Rethinking the Role of Social Security in Development

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Countries which have been the most successful in achieving long-term sustainable growth and poverty reduction have achieved this – to a greater or lesser extent – by putting in place extensive systems of social security. Clearly, social security has only been one factor among many and, of course, one might ask whether there is a potential chicken and egg dilemma: what came first, growth or social security? In reality, though, evidence suggests that growth and social security have been mutually interdependent and have together contributed to the long-term success of these countries. There is no doubt that OECD countries have made the conscious decision to invest heavily in social security – often at more than 15 per cent of GDP – as part of their long-term growth and poverty reduction strategies.

Paradoxically, however, investments in social security have not been part of OECD donor governments’ development strategies in low-income countries. There is a range of reasons for this. Some development practitioners, for example, have been driven by ideologies about deregulation, privatization and the free market, the case for which in 2008–9 has now collapsed, while many others have assumed that there is insufficient fiscal space in low-income countries to finance social security benefits and hence social security is not affordable in very poor countries. Yet, this latter assumption looks increasingly mistaken as evidence emerges that the costs of a minimum package of social security costs a relatively small proportion of GDP which is not out of the reach of even the poorest countries if transitional external support is being taken into account (cf. ILO, 2008a; Mizunoya et al., 2006; Pal et al., 2005).

Increasing numbers of middle-income countries are putting in place more extensive systems of social security. A number of national social pension schemes have been established, for example, in countries such as Brazil, Argentina, South Africa and Namibia; other types of social transfer schemes have been established, such as conditional cash transfers in Latin America and child benefits in South Africa; and free access to health and education services is becoming more common in some countries. And there are even some
low-income countries that have also put in place limited social security support for the poor and vulnerable – even when this goes against the advice of the international community (for instance, Lesotho’s recent implementation of a universal social pension scheme).

Nonetheless, overall government spending on social security in low-income countries, in particular in sub-Saharan Africa and South Asia, remains minimal. The correlation between a lack of progress on the Millennium Development Goals (MDGs) and levels of spending on social security is certainly not coincidental.

The question at the centre of this book is whether development practitioners, donor agencies and developing country governments can learn anything from the OECD experience with social security. Does the experience of poverty reduction in OECD countries provide a challenge to the dominant development paradigm in low-income countries? Can a case be built for putting in place low-cost social security systems within low-income countries based on experiences within OECD and middle-income countries? Eighty per cent of people worldwide still do not have access to adequate social security yet 2 per cent of global GDP is sufficient to provide all the world’s poor with a minimum standard of social security.

The moment is opportune to consider these questions since a number of international donors and agencies are giving greater consideration to the role of social security in development: the United Kingdom developed a White Paper on International Development (DFID, 2006), Germany has been moving forward its thinking on the role of social protection and in January 2008 the parliament requested the government to make social security one focus of its development policy, and the new EU development policy highlights social security as a priority area. And, for a number of years, the ILO has been campaigning to extend social security to all and has developed a strategy to take this campaign forward. Within a number of low-income countries, there are signs of increasing interest in considering social security as a poverty reduction tool, although to date there is little indication of this influencing government spending plans.

Support is gathering for the policy position that countries can grow with equity, i.e. providing some form of social protection from the early stages of their development. The ILO Director-General’s report to the International Labour Conference of 2004 initiated the ILO’s increased efforts to test the financial feasibility and deliverability of basic non-contributory pensions, basic health services and access to basic education (ILO, 2004). The United Kingdom-based initiative ‘Grow Up Free From Poverty’ (2006), a coalition of 21 leading NGOs, promotes a ‘social minimum’ benefit package consisting of a basic set of cash transfers similar to the one listed by the ILO as a crucial tool in the combat against poverty in developing countries. This position is fully endorsed by the recent White Paper on development policy of the United Kingdom government (DFID, 2006: 85–6). The governments of Belgium,