

Social security: Different strategies for a global problem

Although social security is enshrined as a universal human right, in practice it is a luxury enjoyed by only a few. A mere one in five people worldwide has appropriate social security coverage, while more than half of the world's population is excluded from any type of social security protection and most of the rest are only partially covered. From a broad perspective, social security encompasses all social services and rights that reduce risks for individuals and communities. Universal coverage could result from policies geared to employment and the reduction of social inequalities, and it is considered crucial for governance and democratic systems. Nevertheless, governments are increasingly transferring their social security responsibilities to the private sector, which is beyond citizen control, or simply abandoning them and dismantling social protection systems and the provision of social services like health care and education.

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Social security: a luxury enjoyed by only a few?

The term 'social security' has different meanings in different regions of the world. In this Report, we use 'social security' to refer not only to pensions (that is to say, traditional social security in a restrictive sense of the term) but also to health services, education, employment and housing, taking a broad view of social security as including all social services and rights that reduce social risk for individuals and communities. As expressed in the Social Watch India report, from this perspective social security represents a complex multidimensional issue requiring urgent action.

At the international level, the key actors in the debate on social security have been the International Labour Organization (ILO), the employers or business sector, and the trade unions in negotiation with specific bodies (ministries, secretariats, etc.) of national governments. In 2003, at the 91st ILO International Labour Conference, the World Campaign for Social Security and Coverage for All was launched. This reflected the fact that governments, employers and workers all agreed on the need to widen social security coverage and extend it in particular to workers in the informal economy, and to raise awareness in the world about the role that social security plays in the economic and social development of countries.

When social security was proposed as the theme for the Social Watch 2007 Report, some members of the 'watchers' network (Social Watch members) raised certain doubts, fearing that this issue was relevant only in developed and middle-income countries: more a European concern than one of citizens' groups in developing countries that form the majority of Social Watch national coalitions. The enthusiasm with which watchers in poor countries participated in the preparation of this Report and the quality of their national contributions demonstrate that social security is a global concern. The enormous inequality between the different situations around the world was also made evident. More

than half of the world's population is excluded from any type of social security protection and most of the rest are only partially covered; it is estimated that worldwide only one in five people has adequate social security coverage.²

There are very marked asymmetries:³

- In most European countries that are 'in transition' (former members of the Soviet Union or the Warsaw Pact), coverage is between 50% and 80%, but in most developed countries there is practically 100% coverage.
- In Latin America coverage varies from 10% to 80%, and development is stagnant. The report from Paraguay shows that 78.5% of the population is not covered at all by any kind of insurance and only 30% of the elderly receive a pension.
- In Southeast Asia and East Asia coverage varies from 10% to 100% and is on the rise, but in the less developed countries of Sub-Saharan Africa and East Asia more than 90% of people have no coverage whatsoever.⁴

The watchers identified problems arising from the ageing of societies, as well as increasing child poverty. In some countries, such as Uruguay, both phenomena exist simultaneously.

Although social security is enshrined as a human right, the data presented in the dozens of national reports compiled in this report indicate that in practice it is a luxury enjoyed by only a few.

In the conclusions of the Resolution on Social Security of the 89th ILO International Labour Conference (June 2001) it is established that:

There is no single ideal model for social security. It grows and evolves over time. There are social assistance regimes, universal regimes, social insurance regimes and public or private systems. Each society has to choose the best way to guarantee security of income and access to medical

care. This choice will reflect its social and cultural values, its history, its institutions and its level of economic development. The priority function of the state is to facilitate, promote and extend social security coverage.

These national reports – many of them prepared by citizens' organizations involved in social justice issues who have not traditionally participated in the debate on social security – not only reveal the diversity of situations and histories but also enormous similarities in the formulas applied over recent decades, very often recommended by international financial institutions such as the World Bank.

Social security and democracy

At a time when the debate seems to be focused on how to further reduce the role of the state, the national report from Somalia presents a perspective from the opposite extreme. Where there is no state, "few people can afford school enrolment, medical attention and other social services in the absence of a central government, whose role is to collect taxes and duties and convert the revenue into community development and public welfare."

In many countries the discussion over social security is intrinsically linked to the efforts to construct a democratic state. The report on the Arab region⁵ emphasizes that "social security should be perceived as part of a comprehensive system of political, economic, social and cultural strategies aimed at protecting national security, including human security and political stability within the society. The lack of freedom prevents people from establishing unions advocating for their rights to social security. Only democratically elected trade unions, labour organizations and professional associations can claim relevant representation of the different interest groups. They can thus lobby for the establishment of an adequate social security system, and also monitor the implementation of such a system."

In reference to another situation where state authority has collapsed, the Iraq national report concludes that since "violence and humanitarian crisis have become a part of daily life... social security is more essential than ever." And amongst its final recommendations it proposes that the country's

1 With support from Daniel Ciganda and Nicole Bidegain.

2 ILO (2001), Report 4 of the 89th ILO Conference: *Social Security: themes, challenges and perspectives*.

3 Study conducted by the International Social Security Association (ISSA) with the Social Policy Research Centre at the University of Loughborough, the United Kingdom, under the direction of Simon Roberts.

4 ILO/Wouter van Ginneken (2003). *Extending social security: Policies for developing countries*. ESS Paper No. 13. Geneva, International Labour Office.

5 By Ziad Abdel Samad and Diana Zeidan from ANND.

citizenship must be mobilized through a call for national unity among Iraqis by adopting dialogue as the only way to achieve national reconciliation, based on unity within diversity, non-violence, respect for human rights, and national independence, to preserve the country's natural resources from waste and corruption.

The same emphasis is found in the national report from Burma, "a multiethnic society with diverse cultures, religions and traditions. Ultimately, peaceful co-existence and the guarantee of social security for all persons can be ensured only if the people's right to self-determination is respected through an accountable, transparent and decentralized system of governance." In Burma, stress the watchers, "the right to social security will become a reality when the inner dynamics, interconnectedness and interaction between the state, civil society organizations and capable individuals better reflect the dire need of the Burmese people."

The need to strengthen democratic institutions is relevant not only in extreme situations such as these, but also in 'consolidated' democracies like that of India, where it seems that the right to education and health cannot be fulfilled and that, to judge from its actions, the government is trying to evade commitments that were made on the international level.

Both popular support for the democratic system and the very legitimacy of institutions can be endangered if the large-scale problems of inequality and exclusion are not resolved.⁶ Transparency and access to information are necessary conditions if citizen participation is to be strengthened, but in some countries dialogue among public, private and civil society actors is still at a low level, and progress is impeded by prejudice at the government level.

In this regard, the Morocco country report shows how the growth of associations has given birth to a new generation of non-governmental stakeholders. The relations between these associations and the state have been evolving: they have gone through a phase of mutual distrust and are now coming to recognize that cooperation and joint action are possible. Nevertheless, some obstacles that prevent civil society organizations from participating in joint efforts for development still have to be overcome. Most importantly, a political and legal framework will have to be consolidated, one that is favourable to granting NGOs greater autonomy and expanding their role in formulating, implementing and evaluating decisions and policies that affect the most disadvantaged sectors of the population.

The report from Argentina attributes problems with social integration to problems with social and political rights, which are linked to the construction and maintenance of citizenship. It follows that social insertion strategies should be designed in such a way as to foster the transfer of economic, social, political and cultural resources to strengthen social networks among people who are excluded, to help them develop socioeconomic and political

autonomy. Besides this, strategies should be geared to making the government's policies, institutions and actions accessible and open in the sense of being responsive to society. This essentially amounts to establishing conditions for citizenship that are based on respect and on greater individual and social rights.

A need and a right

In this Report, Fernando Cardim de Carvalho puts forward the notion that a real solution to the problem of inequality and social security would be "to restore the primacy of full employment as a social goal, as it was in the first two decades after World War II, which would obviate many of the financial problems of social security systems. There is also a need to promote a broad debate with all sectors of society as to the perspectives of the social security system, in order to make it socially fair and economically sustainable. Unfortunately, the political climate is still unfavourable to such a debate, since neoliberal ideas about the virtues of the market are still strong, particularly among influential political groups."⁷

Social security can be considered as resulting from policies geared to employment and to reducing inequality, and can be defended as necessary for governance and the very survival of a system that would lack popular support without it. However, social security is also one of the internationally recognized human rights, and therefore is not only advisable but also a legal obligation.

In the Philadelphia Declaration of 1944, the ILO Conference recognized the obligation to extend social security measures to guarantee basic income to those who needed it and provide complete medical coverage.⁸ It is laid down in Article 22 of the Universal Declaration of Human Rights, approved by the UN General Assembly in 1948, that "Everyone, as a member of society, has the right to social security," and in Article 25 explicit reference is made to medical care, social services, and security in the event of unemployment, sickness, disability, widowhood and old age, as well as special care and assistance for motherhood and childhood.

The right to social security is also laid down in many international and regional human rights agreements. In the second conclusion of the Resolution of the 89th ILO International Labour Conference, it is stated that:

Social security is very important for the well-being of workers, of their families and of society as a whole. It is a basic human right and an essential instrument to create social cohesion, and thus it contributes to maintaining social peace and social integration. It is an indispensable part of the social policy of governments and an important tool to avoid and alleviate poverty. Through national solidarity and the

fair distribution of the burden, it can contribute to human dignity, equity and social justice. It is also important for political integration, the participation of citizens and the development of democracy.

The number of ratifications of the ILO Social Security (Minimum Standards) Convention (C102) is growing,⁹ but it is still necessary to further strengthen this process. Some countries have still not ratified essential conventions. For example, in the national report from Tanzania there is a call for the government to ratify the ILO Unemployment Convention (C2) of 1919, which proposes measures for "preventing or providing against unemployment," and the Unemployment Provision Convention (C44) of 1934, which establishes guidelines with regard to unemployment insurance and other forms of relief for the unemployed, and to comply with its obligation to submit periodic reports to treaty monitoring bodies in order to maximize and facilitate the fulfilment and implementation of international treaties guaranteeing the right to social security.

However, even after governments ratify these conventions they tend more and more to transfer their social security responsibilities to the private sector, which is beyond citizen control, or simply abandon them and dismantle social security systems and the provision of social services like health care and education. In the report from Zambia, for example, there is a summary of the commitments the government has made and the social security policy instruments that have been designed, but there is also a warning that there are no mechanisms to ensure that the right to social security is fulfilled, and the result is that most people in that country are not able to exercise this right at all.

In one of this year's thematic reports, Christian Courtis¹⁰ surveys the panorama and identifies places in which various aspects of the right to social security are covered by international human rights tribunals and bodies by virtue of interconnections with other rights and principles. Experiences in different countries show that the right to social security – or rather the rights derived from social security regimes – along with labour rights, constitute areas in which litigation at the local level is firmly established, not just in developed countries but also in developing countries. However, the prospects of using legal systems to directly enforce these rights on an international level are limited.

The informal sector

In the report from Romania we find that "the informal sector has grown significantly. As a result, while the entire work force was formerly covered by public forms of social security and trade union representation, today large numbers of workers are unprotected. Out of an active labour force of roughly

6 See UNDP (2004). *La Democracia en América Latina: Hacia una Democracia de Ciudadanas y Ciudadanos*. 2nd edition, Buenos Aires.

7 See the chapter by Fernando Cardim de Carvalho in this Report.

8 Detailed information from CINTERFOR/ILO (2003-2005) Training Units, the "Social Security in the Southern Cone" Project, 2003-2005, ILO International Training Centre.

9 ILO/Somavía (2007a). Introduction by the Director General of the ILO at the International Labour Conference, *Decent work for sustainable development*. ILO 96-2007/Annual Report I (A). The Convention is available from: <www.ilo.org/ilolex/cgi-lex/convds.pl?C102>.

10 See the chapter by Christian Courtis in this Report.

10 million, 1.2 million workers are estimated to be employed in the informal non-agricultural sector, and the total figure including the agricultural sector is much higher, according to unofficial estimates.”

In the report from Brazil we learn that many people who are economically active for most of their lives in the informal labour market, especially in urban areas, are penalized twice over because of the individual contribution requirement. They contribute to the wealth of the country at low cost but they are not covered by the National Social Security Institute nor have they paid unemployment insurance (and

for this very reason they cannot exercise their labour rights), and then in their old age they suffer again because they are disqualified from enjoying the right to social security.

Much has been written on the informal or unorganized economy of the disadvantaged sectors of the population, but there is another large-scale unregulated economy sustained by “an enabling infrastructure of banks, legal and accounting businesses, minor legislatures and judiciaries, and related financial intermediaries, which combine to serve as an ‘offshore interface’ between the illicit and the licit

economies.” The report by John Christensen points the finger at these parallel economies that are run by the wealthiest groups, and at the game of tax havens and new forms of corruption, and explains how these under-the-table deals and special treatment are threatening democracies. This is usually seen as a problem pertaining to countries in the South, but the countries that are least interested in regulating this sector are the richest ones, particularly Switzerland, the United States and the United Kingdom.

Many decision-makers in developing countries who have an economist or conservative approach

DIVERSE FACETS OF INFORMALITY

In Africa

Ghana

While the vast majority of workers (especially women) are employed in the informal economy, only a minority of workers, mostly in the formal sector, benefit from the current national social security scheme. The Ghanaian national report calls for a different national social security system that specifically targets women, the informal sector and other disadvantaged groups to ensure a minimum safety net for the poor and marginalized.

Somalia

What has happened in Somalia since January 1991 is a kind of spontaneous privatization of public properties and services which has come about in a most haphazard way. As the nation began to recuperate from the disappearance of central rule in the country, people developed coping mechanisms and private initiatives started to respond to market demands. New schools, colleges, clinics, hospitals, electricity and water supplies and other services have been provided, but consumers have to pay for all of them, usually at exorbitant prices. Currently, 43% of the population lives below the extreme poverty line of USD 1 per day. In Somalia, there has never been a social welfare system or even institutionalized coverage against the effects of unemployment.

Nonetheless, Somalis have always relied on a traditional system of mutual support, especially clan associations. Clan members who find themselves destitute are exempt from contributing to the clan and may even qualify for assistance from a collective fund of resources. This contribution-based welfare is basically voluntary, but it helps community members to survive together, and that is why the impact of the civil war was easily absorbed through clan-based support. This system is rooted in a centuries-old culture of people living in nomadic pastoralism in a relatively harsh environment.

Kenya

It has been estimated that between 30% and 35% of the children who live in informal settlements throughout the country are not yet in the formal education system even though free primary education has been re-established. Civil society efforts to provide alternative education for children in informal settlements have been imitated by the government. These non-formal education initiatives constitute a more flexible and economical system. They are geared to children who live on the street and in settlements who cannot enter the formal education system because they cannot afford the cost or other school expenses, or for some other reason. The triennial programme provides basic instruction in literacy and arithmetic and is followed by a year of exposure to basic technical skills; it runs parallel to formal primary education programmes. The report from Kenya also explains that people who can no longer participate actively in the economy must now depend on traditional networks for social security, and this often means depending entirely on their children who work.

In Asia

India

The national report explains that while there is some kind of social security framework in place for the organized or formal sector in India, there is a serious gap in social security policy for the unorganized sector. Out of 399 million workers in 1999-2000, it is estimated that 371.2 million (nearly 93% of the entire work force) were employed in the unorganized sector, as compared to only 27.8 million (7%) in the organized sector.

The government recently finalized the drafting of a social security bill for workers in the unorganized sector. To supplement existing social security provisions at the national and state level, the bill offers social protection measures for workers in the informal economy like health insurance, maternity benefits and old age benefits. It also addresses the conservation of natural resources on which workers depend for their livelihood. This bill is unique in that it is grounded in a rights-based framework and is legally enforceable.

However, a closer look at the draft bill reveals some glaring gaps. First of all, the bill is not in harmony with the principles of non-discrimination and equity that are enshrined in the country's constitution and in international covenants ratified by India, such as the International Covenant on Economic, Social and Cultural Rights. The bill will cause further fragmentation by excluding people already covered in existing schemes, and it takes a segmented approach to providing social security because it makes a distinction between the organized and unorganized sectors instead of consolidating the two.

Nepal

The report from Nepal states that people working in the informal sectors of transportation (such as rickshaw pullers), porters, hotel services, factory and industry services and agriculture are the least protected against unpredictable circumstances. Women are the most likely to be victimized, as there is no protection mechanism in the informal sector, and they are typically paid lower wages than their male counterparts for the same types of work.

The Philippines

It is estimated that vendors, home workers, and self-employed agricultural, rural, and other informal sector workers make up about 49% of the labour force, or 15.5 million people. Many of these workers have no adequate social protection. Precisely because they are outside the formal economy and operate outside the scope of regulations, the provision of health care and other social protection programmes has remained highly problematic.

claim that there cannot be social security if there is no economic growth. ILO Director General Juan Somavia responds that “the approach that puts growth before distribution creates inequities that are difficult to re-absorb afterwards.”¹¹ Nevertheless, the report on the Arab region makes the realistic point that “if current trends continue there will be less protection and further marginalization of the unemployed, the abject poor, and workers in the informal sector. These negative projections are based on the persistence of existing budgetary constraints on social security systems and on inefficient public expenditure.”

In order to influence the concrete definition of priorities within the actual budgetary restrictions of their countries, the Social Watch coalitions in the Philippines and Italy have prepared alternative budgets as an instrument for civil society advocacy in parliamentary debates. Social policies suffer when demands and pressures are diffuse or when government implementation of measures is not coordinated. For example, in Lebanon, despite the implementation of social security programmes, “the inefficiency of social spending is due to the lack of a clear and comprehensive national social strategy. Such a strategy needs to address the current total absence of coordination among the concerned ministries and stakeholders, which leads to the duplication of efforts and waste of resources.”¹²

Various national reports reveal a lack of shared national development strategies and of coordination among government bodies and programmes.

In most of the Social Watch national reports from countries in the South, bringing citizens who work in the informal or unorganized economy into the official system is seen as the key to expanding social security to give coverage to the whole population. There are some interesting experiences of attempts to bring sectors of the informal economy into social security systems, and also instances of governments incorporating methods and experiences from informal initiatives into public education and health care services.

Many kinds of discrimination

The problem of informality is exacerbated by many kinds of discrimination that aggravate the situation for certain population groups and make them more vulnerable. The multiplier effect of inequality is rooted in the fact that it generally involves multiple discrimination for reasons of gender, age, ethnicity, geographical origin, religion and sexual orientation, as well as the discrimination faced by people who are differently abled, HIV-positive, or members minority groups.

People suffering from discrimination cannot exercise their rights or live with dignity. They are the most susceptible to poverty and are victims of increasing inequality, a phenomenon that also occurs in the richest countries. For example, in the report from Canada we learn that in polling undertaken

11 ILO/Somavia (2007b). Director General's Report: *Equality at Work: Facing the Challenges*. Global report in coordination with follow-up on the ILO Declaration on basic principles and rights at work. 96th International Labour Conference.

12 See the chapter on the Arab region in this Report.

ASIA, AFRICA AND LATIN AMERICA: HIV/AIDS AND WHAT REMAINS TO BE DONE

Joyce Haarbrink, from the NGO Marie Stopes International, comments in her report on sexual and reproductive health and rights (SRHR) that in the late 1990s the HIV/AIDS pandemic captured the world's attention, with funding streams being diverted from SRHR to the response against HIV/AIDS. There is much work to do, and it is essential to maximize the effectiveness of resource mobilization and to attain a synergetic complementarity of the two strategies. In addition, donors and governments have to recognize that investing in SRHR has a beneficial impact on the economy and the whole of society.

Burma: Yellow light, time to act

According to Social Watch Burma, the Joint United Nations Programme on HIV/AIDS (UNAIDS) reports that resources made available to combat HIV/AIDS are meagre in comparison with the magnitude of the problem, which is exacerbated by the ruling State Peace and Development Council's reluctance to permit international non-governmental organizations to work in collaboration with community-based organizations.

Permits to visit patients are difficult to obtain and access to high-risk groups and vulnerable groups is restricted. UNAIDS has warned of a growing epidemic in Burma and indicated that the ruling regime has largely been ignoring it.

Tanzania: Actions implemented, but still not enough

The Social Watch Tanzania report states that the country has an HIV/AIDS prevalence of about 7% (6.3% for males and 7.7% for females) among adults aged 15 to 49. Urban residents have considerably higher infection levels (10.9%) than rural residents (5.3%). The estimated number of people living with HIV/AIDS is two million, and the government has registered two million AIDS orphans. However, the number of AIDS orphans doubled from one million in 2003 to two million in 2005, which means the current number is almost certainly considerably higher and increasing.

In order to address this problem, Tanzania has established social security 'safety nets' incorporated into the country's ongoing Economic and Social Action Programme. One of these safety net programmes is the creation of the Mwalimu Nyerere Educational Trust Fund, which is being used to sponsor orphans to attend school.

HIV/AIDS: Fourth leading cause of death in El Salvador

The Social Watch El Salvador report states that HIV/AIDS is the fourth leading cause of death in the country. An average of four people get infected every day and thousands hide their status fearing stigmatization and discrimination.

The rate of HIV/AIDS infection has been rising since 1984. Recent data show that in late 2006 more than 18,500 infection cases had been registered. According to UNAIDS, under-registration is high, so the number of people with HIV/AIDS could be as high as 25,000 to 50,000.

As for assistance, the Instituto Salvadoreño del Seguro Social (ISSS) provides care to more than 1,280 people in the form of antiretroviral therapy, medical attention in case of opportunistic disease and attention during pregnancy to prevent infection at birth. However, there is insufficient compliance with current treatment protocols, a sporadic availability of drugs, sometimes caused by late delivery, and a constant shortage of reagents for the CD4 cell count test, all of which exposes many people to the occurrence, or increased complication, of opportunistic diseases and to death.

by the Canadian Centre for Policy Alternatives (part of Social Watch Canada) the majority of Canadians (65%) indicate that they are not benefiting from economic growth. Many state they are only “one pay cheque away from poverty.”

In Nepal, “throughout the country, discriminatory practices rooted in tradition are mainly based on caste, ethnicity, class and gender. As a result, *Dalits* (members of the untouchable caste), *Janajati* (indigenous nationalities), the poor and women are deprived of opportunities to meet their basic needs in terms of food, shelter, education and health services.

These discriminatory practices are more prevalent in rural and remote areas where unequal power relations, the unequal distribution of land and income and a lack of basic facilities are common.”

In many regions a high proportion of women are still self-employed. In the developing countries, most work of this kind takes place in the informal economy, and typically it is badly paid, is carried out under bad working conditions, and does not involve social protection.¹³

13 ILO/Somavia (2007b).

The chapter in this Report on the Gender Equity Index (GEI), written by the Social Watch Research Team, makes the point that inequity based on gender is a phenomenon that transcends borders, cultures, religions, nations and levels of income. Achieving gender equity is a challenge for the whole modern world because, although gender inequity is manifested in many different ways, there is still a gap between men and women in all countries.

A recent ILO study¹⁴ confirms the fact that women are proportionally over-represented in informal employment. Nevertheless, when the proportion of men and women who are self-employed is more or less equal, there is a higher concentration of women in jobs of inferior quality.

In the report from Brazil we learn that rural women workers have been struggling in vain for years to be officially recognized as small producers. The work they do cultivating market gardens and medicinal plants and keeping small farm animals is absolutely vital for the maintenance and survival of their families, but on an official level it is undervalued or not taken account of, and consequently their rights as workers are not recognized. The Brazilian report goes on to say that the most serious case is that of nearly six million women, mostly in rural parts of the country, who do not possess any kind of documentation and for this reason are denied their rights as citizens.

The report from Honduras presents a panorama of violence against women. The government has still not ratified the facultative protocol of the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW), which is an indispensable resource that would enable women's organizations and the victims of violence to report on this situation to the appropriate international bodies.

Most of the national reports from developing countries show a scenario of discrimination against women from disadvantaged regions whose only possible means of support is to work in the informal economy. But there are also some positive reports, like the news that in Bangladesh "considerable progress has been made in mainstreaming women in the country's development process. Bangladeshi women have played and continue to play an important role in successful experiences like the use of micro-credits, the ready-made garments sector, reducing the overall fertility rate, improving child nutrition, greater participation in education and reducing gender disparity in all spheres of life. Girls and women in Bangladesh have already achieved parity in the primary education gross enrolment rate and in life expectancy at birth."

Policies to gradually bring informal work into the formal economy play a crucial role in accelerating the reduction of poverty, preventing greater inequality of income and overcoming discrimination in general and discrimination against women in particular.¹⁵ It is vitally important, if more rapid economic growth is to be achieved and if jobs are to

be generated, that governments should implement education and training strategies to reduce the lack of skills, overcome discrimination and exclusion, and foster greater buying power among low-income population sectors.

The thematic report by Susanne Paul and Alischa Kugel highlights the fact that older women often have important care-provision responsibilities. They may be raising grandchildren or taking care of the sick or middle-aged people in communities hit by the HIV/AIDS pandemic, or they may be supporting grandchildren whose parents have left to work in distant places. As sole breadwinners, these grandparents may find themselves unable to provide adequate nutrition, access to health care or education for their children, grandchildren or themselves.

In the report by Robin Blackburn there is a suggestion that a global pension and youth grant system should be set up. It is also noted that

the usual link between pension entitlements and employment contributions is not good for women because women live several years longer than men and therefore constitute a majority among the elderly. And because women's unpaid labour in the home counts for little in public pension systems, and for nothing in private and occupational schemes, over three quarters of the elderly who are poor are female. Moreover, a woman's work of caring for other family members typically continues into old age, as she cares for her spouse, her grandchildren and the sick.

Various national reports address the treatment that immigrants receive in terms of social security. For example, in the report on the Arab countries we learn that a large number of immigrants (mostly from South Asia and other Arab countries) live in the Gulf states with their families but do not enjoy the same social services as citizens of those countries.

CHILDREN LIVING IN POVERTY

Uganda: Half of the children live in poverty

The Social Watch Uganda report highlights a 2005 study by the Chronic Poverty Research Centre (CPRC), which estimated that 50% of the country's approximately 15 million children were living in poverty.

The factors identified by the report as responsible for poverty and vulnerability in Uganda included inadequate social security and protection against shocks, poor health, HIV/AIDS, rapid population growth, limited access to land, and lack of markets. Corruption also contributes by diverting resources necessary for enhancing the well-being of the poor, including the sick.

Nepal: Alarming situation of children

The Nepalese Social Watch report explains that although the government has ratified the UN Convention on the Rights of the Child, the provisions made in the country's laws and the government's policies are inadequate to ensure the rights of children and youth. The situation is particularly alarming with regard to children. In the first six months of 2004 alone, the Nepalese organization CWIN collected 10,247 cases of child labour exploitation, child deaths, missing children, child abuse, child marriage, child sex abuse, child trafficking, forced prostitution, children in conflict and juvenile delinquency, and stressed that the reported cases represent only a very small fraction of the true magnitude of the problems faced by the country's children.

For the first time in history, the newly promulgated Interim Constitution of 2007 has enshrined the rights of the child in the list of fundamental human rights, but no steps have been taken as yet for the operationalization of this commitment.

In 2003, the government pledged to provide 'education for all' as part of its Millennium Development Goals (MDGs) commitments, stating that by 2015, every child between the ages of six and ten would have access to free and good-quality primary education irrespective of gender, ethnicity, religion, disability and geographic location. Until now, however, there is no sign of steps being taken towards developing the necessary infrastructure and systems to ensure that the MDG target can be met in another eight years. Moreover, there are still roughly one million child labourers in Nepal who do not go to school.

Morocco: 600,000 child workers

The Social Watch Morocco report states that several vulnerable groups require support to improve their situation, especially:

- Children: It is estimated that there are 600,000 child workers, many of whom live on the street and are exposed to physical and sexual violence. About half a million children are beggars. All of them are victims of school failure, rural migration and social attitudes that foster child labour.
- Widowed, divorced and single mothers who are heads of households: Women in these categories are more prone to poverty, in part because legal statutes and inheritance laws discriminate against women and make them more vulnerable.

14 Galli, R. and Kucera, D. (2007). "Gender, informality and employment flexibility in Latin America". To be published. Cited in the Director General's Report to the ILO, 2007.

15 ILO/Somavia (2007a).

Benefits have not been extended to the immigrant labour force who carry out most of the low-skilled work but also occupy a significant proportion of skilled jobs.

In the report from the United States we learn that, second only to the war in Iraq, the lack of health care provision is perhaps the most contentious public policy issue in the country. As to the situation of minorities and immigrants, it emerges that certain groups are hit much harder than others when it comes to lack of health care coverage. African Americans, Hispanics, the poor and women suffer disproportionately under the current health care system. Lower income levels among minority groups (at the time of the study, 47% of working adult Hispanics and 44% of working adult African Americans were living below the poverty line) make them less likely to receive employee health care and less likely to be able to afford such services on their own account.

In Europe, the Belgium report notes that on 15 September 2006, the parliament passed legislation that amounted to a far-reaching change in Belgian law with respect to foreign nationals. Civil society organizations and trade unions are unanimous that these reforms cannot guarantee respect for the basic rights of many foreigners residing in the country, and in no way rectify weaknesses in the previous legal arrangements. Meanwhile, the report from Germany states that the rights of refugees to education and even to health care services are being violated in the country. In seven of Germany's sixteen federal states, there is no requirement for refugee children whose deportation has been temporarily suspended to attend school, and the same applies to some extent to the children of asylum seekers.

Conflicting models

There is no single ideal model for social security, but there are certain internationally agreed basic principles¹⁶ that all systems should follow:

- Benefits must be secure and non-discriminatory.
- Regimes must be rigorous and transparent.
- Administration costs must be kept to a minimum.
- Social stakeholders must play an important role.
- The system must enjoy the confidence of the people.
- There must be good administration.

Another principle is that men and women should receive equal treatment. This is the binding force and central core of social security, the element that makes for the optimum development of society. There must be recognition of the enormous unpaid contribution that women make, especially in the care of children, parents and the disabled.¹⁷

There are two conflicting trends in the implementation of these principles in adapting social security to the new realities imposed by globalization:

¹⁶ CINTERFOR/ILO (2003-2005).

¹⁷ ILO/De Regil (2001). Report by the President of the Employers Group on the Social Security Committee at the 89th ILO Conference.

HOUSING: NO ONE SHOULD HAVE TO LIVE ON THE STREET OR IN DIRE CONDITIONS

In France more than three million people live in dire conditions or are homeless, and it is estimated that there are 600,000 insalubrious housing units. The report from Belgium tells us that there are serious problems as regards access to housing since the proportion of social housing in this country is among the lowest in Europe.

The Social Watch organizations in France propose the following:

- Implement a legally enforceable right to housing, to make it an effective right that everyone can accede to.
- Make housing a genuine priority, as is the case with employment.
- Reinforce the social effectiveness of assistance programmes for buying housing, which should continue to be under state administration.
- Guarantee the availability of rental housing that is economically accessible to the whole population.
- Implement a universal system to provide security against the risks of renting.

World Bank criticisms of non-structural reforms*

- They affect the formal labour market.
- They stimulate evasion and are a disincentive to contribute because of payment default, non-declaration and under-declaration.
- They erode the supply of experienced workers.
- They lead to injustices through the establishment of ceilings and privileges.
- They raise labour costs and generate problems of financial unsustainability.
- They put a brake on economic growth and do not generate a capital market or national savings.
- They inflate the implicit debt to workers and retirees.
- They do not correct problems stemming from ageing or demographic evolution.
- They make redistribution more unjust.
- They divert resources away from other social and production policies.

* CINTERFOR/ILO (2003-2005).

- **Structural or 'paradigmatic' reforms.** These are far-reaching reforms that involve individual capitalization and the complete or partial private administration of regimes. These systems are also known as 'Washington Consensus' models, and are part of the World Bank's structural adjustment policies.
- **Non-structural or 'parametric' reforms.** These are changes to national public systems while keeping the basic structure intact. Non-

structural reforms are based on the classic principles of solidarity and state organization of social security and are applied in most countries, particularly in developed ones. The classic example is the so-called continental European model of social protection, also known as 'Social Europe'.

The national reports by the Social Watch groups in Europe describe the current situation of the European model. For example, in France social protection refers to all collective benefit mechanisms that give people financial support for social risks. There are three systems: 1) social security for people who contribute, which provides protection against loss of income, unemployment, illness, old age, and work accidents; 2) social assistance (implementing a solidarity-based system known as minimum income for insertion), benefits for disabled adults; and 3) universal protection (family allowances). The French social protection system represents more than 30% of GDP.¹⁸

Non-structural reforms

In general, non-structural reforms share the following characteristics:¹⁹

- They are implemented progressively, with a medium and long-term perspective, such as the process towards 2030 in Germany.
- They are widely agreed with the social sectors (as is the case in various European countries).
- They can bring about an improved correlation between contributions and benefits, for example through individual hypothetical accounts that first emerged in Sweden and were then taken up in China and Latvia; or the social assurance factor in Brazil.

Experts from the World Bank and other organizations that favour compulsory individual

¹⁸ <www.vie-publique.fr>

¹⁹ CINTERFOR/ILO (2003-2005).

PRIVATE PENSION FUND ADMINISTRATION

Taking the 1981 social security reform in Chile as a model, World Bank recipes for structural reforms include individual capitalization schemes and private pension fund administrators (PFAs) as a total or partial replacement for solidarity-based public pension fund management.

Irrespective of implementation differences existing between the 28 countries that have incorporated PFAs up to now, the fundamental intention behind the reforms has been to transfer responsibility for social risk from state institutions to individuals. In these systems each affiliate has an individual account in which his or her pension contributions are deposited and, at the end of their active working life, this capital is returned to them, or their survivors, in the form of some type of pension.

In theory such pension funds would take on responsibility for providing pension income levels that public schemes were no longer able to maintain. But according to Fernando Cardim de Carvalho, the funds were basically conceived as a way of increasing household savings and channelling them into public and private securities markets, rapidly converting them into another form of investment fund.

For Aldo Caliarì, the use of pension savings for speculative activities such as investment in venture capital funds and hedge funds is a cause for concern, both because of the instability of financial markets and the high risk and lack of regulation associated with these types of fund. Additionally, in PFA schemes affiliates do not participate in the decision-making that determines how and where their savings are invested or in the daily management of PFAs. The configuration of quadruple entities where the state, employers, workers and pensioners all participate has no place in PFA logic.

Several national reports from Social Watch coalitions highlight some of the more visible characteristics of PFAs. We will look at some specific cases.

Mexico

The report from Mexico describes that country's social security system as being based on an occupational model that benefits salaried workers and their families, providing health care services, pensions and some contributory social and economic benefits. But this model does not cover the unemployed or those working in the informal sector.

A 2006 Alternative Report alerted the UN Economic, Social and Cultural Rights Committee to the performance of the Pension Fund Administrators (AFORES) and the precarious situation of the Mexican Social Security Institute (IMSS) and the Public Employees Social Security and Services Institute (ISSSTE). In response, the

TABLE 1. Countries where some form of PFA has been introduced

Latin America	Europe and Central Asia
Argentina	Lithuania
Bolivia	Macedonia
Chile	Poland
Colombia	Russian Federation
Costa Rica	Slovakia
Dominican Republic	Sweden
El Salvador	Ukraine
Mexico	Asia
Panama	Hong Kong
Paraguay	India
Peru	Africa
Uruguay	Nigeria

Committee recommended a series of measures to the government, such as "a thorough evaluation of the proposed modifications to the current pension system involved in the new law governing ISSSTE, as well as future modifications to other social security systems, in order to guarantee that such modifications do not generate employment insecurity for future pensioners or reduce the value of future pensions, thus endangering an appropriate standard of living."

An analysis of the 28 March 2007 ISSSTE Law reform concludes that it is a regressive measure when compared with the previous legislation and that it contravenes the Political Constitution of the United Mexican States and specific provisions of ILO Convention 102 that the state has an obligation to comply with. Furthermore, this Law is based on an individual contribution system administered by private institutions, in contravention of the obligation that the social security system be collectively financed, as prescribed by ILO Convention 102. Hundreds of thousands of public employees have politically mobilized and taken legal action against this reform.

El Salvador

The pension system in El Salvador was privatized 10 years ago. The government transferred money that had been paid in by workers to PFAs, while maintaining responsibility for the pensions of workers who were over 35 in 1996 and who remained in the old pension system. Six years after this privatization a reform was introduced to raise the retirement age.

One of the main pension system problems highlighted by the El Salvador Report is the wrongful retention of payment instalments by employers who fail to remit them to the Salvadoran Social Security Institute (ISSS). In 2007 the

government has to pay out approximately USD 345 million to retirees but does not have that money and the state's debt is three times greater than the proceeds from tax collection.

The government created a Pensions Trust Fund to pay pensions and PFAs have authorized the Multisector Investment Bank (BMI) to use money paid in by their current affiliates to pay the pensions of retirees. The amount lent for 2007 was USD 345 million. Because the government has such a high level of debt it is likely to have problems with repaying the PFA, so the entire system is at risk and the future pensions of affiliates are endangered.

Paraguay

According to the national report from Paraguay, only 30% of senior citizens there are eligible for pension benefits. In 2005 there were only 93,000 pensioners. There are at least eight contributory funds operating simultaneously in Paraguay, the largest two being the Fiscal Fund for central administration public employees and the Social Security Institute (IPS) for private sector and decentralized administration employees.

One indication of inequity is the required contribution period for pension eligibility, which ranges from 10 years in the case of the Parliamentary Fund to 30 years in the general scheme of IPS. The retirement age also varies, being 40 for female public school teachers and 60 for men and women in the general IPS scheme.

Colombia

Private pension funds based on individual capitalization have been established but at the same time the previous system based on a 'pay as you go' (PAYG) scheme and public resource administration was maintained. Fourteen years after the implementation of social security reform (Law 100 of 1993) with the objective of promoting universal protection, the Colombia national report emphasizes that health care coverage only reaches 62% of the population and in the area of pensions the situation is similar to that in 1993 with a coverage of 28%.

Bolivia

According to the Bolivia national report, pension system reform there was presented as a social necessity – an argument supported by the clearly dysfunctional state of the existing pension system that had been in force for several decades – but was in fact designed as a potential source of profit for private investment. One of the favourite arguments of government officials and PFAs in defence of the reform is that the new system has resulted in an enormous increase in coverage. However,

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enthusiasm about the unprecedented growth in the number of affiliates, more than double when compared with the previous system, ignores the fact that at present the number of workers actually contributing to PFA-managed funds is substantially less than the number of affiliates.

Available information refutes the theoretical assumption that the new system's operations would be subject to market efficiency. It is not free market forces that determine investment decisions in PFA fund management. Current regulations require such bodies to maintain a certain structure in their investment portfolio with a predominance of state-issued securities. While the regulations limit investment in foreign-issued securities to 10%, investment in public securities, either of the National Treasury (TGN) or the Central Bank of Bolivia, has no limit. As much as 90% may consist of this type of investment which explains the unusual concentrations in PFA portfolios.

It can consequently be inferred that the objective of an efficient administration based on transparency in decision-making and investment has not been achieved, as the affiliates who contribute to the system, the true owners of the accumulated funds, have no influence in decision-making over the destiny and profitability of their savings. Instead, it is public officials and political authorities whose interests are met through authoritarian impositions on PFAs.

Hungary

According to the Hungary national report, the obligatory public pension regime has rested on two 'pillars' since 1998, the first being the social security pension scheme, a PAYG system that is financed by contributions from employers and workers. The second pillar comprises private pension funds that respond to market laws.

People beginning their working life are obliged to participate in the mixed regime (the two pillars) and a considerable part of their individual

pension contribution (8% out of 8.5%) goes to the private pension fund of their choice. This mixed regime currently covers over 60% of the insured population. Private pension funds will begin to administer their own services from 2013 and will not constitute a 'typical' pension payment regime until 2020, a situation that leaves the social security pension regime as the exclusive or predominant actor over the coming decades.

Ghana

The three-tier approach which the Pensions' Commission has recommended to the government is basically the World Bank's template for managing pensions through scaling down public schemes. The privatization of pensions will create an opportunity for a very few private individuals to access cheap funds at the expense of the majority of citizens. Already a number of US firms are advertising their private pension schemes in Ghana. This approach has failed in Latin America and is unlikely to work in Ghana.

capitalization systems have made a series of criticisms of non-structural reforms and public systems in general.

Many of the arguments against public systems or Social Europe turn on the claim that the model is unsustainable, either for financial reasons or because of the implications of the fact that the population is ageing. For example, as is pointed out in the report from Italy, one of the most critical aspects lies in the fact that as an ageing country, Italians are now increasingly paying more for their elderly without a sufficient generational exchange that can produce enough revenue to cover all social security costs. However, the Italian report argues that it is not only the ageing population that should be taken into account, but also those who are currently unemployed, especially since the unemployment rate is not decreasing. Finally, when the 'baby boom' generation retires there will be an expenditure peak 20 or more years from now, while the reforms introduced are supposed to reach full application in 2010.

Structural reforms

Antonio Tricarico, in the report on the World Bank perspective on social security, argues that since the 1980s World Bank-driven structural reforms have systematically shifted the balance of social risk away from state institutions and onto the shoulders of the individual. For example, the World Bank's policy objective of prioritizing financial system restructuring and development has increasingly targeted the reform of public social security institutions, and involves the privatization of old age pension systems.

In addition to providing rhetorical support for the ideological and financial interests that promote privatization, the World Bank has also provided loans and technical assistance to nations that have privatized their social security systems, in particular in

Latin America and the Caribbean, and later in Eastern European countries.²⁰

The national report from Nepal explains how industrialization in the country was initially state-led, but in an attempt to globalize the national economy, the trade, investment, foreign exchange, financial and industrial sectors were deregulated, de-licensed and subsequently privatized. Although the Bretton Woods institutions (the IMF and the World Bank) imposed structural adjustment policies in the 1980s, economic liberalization actually began in 1992. The privatization of basic services such as water, education and health care has further increased inequality

by decreasing both the quantity and quality of public health and education services.

All structural reforms involve basic changes to the structure of pension and retirement pension regimes with the introduction of compulsory individual capitalization schemes administered by private sector enterprises, and they differ from each other only in the extent to which they replace the benefits regime with individual accounts, and in the definition of benefits.²¹

The national report from Bulgaria explains that under the financial direction of the international financial institutions (enforced through the

THE WORLD BANK PROPOSES A MODEL WITH THREE PILLARS*

The first is a **public pillar**, which has the limited objective of alleviating poverty in old age and providing co-insurance against many risks. It must be a small pillar to leave space for the other pillars, and it should be financed from the normal budget to avoid the problems of social security funds administered by the public sector. There are three possible modalities: it could be part of a benefits programme geared to the needs of poor people of all ages with benefits that depend on needs according to age; it could be a guaranteed minimum pension through a compulsory savings pillar; or it could provide a universal uniform benefit or one linked to employment.

The second is a **compulsory individual capitalization pillar under private administration**. This could take two forms, personal savings plans and occupational plans. The total finance generated is supposed to contribute to capital formation and the development of financial markets, and the stimulation of economic growth through this means would facilitate the financing of the public pillar (the real trend has been to promote personal savings plans, making this pillar more important and characteristic of the model).

The third is a **voluntary individual capitalization pillar under private administration**, which could take the form of either of the two modalities above as a voluntary supplementary system.

* CINTERFOR/ILO (2003-2005).

20 The situation in the East European countries is dealt with in the report by BGRF/Bulgaria in this Report.

21 CINTERFOR/ILO (2003-2005).

conditioning of loans) and following the policies implemented in Central and Eastern Europe and Latin America, a whole new pension system architecture was set up, based on three pillars. The new architecture combines government and private involvement as well as compulsory and voluntary elements.

In 1999, criticism started emerging within the World Bank itself about its ideological approach to the structural reform of pension systems. The World Bank conceptualized its new approach as Social Risk Management (SRM). In 2000, in the World Bank's World Development Report, a policy framework for *Attacking Poverty* was presented. Significantly, at the time the Millennium Development Goals were defined in the UN Millennium Declaration, the Bank clearly stated its intent to re-conceptualize social policy as social risk management.

The World Bank suggests that the state should provide "social safety nets for risk coping." There is a premise that state institutions in developing countries will never be in a position to provide anything other than the most limited forms of social protection. This view is problematic as it appears to deny the possibility of social progress. The social risk management framework appears to have been built on the premise that developing countries should actively seek to implement social protection strategies which limit state action to the delivery of targeted social expenditure only.

These new formulations of World Bank prescriptions have also come in for criticism. Both Tricarico and the report on the role of the World Bank in the countries of Eastern Europe give an account of the different criticisms that have been made of the World Bank model from all over the world. The ILO has also systematized these criticisms, and recently an independent audit of World Bank research, which examined over 4,000 World Bank activities in the period 1998-2005, found that rather than policy being formulated on the basis of a balanced analysis of a wide range of research, policies were often formulated on the basis of historical preference, and then backed up by selective research and biased analysis.²² The independent panel made telling criticisms of the way that World Bank research was used to proselytize on behalf of World Bank policy, often without taking a balanced view of the evidence, to the point that "the degree of self-reference rises almost to the level of parody."

On the question of the impact of structural reforms, the report from India explains that the retreat of the state under the impact of the neoliberal framework and the forces of globalization have created a policy dilemma in which the concerns of the welfare state have been left behind. In spite of constitutional stipulations regarding the provision of social security, the current system leaves wide gaps, especially in terms of covering vulnerable sectors of the population like the elderly, women, children, and the millions of paid and unpaid workers employed in the unorganized sector.

22 Banerjee, A. et al (2006). *An Evaluation of World Bank Research, 1998-2005*. Cited in the report by Antonio Tricarico in this Report.

TABLE 2. The World Bank model: the pillars for economic security for the elderly

Objective	Redistribution and co-insurance	Savings and co-insurance	Savings and co-insurance
Modality	Depending on need – guaranteed or uniform minimum	Personal or occupational savings plan	Personal or occupational savings plan
Financing	Financed from taxes	Totally financed, regulated	Totally financed
Pillars	Compulsory pillar administered by the public sector	Compulsory pillar administered by the private sector	Voluntary pillar

Source: CINTERFOR/ILO, 2003-2005. Taken from *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*. World Bank, 1994.

CRITICISMS OF THE WORLD BANK MODEL *

- It diminishes national and intergenerational solidarity.
- Policies are often formulated on the basis of historical preference, and then backed up by selective research and biased analysis.
- Its coverage is limited, and private regimes favour the more prosperous sectors of the population.
- It is geared to profits, and sometimes administrative costs are high.
- There is the risk of bankruptcy and financial volatility.
- It does not provide complete security unless the state takes the necessary measures.
- The social actors do not participate in the management or definition of policies.
- It is more difficult to adjust pensions to economic fluctuations than in public regimes.
- Complex problems about guaranteeing pension rights arise in cases of occupational mobility.

* Based on 'Inconvenientes del modelo Banco Mundial desde la perspectiva de la OIT', cited in CINTERFOR/ILO (2003-2005).

In the thematic report by the Bulgarian Gender Research Foundation (BGRF) on the role of the Bretton Woods institutions in Eastern Europe, the point is made that there have been two kinds of social security reforms. On the one hand there is the kind that was applied in Poland, Hungary and Bulgaria (similar to those in Argentina), and on the other hand there is the system implemented in countries like the Czech Republic, Romania and Slovenia, which is more along the lines of the European social model in that it has not followed World Bank recommendations and seems to have been designed taking account of the lessons learned in Latin America.

In the national report from Latvia there is an outline of the main characteristics of the structural reforms in that country and how these have affected the quality of life of older people. In the report from Hungary it is stated that practically all areas of social policy have been affected by the transition and the neoliberal policies dictated by the international financial institutions in accordance with the Washington Consensus, in other words, the strengthening of individual responsibility and the weakening of public responsibility. Meanwhile, labour rights have been weakened and joblessness has increased, so labour security has been seriously undermined.

Fernando Cardim de Carvalho points out some other risks involved in the role that private equity funds and hedge funds play. Pensions are not similar to other classes of financial investment where investors select part of their surplus income to make a bet. The function of pensions is to guarantee a minimum income level that allows the retiree to maintain a certain quality of life. The middle classes and, in the more developed countries, the workers are the final investors in

pension funds, and their future incomes should not be dependent on market games such as those played by private equity funds and hedge funds.

Aldo Caliri notes that the G8 Summit at Heiligendamm in June 2007 failed to take any meaningful action. The German finance minister's attempts to push for an agreement on tightening regulation of hedge funds were quickly opposed, mainly by the US and UK governments, and were soon watered down to mere calls for disclosure in the interest of greater transparency. As the G8 Summit drew closer, it seemed that even modest transparency requirements of a mandatory nature were too much to enforce on hedge funds.

The role of the international community

In the fight against poverty as one of the 'banners' of international cooperation there is less and less emphasis on social justice. Although emergencies certainly require urgent attention, the approach to poverty solely as assistance to people who are affected is leading to increasing inequality and is not tackling the root causes of the problem. Poverty is a problem for all societies; it is not a 'disaster' that affects a small group of the poorest countries (even though these countries do deserve priority treatment and special attention).²³

The international community recognizes the problem of inequality and its multiplier effects as being as serious as the problem of poverty. Nevertheless, international organizations continue to rank countries by income – in terms of per capita GDP – which is an average indicator that conceals

23 Social Watch (2007). Guidelines for national reports.

inequalities, because it takes a country's annual income and simply divides it by total population.

The Human Development Index (HDI) of the United Nations Development Programme (UNDP) incorporates health and education as well as income, and it is clear that countries with similar levels of per capita income may rate very differently on the HDI. The Basic Capabilities Index (BCI) developed by Social Watch²⁴ dispenses with income and compares countries according to their progress in a number of basic capabilities that are indispensable for a decent life.

The European Commission recently made an effort to develop a governance index, but this is criticized by Mirjam Van Reisen and Simon Stocker in their report on the European Union. While issues are hanging over the democratic scrutiny of the country programmes for Africa, the European Commission is placing strong emphasis on a governance facility for Africa. The instrument has come in for serious criticism. Out of a total of 23 indicators, only one is related to the Millennium Development Goals. Other indicators focus on issues such as migration, trade liberalization and counter-terrorism, and are aimed at negotiating a response to European interests in exchange for EU aid. It is unclear if the signing of European Partnership Agreements arranging new trade cooperation agreements between the ACP countries and the EU also has an impact on the assessment of 'governance' in the partner country.

The unions organized through the International Trade Union Confederation have a clear understanding that local and national problems require international solidarity, and that the challenges facing the world make it necessary to organize on a global scale. But the major international campaigns against poverty, or the massive solidarity expressed by the public worldwide when there is a disaster like the tsunami in December 2005, have not served to rectify the basic inequities in the world economic system. There is a lack of international solidarity, and this is clear from the fact that development assistance is so paltry, that developing countries' trade is often impeded, that world opinion is indifferent to the double standards of transnational corporations from the North in their dealings with the South, and in how the problem of foreign debt is being handled.

This reality contradicts the promises made by the international community. In the report by Rebecca Carter and Stephen Lister, it is argued that by signing up for the Millennium Development Goals (MDGs), the international development community made a commitment to fulfil the right to social security for all. This right could become actionable in international courts, as demonstrated in the report by Christian Courtis, and its implementation worldwide would be perfectly viable if there were the necessary political will to achieve it. ■

24 See the section on the Basic Capabilities Index 2007 in this Report.

HEALTH REFORMS: THE WORLD BANK MODEL

Pro-private health providers

Tricarico explains that the World Bank deliberately reduces the role of the state and public intervention on the basis of the unproven ideological assumption that private health providers are more accountable, of higher quality and more efficient than public providers. Public sector workers are presented as corrupt, but there is no analysis of why corruption thus defined occurs among this group, and no comparative analysis of how and why massive corruption also occurs in private provider contracts. The strategy ignores the evidence of successful reforms to strengthen the training, recruitment and retention of more highly motivated and better-remunerated public sector health care workers, and proposes bypassing the public sector in favour of a falsely overvalued private sector.

The Philippines

The PhilHealth programme (also known as Medicare) exemplifies wide inequities: poor workers subsidizing well-off employees (who have a higher incidence of serious illnesses requiring more expensive treatment), and poor regions subsidizing metropolitan Manila. Local-level life insurance and health insurance are thriving in some urban and rural places, despite actuarial weaknesses, and they do help mitigate risks and reduce the vulnerability of poor households. The Filipino report identified cooperatives, NGOs and mutual benefit associations as vehicles of micro-insurance programmes in the country.

Hungary

The current Hungarian health care system faces serious structural problems. Prevention and screening systems in health services are not reliable from either an organizational or a professional point of view, and the capacity of rehabilitation centres is insufficient as well. Structural problems are made more severe by overlaps between certain services (e.g. health and the social system), and the lack of advanced communications, which further obstructs the efficient operation of the health service. Under the slogan of 'reforms', the ruling social-liberal government is closing down hospitals, and this is causing a significant decrease in the number of hospital beds. Another objective of this 'reform policy' is to open the way for private health insurance companies.

Romania

The national report explains that in 1990 Romania's medical system was exclusively public, highly centralized and financed from the state budget; services were offered to the population officially free of charge. During these last 17 years of transition, statistics and research have shown deterioration in the population's health, including a drop in life expectancy and the reappearance or aggravation of poverty-related diseases. In this context, political decision makers decided to switch to a system based on health insurance. In general, experts consider that the whole reform process has led to increased costs, confusion among medical personnel, delays in the creation of the legislative framework defining the responsibilities of different actors in the system, and errors in the disbursement of funds. Many decisions have been taken without a prior evaluation of their social impact.

The public health system's problems have been heightened in recent years by a growing inability to provide free or subsidized medicines for those who need them. The liberalization of the pharmaceutical market and a decrease in domestic production have led to a steep rise in prices for pharmaceutical products, further limiting the poor population's access even to vital, obligatory treatments.