

HIGHLIGHTS OF THE ILO

World Labour Report 2000

(Income security and social protection in a changing world)

Overview

The rapid globalization of the world economy in recent decades has witnessed the unprecedented growth in world output, trade and investment. The gains from expanding world trade and output, however, have been unevenly distributed both within and between countries as the adjustment measures and distributional effects of globalization failed to take into account differences in the positions of different countries and of different social groups.

In many countries today, dislocations from economic and corporate restructuring have meant heavy job losses and worsening employment situations as the pressures of global competitions have led to the adoptions of more flexible labor policies and precarious working arrangements. These, along with economic volatility and dwindling social protection, have contributed to increasing uncertainty and insecurity among workers across all strata of the society.

The importance of security for all workers is the central theme of the ILO (International Labour Organization) **2000 World Labour Report**. The report offers a snapshot of where the world today stands on income security and social protection. It looks at the changing demographic and social patterns, the forms and trends in social security expenditures and how the system of protection might be extended to reach the population as a whole.

Income Security and Social Security Defined

Security is a multi-faceted term. It encompasses safety and health at work, jobs which are stable, skills and abilities which are productive, access to public services, adequate incomes in old age or in ill-health and protection against contingencies of many sorts. It also embraces the right to organize and freedom from violence and oppression.

Income security is defined to mean income that is adequate for subsistence and free of sudden and unexpected fluctuations. On the other hand, social security is a broader term that covers various protection schemes which society provide for its members through a series of public measures:

- to offset the absence or substantial reduction of income from work resulting from various contingencies (e.g. unemployment, sickness, injury, death, maternity and old age)
- to provide people with health care; and
- to provide benefits for families with children.

Demographic Trends and Changing Labor Market Structures

Despite the increasing general levels of prosperity observed in most countries of the world, the World Labour Report noted that one-quarter of humanity (1.5 billion people) still live in abject poverty at the beginning of the new millennium. In all developing countries, 30 percent of the adults are illiterate, 30 percent have no access to safe drinking water and 60 percent with no access to sanitation. Demographic shifts are also occurring, as the concept of extended family is becoming smaller while single-parent households and women-headed households are increasing overtime. More importantly, the world population is rapidly aging due to increasing life expectancy and falling fertility rates.

Income security from employment is also being threatened by the global trend towards the informalization of labor contracts and informal sector and temporary employment. One-third of the world's labor force (1 billion workers) is either unemployed or underemployed. In the years 1996 and 1997, rates of unemployment were relatively high throughout much of the world. In 74 countries for which data were available, 36 had rates in excess of 7 percent. Informal sector employment forms a high proportion of between 30 to 50 percent of total urban employment in Africa, Latin America and East Asia. Youth unemployment rates are two to three times higher than adult rates while long-term unemployment in many countries has gone up much faster than total unemployment.

Needless to say, these changing trends and patterns have implications for income security and future government expenditures on social protection schemes.

Trends in Social Security Expenditures

Social security is the bedrock of a decent society and a well-developed social protection system is a necessary component of a well-organized market economy. Despite of this, the systems of social protection cover only a fraction or 20 percent of the active populations in many developing countries.

Social protection expenditure levels vary widely, being many times higher in the industrialized countries where most of the population is covered, than in the developing countries where few are covered and benefits are much less comprehensive. The statistics below shows the proportion of social security expenditures to Gross Domestic Product (GDP) in 1990 by regional groupings and for selected countries in Asia:

Region/ Country	Total Social Security Expenditure as % of GDP (1990)
All countries	14.5
Africa	4.3
Asia	6.4
China	5.2
Indonesia	1.7
Malaysia	2.7
Philippines	1.7
Thailand	1.5
Europe	24.8
Latin America	8.8
North America	16.1

On the global level, social security expenditures accounted for 14.5 percent of GDP in 1990. The highest proportion was recorded among European countries (24.8%) and the lowest in African countries (4.3%). The ratio for the Philippines is one of the lowest in Asia along with Thailand and Indonesia.

Existing Mechanisms of Social Protection

The ILO Report provides an extensive review of the various existing mechanisms of social protections in different countries and took a closer look at their successes and failures. These mechanisms fall into six (6) broad categories:

1. Health Care System- In many developing countries, most workers do not have satisfactory health care coverage. This is shown by the low proportion of health care expenditure to GDP which averaged 1.7 percent, 2.7 percent and 2.8 percent in African, Asian and Latin American countries, respectively, in 1996. Micro-insurance schemes are now emerging in many countries to cater to the needs of low health status and income.
2. Social Protection Due to Incapacity- For most of the developing countries, majority of the workforce are not covered by this type of protection. In 20 developing countries where data are available, 12 countries reported very low coverage of 10 percent to as low as 1.2 percent. In industrialized countries, growing labor market flexibility is leading to more and more workers not being covered.
3. Old-Age Survivor's Pensions- this scheme is considered the costliest element of the social protection system found in many countries. In industrialized economies, the success of this scheme has almost eliminated old age as a cause of poverty. In contrast, low rate of social security coverage is still prevalent in many developing countries. In a survey of 13 African countries, the proportion of pensioners to population 65 years old and over ranges only from 0.3 to 7.1 percent. In a similar survey of 12 countries in Asia, six (6) have pension coverage of less than 10 percent.

4. Unemployment Benefits - exist primarily in the industrialized countries and in certain number of middle-income developing countries such as South Korea, Chile and Mexico, although these also exist in China and Mongolia. It is estimated that of the 150 million unemployed in the world, no more than one-quarter received some kind of unemployment benefits.
5. Social Benefits for Parents and Children- this form of social protection plays an important role in promoting gender equality and in eliminating child labor. As a relatively new concept, only few countries have introduced this scheme in their present system. In an ILO survey of 45 countries, only 27 have some forms of social benefits for parents and children. Some countries have been reluctant to introduce family benefits as these may lead to problem of high fertility.
6. Social Assistance - intended for workers who receive inadequate or no form of social benefits at all. Few developing countries give attention to this scheme, which is restricted to limited categories of the population and provide very low benefits. In a similar survey covering 45 countries, 18 have no social assistance of this form.

Main Policy Conclusions

The main policy conclusions identified by the report are concerned with:

1. Extending the coverage of social protection to cover currently excluded employees;

2. The need for good governance for the establishments of suitable institutional arrangements and efficient administration of social protection schemes;
3. Improving income security for women as a measure to promote greater gender equality;
4. Affordability and the positive economic effects of social protection. This can be achieved by improving income distribution to increase the earning powers of workers and enhance their social security; and
5. Popular participation and support of workers' and employers' organizations in the design and management of the schemes.

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