

SHAPING THE FUTURE OF SOCIAL PROTECTION: ACCESS, FINANCING AND SOLIDARITY



NACIONES UNIDAS

CEPAL

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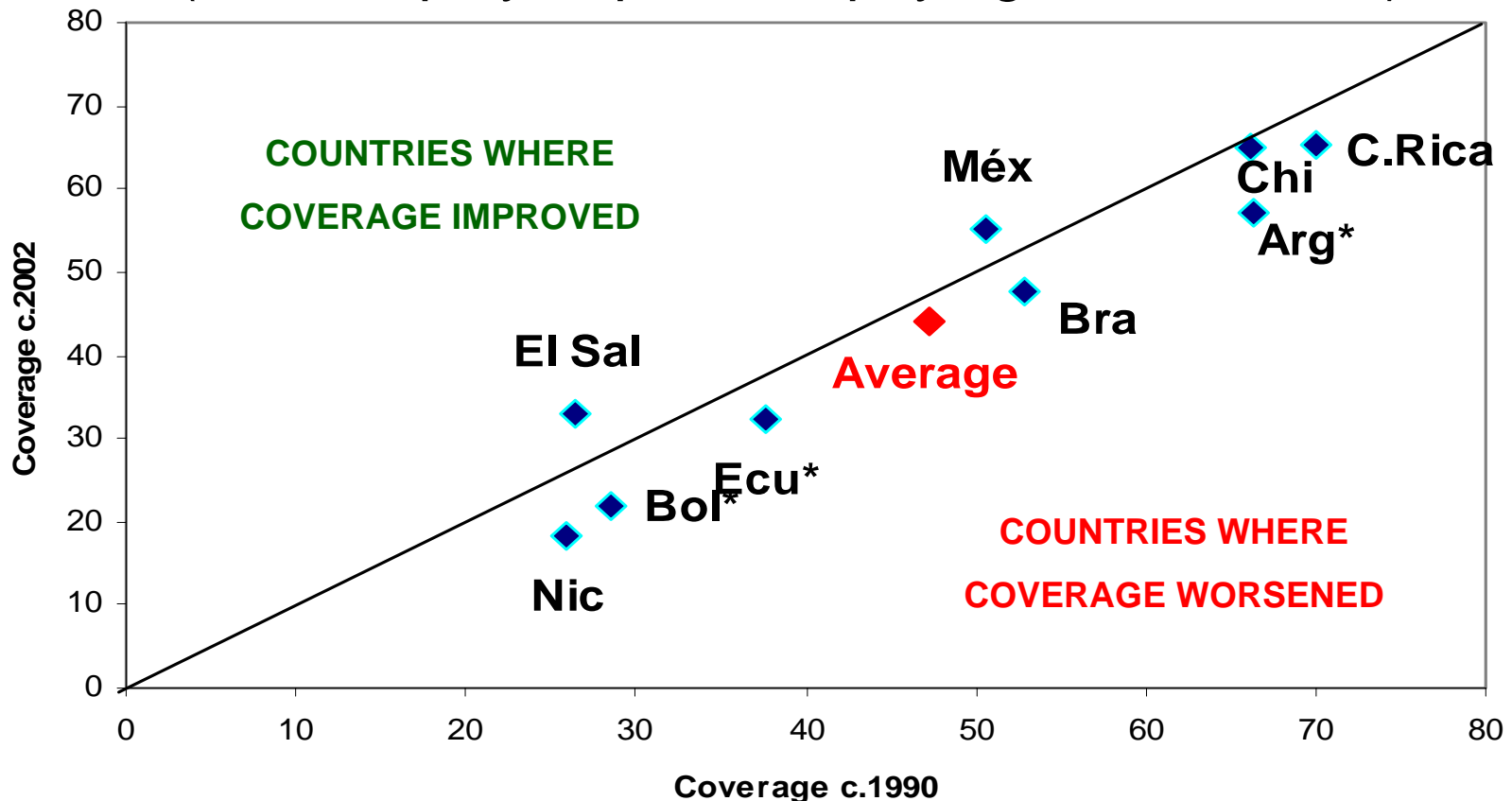
THIRTY-FIRST SESSION OF ECLAC
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Background and the Reforms of the 1990s

- The welfare State founded upon the concept of a labour-based society has not lived up to expectations
 - Limited coverage, which is a factor in social exclusion
 - Income inequality carries over into social protection
- The reforms of the 1990s sought to improve financing and access by:
 - Creating a closer link between employment and protection based on the formalization of the labour market
 - Placing more emphasis on incentives and efficiency than on solidarity

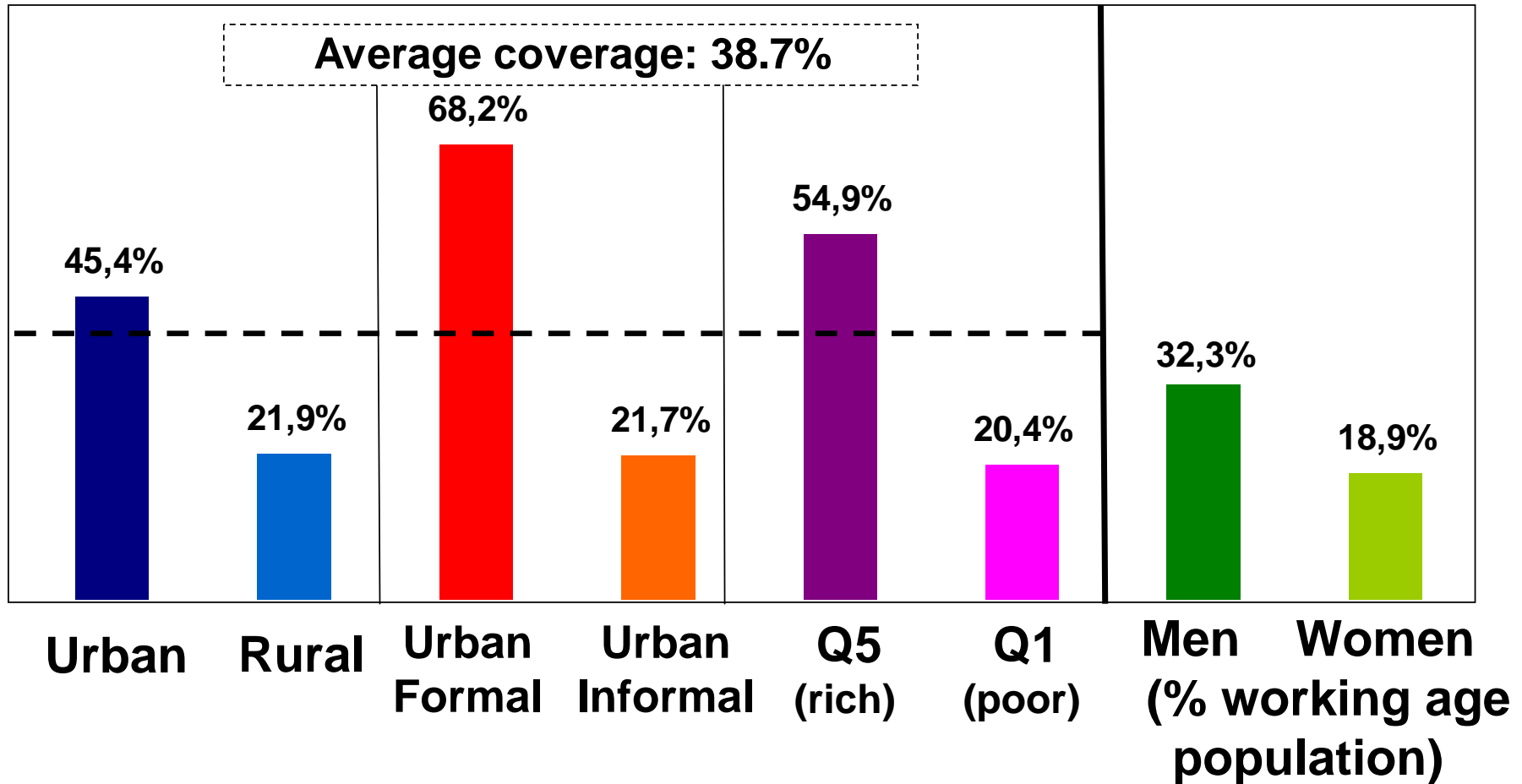
Despite the reforms, non-contributory coverage has not increased since 1990

LATIN AMERICA: COVERAGE IN 1990 AND 2002
(% of employed persons paying contributions)



Inequity in the structure of contributions

LATIN AMERICA AND THE CARIBBEAN:
EMPLOYED WORKERS WHO CONTRIBUTE (c. 2002)



In summary

On average,

- *4 out of every 10 employed persons* pay into the social security system
- *4 out of every 10 persons over 70* receive income through retirement or other pensions
- *4 out of every 10 persons* live in poverty

A high degree of heterogeneity among the countries of the region

Social protection: a change in approach

- Employment should no longer be seen as the only mechanism for access to social protection
- Need to strike a better balance between incentives and solidarity
- New forces of change in demographics, epidemiological patterns and family structure

A new social covenant is needed in order to universalize social protection



Content of a new social covenant

- Explicit, guaranteed and enforceable rights
- Definition of levels and sources of financing (solidarity mechanisms)
- Development of a framework of social institutions

Economic and social rights in public policy

- Three dimensions of economic and social rights:
 - ethical
 - procedural
 - content

Work to build genuine social citizenship.

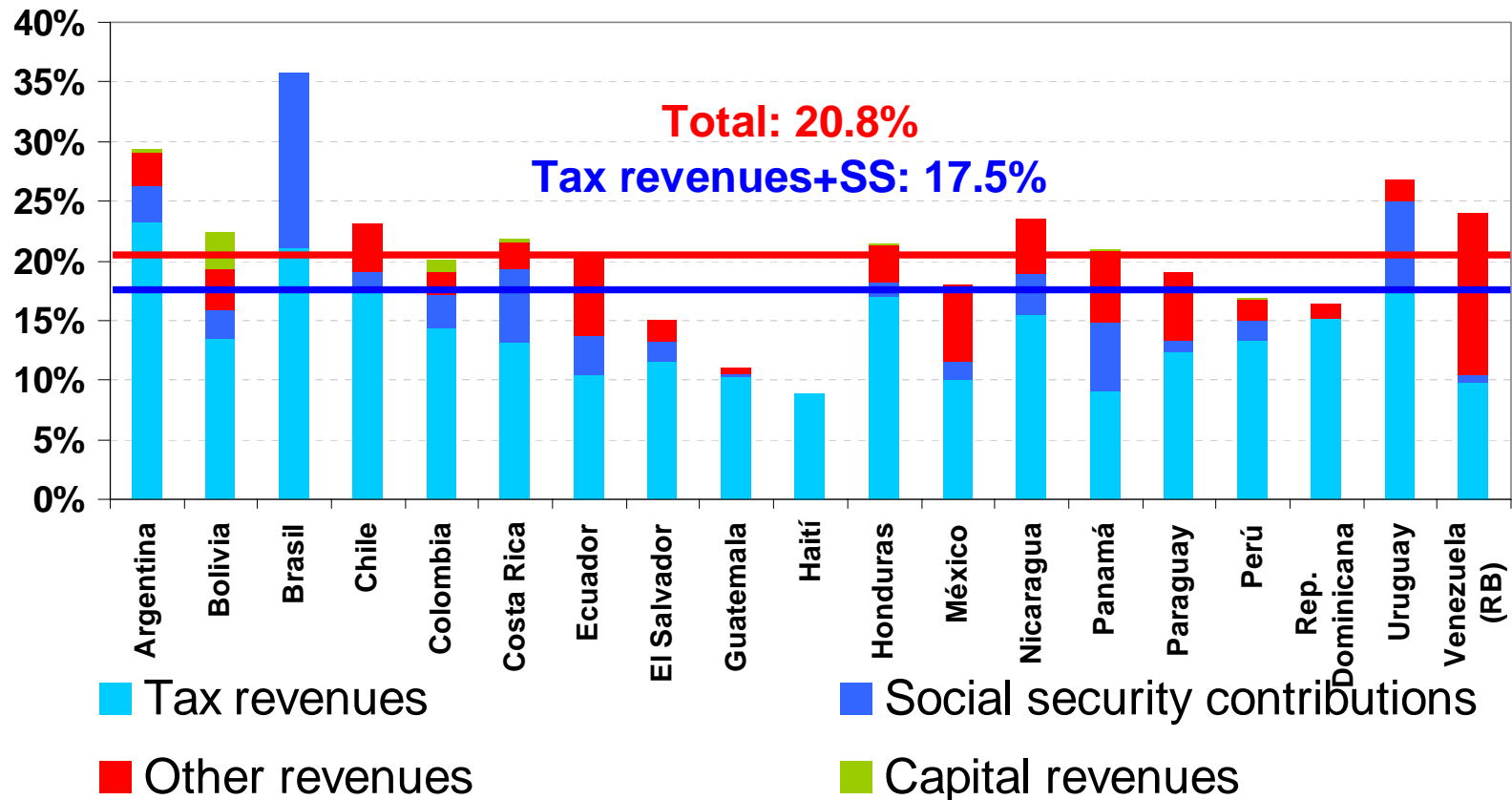


Sources of financing

- Challenges for social protection systems:
 - Increase non-contributory financing: boost tax collection and reallocate expenditure
 - Include a solidarity component within the contributory scheme

Public revenues

LOW LEVEL OF TAX REVENUES (% GDP, 2004)





Sectoral proposals

- The document develops a series of proposals regarding:
 - Health-care systems
 - Pension systems
 - Anti-poverty social programmes

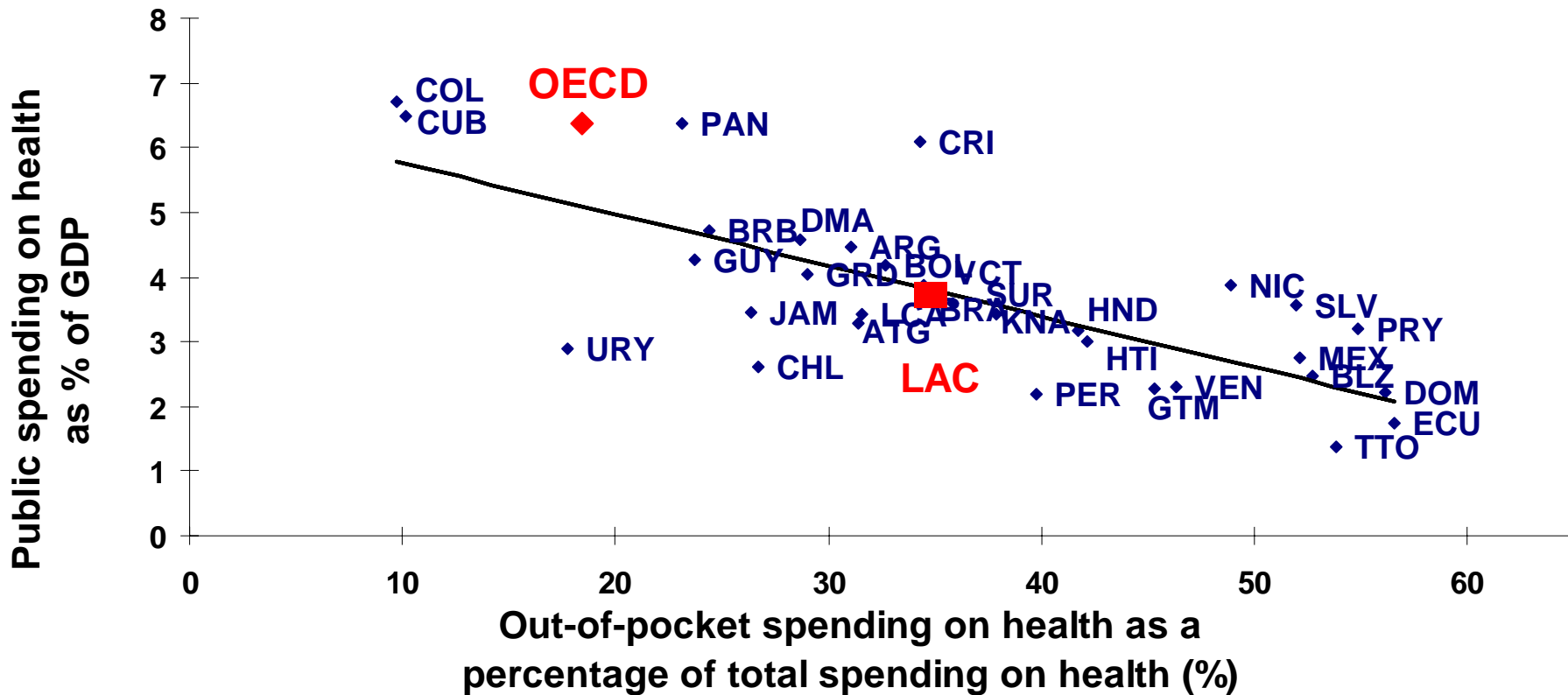
Reforms are non-replicable processes



Challenges for social protection in health

- Striking inequity in access to health services in the region

Inequity: out-of-pocket spending on health



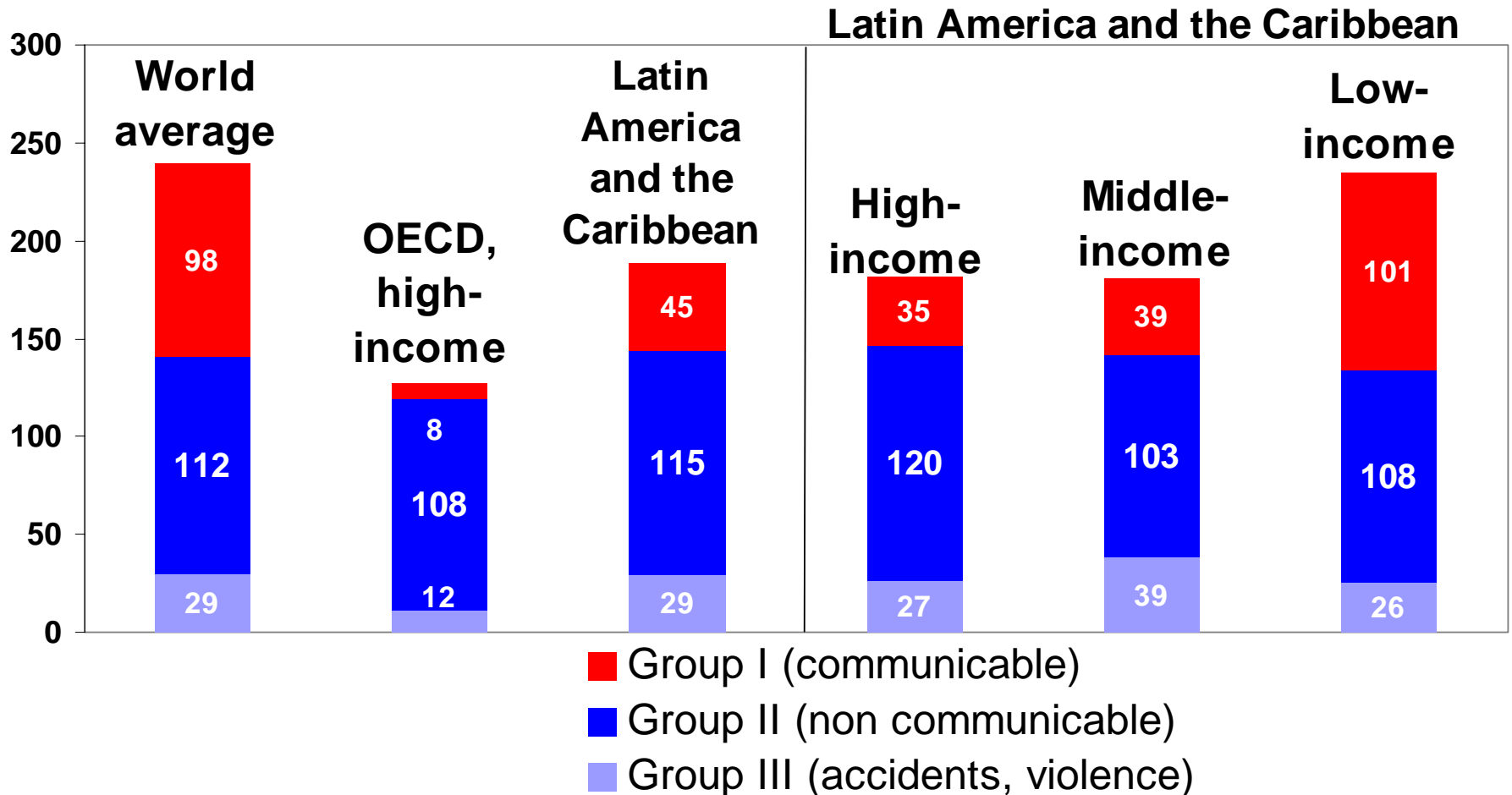


Challenges for social protection in health

- Striking inequity in access to health services in the region
- Demographic, epidemiological and technological transitions

Incidence of disease

DALYs per 1,000 inhabitants





Challenges for social protection in health

- Striking inequity in access to health services in the region
- Demographic, epidemiological and technological transitions
- Problems with the coordination of subsystems in terms of financing and service delivery

Moving towards universalization



The health reform agenda should include (1)

1. Integration of public and social security systems:
 - Solidarity: Access to services regardless of contributions, payment capacity and individual risk levels
 - Efficiency: Improved risk management and avoidance of duplications
2. Establish benefits with universal coverage and guaranteed entitlements (health needs)



The health reform agenda should include (2)

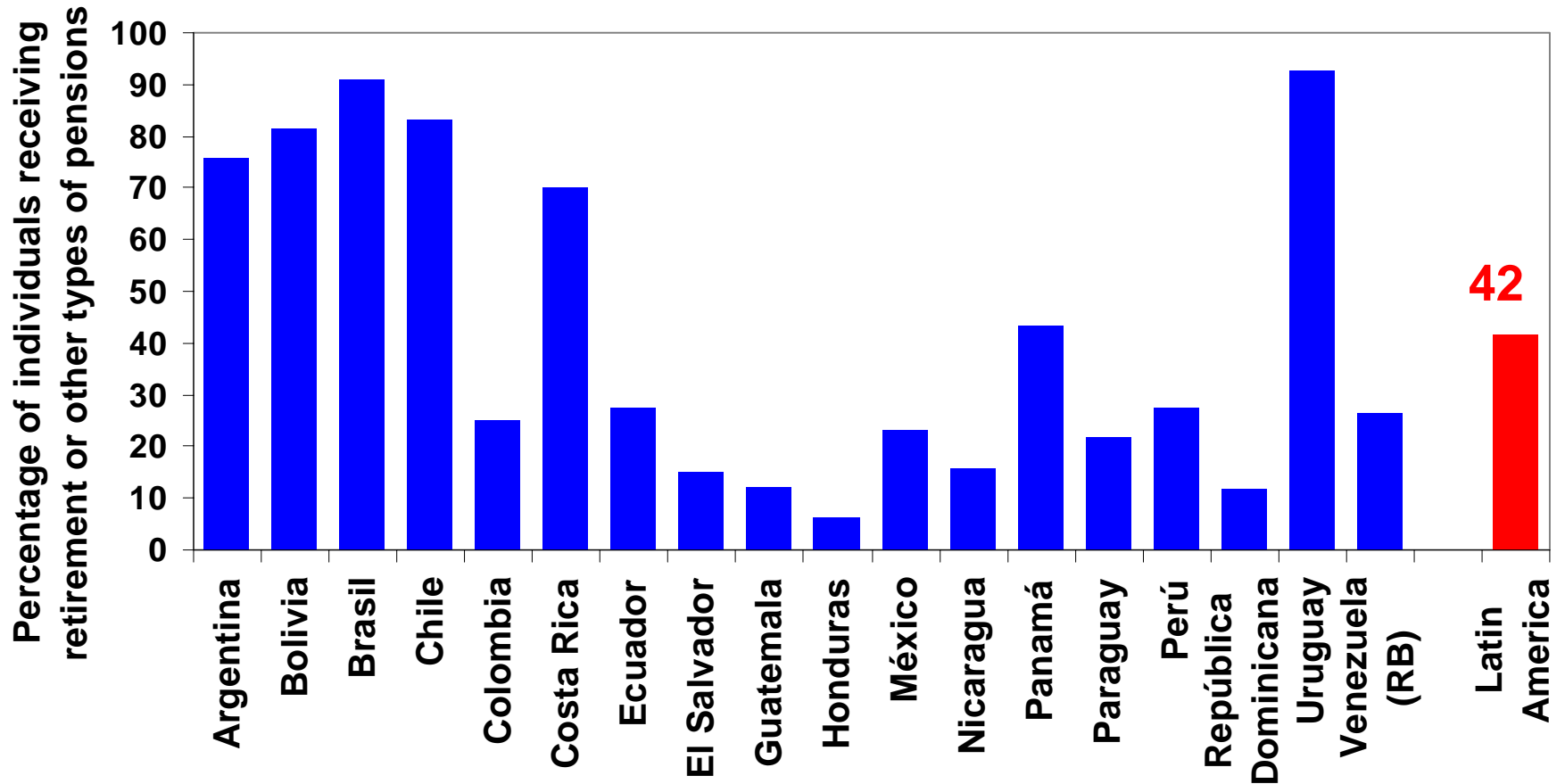
3. Policies on the organization and delivery of services
 - Separation of financing from service provision
 - Coordination of the supply of health-care services
 - Improvement of payment mechanisms
 - Regulation and oversight
4. Policies on public health and the expansion of primary care
 - Strengthening of primary-care prevention and treatment
 - Decentralization



Challenges for pension systems

- Ageing of the population and limited contributory and non-contributory pension coverage

Pension coverage: Only 4 out of every 10 persons over 70 receive some sort of pension



Challenges for pension systems

- Ageing of the population and limited contributory and non-contributory pension coverage
- Segmented contributory systems with financing difficulties
- Difficulty of reaching a consensus on parametric reforms in PAYG systems
- Limited coverage of non-contributory systems

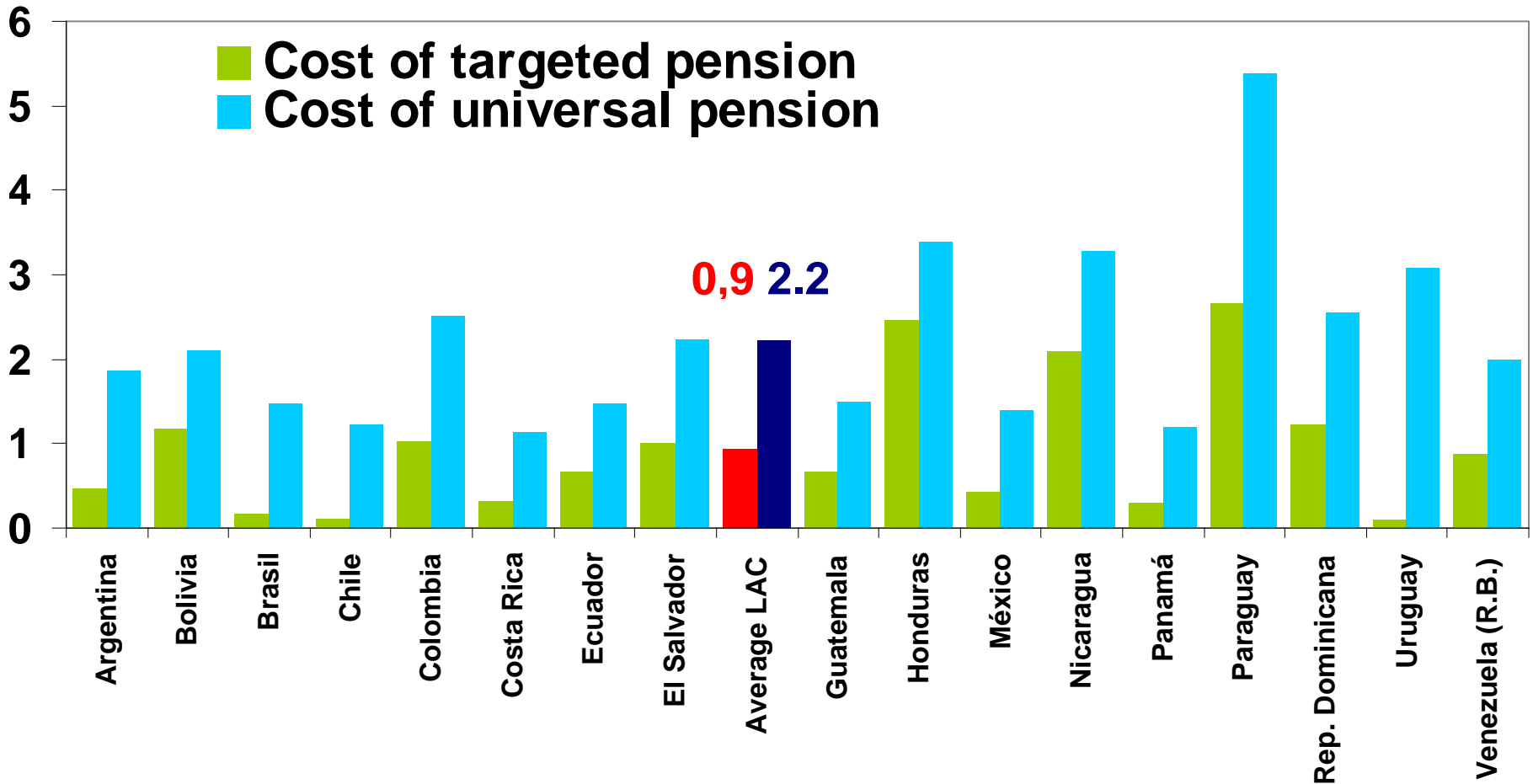


Pension reform agenda

1. Strengthen non-contributory pensions

Non-contributory pensions for over-65s to cut the poverty rate in half

COST OF PENSION BENEFITS EQUIVALENT TO ONE POVERTY LINE (As percentage of GDP)



Pension reform agenda

1. Strengthen non-contributory pensions
2. Reform PAYG systems
 - Emphasis on contributory solidarity
 - Promotion of participation in contributory system (e.g., a closer link between contributions and benefits)
 - Financial viability (notional or parametric reforms)
 - Standardization and unification of pension systems
3. Supplement with individual capitalization
 - Diversify economic, financial and demographic risks
 - Transition costs
 - Industrial organization
 - Gender equity (labour market and life tables)



Context for social programmes

- Poverty limits the exercise of citizenship and the enforceability of rights
- Poverty runs counter to equality of opportunity for present and future generations
- Multidimensionality of poverty has given rise to a broad range of programmes



Challenges for anti-poverty social programmes

- Alleviate poverty in the short run
- Break the cycle of intergenerational poverty transmission (human capital)
- Create a framework of social institutions:
 - Intersectoral coordination and integration
 - Transparency and evaluation
 - Continuity and consistency
 - Engagement of civil society

Proposals for enhancing conditional transfer and employment programmes

1. Share the programme-generated workload within the household (CCT)
2. Incorporate social capital criteria
3. Proactive role for the State in incorporating beneficiaries into the programmes
4. Ensure supply of health and education services to match programme-induced increase in demand (CCT)
5. Explicit exit rules
6. Strengthen skills-building in employment programmes

In summary

- The job of universalizing and improving social protection is yet to be completed
- Employment alone is not enough to universalize coverage
- Greater complementarity between solidarity and incentives
- The contributory and non-contributory systems need to be integrated

Reforms in the context of a social pact in which rights are the normative horizon and economic inequalities are constraints to be overcome

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