



**Sixth item on the agenda:
Social security – Issues, challenges and prospects**

Report of the Committee on Social Security

1. The Committee on Social Security met for its first sitting on 6 June 2001. Initially, it consisted of 229 members (93 Government members, 57 Employer members, 79 Worker members). To achieve equality of voting strength, each Government member was allotted 1,501 votes, each Employer member 2,449 votes and each Worker member 1,767 votes. The composition of the Committee was modified five times during the session, and the number of votes allotted to each member was adjusted accordingly.¹

2. The Committee elected its Officers as follows:

Chairperson: Ms. L. Samuel (Government member, Cyprus).

Vice-Chairpersons: Mr. J.A. de Regil (Employer member, Mexico) and Mr. B. Mansfield (Worker member, Australia).

Reporter: Mr. M. Laroque (Government member, France).

3. At its fifth sitting the Committee appointed a Drafting Group to draw up a draft resolution and draft conclusions based on views expressed during the plenary discussions, for consideration by the Committee. The Drafting Group was composed as follows: a Government member from Canada, Ecuador, Republic of Korea, Namibia and Slovakia; Mr. de J.A. Regil. (Employer member, Mexico), Mr. D.K. Oyna (Employer member, Norway), Mr. B. Shipman (Employer member, South Africa), Ms. A. Knowles (Employer member, New Zealand), Ms. C. Walpert-Donely (Employer member, Canada);

¹ The modifications were as follows:

- (a) 7 June (morning): 237 members (99 Government members with 4,661 votes each, 59 Employer members with 7,821 votes each and 79 Worker members with 5,841 votes each);
- (b) 7 June (afternoon): 238 members (100 Government members with 4,661 votes each, 59 Employer members with 7,900 votes each) and 79 Worker members with 5,900 votes each);
- (c) 8 June: 221 members (104 Government members with 1,675 votes each, 50 Employer members with 3,484 votes each and 67 Worker members with 2,600 votes each);
- (d) 14 June: 185 members (110 Government members with 21 votes each, 33 Employer members with 70 votes each and 42 Worker members with 55 votes each);
- (e) 18 June: 186 members (111 Government members with 154 votes each, 33 Employer members with 518 votes each and 42 Worker members with 407 votes each).

Mr. B. Mansfield (Worker member, Australia), Ms. E. Buverud Pedersen (Worker member, Norway), Ms. M. Geerts (Worker member, Belgium), Mr. E. Murro (Worker member, Uruguay), Ms. C.U. Pandeni (Worker member, Namibia); and *ex officio* Ms. L. Samuel in the Chair and Mr. M. Laroque as Reporter.

4. The Committee held seven sittings.
5. The Committee had before it Report VI, entitled *Social security: Issues, challenges and prospects*, prepared by the Office on the sixth item on the agenda of the Conference: Social security – issues, challenges and prospects (general discussion).

Introduction

6. In her opening statement, the Chairperson thanked the Committee for the confidence it had placed in her. The objective of the general discussion was to establish an ILO vision of social security that, while continuing to be rooted in the basic principles of the ILO, responded to the new issues and challenges facing social security at a time of rapid economic, social and demographic change. The Committee had a unique opportunity to demonstrate to the world the continuing relevance of the ILO's mandate to ensure income security and health protection to all. The challenge before the Committee was to define a vision of social security which would guide the work of the Organization in the years to come.
7. The representative of the Secretary-General introduced the Office report. He emphasized the importance of the topic and pointed out the new economic and social context which had emerged since the main ILO instruments concerning social security had been adopted. Enormous changes had occurred at the social, economic, technological and political levels, bringing about new forms of employment, increased insecurity in a global economy, a growing informal sector, the transition of many countries to a market economy, and changes in gender relations and in family structures. There was a strong need to take stock of the existing situation. The Governing Body had thus decided that it would be best to tackle the problem initially through a general discussion that might subsequently lead to a standard-setting exercise. The report that had been prepared by the Office as a basis for the discussion examined five issues: social security, employment and development; the extension of social security coverage; gender equality; the financing of social security; and social dialogue. Various social and economic effects of social security protection were examined as well as possible ways of integrating social policies with employment promotion policies. Experience had shown that an effective social security system was a powerful tool for development and for the prevention or reduction of poverty. It contributed to social cohesion and stability and was a mainstay of a smooth-functioning, well-developed market economy. The problems faced in industrialized countries were clearly not the same as those faced in developing countries. Thus one of the major challenges before the Committee would be to transcend the limits of national debates and to adopt a truly international perspective relevant to all member States. The speaker stressed that social security reform was an area that benefited greatly from a tripartite approach. The Committee had a unique opportunity to produce an ambitious consensus, which could trace the broad outlines of social security for the coming years. It could breathe new life into the aspiration sweeping across all societies to provide social security to all, to reaffirm people's right to this protection, and to determine the ways and means to make this goal a reality. These deliberations would place the ILO at the centre of international debate on social security and orient its future work in this domain.

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8. In order to facilitate the discussion, the representative of the Secretary-General proposed a reorganization into six themes of the suggested points for discussion appended to Report VI. This proposal was set out in document C.S.S./D.1. annexed to this report.
 9. The Worker Vice-Chairperson congratulated the Office on its fine report. The discussion of social security at the first International Labour Conference of the twenty-first century was timely and reflected the ILO's historical vision of justice and basic security for all. The 1944 Declaration of Philadelphia had set out a solemn obligation for the ILO to extend social security to all in need of protection, yet too little progress had been made in the intervening years. The present Conference setting was far removed from the reality of poverty where millions had no secure employment, health care or old-age benefits. New policies were needed to generate productive employment and greater personal opportunity, since these were the key to poverty reduction and to economic and social inclusion. The speaker called for constructive dialogue to meet the Committee's objectives: to define the issues, overcome the challenges and set out an ambitious but achievable vision for the new century. The ILO's place as an important institution in the achievement of decent standards of social security must be reaffirmed.
 10. The Workers' group believed that social security involved equal rights and entitlements for men and women to adequate economic and social protection during unemployment, ill health, maternity, child rearing, loss of a breadwinner, disability and old age. Up to the present, the issue of family responsibilities had not yet been covered in a social security Convention. Gender equality in social security was a serious issue. Many social security systems produced much less favourable outcomes for women than for men. Among the factors contributing to unequal outcomes were women's lower average incomes, their predominance in sectors not covered by social security, interruptions in their working lives due to childbirth and family responsibilities, and qualifying conditions which restricted their access to benefits. Women and men should receive equal benefits. The factors leading to discrimination had to be addressed.
 11. While globalization had the potential to improve living standards, it would not achieve this outcome through market forces alone. The provision of adequate social security benefits was necessary, alongside democratic government and sound economic management. Together they would make for a more productive and stable workforce and enhance the productivity of enterprises and economies. Recent social and economic changes had spurred the growth of a marginalized workforce. In developed countries, there was reduced job security, more part-time and casual workers, and more jobs in small and medium-sized enterprises. In developing countries, there was high unemployment and many informal workers engaged in unregulated, low-income, insecure work. Over time these informal workers must be assisted to move to freely chosen secure employment in the formal workforce. Structures which reinforced the existence of informal work should not be accepted. There was no ideal model for meeting the social security needs of marginalized groups. The Workers' group would support any initiatives that resulted in better social security outcomes for the excluded majority, but would not support approaches which called on the poor to provide for their own social security from their own limited resources. Further research and analysis of group-based social protection and microinsurance schemes by the ILO was needed, although the speaker expressed doubts regarding the capacity of such schemes to address needs adequately due to their limited coverage and financial means.
 12. Regarding unemployment, the Workers' group believed that the provision of a secure job, lifelong training and/or retraining, and employment subsidies, where necessary, was the assistance most needed. Special attention to the needs of the long-term unemployed, youth and older workers was required. The ageing population had implications for social security

systems, in light of the changing ratio of workers to the economically inactive, the need for additional health care, and expenditures on retirement pensions. There did not necessarily need to be radical changes to the retirement age or to benefit levels, however. Economic and social policy measures, appropriate labour market responses and improved productivity could all contribute to meeting the challenge of an ageing population. Better training and retraining of older workers, increased labour market participation of women, flexible or phased-in retirement schemes, adaptation of working hours and family-friendly workplace schemes were all options to be explored. The speaker stressed that existing benefit standards should be retained and pension entitlements safeguarded.

- 13.** The Workers' group believed that the following five principles should govern social security systems: the management of the system should provide a strong role for the social partners; the security of the system should be paramount; the schemes should be managed in a sound and transparent manner with regular reports to contributors and low administration costs; the State should ensure the sound operation of the system in the best interests of contributors; and there should be no direct or indirect discrimination. Workers did not believe that privatization offered an improved way of financing and administering social security. Indeed, experience had shown that high administrative costs had resulted in severely limited benefits. Governments' role as financial guarantors and underwriters of social security schemes was stressed, as was the importance of eradicating corruption, respecting core labour standards, and promoting the conditions for investment and growth. Workers were confident that reforms based on tripartite discussions would lead to greater security and would pay back significant dividends to communities. For their part, the Workers' group would engage constructively with the Employers' group and Government members to find practical solutions to difficult problems so that the light of social security would continue to burn brightly.
- 14.** In his opening statement, the Employer Vice-Chairperson commended the Office for the research that had gone into the report, which would provide an excellent basis for discussion. He stressed the need for a flexible approach to extending social security to new groups and reforming existing schemes. He emphasized that no single model or solution could be replicated in all countries. Rather, social security had to be structured to take specific national conditions into account. These included not only economic development but also social and cultural norms. Around the world, many social security schemes were facing financial difficulties; and efforts to create new schemes where none existed were proving to be very difficult. These problems called for flexibility on the part of the Committee in looking for new directions and solutions.
- 15.** Economic development and job creation were the surest forms of social security for workers. Adequate benefits could not be financed in the absence of these prerequisites. Given employers' central role in job creation, there was a need to avoid imposing an excessive burden on them for financing social security, as well as to target benefits effectively so as to keep costs affordable. In addition, there was a need for research by the ILO in several areas. These related to the relationship between social security and job creation and to finding new approaches to extend social security to the informal sector without overburdening the formal sector. All recent innovations had to be researched carefully, including those that involved privatization, and best practices had to be identified. Furthermore, the social partners needed to coordinate their policies on social security, since together they could help build the political will that made improvements in social security possible. The Employer Vice-Chairperson concluded that, beyond these general observations, the Employers' group would not elaborate further but would wait to hear additional Committee discussion.

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16. The representative of the Council of Europe stated that social security should be viewed as a fundamental human right. From this perspective, the establishment of national social security schemes was a landmark achievement of the twentieth century. The Council attached great importance to two legal instruments in the field of social security, the European Social Charter and the European Code of Social Security. Both provided basic principles which guided countries in building social security systems, and both were increasingly successful in terms of ratifications and the interest shown by Member States. These instruments gave the State overall responsibility for provision of social security, but States were challenged to consider new ways of exercising this authority in the twenty-first century. Social security policy could not stand alone but was inextricably linked with a country's legal framework and economic policies. Globalization had created problems which social security was useful in addressing, but it also required that social security itself be restructured to address the new challenges.
 17. The representative of the European Commission stated that there was a need to both modernize and improve social security systems and he described several recent actions by the Commission that placed greater emphasis on social security in its policy deliberations. These included the establishment of a Social Protection Committee and a decision to use the Open Method of Coordination in dealing with social exclusion. Under this method, European Union Member States would develop common objectives with respect to combating social exclusion, monitor national progress in achieving them and engage in collective assessments of the results. The question of applying this method to pensions would be discussed under the forthcoming Belgian presidency. The speaker expressed strong agreement with statements in the Office report that social protection was an essential part of sustainable development. He also concurred with the Office report that the greatest challenge posed by ageing populations related not to social security but to national employment policy.
 18. A representative speaking on behalf of Social Alert, the International Federation of University Women and Zonta International observed that social security was the right of every person, guaranteed in the United Nations International Covenant on Economic, Social and Cultural Rights (1966) as well as in a number of ILO Conventions. Social protection should be universal, comprehensive and based on the principle of solidarity. It should not be based on individual savings accounts where only those with stable revenues benefited and from which the great majority of low-paid workers in precarious employment were excluded. Equal access to social security should be provided to men and women. Any reform should aim for greater protection of women's rights and greater gender equality. Decent work provided the underpinning of any efficient and comprehensive social security system. It was the guarantor of sustainable human development. Governments, enterprises and workers must share the responsibility for good governance and meet the challenge of financing. Comprehensive coverage was a right of peoples and an obligation of States.
 19. The Chairperson referred to the proposed reorganization of the points for discussion contained in document C.S.S./D.1. annexed to this report. The Committee agreed to take the suggested six points as the basis for its discussion.

Point 1. Social security and economic development

20. Addressing the first point for discussion, the Worker Vice-Chairperson asserted the positive role of social security in enhancing change, improving living standards, and increasing the productivity of enterprises and economies. Social security contributed to social cohesion and labour productivity by maintaining the good health of the labour force,

easing the departure of older workers, and making all workers better able to accept change. While the globalization of national economies was making social security more necessary than ever, it had also placed limits on States' abilities to finance this protection. Trade unionists were convinced that people wanted to see social security strengthened and that measures to achieve this would not interfere with economic growth.

- 21.** The Employer Vice-Chairperson took issue with the notion that social security invariably contributed to economic growth. Rather, it depended on national circumstances and on the design and cost of a social security scheme. For example, while health insurance could be useful in improving living standards, it could also become prohibitively costly, as in the case of the AIDS pandemic. Such epidemics might strain health-care financing to the point that it would become necessary to target benefits through social assistance. If social security were well managed, it could enhance productivity; but if its costs were too high, it could have a negative impact on the competitiveness of firms and on employment levels.
- 22.** The Chairperson recognized a series of Government members to address the first point for discussion. Many of them expressed their appreciation of the excellent Office report, which would greatly facilitate the work of the Committee. A number of them stated that there was no single model or formula for a successful social security scheme. Rather, schemes had to be structured to reflect national conditions; and they had to include flexible design features which allowed for continuing changes as new problems and challenges arose. One Government member compared his national scheme to a living organism which had grown and developed over time, first providing social assistance for the poor, then expanding to include social insurance for the workforce and finally evolving to a full-blown concept of social security for all complemented by supplementary schemes. Another member suggested the possibility of a cascade-type model for social security development with progressive steps. Each step would be designed to achieve some progress in extending social security coverage to a larger portion of the workforce. The stabilizing effect of social security was viewed as especially necessary in this era of globalization, since trade liberalization could cause social tensions to rise. Some members contended that modern democratic governments were unable to survive without strong systems of social security. Others held that social security could actually vitalize the economy by reducing workers' fears of economic change.
- 23.** Several Government members stated that the positive effect of social security on productivity must be factored into consideration of its costs. One member said that these costs tended to be examined mainly in terms of their impact on enterprises in light of their costs at the microeconomic level, but when looked at from the macroeconomic level, they were simply a redistribution of income from workers to the inactive population. These social transfers were not a burden to the nation and did not hamper international competitiveness. Rather than being conceived of primarily in terms of cost, social security should be regarded as an investment, an agent for social cohesion and a national asset. As an investment, it contributed to the health of the population and improved the situations of families. At the same time, it had an anti-cyclical economic effect, maintaining consumer demand for goods and services during times of high unemployment. It also promoted labour mobility by allowing workers to move from job to job without the risk of losing earned entitlements. Its importance as a national asset was reflected in recent decisions by the European Court of Human Rights that citizens had a property right in social security, making it a source of income and wealth. Moreover, social security schemes redistributed income in a manner which maintained and reinforced the dignity of beneficiaries. This in turn contributed to social cohesion and national solidarity.
- 24.** The Chairperson invited the Employer Vice-Chairperson to respond to the comments by Government members. He noted three themes in the interventions. First, he said, many

Government members recognized that social security policy could not be considered in isolation. Rather, it was an integral part of a country's economic framework. Second, globalization created a need for new ideas, approaches and answers related to the structuring of social security. Third, social security could not be financed unless there were jobs, as the two were directly linked. He added that the concept of decent work may depend on the national context and that social security standards designed for industrialized countries may not bring about the intended results when applied in developing countries. For this reason, the ILO should focus more heavily on national, as opposed to international, approaches to social security provision.

25. The Worker Vice-Chairperson also described the themes he perceived in the Government members' interventions. He noted agreement among many Government members that social security enhanced social cohesion, improved the competitiveness of firms and economies and should be regarded as a national investment rather than an economic burden. He took issue with the Employer Vice-Chairperson's contention that decent work may depend on the national context, holding instead that the principles underlying decent work were the same regardless of country. Rather than relating to employment conditions, the concept of decent work was more about the fundamental rights of workers as provided in the ILO Conventions.

Point 2. Extension of social security coverage

26. Turning to the second point for discussion, the Chairperson gave the floor first to the Worker Vice-Chairperson who said that his group's highest priority was to extend social security coverage to excluded individuals and families. While microinsurance schemes might contribute to this in a limited way, they were unlikely to provide a solution for large numbers of people. He supported further ILO development and research work on this approach to the extent that it showed potential for expansion and that such schemes could be integrated with national social security schemes. Another option which should be explored was the establishment of targeted schemes of social assistance, tailored to assist those most in need. From the workers' perspective, high priority should be given to measures, such as education and training, which enabled informal sector workers to move into formal employment. The provision of social security cash payments could make such skills acquisition possible. The Workers' group also considered that a universal health-care system, financed through general revenue and if necessary supplementary contributions, constituted an essential part of social security.
27. The Employer Vice-Chairperson stated that extending social security coverage was a difficult challenge which could not be dealt with simplistically. The target population was heterogeneous, including the self-employed, small entrepreneurs and legal and illegal migrants. The excluded differed markedly in their needs, conditions of work and ability to make contributions, requiring tailored solutions which should be devised and implemented at the national level. The speaker considered that over time it might be possible to develop special systems for collecting contributions so that social security coverage could be extended to persons who were outside the formal economy. He commented that in some countries such workers were successfully resorting to microinsurance to cover health care and other risks. He described the situation of some workers who initially were obliged to work in the informal economy and later fell into the habit of not paying taxes or social security contributions. It was critically important to avoid placing an extra financial burden on employers and workers in the formal sector to finance benefits for the informal sector. The ILO should undertake detailed studies of different groups of excluded workers to serve as the basis for national policy development.

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- 28.** The Chairperson invited comments from Government members, many of whom expressed concern that the growth of informal employment was placing increasing numbers of workers beyond the reach of national social security schemes. In some developing countries, the informal economy was much larger than the formal one, creating enormous challenges for the extension of coverage. Several members agreed that the informal economy must not be regarded as a solution for the unemployed and underemployed, but rather as a re-entry point or a transition into formal employment. One member noted that it was much more difficult for developing countries than industrialized countries to finance the extension of social security to vulnerable categories of the population. Another stated that her country believed there should be a core minimum of protection for all; with the challenge of declining formal employment, her Government was experimenting with various types of taxation to finance this. A variety of approaches to extend social security were described by members from developing countries. One reported on an experiment in his country to extend coverage to some self-employed workers with low incomes, providing subsidized basic benefits in return for minimal contributions. Another, coming from a country in which the vast majority of the workforce was in the informal economy, referred to various social insurance and social assistance schemes established by central and state governments in order to extend coverage to numerous groups of the population. He mentioned a pilot initiative to bring social security coverage to a large sector of agricultural workers and also noted that microinsurance had achieved some success when linked with microcredit and self-help groups. A member from a country with an extensive social insurance system reported on recent legislation which provided a basic benefit to all persons over age 75 with no other income.
- 29.** In some industrialized countries too, particularly the transition economies, similar problems were appearing with the movement of more and more workers into self-employment. Where existing schemes were designed to cover only employees, the question was arising whether or not to reform the basic pension system, by moving from a system of worker solidarity to one of national solidarity. One member said that there was universal social security coverage in her country, but that for the self-employed, notably those in agriculture, certain cash benefit schemes other than pensions were voluntary in character. Another member from an industrialized country noted the diversity of needs and circumstances in different countries and observed that her own had a universal means-tested social security system which contributed to poverty reduction and gender equality.
- 30.** The Worker and Employer Vice-Chairpersons in turn expressed appreciation for these comments. The Employer Vice-Chairperson said that they revealed the dimensions of the problem and the complexities of extending coverage. He reiterated the need for greater flexibility in the design of social security schemes and for tax-based financing of coverage extensions, including the possibility of reliance on value added taxes. The Worker Vice-Chairperson also acknowledged the need for flexibility in scheme design but stressed this must be provided within the framework of generally respected principles. He was pleased to note that not a single Government member had said that the extension of social security was an impossible task. The idea that social security might not be affordable was unacceptable, in view of the amounts which governments were able to devote to military expenditure. He endorsed the view of the informal economy as a transition to formal employment. He concluded that proposals for extending coverage must be concrete and workable so as to avoid raising false hopes among excluded workers.

Point 3. Income security for the unemployed and employment

- 31.** The Worker Vice-Chairperson observed that income security for the unemployed was a major challenge for countries at all levels of development. Not enough jobs had been created to stop increases in unemployment due to structural and technological changes, poor economic management and restrictive fiscal and monetary policies. Structural adjustment policies had increased unemployment in developing countries, and transition economies had seen massive increases as well. Around the world more than three-quarters of unemployed persons had no unemployment insurance.
- 32.** Most unemployed workers who received benefits were in industrialized countries. There had, however, been a tendency to reduce unemployment benefits over the past decade on the pretext that the level of benefits discouraged people from seeking work. The Workers' group rejected this argument. Some countries with relatively generous benefits had low rates of unemployment, whereas some with low benefit levels had high unemployment.
- 33.** Unemployment insurance schemes in developing countries had rather limited coverage. There the chief form of income maintenance consisted of labour-intensive infrastructure programmes which provided low-wage employment to otherwise unemployed persons. The Workers' group supported such initiatives in appropriate circumstances. Workers denounced World Bank policies which had actively opposed the establishment of unemployment insurance schemes in developing countries.
- 34.** The Workers' group believed that a number of initiatives were needed to respond to the problem of increased unemployment and decreased income maintenance. First, policies restricting eligibility or benefit duration should be reversed. Second, international financial institutions must stop campaigning against unemployment insurance in middle-income developing countries and economies in transition. Third, state-guaranteed funds should ensure that, in the event of bankruptcy, dismissed workers received the lump-sum separation payments which were their due. Fourth, universal access to some basic services, such as health care, would ease the impact of unemployment. Fifth, programmes should be designed to reach unprotected workers in the informal economy in order to bring them into the formal economy. Finally, governments must ensure that resources were available to provide a sound education for all young people.
- 35.** The speaker emphasized that the best means to ensure social protection and income security was a job. Access to employment was the ultimate aim. Vocational training and work experience should be made available to the unemployed to upgrade their skills and improve their chances of rapid re-employment. Infrastructure construction programmes should offer not just short-term employment but an opportunity to prepare for future work.
- 36.** The Employer Vice-Chairperson stressed that the question of income security must be examined with care. It was important to situate the debate in terms of job loss in the formal sector. The first principle was that, in order to receive benefits, a worker who loses his or her job must have contributed to the system. A well-planned and well-managed system was only possible if funding was secure. This depended on adequate inputs. In some countries, however, people had become addicted to unemployment. High benefit levels encouraged this.
- 37.** The overall economic environment had to be considered in devising an approach to deal with the problem of unemployment. There were enormous differences between industrialized, middle-income and developing countries, and economies in transition. Measures to respond to the problems raised by unemployment should be tailored to the

circumstances of each country. Responses depended on national social policies and government budgets.

- 38.** Insurance schemes were not the only answer to unemployment. In some cases, labour-intensive employment projects could provide jobs to ensure survival for those who would otherwise be unemployed. Ultimately, the problem of unemployment could be solved only by creating jobs and preparing unemployed workers to return to active working life. Individuals must recognize their obligation to society and prove themselves willing and able to look for work. Training should aim to prepare workers for the new jobs that society would need. Indeed, education, training and retraining were key to improving the quality of the workforce. Employers did not wish to lose good workers. On the contrary, they made great efforts to retain the best. Clearly, there was a need for improved training capacity to impart skills and there was a role for employers to play in training institutions.
- 39.** A rich discussion ensued, as the representatives of many Governments contributed insights drawn from their own national experiences. It was clearly a challenge for legislators and policy-makers to devise the appropriate blend of policy options which would ensure a decent livelihood and quality employment for the workforce. There was wide consensus that income support measures alone were insufficient in terms of meeting the needs of the unemployed. Active employment policies were a necessary complement.
- 40.** Systems of income support had several functions. They were needed to provide long-term benefits to those who had permanently left the labour force, for example due to disability, as well as short-term income replacement to those who were temporarily out of work due, for example, to unemployment or injury. Attending to the special needs of people with disabilities to encourage their re-entry into the workforce was also important. The use of sickness and accident programmes could contribute to this end. Families with children should be assisted through the provision of child allowances, and a minimum level of income should be assured to those without other sources of income or with very low incomes.
- 41.** Unemployment benefits were an essential component of a comprehensive social security system but they could be difficult to design properly. A balance must be found in order to provide the necessary income replacement benefits to people who were out of work, while avoiding dependency on income support which might discourage the search for new employment. Unemployment insurance funds provided workers with greater income security but mechanisms had to be put in place to guard against abuse. Compliance with the payment of contributions was also a problem. The participation of the social partners in the design and monitoring of social security systems could contribute to their smooth functioning.
- 42.** Besides their importance to individuals and families, one Government member noted that unemployment benefits played an important additional role in stabilizing the national economy, as funds were accumulated during periods of economic growth and expended during periods of economic contraction.
- 43.** It was not possible to apply a “one-size-fits-all” approach to the development of unemployment insurance schemes. The circumstances of each country needed to be taken into account. In many developing countries, for example, where demands were high and resources limited, cash payments to the unemployed were considered unrealistic. Other approaches had to be devised to meet their needs.
- 44.** A number of Government members mentioned the need for active labour market policies to help the unemployed. Job creation was fundamental. A wide consensus emerged that the

best protection against unemployment was an active employment policy. It was not enough to give the means of subsistence to the unemployed; jobs had to be created. Active employment measures were an investment which could help countries stay competitive.

45. Financial institutions should implement policies that promoted job creation and economic growth. One Government member proposed linking direct foreign investment and employment creation. There was no single response to the problem of unemployment. To ensure decent work would require a multiple approach involving job creation, education, training and retraining.
46. The purpose of skills training programmes and vocational training opportunities was to facilitate the smooth transfer of labour from unemployment to re-employment. It was important to link training and retraining programmes with job creation efforts, so that people had jobs to go to after their training was completed. Retraining should be strategically targeted to present and future labour market needs. In order to achieve this, partnerships should be established between training institutions and national employment creation funds. Another option would be to involve well-established enterprises in tripartite or jointly managed programmes to encourage job creation.
47. New approaches were needed to provide training and retraining possibilities to the unemployed, including the uninsured. Training programmes had to be targeted to take into account the skills, experience and circumstances of the unemployed. An institution for skills assessment and demand-driven skills development training could be an effective means of encouraging re-employment. Traineeships could be of particular interest to young workers.
48. Developing the full potential of workers involved a number of essential components. It was important to consider additional literacy and numeracy training, especially in an age of labour migration. Lifelong learning was essential to keep up with changes in technology and to remain employable. Better development of human resources could positively affect labour mobility, making it possible to get the right people to where the jobs were.
49. Income support measures could be used to ease the transition from unemployment to re-employment. Several Government members described the strategies their Governments had used, which had contributed to a decline in unemployment. By maintaining some level of income support during training and after the initial return to work, these policies encouraged unemployed workers to take the risk of changing their current situations. The long-term unemployed could be encouraged to resume their education while receiving benefits. To encourage their return to work, unemployment benefits could be continued during the initial period of employment, but on a reducing scale. Those who entered self-employment could receive a portion of benefits during the start-up phase. One speaker noted the need for seed capital for these workers and urged the ILO to carry out more research on credit schemes which would lead to economic empowerment. If possible, supplemental health benefits should not be immediately withdrawn after the return to work. Other options which would help to “make work pay” included the provision of additional child benefits, the reduction of income tax rates, the introduction of a national minimum wage, and allowing part-time work for a spouse without a total loss of benefits when an income threshold had been reached.
50. Many speakers agreed that there was a need to share information on the policies and practices which could contribute to a smooth transition from unemployment to secure and decent work. Unemployment benefit schemes should be capable of securing at least the basic livelihood of displaced workers while they adapted to structural changes in the economy. Active labour market policies should stimulate re-employment through skills

development and other incentives. Most importantly, jobs must be created to provide decent work to an ever-growing workforce.

Point 4. Equality between men and women

- 51.** Turning to the fourth point for discussion, the Employer Vice-Chairperson stated that gender equality was of great importance for the healthy development of society. Equal treatment of men and women in social security was crucial in so far as universal schemes were concerned. However, the issue was more complex regarding schemes established by employers or where employers made contributions. In those cases, entitlement often depended on how long a person had worked or even how many hours per week. Women were probably at a disadvantage in this respect with regard to their pensions due to periods of absence related to family responsibilities. Nonetheless, that was an issue that should be left to national debate and any decision should take account of the impact on enterprises. It was not preferential treatment but equality that should be sought when considering regulations aimed at dealing with real or perceived discrimination. Any changes that might be suggested to these regulations should be discussed in light of fiscal spending priorities at the national level.
- 52.** The Worker Vice-Chairperson strongly affirmed that social security should not simply guarantee equal treatment for men and women, but should go further to grant women an improved place in society. Measures should be taken to redress discriminatory outcomes and their impact on women. Measures aimed at equitable outcomes would take account of the cumulative impact of women's experiences, such as a lifetime of lower pay and career interruptions for maternity, childcare and elder care. Women received less education and training than men and were more likely to be engaged in part-time or casual work. Because of these factors, benefits based on employment clearly resulted in poorer outcomes for women. Women were also subject to cultural constraints that denied them access to financing, inheritance and property rights.
- 53.** The Workers' group stressed the importance of equal pay for work of equal value. Men and women should both be paid the correct rate for the job. The introduction of a minimum wage was a major factor in lifting women from the low-pay poverty trap. Unfortunately, discrimination in pay systems and the fact that women were still more likely to be in low-wage employment impacted negatively on their pension entitlements. It was essential to include equal value strategies in social security systems. The right to social security needed to be an individual right which was not dependent on a spouse's entitlement. A basic entitlement was needed for each individual. There was a real need for positive action in a number of areas. Social security payments should be made during maternity leave and periods of childcare and elder care. Percentage links to pay should be re-examined, since they tended to disadvantage women. Social security Conventions should contain specific provisions stipulating that there must be no discrimination against women. There must be provision for family allowances. Adequate survivors' pensions needed to be developed. In cases of family break-up or divorce, equity in benefits splitting should take into account who provided care for dependants. Family-friendly workplaces, childcare and elder care facilities and other forms of social infrastructure were important as well. In conclusion, it was suggested that all policy proposals for social security schemes should be subject to gender analysis and that a stringent monitoring process should be developed to ensure that social security schemes did not lead to discriminatory outcomes.
- 54.** A great number of Government members affirmed the principle of equal treatment for women and men, considering it to be an explicit goal in social security reform. One Government member observed that the social security system in his country drew no

distinction between men and women in terms of retirement age, social security eligibility requirements and benefit amounts, and payment of survivor and dependant benefits. Another noted that in his country, the Government and employers made contributions without discrimination based on sex and contributions were deducted from men's and women's salaries on an equal basis. Several Government members noted the fact that even where systems were designed to provide equal treatment, discrimination persisted due to differential wage rates for men and women. Where social security benefits were earnings-based, women contributed less and also received less upon retirement.

- 55.** Many Government members also supported the view that equality of treatment alone was insufficient in a number of respects. The economic interests of women needed to be more fully safeguarded, and this could require positive measures to overcome discriminatory outcomes. Equal pay for work of equal value was crucial. Active labour market policies should include job creation for women and support measures to ensure sustained participation in the workforce, so that women's individual social security entitlements could rise. In even broader terms, gender equality included questions of education and access to health care. Raising awareness on equality of treatment for men and women was necessary. Women in particular should have adequate information in order to make informed choices. Incentives were needed to promote girls' access to education so that girls would have an equal chance to prepare themselves for the world of work.
- 56.** Social security was an important tool to advance gender equality, but it had to be recognized that men's and women's life cycles and needs were different. The provision of quality childcare was important in the framework of social protection, as was the issue of parental leave provided for both men and women to take time off to care for children. Child benefits were a high priority. Specific policy responses were necessary to enable workers to balance work and family life without encountering systemic discrimination. Affordable childcare could play an important role in ensuring the sustained participation of women in the labour market, thus increasing their entitlement to benefits, which in most social security systems were linked to gainful employment.
- 57.** One Government member explained his country's "passive approach" towards ensuring women's entitlements were not compromised by periods of non-employment due to family responsibilities. When retirement benefits were calculated, those periods when women were caring for young children, and therefore not engaged in full-time employment, were not considered. The average income calculations were therefore not affected by extended periods of low or no income. Alternatively, the "active approach" adopted by some governments gave women credit for periods when their earning capacity was significantly lower so as not to compromise women's entitlement to benefits in the long term. This approach could create entitlements for women who otherwise might have none.
- 58.** One of the most important reform measures cited by a number of Government members was to base tax and benefit systems on individual rather than derived rights. The shift from derived to individualized rights was not easy, but tax and benefit systems could provide strong incentives for women to enter and stay in the labour market. One Government member saw gender equality in social security as an important precondition for higher employment rates and thus for economic growth.
- 59.** Two Government members noted that sex-differentiated annuity rates made distinctions based on the different life expectancies of men and women – to the detriment of women. To counter discriminatory outcomes based on life expectancy, one Government member described his country's recent reform requiring the use of unisex actuarial tables, which resulted in higher pension payments for women than under the previous sex-disaggregated system. Changes in his country's employment law had also served to reduce discrimination

against women workers. For example, employers who hired women with children paid a lower social security contribution. This encouraged employers to hire more working mothers. Several initiatives had improved social security coverage for workers engaged in flexible forms of employment, most notably domestic workers, of whom the overwhelming majority were women.

- 60.** Research was needed in several areas to understand better how discriminatory outcomes were produced. Pension splitting might be one way to reduce discrimination based on dependency. It was also important to examine why benefit differentials continued to exist even with regard to women who had uninterrupted employment histories.
- 61.** Survivors' benefits and pensions were an issue requiring much fuller examination. Most schemes were rooted in the concept of dependency and survivors' need for a replacement income. The concept of survivors' pensions was considered problematic in more than one country. Where possible, it might be worthwhile to develop bridging mechanisms to assist survivors in adjusting to their new life circumstances, for example, in their return to employment once their children had become independent. Of course, in the case of older survivors without previous employment experience, self-sufficiency through work was unlikely. It was important that all solutions be humane. A number of Governments were studying the issue of survivors' pensions critically.
- 62.** A number of Government members described in some detail specific social security programmes which provided assistance to women. These included monthly allowances for pregnant women, maternity leave and benefits, child benefits, allowances for single women over 50 years of age, early retirement plans, pension payments to women who left the workforce to raise children, and support payments to divorced women, widows and orphans.
- 63.** Many Government members expressed the desire to learn more about the best practices in other countries. Committee discussions had already highlighted a number of positive initiatives and experiences from which member States could learn. The documentation and distribution of information on best practices was seen as essential for achieving progress at the national and international levels.
- 64.** One Government member stated that, while systems had to be flexible, they should also be rooted in a strong framework of international standards as formulated by the ILO. In terms of gender equality issues, however, many speakers considered the Social Security (Minimum Standards) Convention, 1952 (No. 102), to be outdated. It was based on the male breadwinner/female homemaker model which did not take adequate account of women's labour market participation. Such a model no longer provided an efficient basis for the distribution of benefits.
- 65.** The Worker Vice-Chairperson summarized the main views of the Workers' group concerning gender equality. Clearly there was systemic discrimination against women in social security systems. The Workers' group were pleased that a number of Government members had seen the need to go beyond merely guaranteeing equal treatment of women in social security systems and to apply other measures to promote gender equality. The achievement of equitable treatment could require positive discrimination in some areas. The individualization of pension rights was a vital issue for the Workers' group. Reconciliation of work and family life was also important. The speaker noted that Convention No. 102 had been written as though men were the social security recipients and women merely their dependants, and although it contained important principles, this aspect caused concern. An important issue which had not yet been discussed was the need for social security systems to address gender aspects of the HIV/AIDS pandemic. Mothers

were being faced with additional responsibilities of supporting and raising their young children alone when their husbands died, and older women were having to care for entire families of orphans as the parents died.

66. The Employer Vice-Chairperson expressed the Employers' group's keen interest in the lively debate that had taken place. He focused attention on the language being used in the discussions. Terms such as "equal treatment" and "discrimination" could mean different things in different languages or societies, and did not necessarily refer to gender-based sources of discrimination. Many factors needed to be taken into consideration. Gender equality was only one of those. This was one reason why such matters should be dealt with at the national level. Many problems concerning gender equality were unrelated to social security. Problems related to pensions and women's biological functions needed to be solved at the national level. The ILO should certainly work to find solutions for the challenges facing member States and to provide technical assistance to countries that requested it to redress the discrimination that women still faced in the labour market. The speaker concurred that Convention No. 102 was a "dinosaur", representing the macho man as the sole provider. Such a view was out of date in 2001. Social security was a matter that concerned society at large. Each member of society had to play a part in seeking an adequate solution to the problems of inequality and discrimination. Social dialogue and the collective-bargaining process could contribute to the search for solutions, taking into account the capacity and resources of enterprises. The Employers' group were ready to work with governments in order to seek financially feasible solutions, which could be developed in consensus with the social partners.

Point 5. Financing of social security and ageing

67. Turning to the fifth point for discussion, the Employer Vice-Chairperson expressed two reservations about the Office report. First, the report did not assign sufficient importance to the problem of demographic ageing. While the elderly generally made up a smaller portion of the populations of developing countries than of industrialized countries, demographic studies suggested that developing countries would age at faster rates. Second, the report might have been premature in concluding that measures to increase employment were the most useful means of containing pension costs as national populations grew older. More research was needed on other policy options, especially increased reliance on private pension provision. The optimal pension system might turn out to be a mixed one in which the State provided minimum benefits and relied on private funds for supplementation. More research was also needed on the impact of HIV/AIDS on pay-as-you-go pension schemes.
68. The Worker Vice-Chairperson expressed agreement with the Office report that higher employment was key to strengthening the financing of social security in ageing societies. Workers were ready to engage in social dialogue on a number of options to help achieve this, including training to update the skills of older workers and measures to encourage gradual retirement. In addition, the substantial military budgets of many governments indicated that they could spend more on social security or could shift budgetary revenues to this purpose. In many countries, the World Bank had advocated privatization and pre-funding of pensions as a means of averting an "old-age crisis" in social security financing. However, this had proven ineffective and had produced many new problems. These included high administrative charges for private pension management, in the region of 25 per cent of a worker's lifetime contributions; high government expenditures on pension supervision and some costly bailouts; high transitional costs, incurred to meet current benefit commitments while building up reserves for a new pre-funded scheme; and great inequality in private benefits paid to workers with similar amounts of savings, resulting

from volatility in the financial markets where these savings were invested. The Worker Vice-Chairperson reiterated his support for the governing principles of pension schemes discussed at the Committee's first sitting. Recalling that social security concerned much more than pensions, he urged that high priority be placed on finding new approaches to extending the coverage of public schemes, especially for health care.

- 69.** Government members expressed differing opinions on whether changes in pension financing were needed to deal with national ageing, in particular with the rise in life expectancy. On one side, several members asserted that a shift from pay-as-you-go financing to pre-funding of pensions could be useful. Under some circumstances, it could help to increase national savings and lead to higher rates of economic growth. This would make it easier for countries to bear the increased burden of financing pensions for an ageing population. At the same time, this shift to pre-funding would place new demands on governments. They would have to regulate pension management firms to ensure that they did not discriminate against low-income workers and that they placed workers' financial interests ahead of their own. Moreover, no matter what form of financing was chosen, government would have to remain the ultimate guarantor of the system. Several Government members cited risk diversification as an additional rationale for a move to pre-funding. They held that since pay-as-you-go financing was vulnerable to demographic ageing and pre-funding was vulnerable to poor economic performance, a mixed system which incorporated both approaches could afford workers a measure of protection against both risks. Defined benefits within a pay-as-you-go scheme could be financed in part through a scheme reserve fund, which would make it possible to soften the effects of sharp demographic changes.
- 70.** Other Government members took a different view, arguing that a shift in the method of financing pensions would not in itself alter the economic burden that a country must bear to support its elderly. Unlike individual savers who could put extra resources away in anticipation of a large expenditure, nations were unable to save in advance to support a larger retired population. Rather, all pension systems, whether pay-as-you-go, pre-funded or a combination of these, were mechanisms for dividing current national income between active and retired workers. Pay-as-you-go pension schemes made this transfer of current income in a transparent way, but it was just as real in pre-funded systems. Following this logic, several members challenged the claim that pre-funded systems were superior to pay-as-you-go under conditions of demographic ageing. They argued that ageing affected funded systems in an indirect but equally significant way, namely through reducing the number of active workers who could purchase the private investments of the retiring population. This would in turn cause a drop in the value of their accumulated private savings. Several Government members also expressed concerns about the risks of pre-funding and insisted on the need for prudence. One pointed out that his country had originally established a pre-funded pension system but had converted it to pay-as-you-go due to the unanticipated effects of inflation and war in depleting its financial reserves. He also stressed the risk of financial speculation and the potential for asset prices to fall around 2030, when large numbers of persons with pension savings accounts would have retired. The risk would grow in relation to the portion of benefits paid through funded schemes. Concerns were also expressed about high administrative costs of private pension management and about high volatility in the value of worker savings in existing private schemes.
- 71.** Citing these arguments, several Government members stated that they were not planning to change their method of financing pensions in anticipation of demographic ageing. They instead concurred with the Office report that increasing labour force participation offered the best approach to the problem, and they described several recent initiatives to encourage older workers to remain in the labour force. These included promoting part-time work and

more flexible working hours, instituting programmes of vocational retraining and lifelong learning, reducing social contributions for older workers and encouraging firms to retain their employees beyond normal retirement age. In addition, several Government members stressed the importance of tripartite structures for social dialogue as a means of reaching consensus on reforms to deal with the costs related to ageing. Ways were also described to increase efficiency in the collection of contributions: create incentives for employers and workers to pay their contributions; inspire confidence that contributions to social security were used for the proper purpose; and simplify administrative formalities, for example, through the classic method of deduction from salary of the unified processing of contributions to all branches of social security.

72. Several Government members representing African countries stated that national ageing was far less of a problem for their social security schemes than was HIV/AIDS. This pandemic was putting pressure on scheme financing and threatening the very existence of some pension funds. One Government member said that his country was experiencing similar problems due to resistant strains of malaria. There was a pressing need for research on the implications of these diseases, particularly HIV/AIDS, for the financing of social security.
73. The Worker Vice-Chairperson expressed appreciation for several comments made by Government members. These related to the need to preserve and strengthen public pension schemes, to extend their coverage and to increase employment and economic growth as the best means of containing pension financing costs as populations age. He also concurred that, whatever form of pension scheme was chosen, government must serve as its ultimate guarantor.
74. The Employer Vice-Chairperson concluded that all types of social security financing had their strengths and weaknesses. The challenge was to find the system which best matched national conditions, needs and preferences. While agreeing with the Worker Vice-Chairperson that government had a key role to play in whatever type of system was chosen, he also held that the social partners should be closely involved in scheme governance. He called for increased international cooperation in the search for workable solutions to the problems associated with demographic ageing.

Point 6. Social dialogue and ILO activities

75. The Chairperson turned to the final point of discussion on tripartism and improvements in social security, long-term priorities for ILO work on social security and the possible application of the integrated approach to standard setting in the field of social security. The Employer Vice-Chairperson stressed that national realities differed widely. Hence, each country needed to find its own solutions based on its own circumstances. Through social dialogue, governments and organizations of employers and of workers could create social consensus and the political will to act. Tripartism was the basis of good governance and efficiency. The ILO should strengthen the capacity of the social partners to engage in tripartite and joint discussions and inform Members of the best methods of social dialogue. There was wide scope for further research by the ILO as various themes had emerged from the Committee's discussions. The benefits of interactions with other organizations such as the World Bank and the International Monetary Fund (IMF) had to be considered. Specifically, research needed to show what systems had worked and why. Two interesting themes which merited further work were reinsurance in the field of social protection, and health care for the poor. Social security was not free. It involved costs for society and particularly for employers and workers. It was important to understand how financing systems worked in order to achieve the right balance among competing interests and to

avoid costs which impaired competitiveness. Good governance and low administration costs were essential. Other themes for further research included demographic questions, gender and discrimination, the interaction of social security and the labour market and their impact on the national economy and enterprises, various aspects of the informal economy and the relevance of ILO standards on social security. More work in these areas could be done, in the view of the Employers' group, through meetings of technical experts, supported by in-depth, quality research in order to have more complete and focused discussion on these issues in particular. These proposals provided sufficient work for the next ten to 15 years.

- 76.** The Worker Vice-Chairperson observed that no social security system could function efficiently without the confidence of the people who participated in the system. Systemic discrimination against specific groups, such as women workers and migrants, had to be overcome. Institutionalized representation and, in particular, tripartite oversight and governance had proven helpful in creating consensus-based governance systems responsive to the changing needs of the global economy. The Workers' group called on governments to create a regulatory framework that encouraged tripartite consultations. Social security was seen as a valuable policy instrument to assist workers to move from unprotected work to decent work. If social security was to be sustainable, the growth of the informal economy had to be reversed. Initiatives of informal workers to organize themselves and to build formal institutions to provide social protection should be supported. The ILO should base its future activities on the concept of decent work and the values laid down in international labour standards on social security, namely the Social Security (Minimum Standards) Convention, 1952 (No. 102), the Equality of Treatment (Social Security) Convention, 1962 (No. 118), the Employment Injury Benefits Convention, 1964 [Schedule I amended in 1980] (No. 121), the Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128), the Medical Care and Sickness Benefits Convention, 1969 (No. 130), the Maintenance of Social Security Rights Convention, 1982 (No. 157), the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168), and the Maternity Protection Convention, 2000 (No. 183). Key principles to be adopted by the ILO included recognizing social security as a universal right; endorsing its value for social equity, social stability, economic development and change as well as its capacity to provide universal benefits. The speaker urged the ILO to undertake research and technical cooperation in the areas of comprehensive financing and governance of social security schemes, the extension of coverage to the unprotected and ways to eradicate discriminatory outcomes. As an overall objective, the ILO should commit itself to a ten-year plan to achieve major improvements in social security for the excluded majority. The ILO would thus strengthen its role as a principal international institution in the area of social security. The speaker believed that the existing Conventions provided a good framework to define the basic principles of social security. Their further ratification should be promoted. With regard to the integrated approach, the results of the pilot exercise in the field of occupational health and safety should be evaluated before embarking on any further standard setting.
- 77.** A number of Government members supported the view that tripartite collaboration and social dialogue could contribute to the development of effective social security systems well-adapted to local realities. Indeed, the success of reform could depend on consensus among the social partners and wide social acceptance. Governments could not deal with social security on their own. For employers, social security represented an investment and for workers it ensured stability of income. Tripartite effort was necessary and should be tailored to each country's situation.
- 78.** One Government member cited his Government's experience of tripartite consultation in the reform of its contributory pension scheme, which had been carried out in response to

changing social and demographic trends. Another suggested that the tripartite management of social security schemes be strengthened. Because of the huge financial resources involved, all the social partners needed to be involved. Yet another spoke of the need to legislate for tripartite structures to ensure that these structures were functional. Tripartism should be extended to the grass-roots level. In order to ensure good governance, the social partners had to exercise mandates based on democratic principles.

- 79.** One Government member noted that social dialogue was useful, but was not always effective. Governments should push ahead on important issues like extending coverage, and not take tripartite dialogue as a sine qua non for effective action. Another urged that thought be given to whether the ILO tripartite structure was capable of dealing with the problems of exclusion or whether the system needed to be revised.
- 80.** One Government member observed that social security systems were effective only where there was expanded social dialogue and a sense of accountability. The active participation of social partners was needed to extend social security services, but experience in her country had demonstrated the need to include NGOs, cooperatives and local governments as well.
- 81.** With regard to the future activities of the ILO, many Government members offered concrete suggestions regarding research and technical cooperation activities. Among the particular problems and issues which should be reflected in both of these means of action were the following: the extension of coverage; the enhancement of good governance and resource management; the impact of globalization on developing countries' social security systems; the promotion of gender equality; appropriate responses to the HIV/AIDS pandemic, discrimination and social equity; better health and vocational rehabilitation of persons with disabilities; increasing the average retirement age; and improving conditions for older workers.
- 82.** One Government member suggested that the primary focus of the ILO social security programme should be research and technical assistance regarding best practices for public and private social security schemes so as to support the goal of decent work. Others expressed the need for the ILO to develop the tools necessary to improve the coverage, design and governance of social security schemes and social protection policies. Indicators should be developed to measure the level of benefits and the degree of coverage and to serve as benchmarks of performance.
- 83.** The ILO should offer technical assistance to developing countries via multidisciplinary teams to help reform and enhance social security systems, particularly as regards the large majority of excluded workers, but also in regard to training, investment schemes and risk management. An early warning system should be developed to identify crises in social security systems before they occurred. The ILO should also promote effective social dialogue in developing countries through technical cooperation.
- 84.** A variety of pilot schemes were proposed by several Government members. These might include pilot projects in areas such as welfare funds for target groups in specific industries, insurance and pension schemes for agricultural workers, and state-promoted microinsurance schemes. Successful pilot schemes for workers in the informal economy should be documented and replicable models, which could be adapted to different situations, should be developed. Appropriate models would also be helpful for countries wishing to move from one type of system to another.
- 85.** Turning to the question of standard setting, several Government members expressed the view that legally binding minimum standards should be an important part of the ILO

strategy to assist countries in improving their social security coverage. Promoting the ratification of key social security standards or at least respect for the basic principles of those standards was crucial, particularly at a time when globalization was raising delicate issues of social protection.

86. Low ratification of ILO social security Conventions was not encouraging. Several Government members suggested that priority be given to rationalizing existing instruments, including Convention No. 102. In the view of one Government member, current standards were too detailed, difficult for non-experts to understand and too reliant on statistics which in many cases were unavailable. Further, they did not adequately reflect the role of women in the labour market. Several Government members preferred any new instruments to be limited to broad principles and be flexible enough to achieve wide ratification and implementation in different national situations. The exact mechanisms of implementation should be left to national law and practice. More flexible Conventions would enable more countries to participate in the ILO's standard-setting work.
87. More than one Government member found it unrealistic to consider the adoption of any monolithic social security Convention at the present time. Much more thinking was needed in order to develop a comprehensive approach to social security standards, particularly in light of the growing number of informal, unorganized and unprotected workers.
88. For another Government member, there was no need to revisit existing standards or to establish new ones. Existing standards should be taken into account by countries as they considered appropriate to their particular economic circumstances and their citizens' preferences.
89. Support for an integrated approach to standard setting was expressed by several Government members. Such an approach should be based on a detailed analysis of existing standards and, as expressed by one Government member, centred on human and social values. One Government member preferred to await completion of the current pilot experience before extending the integrated approach to social security.
90. The Employer Vice-Chairperson asserted that the Employers' group supported the efforts of the Governing Body concerning the revision of standards and the integrated approach to standard setting. He expressed pleasure at the convergence of views expressed within the Committee regarding the problems facing social security and potential solutions to be explored in the course of future work.
91. The Worker Vice-Chairperson noted the Government members' positive support for tripartism. Concerning the possible revision of standards, he drew members' attention to the fact that the Governing Body had found the existing standards to be relevant and sufficiently flexible to be adapted to different situations. ILO social security standards deserved ratification. Providing unprotected workers with access to social security was an immense challenge. It required an ambitious agenda of work for the ILO community. The Workers' group strongly urged the Committee to adopt a set of ambitious conclusions, which would advance the cause of providing social security to all.

Discussion of the draft resolution and conclusions on social security

92. The Chairperson opened the session by commending the Drafting Group for its excellent work in drafting the draft resolution and conclusions. She observed that since there were only 28 amendments, the members of the Committee must have found the conclusions to

be very good as well. She then explained that the Committee would consider the amendments one by one, in the order proposed.

- 93.** The Worker Vice-Chairperson expressed the Worker members' strong support for the document as a whole. The Drafting Group had devised a quality document, one that clearly reflected the ILO report and the substance of the debates. It would provide the foundation for a fresh start for the ILO's work in the area of social security. The speaker stressed the need to maintain the delicate balance that had been achieved by the Drafting Group and cautioned that even minor changes could raise major concerns. A good spirit and broad consensus had so far enabled the Committee to avoid contentious outcomes, such as had occurred at the Thirteenth Conference of American States Members of the ILO in 1992 and at the United Nations Commission for Social Development in New York earlier in the year, where nothing had been achieved. Thus, in an effort to remain true to the spirit which had prevailed in the Committee and in order to preserve the consensus which had been achieved, the Workers' group would be reluctant to support many of the amendments.
- 94.** The document was a valuable statement on the key issues related to social security. It made clear the importance of social security as a basic human right. It showed that social security could help to improve productivity and contribute to economic development. There was no single right model of social security. The draft conclusions set out key principles for social security, including non-discrimination, sound management, low administrative costs, a strong role for the social partners and good governance. Unfortunately, these principles were not always respected in practice. One saw evidence of this in low scheme participation rates, risks being borne by the individual rather than society, high administrative costs and insufficient involvement of the social partners. Tripartite agreement on such principles should empower the ILO to work to improve such situations. The speaker further elaborated on these points, noting that proper management did not mean reducing benefits, but ensuring good outcomes for participants; that unemployment must be combated through job creation, which was fuelled by economic growth; that job creation and access to training must be ensured in a gender-balanced manner; that the role of women in caregiving must be reflected in their social security entitlements; that ageing was principally a labour market problem which could not be solved by privatization; that risk should be borne collectively and not individually; and that private plans were not a substitute for public statutory schemes. Concerning wages, he expressed the Worker members' regret that a strong commitment to establishing a minimum wage had not been included in the conclusions. He noted that wage discrimination was prevalent across occupations and regions as well as between men and women. The Workers' group considered the following Conventions most relevant to social security: Social Security (Minimum Standards) Convention, 1952 (No. 102); the Equality of Treatment (Social Security) Convention, 1962 (No. 118); the Employment Injury Benefits Convention, 1964 [Schedule I amended in 1980] (No. 121); the Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128); the Medical Care and Sickness Benefits Convention, 1969 (No. 130); the Maintenance of Social Security Rights Convention, 1982 (No. 157); the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168); and the Maternity Protection Convention, 2000 (No. 183). Regarding the outcomes for the ILO of the Committee's work, he believed that the conclusions laid out a full work programme for the ILO, which called for further resources, talent and vision. There was a need for a major campaign, supported by pilot projects and technical cooperation projects, to extend social security coverage, provide support to the social partners and overcome discrimination. The ILO should encourage the IMF and the World Bank to endorse these conclusions. The speaker concluded by highlighting the important role of governments and the responsibilities of the social partners in working towards the extension of coverage. He expressed the hope that member States would strive to achieve the objectives set out in the conclusions.

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- 95.** In his introductory comments, the Employer Vice-Chairperson stated that social security was broad, complex and inextricably linked with the well-being of humankind. The work of the Drafting Group, which had broad regional and linguistic representation, showed clearly that the issue could not be ignored. Workers, employers and governments each had a role to play in improving social security. Employers must carry a heavy burden for financing, and their genuine concern was to ensure that social security was dealt with broadly and thoroughly. Job creation was the best solution for an adequate social security system, and this in turn required a flourishing economy that promoted business growth. Education was the key to creating and filling jobs with a skilled workforce and providing employment opportunities for vulnerable groups, such as migrant workers.
- 96.** The Employer Vice-Chairperson explained that social security had been discussed in Venezuela in 1992 at the Thirteenth Conference of American States Members of the ILO, but in the end that conference had failed to reach agreement on a common document because Members had put politics before economics. He urged the Committee not to repeat that experience, noting that the conclusions produced by the Drafting Group fully reflected the experiences and problems of various social security systems. The Vice-Chairperson indicated that his six-year involvement with the governing body of his country's social security system revealed the difficulties of day-to-day implementation of a social security scheme, especially the challenge of contribution collection and financing. There was a crucial need for well-designed and well-managed systems that provided benefits for all. The Employers' group supported the conclusions of the Drafting Group without serious reservation. The speaker congratulated the Workers' group, the Government members, the Chairperson and the Secretariat for their contributions and tireless work. While expressing willingness to consider amendments, he stated that some proposals dealt with subjects which were already discussed in the draft conclusions. The Employers' group would support only a limited number of amendments in order to preserve the balance and linguistic clarity in the document.

Paragraph 1

- 97.** The Government member of France introduced an amendment to the last sentence which replaced the word "millions" with "billions". She stated that this change was needed to correct the order of magnitude of this number because the Office report indicated that more than half of the world's population was excluded from social security. She added that, as an alternative to this amendment, the sentence could also be amended to read "hundreds of millions". This alternative was supported by the Workers' and Employers' groups, as well as by the Government member of Canada. The amendment was adopted as subamended.

Paragraph 2

- 98.** Paragraph 2 was adopted without amendment.

Paragraph 3

- 99.** The Government member of Ireland introduced an amendment to the first sentence which inserted the words "designed and" after the words "if properly". He stated that this change was called for because proper design was as important to the success of a social security scheme as good management. The proposal was not supported by the Worker or Employer Vice-Chairpersons, who stated that design was dealt with elsewhere in the draft conclusions. The amendment was rejected.

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- 100.** The Government member of Ireland introduced an amendment to add the words “support for labour market policy” after the words “income security” in the first sentence. He stated that the amendment was needed to reflect wide recognition of the important impact of social security schemes on labour markets. The proposal was not supported by the Worker and Employer Vice-Chairpersons, who noted that the issue was dealt with later in the paragraph. The amendment was rejected.
- 101.** The Government member of France introduced an amendment to insert after the third sentence: “It ensures income redistribution for the benefit of persons faced with social risks. It consists mainly of social transfers which, while they represent part of the labour costs for enterprises, are not, at the macroeconomic level, a burden for the nation.” She stated that a distinction should be made between the impact of social security costs on firms and their impact on the economy. At the microeconomic level, social security financing could be a burden for firms while, at the macro level, it simply represented a redistribution of national income. If social security schemes were well designed and managed, they should not burden the State or reduce national competitiveness.
- 102.** Expressing support for the intention of the amendment, the Employer Vice-Chairperson suggested subamending it in such a manner that the fourth sentence would read: “It is noted that, while social security is a cost for enterprises, it is also an investment in, or support for, people.” The Government member of the Syrian Arab Republic supported the original amendment but stated that he would not oppose the alternative if it were supported by the Workers’ and Employers’ groups. The Worker Vice-Chairperson supported the subamendment proposed by the Employer Vice-Chairperson, and it was accepted by the Government member of France. The amendment was adopted as subamended.
- 103.** The Government member of Australia introduced an amendment to add at the end of the fourth sentence the words “and their dependants”. This addition was needed to emphasize that social security constituted an investment not only in working people but also in their families. The Worker and Employer Vice-Chairpersons opposed the amendment, stating that the word “people” included dependants. The amendment was rejected.
- 104.** The Government member of Ireland introduced an amendment to move the fourth sentence, beginning “Social security is an investment in ...”, to the beginning of the paragraph. In its earlier form, the sentence had been a succinct statement of the most important purpose of social security. Nevertheless, in view of the amendment to that sentence just adopted by the Committee, he preferred to withdraw the amendment.
- 105.** The Government member of Nigeria introduced an amendment to delete the word “with” at the beginning of the last sentence and replace it with “In light of evidence of negative impacts of”. He stated that this would emphasize the need to deal with the negative effects of globalization and structural adjustment while recognizing the positive ones. The Government member of Austria proposed a subamendment, which would remove the additional wording proposed in the amendment and change the word “it” in the last sentence to “social security”. This change was needed in light of the earlier adoption of the amendment proposed by the Government member of France and revised by the Employer Vice-Chairperson, which had replaced the words “social security” in the fourth sentence with “it”. Given that change, this replacement would make the text clearer. The Employer and Worker Vice-Chairpersons supported the subamendment, which was adopted.

Paragraph 4

- 106.** The Worker Vice-Chairperson raised an issue concerning the third sentence, stating that it should better reflect the consensus developed during the Drafting Group’s work. For that

reason, the words “There are schemes” should replace “It can consist”. The Employer Vice-Chairperson agreed, as did the Government member of Canada, that this wording captured better the intention of the Drafting Group. There were no objections to the revised wording.

- 107.** The Government member of Cyprus introduced an amendment to replace, in the third sentence, “social assistance, ... social insurance and” with “social insurance, universal schemes, social assistance and other”. She stated that the amendment would place various forms of social security in a more logical progression. However, she also stated that, after consulting with other Government members, she had concluded that the present ordering was not problematic. On this basis, she withdrew the amendment.
- 108.** The Government member of Poland introduced an amendment to replace the sixth and seventh sentences and the words “In particular,” at the beginning of the eighth sentence with “The State has a general responsibility for the facilitation, promotion and extension of coverage of social security, and in ensuring that social security provisions conform to certain basic principles. The basic principles, to which all social security systems should conform, require in particular that ...”. She stated that the amendment was needed to give greater emphasis in the draft conclusions to the role and responsibility of the State. The Worker and Employer Vice-Chairpersons stated that they were satisfied with the original text. The amendment was rejected.
- 109.** The Government member of Ireland introduced an amendment to insert, in the eighth sentence, after the word “non-discriminatory”, the words “schemes should be designed and modernized, taking account of the findings of research, at both national and international levels, and of best practices; and”. He stated that the amendment was needed to emphasize the importance of a sound design for a social security scheme. However, recognizing the Employer and Worker Vice-Chairpersons’ reluctance to accept proposals to change the emphasis in document, he withdrew the amendment.
- 110.** The Government member of the United Kingdom introduced an amendment to replace the words “a strong” with “an appropriate” in the eighth sentence. He stated that, when the State provided effective regulation of social security schemes, the role of the social partners could be much reduced. Moreover, the word “strong” was too prescriptive; and both the Workers’ and the Employers’ groups had indicated that they would prefer to avoid prescriptive language. The Worker Vice-Chairperson opposed the amendment, stating that social partnership was key to an effective social security scheme. The Employer Vice-Chairperson stated that “appropriate” participation was not the message they wished to send. Rather, workers and employers needed to play a strong role. The amendment was rejected.

Paragraph 5

- 111.** The Government members of Austria, Denmark, Finland, Iceland and Sweden introduced an amendment with two parts. First, it inserted the following text after the third sentence: “When coverage cannot be immediately provided to these groups, insurance – where appropriate on a voluntary basis – or other measures such as social assistance, could be introduced and extended and integrated into the social security system at a later stage when the value of the benefits has been demonstrated and it is economically sustainable to do so.” Second, it inserted after the fourth sentence: “Support for vulnerable groups should be financed by society as a whole.” In explaining the first change, the Government member of Austria stated that the notion of social assistance was not compatible with the notion of provision on a voluntary basis. The phrase “where appropriate on a voluntary basis” had therefore been shifted forward to make clear that it applied to insurance. The Government

member of Denmark then stated that the second part was intended to ensure the responsibilities of governments in relation to vulnerable groups. The Worker and Employer Vice-Chairpersons supported the first part of the amendment which entailed shifting forward the phrase “where appropriate on a voluntary basis” to follow the word “insurance”, but opposed the rest. Following further discussion, the first part of the amendment was adopted.

Paragraph 6

112. The Government members of Denmark, Finland, Iceland and Sweden introduced an amendment calling for the fourth sentence to be replaced with the following text: “This could be done, for example, by providing strong incentives to enable people in the informal economy to gradually enter and stay in the formal economy.” The Government member of Iceland indicated that, after further study of the document, the sponsors felt that there was no need for this change. The amendment was withdrawn.

Paragraph 7

113. Paragraph 7 was adopted without amendment.

Paragraph 8

114. Paragraph 8 was adopted without amendment.

Paragraph 9

115. Paragraph 9 was adopted without amendment.

Paragraph 10

116. The Employer Vice-Chairperson stated that paragraph 10 should be clarified to reflect more accurately the Drafting Group’s agreement. He believed that, in the second sentence, the words “the need to consider the introduction of a minimum wage” should be replaced with “to consider the need and desirability of adopting a minimum wage”. The Worker Vice-Chairperson recalled that the intention had been to replace the phrase with the following text: “to consider the desirability of introducing a minimum wage”. The Government member of Ecuador agreed that the latter wording reflected the Drafting Group’s agreement, and the Government member of Canada concurred. No objections were expressed.

117. The Government member of Malaysia introduced an amendment to replace the word “most” in the first sentence with “many”. He asked whether ILO studies showed that, in most societies, continuing inequalities in earnings between men and women tended to affect women’s social security entitlements. If not, it would be more factually correct to say “many”. The Worker and Employer Vice-Chairpersons said they thought the original text was factually correct. The amendment was rejected.

118. The Government member of Cyprus proposed an amendment to replace, in the third sentence, the words “men provide” with “either parent provides” and to delete “male” before the word “caregiver”. The amendment was intended to ensure that benefits were available on a non-discriminatory basis. The Worker and Employer Vice-Chairpersons supported the amendment which was adopted.

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- 119.** The Government member of the United Kingdom withdrew an amendment to insert the word “sole” after the word “provide” in the third sentence. He explained that the purpose of his amendment had already been dealt with by the previous amendment.
- 120.** The Government member of the United Kingdom proposed an amendment to replace the words “positive discrimination” with “positive actions”. He stated that this was not an attempt to weaken the draft conclusions but that “actions” better described the way governments should deal with this issue. The Worker and Employer Vice-Chairpersons opposed the amendment which was rejected.

Paragraph 11

- 121.** The Government member of Malaysia proposed an amendment to insert in the last sentence the word “sustainable” before “economic growth”. He stated that economic growth should be generated in such a way that it could be sustained for a long period. The Worker Vice-Chairperson agreed, and the Employer Vice-Chairperson stated that this idea was a useful addition. The amendment was adopted.
- 122.** The Government member of Belgium introduced an amendment to insert the following text at the end of the paragraph: “Finally, States should, to the extent their means permit, devote a portion of the fruits of economic growth to covering the costs related to ageing. To this end, it would be useful to set up and maintain a Special Old-Age Fund. Indeed, economic growth and strict budgetary discipline should make significant financial resources available.” He noted that the draft conclusions suggested two possible approaches to dealing with demographic ageing – increased employment and increased economic growth – but felt that this third approach was also important. The Worker Vice-Chairperson stated that, while some governments might wish to pursue this option, it should not be included in the text. The Employer Vice-Chairperson opposed the amendment on the grounds that it would alter the financial balance of social security institutions and exert a negative effect on enterprise growth. The amendment was rejected.

Paragraph 12

- 123.** Paragraph 12 was adopted without amendment.

Paragraph 13

- 124.** The Government member of Malaysia introduced an amendment to replace, in the first sentence, the words “by the collectivity” with “collectively”. The Worker Vice-Chairperson and Employer Vice-Chairperson supported the amendment, and it was adopted.
- 125.** The Worker Vice-Chairperson asked for a change in the third sentence to reflect more closely the Drafting Group’s discussion. The words “which may be available” should in fact read “which exists”. The Employer Vice-Chairperson agreed. No objections were raised.
- 126.** The Government member of Cyprus proposed an amendment to replace, in the sixth sentence, the words “schemes, while the” with “schemes. The”. This change was intended to stress the importance of the specific roles of governments and social partners, and to avoid the impression that governments had a secondary role to play. The Worker Vice-Chairperson agreed that governments had a priority role but stated that this was made clear

later in the text. The Employer Vice-Chairperson expressed his preference for the original wording. The amendment was rejected.

Paragraph 14

127. Paragraph 14 was adopted without amendment.

Paragraph 15

128. Paragraph 15 was adopted without amendment.

Paragraph 16

129. The Government members of Cyprus and France introduced an amendment to the third sentence which inserted the words “Special insurance schemes and” before “Targeted social assistance”, and deleted the word “one” before “means”. The Government member of France stated that this amendment was needed to make it clearer that there was more than one option for extending social security coverage. The Worker and Employer Vice-Chairpersons opposed the amendment, noting that the existing language had been thoroughly discussed in the Drafting Group. The amendment was rejected.

130. The Government members of Cyprus and France proposed an amendment to replace, in the fourth sentence, the words “there may be a need to broaden the” with the words “it is necessary to consider other”, and to replace the word “through” with the word “including”. The Government member of France stated that greater emphasis should be placed on tripartite funding of social security. The Worker Vice-Chairperson opposed the amendment, holding that the original text was well stated; and the Employer Vice-Chairperson also declined to support it. The amendment was rejected.

Paragraph 17

131. The Government member of Belgium proposed an amendment to add, after the fourth point in the fourth sentence, a new point reading “– the ILO should examine how to adapt its standards, in particular Convention No. 102, to the social realities of today’s world.” He recalled that during the general discussion, many speakers had stated that it was worthwhile to review ILO standards, since some of them were now quite old and had been drafted in a very different context. The Worker Vice-Chairperson stated that the social security standards had to be reviewed in an integrated manner, and that it was inappropriate to single out one standard for revision. He reminded the Committee that the Governing Body would be returning to this question later in the year. The Employer Vice-Chairperson said that from the beginning he had urged the Committee not to focus on a single standard, but to look at the overall context. The amendment was rejected.

Paragraph 18

132. The Government members of Namibia and South Africa, on behalf of several African countries, introduced an amendment to replace the fourth point with “equality, with an emphasis on gender and disability”. The Government member of South Africa stated that this amendment would enhance the draft conclusions by recognizing that discrimination affected not only women but also people with disabilities. The ILO must carry out research on the latter in order to enhance employment of the disabled. The Worker and Employer Vice-Chairpersons supported the amendment, and it was adopted.

Paragraph 19

133. The Government member of the Philippines introduced an amendment to add, at the end of the second point, the words “notably social reinsurance”. The amendment was not seconded.
134. The Employer Vice-Chairperson stated that, based on his notes from the meeting of the Drafting Group, the words “joint or” should be inserted before “tripartite governing bodies” in the second line of the fourth point. The Worker Vice-Chairperson agreed that this wording was agreed to by the Drafting Group. No objections were raised.
135. The Government member of Poland proposed an amendment to replace, in the third point, the word “schemes” with “systems”. Her objective was to stress that governments should look at the overall financing of social security, not just at individual schemes. The Worker and Employer Vice-Chairpersons opposed the amendment, and it was rejected.

Paragraph 20

136. The Government member of Nigeria proposed an amendment to replace the word “must” in the first clause with “should”. He felt that “must” was too prescriptive and that it was inconsistent with the word “should” which appeared later in the paragraph. The Worker Vice-Chairperson proposed a subamendment to replace the word “should” in the second clause with the word “must”. The Employer Vice-Chairperson endorsed the Government member of Nigeria’s proposal as subamended by the Worker Vice-Chairperson. The amendment as subamended was adopted.

Paragraph 21

137. Paragraph 21 was adopted without amendment.
138. The draft resolution and conclusions were adopted as amended.
139. The Chairperson concluded the discussion by thanking the Committee members for their excellent work.

Consideration and adoption of the report

Consideration of the report

140. The Committee considered its draft report at its seventh sitting. In introducing the draft report, the Reporter praised the secretariat for its role in preparing a concise, readable report structured thematically around the principal topics discussed. He thanked all those Committee members who contributed to developing a consensus on the need for more social security for all of humanity.
141. Corrections to specific paragraphs were submitted by various members for incorporation in the report.

Adoption of the report

142. At its seventh sitting the Committee unanimously adopted its report as amended.

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- 143.** The Officers of the Committee thanked the Committee members for their excellent work, which had demonstrated the relevance of tripartism as a means of strengthening social security schemes and extending coverage to the excluded majority.
- 144.** The Government member of Canada stressed the great achievement of the Committee in developing consensus on conclusions which were ambitious and were a tribute to all those who had dedicated their lives to the development of social security.
- 145.** The Government member of the Syrian Arab Republic, speaking on behalf of the Arab States Members of the ILO, observed that the very positive results of the Committee's work were a major first step on a long path and he thanked all those who had brought this work to a successful conclusion.

Geneva, 18 June 2001.

(Signed) L. Samuel,
Chairperson.

M. Laroque,
Reporter.

Appendix

Reorganization of suggested points for discussion

In order to facilitate the general discussion, the representative of the Secretary-General proposes the following reorganization of the suggested points for discussion which were appended to Report VI. Essentially the points are similar; they have simply been grouped together by theme to take account of the fact that they will all have to be covered by the end of the sixth sitting of the Committee. For the convenience of delegates, the numbers of the original points which have been subsumed in each of the six themes are indicated in brackets.

1. The overall objective of social security is to provide income security and access to health care and as such it has an important role in achieving the goal of decent work. While some analyses indicate that the changing global context makes it more difficult to extend social security provision, others indicate that strong social security systems are necessary to sustain dynamic labour markets, achieve a more competitive economy and protect the population against economic instability. Does the provision of social security enhance the process of change, improve living standards and increase the productivity of enterprises and economies? (1, 4, 10)
2. Social protection coverage is often problematic in small workplaces, among the self-employed, among migrants and in the informal economy. Are there specific instruments and policies, for example microinsurance, that need to be put in place in order to address these problems and how can these responses contribute to bringing workers into the formal economy? (3)
3. What is the best means of providing income security to the unemployed and combining this with access to employment, at different levels of development and industrialization? (5)
4. Is it sufficient to guarantee equal treatment of women in social security schemes or do more specific measures need to be applied to ensure that social protection policies contribute to the promotion of gender equality? (6)
5. (i) Are changes to systems for financing old-age pensions or other policy measures necessary in order to meet the challenges of ageing populations faced by many countries? (7)
(ii) What are the advantages and disadvantages of alternative methods of financing social security, taking into account differences in ability to contribute to social insurance systems? Can private provision ease the financing of social security without undermining solidarity and universality? (8)
6. (i) How can ILO member States and the social partners work through the use of tripartism to ensure that the right to adequate social security and its good governance becomes a reality, including for those who presently are not covered? (2, 9)
(ii) What should be the long-term priorities for the ILO's research, standard setting and technical assistance work in the social security field which will contribute to the overall goal of decent work? (11)
(iii) Taking into account the integrated approach to standard setting approved by the Governing Body in November 2000, how should this new approach be applied in the social security field? (12)

Resolution concerning social security

The General Conference of the International Labour Organization, meeting in its 89th Session, 2001,

Having undertaken a general discussion on the basis of Report VI, *Social security: Issues, challenges and prospects*;

1. Adopts the following conclusions;
2. Invites the Governing Body of the International Labour Office:
 - (a) to give due consideration to them in planning future action on social security;
 - (b) to request the Director-General to take them into account both when preparing the programme and budget for the 2004-05 biennium and in allocating such resources as may be available during the 2002-03 biennium.

Conclusions concerning social security

1. In 1944 the Conference recognized “the solemn obligation of the International Labour Organization to further among the nations of the world programmes which will achieve ... the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care”. It is time for a renewed campaign by the ILO to improve and extend social security coverage to all those in need of such protection. The Director-General is invited to address the conclusions set out below with the seriousness and urgency they deserve in order to overcome a fundamental social injustice affecting hundreds of millions in member States.
2. Social security is very important for the well-being of workers, their families and the entire community. It is a basic human right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of government social policy and an important tool to prevent and alleviate poverty. It can, through national solidarity and fair burden sharing, contribute to human dignity, equity and social justice. It is also important for political inclusion, empowerment and the development of democracy.
3. Social security, if properly managed, enhances productivity by providing health care, income security and social services. In conjunction with a growing economy and active labour market policies, it is an instrument for sustainable social and economic development. It facilitates structural and technological changes which require an adaptable and mobile labour force. It is noted that while social security is a cost for enterprises, it is also an investment in, or support for, people. With globalization and structural adjustment policies, social security becomes more necessary than ever.
4. There is no single right model of social security. It grows and evolves over time. There are schemes of social assistance, universal schemes, social insurance and public or private provisions. Each society must determine how best to ensure income security and access to health care. These choices will reflect their social and cultural values, their history, their institutions and their level of economic development. The State has a priority role in the facilitation, promotion and extension of coverage of social security. All systems should conform to certain basic principles. In particular, benefits should be secure and non-discriminatory; schemes should be managed in a sound and transparent manner, with administrative costs as low as practicable and a strong role for the social partners. Public confidence in social security systems is a key factor for their success. For confidence to exist, good governance is essential.
5. Of highest priority are policies and initiatives which can bring social security to those who are not covered by existing systems. In many countries these include employees in small workplaces, the self-employed, migrant workers, and people – many of them women – active in the informal economy. When coverage cannot be immediately provided to these groups, insurance – where appropriate on a voluntary basis – or other measures such as social assistance could be introduced and extended and integrated into the social security system at a later stage when the value of the benefits has been demonstrated and it is economically sustainable to do so. Certain groups have different needs and some have very low contributory capacity. The successful extension of social security requires that these differences be taken into account. The potential of microinsurance should also be rigorously explored: even if it cannot be the basis of a comprehensive social security system, it could be a useful first step, particularly in responding to people’s urgent need for improved access to health care. Policies and initiatives on the extension of coverage should be taken within the context of an integrated national social security strategy.

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- 6.** The fundamental challenge posed by the informal economy is how to integrate it into the formal economy. This is a matter of equity and social solidarity. Policies must encourage movement away from the informal economy. Support for vulnerable groups in the informal economy should be financed by society as a whole.
 - 7.** For persons of working age, the best way to provide a secure income is through decent work. The provision of cash benefits to the unemployed should therefore be closely coordinated with training and retraining and other assistance they may require in order to find employment. With the growth of economies in the future, education and skills of the workforce will be increasingly important. Education should be made available to all children to achieve adequate life skills, literacy and numeracy, and to facilitate personal growth and entry into the workforce. Lifelong learning is vital to maintain employability in today's economy. Unemployment benefits should be designed so that they do not create dependency or barriers to employment. Measures to make work financially more attractive than being in receipt of social security have been found effective. However benefits must be adequate. Where it is not deemed feasible to establish a system of unemployment benefits, efforts should be made to provide employment in labour-intensive public works and other projects, as is successfully done in a number of developing countries.
 - 8.** Social security should promote and be based on the principle of gender equality. However, this implies not only equal treatment for men and women in the same or similar situations, but also measures to ensure equitable outcomes for women. Society derives great benefit from the unpaid care which women in particular provide to children, parents and infirm family members. Women should not be systemically disadvantaged later in life because they made this contribution during their working years.
 - 9.** As a result of the vastly increased participation of women in the labour force and the changing roles of men and women, social security systems originally based on the male breadwinner model correspond less and less to the needs of many societies. Social security and social services should be designed on the basis of equality of men and women. Measures which facilitate the access of women to employment will support the trend towards granting women social security benefits in their own right, rather than as dependants. The nature of survivors' benefits needs to be kept under review and, in the event of reform, appropriate transitional provisions must be made to protect women whose life course and expectations have been based on the patterns of the past.
 - 10.** In most societies, continued inequalities in earnings between men and women tend to affect women's social security entitlements. This underlines the need for continued efforts to combat wage discrimination and to consider the desirability of introducing a minimum wage, where it does not already exist. Where either parent provides care for children, social security benefits for childcare purposes should be made available to the caregiver. Furthermore, each society should consider introducing positive discrimination in favour of women where systemic discrimination is faced.
 - 11.** The ageing of the population in many societies is a phenomenon which is having a significant effect on both advance-funded and pay-as-you-go pension systems and on the cost of health care. This is transparent in pay-as-you-go systems where a direct transfer takes place from contributors to pensioners. It is, however, just as real in advance-funded systems, where financial assets are sold to pay for pensions and purchased by the working generation. Solutions must be sought above all through measures to increase employment rates, notably of women, older workers, youth and persons with disabilities. Ways must also be found to achieve higher levels of sustainable economic growth leading to additional numbers in productive employment.

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- 12.** In many developing countries, particularly in sub-Saharan Africa, the HIV/AIDS pandemic is having a catastrophic effect on every aspect of society. Its impact on the financial base of their social security systems is particularly acute, as the victims are concentrated among the working age population. This crisis calls for a much more urgent response through research and technical assistance by the ILO.
 - 13.** In pay-as-you-go defined benefit pension systems, risk is borne collectively. In systems of individual savings accounts, on the other hand, risk is borne by the individual. While this is an option which exists, it should not weaken solidarity systems which spread risks throughout the whole of the scheme membership. Statutory pension schemes must guarantee adequate benefit levels and ensure national solidarity. Supplementary and other negotiated pension schemes tailored more to the circumstances and contributory capacity of different groups in the labour force can be a valued addition to, but in most cases not a substitute for, statutory pension schemes. The social partners have an important role to play with regard to supplementary and other negotiated schemes, while the State's role is to provide an effective regulatory framework, and supervisory and enforcement mechanisms. Governments should consider that any support or tax incentives for these schemes should be targeted towards low- or medium-income earners. It is for each society to determine the appropriate mix of schemes, taking account of the conclusions of this general discussion and relevant ILO social security standards.
 - 14.** To be sustainable, the financial viability of pension systems must be guaranteed over the long term. It is therefore necessary to conduct regular actuarial projections and to implement the necessary adjustments sooner rather than later. It is essential to make a full actuarial evaluation of any proposed reform before adopting new legislation. There is a need for social dialogue on the assumptions to be used in the evaluation and on the development of policy options to address any financial imbalance.
 - 15.** Social security covers health care and family benefits and provides income security in the event of such contingencies as sickness, unemployment, old age, invalidity, employment injury, maternity or loss of a breadwinner. It is not always necessary, nor even in some cases feasible, to have the same range of social security provisions for all categories of people. However, social security systems evolve over time and can become more comprehensive in regard to categories of people and range of provisions as national circumstances permit. Where there is limited capacity to finance social security, either from general tax revenues or contributions – and particularly where there is no employer to pay a share of the contribution – priority should be given in the first instance to needs which are most pressing in the view of the groups concerned.
 - 16.** Within the framework of the basic principles set out earlier, each country should determine a national strategy for working towards social security for all. This should be closely linked to its employment strategy and to its other social policies. Targeted social assistance programmes could be one means to commence the introduction of social security for excluded groups. As government resources are limited in developing countries, there may be a need to broaden the sources of funding for social security through, for example, tripartite financing. Where possible, government support might cover initial start-up costs, in-kind support in the form of facilities and equipment, or support for low-income groups. In order to be effective, initiatives to establish or extend social security require social dialogue. Any changes to established social security systems should be introduced with adequate protection for existing beneficiaries. Innovative pilot schemes are to be encouraged. Well-designed and cost-effective research is necessary in order to provide objective evaluations of pilot schemes. Research and technical assistance are necessary to improve governance of systems.

17. ILO activities in social security should be anchored in the Declaration of Philadelphia, the decent work concept and relevant ILO social security standards. Social security is not available to the majority of the world's people. This is a major challenge which needs to be addressed in the coming years. In that regard the Conference proposes that:

- a major campaign should be launched in order to promote the extension of coverage of social security;
- the ILO should call on governments to give the issue of social security a higher priority and offer technical assistance in appropriate cases;
- the ILO should advise governments and the social partners on the formulation of a national social security strategy and ways to implement it;
- the ILO should collect and disseminate examples of best practice.

Constituents should be encouraged to approach the ILO for special assistance to achieve outcomes which significantly improve the application of social security coverage to groups which are currently excluded. The programme is to be undertaken as soon as practicable and be subject to regular reports to the Governing Body.

18. The main areas identified for future social security research and meetings of experts are:

- the extension of coverage of social security;
- HIV/AIDS and its impact on social security;
- governance and administration of social security systems;
- equality, with an emphasis on gender and disability;
- ageing and its impact on social security;
- financing of social security;
- sharing of good practice.

These activities should form the basis for the further development of the ILO policy framework on social security and should be clearly linked to the further work programme, technical assistance priorities and activities of the ILO in this area.

19. The ILO's technical cooperation with governments and the social partners should include a wide range of measures, in particular:

- extending and improving social security coverage;
- developing innovative approaches in the area of social security to help people to move from the informal economy to the formal economy;
- improving the governance, financing and administration of social security schemes;
- supporting and training the social partners to participate in policy development and to serve effectively on joint or tripartite governing bodies of social security institutions;

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- improving and adapting social security systems in response to changing social, demographic and economic conditions;
 - introducing means to overcome discrimination in outcomes in social security.
- 20.** The ILO should complete the programme of work as recommended above and must report regularly to the Governing Body on the results of that work, thereby enabling the Governing Body to monitor progress and decide how to proceed further.
- 21.** The ILO should continue to develop interagency cooperation in the social security field, including with the International Social Security Association. The ILO should invite the IMF and the World Bank to support the conclusions adopted by the Conference and to join with the ILO in promoting social justice and social solidarity through the extension of comprehensive social security.

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