makes other policies effective. Partnership is the way to integration. Part of the philosophy underlying partnership is that of renewing and strengthening democracy. Hence, partnership must include all stakeholders. Partnership, as well as being inclusive, also implies a readiness to motivate all those who should be involved.



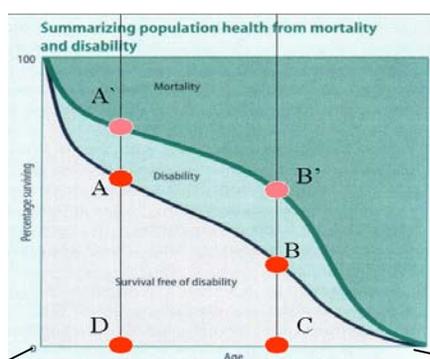
		INVESTMENT ON SUSTAINABLE PERSONAL AND SOCIAL POTENTIAL, CHANCES AND OPPORTUNITIES INCLUDING ACTIVE DISABILITY WHEN POSSIBLE				MANTAINANCE AND ENHANCEMENT OF SUSTAINABLE PERSONAL AND SOCIAL POTENTIAL, CHANCES AND OPPORTUNITIES INCLUDING ACTIVE DISABILITY WHEN POSSIBLE		ACTIVE AGEING	AGEING	DEATH
		PERI-NATAL	INFANCY	CHILDHOOD	ADOLES.	WORKING AGE		3RD AGE	4TH AGE	AT ALL AGES
D I M E N S I O N	ACCES TO ESSENTIAL GOODS AND SERVICES	PARENTS CHOICES	PARENT CHOICES		VOICE AND DIALOGUE				INDIVIDUAL CHOICE	
	PROTECT AND PREVENT		AND CHILDREN'S VIEWPOINTS, INTERESTS AND ABILITIES							
	PROMOTE POTENTIALS									

Men and women worldwide need to be empowered to have effective access to both the design and benefits of social protection. Vulnerable groups, regions or localities must be

perceived as being affected by the cumulative deprivations that are inimical to their effective access to social protection, rights responsibilities and benefits. An enabling approach focuses on meeting needs while increasing capacity and bringing about empowerment. One hallmark of policy and provision when it is working in line with an enabling approach is that it involves proactive rather than passive measures.

Gender mainstreaming. Focus: gender equality and gender-sensitive social protection

Gender equality issues are present in virtually all aspects of social protection. Most systems of social protection were initially developed based on the male breadwinner model, and as a result have perpetuated the unequal treatment of women. At the same time, although women have transformed labour markets worldwide, they continue to be a disadvantaged group with large numbers being denied decent work.



		INVESTMENT ON SUSTAINABLE PERSONAL AND SOCIAL POTENTIAL, CHANCES AND OPPORTUNITIES INCLUDING ACTIVE DISABILITY WHEN POSSIBLE				MANTAINANCE AND ENHANCEMENT OF SUSTAINABLE PERSONAL AND SOCIAL POTENTIAL, CHANCES AND OPPORTUNITIES INCLUDING ACTIVE DISABILITY WHEN POSSIBLE		ACTIVE AGEING	AGEING	DEATH
		PERI-NATAL	INFANCY	CHILDHOOD	ADOLES.	WORKING AGE		3RD AGE	4TH AGE	AT ALL AGES
D I M E N S I O N	ACCES TO ESSENTIAL GOODS AND SERVICES	GENDER SENSITIVE								
	PROTECT AND PREVENT									
	PROMOTE POTENTIALS									

The structural transformation of economies, demographic change, informalization, and new notions of working time have particularly made women more vulnerable in the world of work. As a result, the ILO has adopted gender mainstreaming to ensure that a gender perspective is integrated in all its activities. In the area of social protection, gender mainstreaming will help advance more equitable systems of social protection and help eliminate the gender-blind policies that have been put in place. Clearly, social protection systems should promote equal treatment and opportunity, and strive to eliminate all forms of discrimination. Considering that the larger Decent Work Deficits³¹ have an important gender component, its explicit consideration is not only effective and efficient but also crucial in the reduction of such deficits.

Social protection and the international normative framework

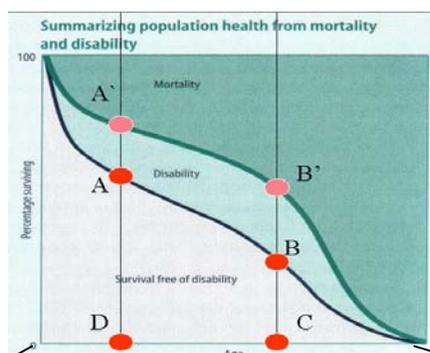
The ILO's normative activities are among its most original and most important functions. Since 1919, the ILO and its tripartite structures have built up a system of international labour standards covering practically all areas of work, including social security, conditions of work, prevention of work-related accidents, abolition of forced labour, freedom of association and collective bargaining, equality of treatment and opportunity, employment promotion and vocational training, maternity protection, protection of migrants and other categories of workers such as nursing personnel, plantation workers and seafarers. These instruments are developed through a sophisticated and participative process, which helps ensure that the instruments reflect and are relevant to the needs and potentials of the people they are intended to serve and protect.

Some key international instruments in the social protection area include: the Maternity Convention, 2000 (No. 183) which has an impact on the mother and her future children and contributes to enhance their chances for self-reliance and sustainable development; Convention on the Elimination of the Worst Forms of Child Labour, 2000 (No. 182) which enables children to develop their potential and to secure a better future; the Convention on Safety and Health in Agriculture, 2001 (NO. 184) which aims to improve the chances of a healthy life expectancy for millions of individuals and their families and to improve their chances for sustainable development; the Convention on Social Security (Minimum Standard), 1952 (No. 102) which is relevant throughout a person's entire life. The Convention is celebrating its 50th anniversary in the year 2002. The ILO's Governing Body recently reaffirmed its continuing importance and relevancy in November 2001. Overall, more than half of all ILO Conventions relate to social protection issues.

A most notable recent development in the ILO's normative activities has been the adoption by the International Labour Conference, in 1998, of the Declaration on the Fundamental Principles and Rights at Work and its Follow-up. The ILO Declaration marked a reaffirmation by the Organization's Member States of the founding ideals of the ILO. The Declaration is a pledge by all Members States to respect, promote and realize in good faith the principles and rights relating to: the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms

³¹ ILC89, Report 1 (A).

of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation. The Declaration responds to the widening consensus that economic growth should go hand in hand with social justice, and will guide the ILO's Decent Work Agenda.



		INVESTMENT ON SUSTAINABLE PERSONAL AND SOCIAL POTENTIAL, CHANCES AND OPPORTUNITIES INCLUDING ACTIVE DISABILITY WHEN POSSIBLE				MAINTAINANCE AND ENHANCEMENT OF SUSTAINABLE PERSONAL AND SOCIAL POTENTIAL, CHANCES AND OPPORTUNITIES INCLUDING ACTIVE DISABILITY WHEN POSSIBLE				ACTIVE AGEING	AGEING	DEATH
		PERI-NATAL	INFANCY	CHILDHOOD	ADOLES.	WORKING AGE				3RD AGE	4TH AGE	AT ALL AGES
D I M E N S I O N	ACCES TO ESSENTIAL GOODS AND SERVICES	RATIFICATION AND APPLICATION INTERNATIONAL LABOUR STANDARDS DECLARATION OF FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK AND ITS FOLLOW-UP										
	PROMOTE POTENTIALS											

More recently, the Governing Body of the ILO approved a proposal to adopt an integrated approach to ILO normative activities. The integrated approach is aimed at reinforcing the coherence and relevance of ILO standards and their impact. The first experimental applications of this approach are in the areas of occupational safety and health (2003) and international migration (2004).³²

³² See GB.280/2, p. 28; and, GB.283/2/1, p. 27.

Collaborative and complementary social protection

Sustainable development requires that its economic, social and environmental goals be achieved together, and not in isolation from one another. This interplay between the different spheres of sustainable development has been reviewed earlier in this paper. Specifically, the interaction between social and economic goals was highlighted. That analysis and the broader concept of social protection clearly reveal that social protection has a role to play in other areas, and vice versa. As a result, social protection should foster partnerships and add value to the policies and programmes in other relevant areas. At the same time, it should incorporate and take advantage of progress in other areas working to promote poverty reduction and sustainable development. The Decent Work Agenda promotes an interdependent and collaborative approach fostering an integrated approach to ILO activities. This allows social protection policies and strategies to contribute to objectives in other important areas such as:

<ul style="list-style-type: none">• human rights• peace• security• food• education• habitat• health• lifestyles	<ul style="list-style-type: none">• family• community• migration• refugees• ecology and environment• technology and information• economy
--	--

Two recent initiatives by the ILO, The World Commission on the Social Dimension of Globalization and the Global Employment Agenda, will be important to social protection, and the Social Protection Sector should play a key role in ensuring that social protection issues are adequately considered. The Sector also works closely with the Recovery and Reconstruction Department. Conflict and natural disasters have a debilitating effect on social protection systems, and it is important that the Sector is an active partner in the ILO's recovery and reconstruction responses.

Interagency cooperation has also produced positive results. It has already been noted that education and training are important proactive security measures that promote individual and societal potentials and opportunities, which are key to poverty reduction and sustainable development. Education and training are important throughout a person's life, however, they are particularly important in the first stages of a life cycle. The scope of education and training lies beyond the sole reach of social protection, and effective measures in this area need to be developed in unison with other relevant sectors (for example, labour, economic, education, social, etc.). The recent Advisory Group established by the ILO and the United Nations Conference on Trade and Development (UNCTAD) is an example of a collaborative effort in the area of education. This interagency initiative examined the feasibility and desirability of introducing Minimum Income for School Attendance (MISA) schemes in African least developed countries, which have been widely applied in Latin America. This is an example of

interagency cooperation oriented to poverty reduction. The Latin American experience and the potential in Africa suggest that such initiatives can be an integral element in poverty reduction strategies and in achieving international development goals.

6. PRACTICAL GUIDELINES TO GIVE ANY SOCIAL PROTECTION SCHEME A BETTER CHANCE

In order to reach its goals for all men and women during their different life cycles, social protection schemes should follow the guidelines, which have been drawn from “good practices” worldwide³³:

- ❑ **explicit, interpretable and inclusive framing of social protection rights, obligations, procedures and “development plan”**
- ❑ **adequate monitoring, inspection and enforcement**
- ❑ **adequacy, availability and continuity of resources**
- ❑ **governance, management and procedural adequacy**
- ❑ **continuously enhancing information and communication**
- ❑ **removing psychological and socio-cultural obstacles**
- ❑ **targeting vulnerable groups and regions**

Explicit, interpretable and inclusive framing of social protection rights, obligations, procedures and “development plan”

Social Protection requires a comprehensive legal and policy framework, which, besides being as “user friendly” as possible, gives a legal basis to entitlement and makes a commitment to putting in place the appropriate mechanisms. The greater the precision, the better the framing of obligations, rights and entitlements. Legal and other definitions and practices that might result in the exclusion, or enable the exclusion of certain categories of persons and situations from social protection benefits must be removed. The inclusion of previously traditionally excluded groups such as indigenous populations in legal provisions and mechanisms must be enhanced and encouraged.

Adequate monitoring, inspection and enforcement

Inspection, and monitoring of the different components of the social protection scheme and its effective impact, coverage and delivery is crucial for its efficient functioning and positive evolution and development. Poorly inspected or monitored schemes are bound to stagnate, move backwards or even run into crisis with negative social, financial and political consequences.

³³ These guidelines have been inspired by both ILO’s experience and the report submitted to the Conference on Social Rights organized by the Council of Europe in Malta, November 2002 (see note 24).

Adequacy, availability and continuity of resources

Inadequate resources constitute a barrier to the realization of social protection objectives since adequate resources are a *sine qua non* of efficient investment in a social protection system. It is not enough to agree on the principles, objectives, mechanisms and even legislation on social protection; it is crucial to match all these expectations with adequate and equitable resources of form and time that the overall plan of development requires. Social partners at the national, regional and local level should work in partnership to minimize imbalances as well as to assure equity amongst regions.

Governance, management and procedural adequacy

Integration of social protection schemes should be actively promoted. This leads to the development of comprehensive, effective and efficient social protection benefits and services. The allocation of responsibilities and resources among the different sectors and levels of government should be clearly established in order to avoid fragmentation, duplication or even multiplication. The complementary role of ILO's constituents, employers' and workers' representatives and governments with certain NGOs and other actors within civil society should be explored and exploited in line with ILO's mandate to work for the benefit of the world's social protection. Most of the world's social protection schemes can reduce their complexity and eliminate problems of access.

Enhancing continuously information and communication

The dissemination of information about social protection and the exchange of information within a multi-dimensional communication strategy are widely needed worldwide. Information and communication are essential to the democratic and responsible conception, monitoring and implementation of social protection objectives. Public authorities must take every opportunity to disseminate information and must supervise its quality. Specific campaigns should be designed for vulnerable and marginalized groups and, as far as possible, they must be made accessible in minority languages and languages used by migrant groups to men and women suffering from incapacity or invalidity.

Removing psychological and socio-cultural obstacles

Recognizing that psychological and cultural difficulties might reduce some men's and women's capacity to realize their social protection rights, compliance with obligations as well as the delivery of social protection benefits and services should be geared to the needs of all men and women, thus empowering and enabling them to effectively benefit from social protection. The way, in which vulnerable persons are treated, particularly during their first contact, is crucial since their perception and trust in the institution often depends on their perception of this first meeting.

Targeting vulnerable groups and regions

The creation of a supportive environment for the social integration of men and women, particularly those living in marginal situations or insecure conditions, should also receive specific attention. It should never be the case that an individual does not have access to social protection benefits because of insufficiency of resources or because the conditions for claiming them are exclusive. Social protection policies focusing on vulnerable groups must be complemented by other policies giving attention to regional distribution. Access to social protection should always be guaranteed and the individual's place of residence should not in itself be an obstacle to social protection. The objective is to avoid imbalances across regions and to ensure that the particularly disadvantaged ones are catered for.

APPENDIX 1

Main sources of risk			
Type of risk	Idiosyncratic	Covariant	
	Risks affecting an individual or household (micro)	Risks affecting groups of households or communities (meso)	Risks affecting regions or nations (macro)
Natural		Rainfall Landslide Volcanic eruption	Earthquake Flood Drought High winds
Health	Illness Injury Disability Old age Death	Epidemic	
Social	Crime Domestic violence	Terrorism Gang activity	Civil strife War Social upheaval
Economic		Unemployment Resettlement Harvest failure	Changes in food prices Economic growth collapse Hyperinflation Balance of payments, financial, or currency crisis Technology shock Terms of trade shock Transition costs of economic reforms
Political		Riots	Political default on social programmes Coup d'état
Environmental		Pollution Deforestation Nuclear disaster	

Source: Adapted from Sinha and Lipton (1999) and World Bank (2000).

Source: World Bank: *World Development Report 2000/2001: Attacking Poverty*.

APPENDIX 2

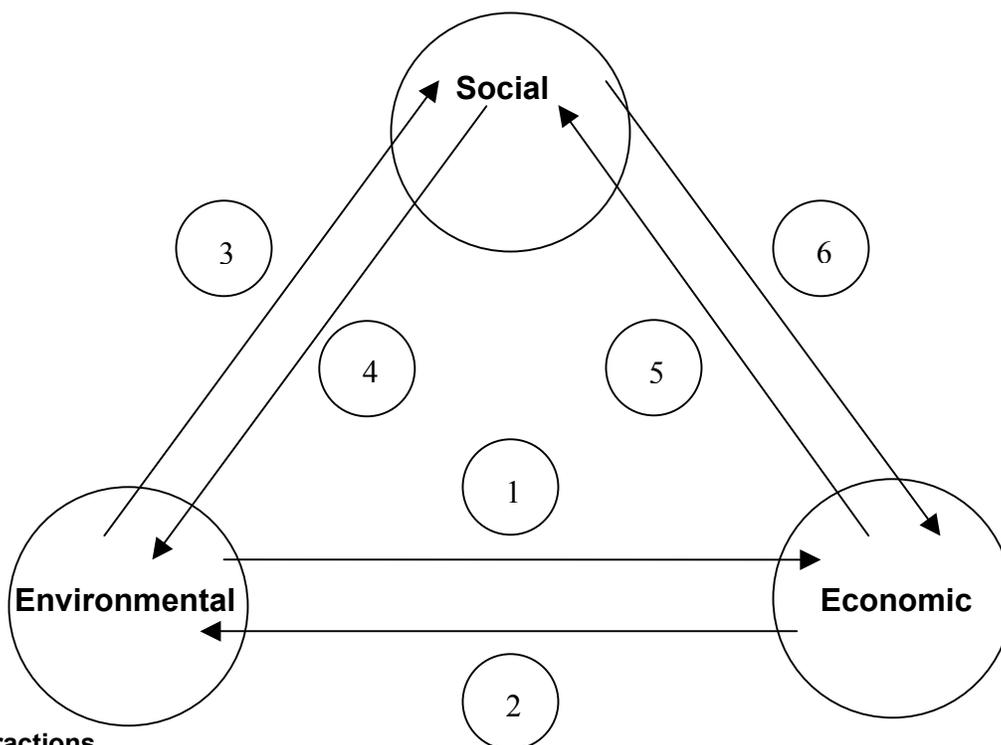
Main sources of risk related to different types of capital		
Types of capital	Sources of risk	
	Idiosyncratic	Covariant
	Risks affecting an individual or household (micro)	Risks affecting groups of households or communities (meso)
Human capital	Illness Injury Disability Old age Death	School / health strikes epidemics
Social / political capital	Domestic violence	Strikes / riots Gang activity
Physical capital		Crime Harvest failure Unemployment Resettlement
Natural capital		Eradication of coca crops Rainfall Deforestation Landslide Floods Pollution

Source: Adapted from World Bank (2000).

Source: Caroline Moser: "Insecurity and Social Protection – Has the World Bank Got It Right?" in *Journal of International Development* 13, 2001, 361-368.

APPENDIX 3

SOME INTERACTIONS BETWEEN ECONOMIC AND ENVIRONMENTAL FACTORS



Key Interactions

From the environment to the economy

1. Productive functions of the environment (natural resource and sinks functions); economic costs of environmental protection.

From the economy to the environment

2. Pressure on environmental resources from productive activities; investment in environmental protection; property rights on natural and environmental resources.

From the environment to society

3. Importance of environmental amenities for human welfare; Health and safety hazards from environmental degradation.

From society to the environment

4. Pressure on environmental resources from consumption patterns; environmental awareness of citizens.

From society to the economy

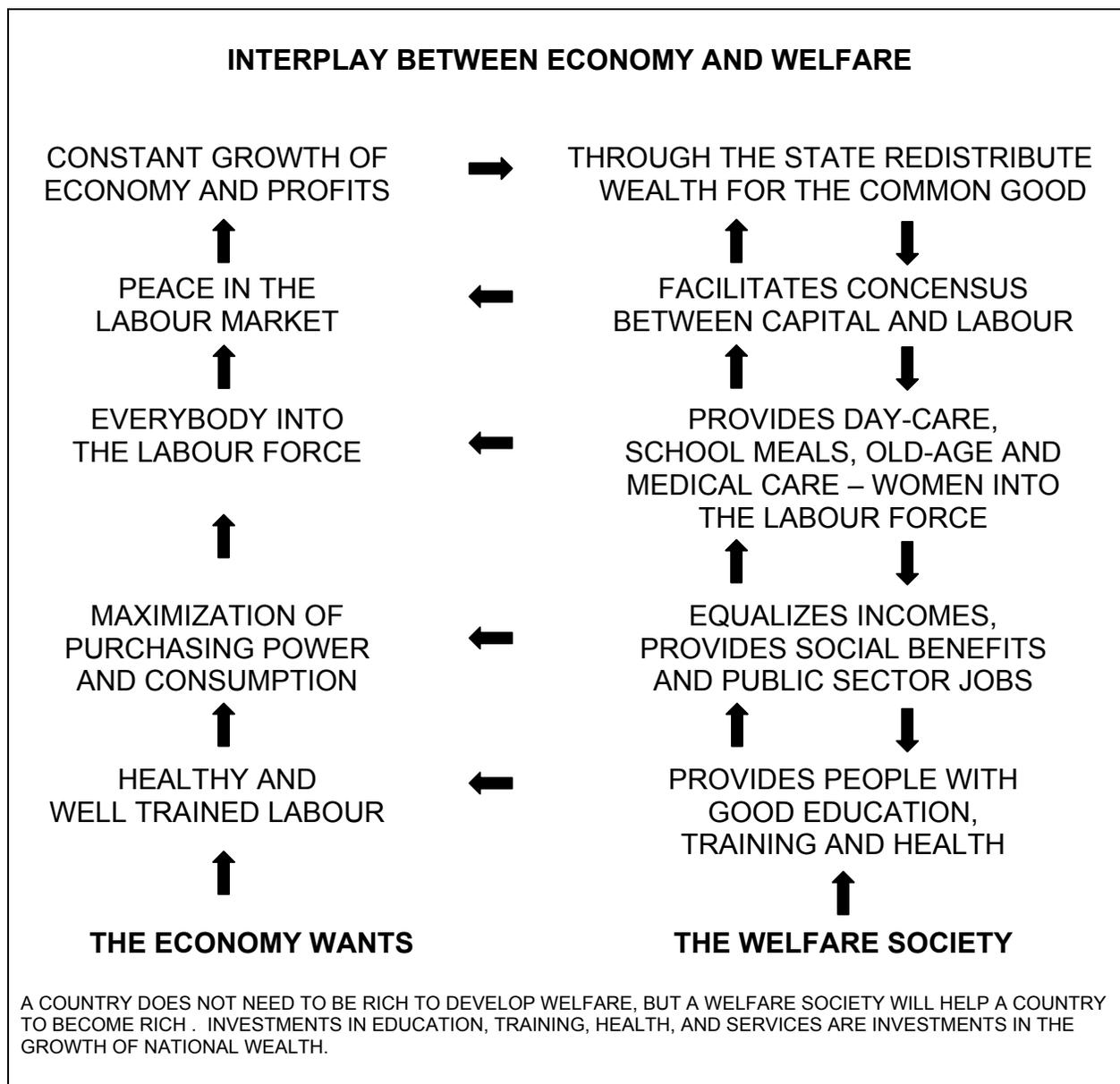
5. Quantity and quality of the labour force; importance of social arrangements for market transactions.

From the economy to the society

6. Employment opportunities and living standards; income distribution; resources for the financing of social security programmes; pressures on social and cultural systems; leading to disruptions and migrations.

Source: Adapted from OECD (1999), "The OECD Three-Year Project on Sustainable Development: A Progress Report", Paris.

APPENDIX 4



Source: Hilikka Pietilä: “ Building a Welfare Society: The Finnish experience” in *Development* 43:2 (2002): 43-46.

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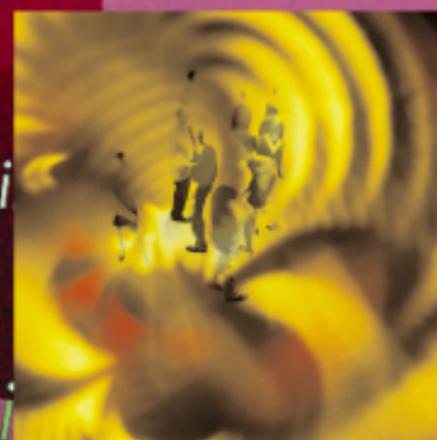
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International Labour Office
MANAGEMENT SUPPORT UNIT
SOCIAL PROTECTION SECTOR
4, route des Morillons
CH-1211 Geneva 22
Switzerland

Edprotect@ilo.org
Tel.: (+ 41 22) 799 69 60
Fax: (+ 41 22) 799 63 18
Web site: <http://www.ilo.org/public/english/protection>

Alejandro Bonilla Garcia
Policy and Research Coordinator
Tel.: (+ 41 22) 799 66 33
Fax: (+ 41 22) 799 83 16
bonilla@ilo.org

Jean-Victor Gruat
Programming and Administration Coordinator
Tel.: (+ 41 22) 799 63 07
Fax: (+ 41 22) 799 83 16
gruat@ilo.org



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