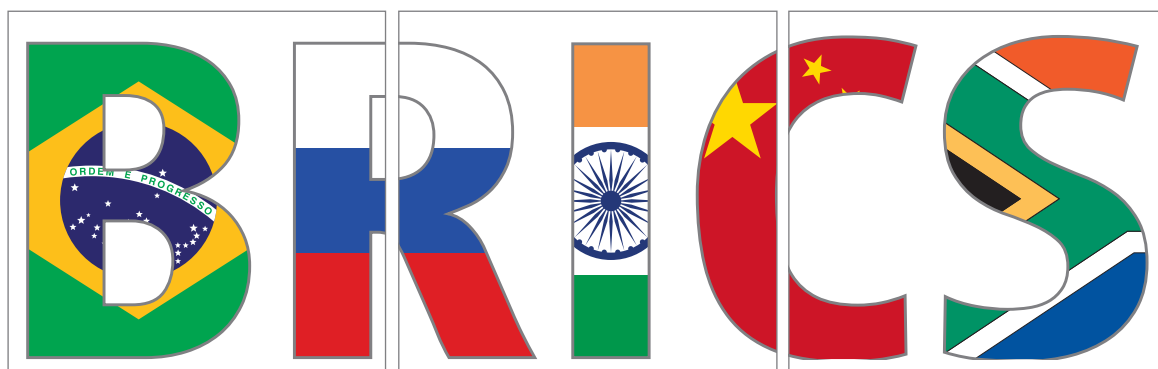




Social Policy Highlight

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The BRICS – Dynamic Social Security in action

Brazil, the Russian Federation, India, China and South Africa – the BRICS countries – are emblematic of the important transformations underway in the global economic, social and demographic environment. The importance of these countries stretches well beyond the fact that they have enjoyed significant and sustained economic growth over the last two decades. As confirmed by a major ISSA research report *Social security coverage extension in the BRICS*, the recent experience of the BRICS offers other positive lessons – a wealth of innovative case studies and good practices in social security that deserve to be shared, built upon and can be applied in other countries. Driven by an important degree of political will, many of the most influential developments have been innovative initiatives to extend coverage for cash and in-kind benefits and access to health care. As this *Highlight* underlines, different measures to cover vulnerable and often previously excluded groups stand out in particular. Notwithstanding evolving demographic, health, social, labour market and economic challenges, the BRICS continue to lead by example. More than a strategic vision, social security administrations in the BRICS truly represent Dynamic Social Security in action.

Hans-Horst Konkolewsky, ISSA Secretary General

Diverse starting points, common goals

The BRICS countries represent 42 per cent of the world's population and 30 per cent of its land mass. In 2011, these countries accounted for 25 per cent of global GDP. On the basis of these figures alone it is easy to see why national developments in these five countries have become globally significant. That these countries are also home to positive and innovative developments in the delivery and extension of social security should therefore come as no surprise.

This issue

- Reports on the BRICS countries and their efforts to extend coverage
- Compares national case studies and priorities
- Spotlights the importance of improving social security administration
- Discusses challenges to realizing social security for all

As new ISSA research reveals, targeted measures across the BRICS to extend social security coverage to vulnerable and often previously excluded groups, such as families with children (Brazil, South Africa), rural populations (Brazil, China, India, South Africa), and migrant workers and their families (China, India, Russia), are having a significant impact. As a broader indication of political will, the populations of Brazil and South Africa even have a constitutional right to social security.

In spite of their common efforts to extend coverage, the BRICS operate in very different national environments. In the first instance, each country's current social security framework reflects to a large degree the history of the country and its aims and attitudes to social security. In turn, their cultural, institutional and population characteristics vary widely.

Common challenges to coverage extension

In the BRICS, coverage is provided under most or all social security branches. However, coverage levels vary, with higher levels generally achieved by health care systems than for old-age, disability and unemployment benefits.

Given that social security provision has historically been focused on covering salaried employees, all BRICS countries have had to address changing benefit rules, structures and financing mechanisms to facilitate coverage for the significant number of the population that do not fall into this category, such as the self-employed, informal-sector workers, and rural populations.

Rural populations present a specific set of challenges. These relate to ensuring a geographical presence of front-line services, simplifying adhesion, contribution payment and benefit payment procedures, and addressing affordability issues. Voluntary contributory schemes are often used as one stepping stone to achieving coverage extension objectives. Yet, the success of voluntary schemes in extending coverage varies. Targeted populations for voluntary affiliation may not have the necessary financial resources or may consider the benefits provided as inappropriate, raising the question of how to better tailor benefits to satisfy their needs.

In the absence of provisions tailored appropriately to different population groups, structural inequalities in these societies may be exacerbated by the design of the social security system. And the increasing importance of occupational or private benefit provision for salaried employees may compound inequalities in coverage and the levels of benefit received. Another source of inequality in the BRICS is the growing mobility of workers – internal and cross-border migrants – which requires appropriate policy responses and administration measures. Questions to be addressed more fully include extending coverage to migrant workers' family members and improving the coordination and record-keeping of different agencies when there is a nationwide fragmentation of service.

For all BRICS countries, ensuring the adequacy of benefits is becoming increasingly important. With increasing financial constraints and a changing socio-economic environment, this challenge raises issues for tax-financed as well as contributory benefits.

Improving administration

In the first instance, evidence from the BRICS suggests that successfully extending coverage requires an increase in front-line service capacity, with appropriate investment in ICT, and the improved management and training of social security administration employees. But with fiscal constraints becoming more commonplace, this must be achieved while realizing greater efficiencies across the board. According to the financial model of the social security system, it also raises the question of how to ensure adequate and predictable transfers from public finances to meet coverage objectives. A potential obstacle in the BRICS is that the formal roles played by national, regional and local levels of government – and often a federal structure – means that administration and management of social security is often fragmented. A fragmented design can limit the redistributive possibilities of social security and increase administration costs.

Measures to extend coverage

Although responses vary by country, measures adopted by the BRICS show that innovative responses to the challenge of extending coverage exist:

- Great strides have been made in the coverage of rural populations and migrants. Effective approaches require a combination of an appropriate benefit and financing structure (e.g. Brazil) and improved access (e.g. extending e-services in China, or working with other stakeholders in India, through legislative reform for migrants in Russia, or the use of mobile offices in South Africa).
- The administration and management of social security programmes has improved through the application of modern management techniques, the effective use of ICT (e.g. introduction of social security ID cards in China and SmartCards in India and South Africa) and the training and development of personnel.
- Social security administrations have proved flexible in adapting procedures and processes to the needs of previously uncovered population groups. By taking more fully into account local realities, observed developments include simplifying adhesion, changing benefit structures, and facilitating the payment of contributions and benefits.
- Fragmentation of delivery and benefit provision is being addressed by better organizational coordination and the appropriate use of ICT. This has led to a reduction in the duplication of benefits, improved delivery of services, and allowed administrations to better respond to the challenges of increased migration.
- A more proactive and preventive approach can be seen in some BRICS countries. For instance, the linking of unemployment insurance with employment policies (such as retraining) and an increased focus on rehabilitation after accidents (e.g. for road accident injuries in South Africa) to reduce future medical costs and facilitate return to work.
- Informing populations about their rights to social security has been improved through the use of ICT-driven information campaigns and through working closely with civil society groups and groups representing workers. This has reinforced other measures to extend social protection to hard-to-cover groups.

BRICS snapshots

Brazil

The 1988 Brazilian Constitution requires universality of coverage and services and equivalence for urban and rural populations. From 2005 to 2009, the number of recipients of social insurance pensions increased by 11 per cent while the number of social assistance recipients increased by 25 per cent. Most coverage efforts made since 2009 have focused on cash transfer programmes, including Bolsa Família and family benefits. As a measure of the success of such programmes, the proportion of the working-age population without access to social insurance or social assistance decreased from 39.6 per cent in 1998 to 35.1 per cent in 2008. Only 2 per cent of those aged 65 or older have no coverage at all. The tax-financed social pension payable to rural workers has significantly reduced poverty for all ages, but especially for the elderly. Yet, challenges remain: 50 per cent of the working population do not contribute regularly to social security.

Russian Federation

The Russian Federation differs from the other BRICS countries in that although it has built on the universal social security system from Soviet times it has arguably faced greater social, economic and demographic changes. With Russia's population having decreased by over 5 million since the 1990s, the focus has been placed on activities to improve the birth rate, including significant improvements in maternity and family benefits such as increased child allocations. Another noticeable focus has been placed to improve adequacy of health services and pension benefits. A Russian specificity is the significant number of workers entitled to special benefit provisions; these include workers in so-called "hazardous occupations" and those employed in the Far North of Russia. There is growing recognition that efforts to extend coverage to the informally employed migrant workers will only be efficient in coordination with measures aiming to formalize this sector. Despite economic growth and a current account surplus, the long-term sustainability of social security schemes in Russia remains challenging.

India

India is a young country characterized by a favourable demographic situation with a high birth rate meaning that it will age much less rapidly than the other BRICS countries (apart from South Africa). The major challenge for India is extending coverage to a large informal or "unorganized" sector making up over 90 per cent of the workforce. To increase coverage significantly, extension efforts need to address the challenges of including this large sector. The last decade has seen a number of initiatives in both non-contributory and contributory programmes seeking to address this issue: e.g. National Old Age Pension Scheme and the Universal Health Insurance Scheme. Despite the dominance of the unorganized sector, the Employees Provident Fund for the formal sector nonetheless covers around 50 million workers. In 2009, the scheme was opened to all workers on a voluntary basis, but as there is no matching employer contributions voluntary takeup has been low.

BRICS snapshots (continued)

China

Over the last decade, China has taken advantage of its current favourable demographic situation, political will and healthy government finances to substantially increase coverage through the introduction and extension of different social security programmes. It has addressed the challenge of large regional differences in the socio-economic environment and significant rural to urban migration to move to almost 100 per cent medical coverage and over half of the population covered for old-age benefits. Despite the gradual move to a universal system, fragmentation of benefit provision and management remains an issue, with many programmes administered at a county or city level by different authorities. This raises problems of duplication of benefits, integration with other benefit programmes and employment policy and in some areas a lack of qualified staff and expertise. That said, in adopting a step by step approach to programme piloting and then wider coverage extension, continuing efforts are pushing forward the creation of a truly universal system.

South Africa

The South Africa constitution entrenches the right to social security benefits in law. Benefit coverage is widespread; all risks are in theory covered by a mixture of contributory and non-contributory schemes plus cash transfer programmes, but some groups of workers have less than full access to all benefits, including the self-employed, domestic workers and informal-sector workers. The provision of benefits is characterized by the importance of a non-contributory financing model, which is used for old-age benefits, family benefits and disability grants amongst others, based on minimum residency or citizenship requirements and minimum age conditions. These benefits are flat rate and means tested: high levels of poverty mean that access to cash benefits is very wide. There is a universal public medical service; in practice, however, there is a large difference between benefits and services for the population who receive medical services from the public system and those for salaried workers who enjoy access to more comprehensive private medical plans. The key challenges are related to extending coverage to groups that are currently excluded, reducing inequalities in the system, and improving the duration and adequacy of benefits in certain branches. Another challenge is the importance of reinforcing unemployment insurance with effective job re-integration measures.

Future challenges for the BRICS

Despite progress in extending coverage, a number of challenges remain in the BRICS. Tackling poverty is one. So too is guaranteeing the future adequacy of benefit provisions while also confronting income inequalities. Another is how to minimize the administrative inefficiencies associated with fragmented schemes.

Looking forward, six major issues face social security systems in the BRICS:

1. Demographic challenges are likely to be the biggest influence on all aspects of benefit provision – albeit not at the same pace, increasing life expectancy and a lower birth rate means

that the BRICS countries will age. The question is how to balance the allocation of transfers across generations and across the life cycle and thus define priorities for coverage extension efforts.

2. Increasing migration flows, both internal and cross-border, will require appropriate responses in the design, financing and administration of benefits.
3. Changing family structures will influence social cohesion, reduce traditional support mechanisms and increase the demand for social security protection. Without adequate financing mechanisms, social security systems will struggle to meet their objectives.
4. Social security systems will be increasingly called upon to respond to future shocks such as economic downturns and natural disasters. Climate change is likely to lead to more “extreme events”. In addition, an increase in the incidence of noncommunicable diseases, such as obesity and diabetes, will stretch medical and health care systems, as well as prompting a greater focus on, and the need for higher investment in, preventive and proactive measures.
5. An increasingly interlinked and interdependent world may lead to growing inequalities. Although these can be met by effective benefit measures, these should be partnered with advocacy measures to strengthen a positive public perception of social security systems.
6. The double challenge of moving towards social security coverage for all and providing an adequate benefit will become increasingly important.

For the ISSA, the track record and political will of the BRICS in their work to extend coverage merits greater international attention – the BRICS’ social security administrations are pacesetters for Dynamic Social Security in action. And in rising to meet projected demographic, health, social, labour market and economic challenges, the expectation is that the BRICS will continue to lead by example.

Source

ISSA. 2013. *Social security coverage extension in the BRICS countries: A comparative study on the extension of coverage in Brazil, the Russian Federation, India, China and South Africa.* Geneva, International Social Security Association.

The **International Social Security Association (ISSA)** is the world’s leading international organization bringing together national social security administrations and agencies. The ISSA provides information, research, expert advice and platforms for members to build and promote dynamic social security systems and policy worldwide.

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