



Florida High Schools Model United Nations

FHSMUN 33 GENERAL ASSEMBLY SECOND COMMITTEE

SOCIAL PROTECTION SYSTEMS IN THE CONTEXT OF THE GLOBAL FINANCIAL CRISIS

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Social Protections or Social Security as defined by the International Labor Organization

“The adoption of public measures to ensure basic income security to all in need of protection, in order to relieve want and prevent destitution by restoring up to a certain level income which is lost or reduced by reason of inability to work or to obtain remunerative work due to the occurrence of various contingencies: sickness, unemployment, old age, employment injury, family responsibilities, maternity, invalidity or death of the breadwinner.”¹

Introduction

The recent global financial meltdown and worldwide recession has dominated headlines both at home and overseas for the past several years. While the U.S is no longer officially in a recession, the recovery has been fragile and the threat of entering another recession (often referred to as a “double-dip recession) remains. But while financiers and central bank officials worldwide debate the optimal strategies for recovery there is a larger, more critical crisis brewing. A recession undoubtedly leads to higher unemployment rates which in turn exacerbates a number of social woes. It is estimated that in December 2008 alone, the United States lost over 632,000 jobs, increasing the official unemployment rate to 7.2%². As of December 2011, unemployment in the U.S stands at 8.6%. In Europe, the situation appears even more dismal, with the continent on the verge of entering another recession and unemployment above 10% in many EU members. Spain for example has an unemployment rate of 23% with the figure rising to 50% among young people³. High unemployment can have far reaching consequences.

¹ See more particularly: Universal Declaration of Human Rights, UN GA Res. 217A (III), 1948, Article 22; International Covenant on Economic, Social and Cultural Rights, UN GA Res. 2200A(XXI), 1966, Article 9; Constitution of the International Labour Organisation, 1919; Declaration of Philadelphia, 1944; Income Security Recommendation, 1944 (No. 67); and Social Security (Minimum Standards) Convention, 1952 (No. 102).

² [U.S Department of Labor, Employment Statistics for December 2008](http://www.dhs.gov/eaglesandallies/whatsnew/2009/01/20091208.html)

³ Source: The Economist <http://www.economist.com/node/21528614>

Beyond the problem of lower tax revenue and increased budget constraints, it can lead young people to delay saving for retirements or making large purchases such as a house. These can further impact the national economy by lowering growth and investment. It is critical to remember, too, that in many parts of the world including the U.S, loss of employment often means losing one's health insurance for themselves and their family. This double blow of unemployment and loss of health insurance presents especially daunting challenges for individuals, families, and societies because personal or familial illness is the single most important cause of middle income individuals and families becoming impoverished.

In most countries, governments have set up protections or social "safety nets" to help people caught in crisis such as the loss of a job. The primary goal of social protection systems is to guarantee access to health and social services and to provide income security to help people cope with certain significant risks of life and alleviate poverty.⁴ Social protection, or "social security" as it sometimes called, has been widely accepted as a fundamental social right enshrined in both Article 22 of the Universal Declaration of Human Rights and Article 9 of the International Covenant of Economic Social and Cultural Rights. Despite the legal basis for these protections and the fundamental need for them, several countries have begun scaling back, and in some areas, dismantling their social programs. Furthermore, many governments especially those of developing countries continue to underfund basic safety nets or welfare schemes of their citizens. The Least Developed Countries (LDC) are so far behind in terms of economic output that governments in these countries lack the resources to even set up such protections. This is often because such a large portion of the population is in need of assistance.

As stated earlier, many countries have rolled back social protections as part of the "The New Economic Paradigm." The arguments behind this shift including economic growth and demographic issues will be discussed below. Inherent in this paradigm shift is a philosophical debate concerning the role of the state in caring for the welfare of its citizens. This paper will also discuss the affordability of obligations to social welfare programs. When government revenue is strong, there is likely to be little incentive for supporting such programs and helping them build a surplus. Only when the economy crashes and large segments of the population lose their jobs does society demand increased social protection. For example, during the 2008-09 recession in the U.S, thousands of laid off workers had access to unemployment insurance. As the recession has subsided, many have questioned the rationale for extending benefits to the unemployed and Congress continues to debate whether benefits should remain.

Delegates to the General Assembly Second Committee are tasked with examining the current state of their respective countries' economies as well as the global macroeconomic situation and furthermore how to most effectively scale up existing social protection mechanisms and schemes to stimulate optimal economic and human development. Within the broader context of the UN System, the International Labor Organization (ILO) emphasizes these concerns most directly and significant information

⁴ Cichon et al (ILO): "[Financing Social Protection](#)", Geneva, 2004.

from the ILO will be incorporated into these analyses. Contemporary economic analyses that examine the impact of social protection schemes in Chile, the Republic of Korea, and the United States will also be included but it is absolutely essential that delegates research the most current data on their own countries' social protection systems as well as the likely challenges that these systems may face in the future.

The Role of the International Labor Organization

Social Security was a concept that began to take hold in market economies during the Industrial Revolution, and especially during and after the Great Depression. Given current parallels to the historical contexts in which Social Security and social safety nets were first enacted, it is essential that states and their civil society and international partners maintain as much of their existing social safety nets as fiscally and politically possible. As the labor force shifted from rural agricultural areas to urban industrial centers, labor movements and unions began to arise. Over time, these unions strengthened and industry began to formalize wages and salaries, and the need for collective bargaining and basic standards developed. These standards stretched from early work safety laws and the elimination of child labor to recent laws concerning maternity leave for pregnant mothers and minimum wage laws. As the labor movement began to grow, workers throughout the world attempted to group together to set global standards on many of these issues. This gave rise to the International Labor Organization (ILO). One of the major goals of the ILO is the promotion of social security worldwide. The ILO Constitution clearly states “the solemn obligation of the International Labor Organization to further among the nations of the world programs which will achieve”, among others “the extension of social measures to provide a basic income to all in need of such protection and comprehensive medical care”⁵. The ILO has for decades led the way in expanding social security most notably in various conventions that have been ratified by a number of countries. These are:

Social Security (Minimum Standards) Convention 1952 (No. 102)

Employment Injury Benefits Convention, 1964 (No. 121)

Medical Care and Sickness Benefits Convention, 1969 (No. 130)

Employment Promotion and Protection against Unemployment Convention (No. 168)

Maternity Protection Convention 2000 (No. 168)

The ILO has also maintained minimum standards concerning what percentage of the population should be covered by these benefits. Obviously, wealthier countries are generally able to provide greater coverage than developing countries. The system allows for flexibility with the aim of eventually achieving universal coverage.⁶

⁵ 1944 Declaration of Philadelphia part of the ILO constitution Article III(f) and Article III(h)

⁶ ILO 1952 Convention No.102

Table 1.1 Ratification of up-to-date ILO Social Security Conventions

ILO Convention	Number of Ratifications
102	43
121	24
130	15
168	13

From the perspective of the ILO, Convention No. 102 lays the groundwork for all future conventions and declarations concerning social security and other protections. Convention No. 102 defines nine classical branches of social security and sets minimum standards for each. These benefits are: Medical Care, Sickness, Unemployment, Old-age, Employment Injury, Family, Invalidity, and Survivor. Minimum Objectives are set for each with regard to minimum percentage covered maximum level of benefits, and conditions for and period of entitlement. To see a full list of the minimum requirements for coverage under Convention No. 102 please see page 9 of [Setting Social Security Standards](#).

Convention No. 102 also gives flexibility in a government’s approach to financing and providing benefits to their citizens. Each country is allowed to setup its own program based on demographics and its level of economic development. The convention specifies minimum standards with the hope that governments will eventually expand their programs to universal coverage. The convention also allows gives exceptions to countries with inadequate medical facilities or poor administrations to limit the proportion of the population covered under such schemes.

The New Economic Paradigm

If social protections help in alleviating poverty, reducing income inequality and taking care of those who cannot take care of themselves, why would countries ever not adopt them or reduce the amount of money they devote to such programs? The reason has to do with a new economic model that came into vogue during the late 1970’s. The *new economic paradigm* refers to an ideology that took hold in many developed countries during the 1980s and 1990s. In the United States, President Regan’s economic policy referred to as “Reaganomics” called for reduced government spending on social programs and increased privatization of many government activities. The idea behind this philosophy is that social protection systems go against the ethos of a free market capitalist economy. To sustain these programs, the government must maintain taxes at a certain level, and some economists believe that this inhibits economic growth. Therefore, they believe that the government should not support such programs and instead allow citizens to be subject to the whims of the free-market. The United States and Great Britain took the lead on *welfare state containment* while other OECD nations such as Germany, France, and Netherlands maintained their social expenditures at the same percentage of GDP levels reached in the 1970s. Many have theorized that lower growth

rates in these countries as compared to the United States have come mainly as a result of social protection provisions which are too high in magnitude to be sustainable.

The growth vs. equity tradeoff is a hotly debated issue and there are still no definitive answers. There is evidence in the United States, however, that the increased wealth generated by lowering taxes largely goes to the top portion of income earners. The idea that this wealth will somehow *trickle down* to all members of society has clearly failed. Income inequality continues to grow in countries that have reduced social protections and this can lead to social tensions and unrest. The substantial economic growth rates in many countries over the last few years have not translated into an equally fast decline of poverty. Conservatives often point out that this is the basis of free-market ideology, and that social security and other schemes that stem to redistribute wealth or create a more equitable society squelch innovation and the incentive to start businesses. Many developing countries have followed the American lead in this regard stating a need to keep public expenditures and in turn taxes low to remain competitive in a global economy.

ILO experts and many notable economists have argued that substantial government expenditures for social protection and sustained economic growth can co-exist. A study published by the ILO's Social Security Department shows a high positive correlation between social expenditures and labor productivity (GDP per hour worked)⁷. There are also other anecdotal examples that show how social protections can in fact help the economy. Take for example the theory that higher taxes to support social protections will reduce an individual's incentive to take the risk of starting a new business. The counterpoint to this argument is that social protections can in fact make it easier for individuals, especially those from the middle and lower classes, to take risks. If basic health care and other safety nets are provided for, an individual is more likely to take the risk of taking out a loan and starting a business knowing that even if he fails, his health and the health of his family will be guaranteed by the state. Social protections in fact help individuals become less risk averse.

Case Studies:

Republic of Korea (South Korea)

Over the last 30 years, South East Asian and other East Asian countries such as the Republic of Korea, commonly called South Korea, and the Republic of China, known as Taiwan, have boasted the fastest economic growth rates in the world. As the governments of these countries began to build up sizable budget surpluses, there was pressure from many economists to set up pension plans, health care and other welfare programs to help citizens at the middle and lower end of the socio-economic scale. Policymakers countered that social safety programs were unnecessary because of the close knit family support inherent in most Asian societies. They argued that in cases of job loss or other family emergencies, these extended families could be counted on to act as a support structure. For decades, many governments including South Korea and

⁷ Source: OECD SOCX Database

Singapore refused to provide many basic social protections despite having the ability to do so. The test of this philosophy came in 1998 with the Asian Financial Crisis. Though far smaller in scope than today's global crisis, the seeds of the crisis were much the same. Unregulated lending by commercial banks caused massive bubbles in both real estate and stock markets in many of these economies. When foreign investors sensed that many of these assets were overvalued they began to pull out their capital and asset prices began to plummet. Some citizens lost their entire life savings and the crisis led to social unrest.

The South Korean government responded to the crisis by vastly expanding expenditures on social protections. Social expenditures went from 0.6 percent of GDP in 1997, to 2.0 percent in 1998⁸. The government tackled the crisis by targeting three main areas: the unemployed, the poor, and the elderly. They expanded the nascent unemployment insurance to cover all firms rather than just 30 firms a year before. The government also increased the amount of capital allocated to job retention and retraining as well. The government correctly assessed that the marginal workers - young, female, less experienced, and less-educated are the ones most severely affected by the crisis. They are more likely to be the long-term unemployed and the people living under the poverty level. In this case the government realized that rather than expanding benefits for all, it was these core groups that needed help the most⁹. Politically, this was challenging since many of these individuals lacked representation in unions or at the polls. Perhaps what was most impressive about the Korean government's response was the acknowledgment that continued economic growth requires the "widest distribution of health, wealth and better education".

Public Social Transfers Vs Community based Support

The South East Asian crisis revealed that traditional kinship-based social nets could not absorb the negative effects of this deep economic depression¹⁰. The problem stemmed from the fact that such a large segment of the population was affected, that few individuals could count on family support in tough times. Furthermore, public social security systems can offer effective strategies in multiple fronts including improved health care assistance and job retraining. Social protections based on families or local communities also "cannot offer a method for the redistribution of the fruits of economic growth on a national scale"¹¹ Relying on family or communities for support means relying on the altruism of others which can be hard to come by during dire economic situations. Sometimes the humiliation of having to rely on the charity of others is too much to take and economic downturns are often accompanied by increased suicide rates. Finally the informal structure of *traditional* programs makes the recipients totally dependant on those providing support and may entail restrictions of freedom or even slavery.¹² A formal government sponsored support program has clear entitlements and

⁸ The Asian Financial Crisis: Crisis, Reform and Recovery By Shalendra D. Sharma,

⁹ [Social Impacts of the Asian Crisis: Policy Challenges and Lessons](#)

¹⁰ Setting Social Security Standards in a Global Society, ILO Press

¹¹ [Changing the Paradigm in Social Security](#), ILO Press Cinchon, Woodall, Hagenmeier

¹² ILO Poverty Study on Tanzania, 1998 et all

rules for distributing aid. More importantly, the recipients have rights and a clear understanding of what benefits they are entitled to.

Chile and *The World Bank* Approach

Chile was one of the first countries to incorporate ideas from the New Economic Paradigm into their social protections program. For decades, the Chilean government had operated a pension scheme similar to the social security system in the United States. The workforce made mandatory contributions based on their income levels into a fund that was mostly invested in government debt. The fund would therefore offer a return based on the country's central bank interest rate. Notable conservative economists at the time such as Milton Friedman from the University of Chicago pointed to the inherent demographic problem in such systems. As the ratio of contributors to retirees shrink, the amount of money in the fund will drop and without a plan for additional funds, the system would become insolvent and eventually unsustainable. With considerable pressure from both the US Treasury and the World Bank, Chile created a new pension scheme that privatized the pension fund. The belief was that by bringing market competition into the pension system, fund managers would compete with each other to offer the highest rate of return while simultaneously lowering administrative fees for the pension fund. One major challenge for the program was the Chilean government had to set up this scheme as an alternative to the old pension scheme and phase out the old one over several decades. This meant the government had to make massive contributions simultaneously to both funds and this increased the size of Chile's national debt. The new system has many serious flaws both in terms of finances and coverage. During the 2006 presidential campaign, both the Socialist and Conservative candidates criticized the Chilean pension system for not providing adequate coverage, particularly for younger and lower-income Chileans.¹³ For a comprehensive list of these flaws and the history of the Chilean Pension program please see [Chile's Experience with Social Security Privatization: A Model for the United States](#).

The World Bank's model of partially privatized pensions is known as the 'multi-pillar systems' approach¹⁴. After phasing this model in Chile and throughout Latin American in the 1980s and the 1990s, the Bank asked the *World Bank Independent Evaluation Group (IEG)* to compile a report on the effectiveness of privatizing social security. The results were less than stellar. The report published by the IEG on the privatization of social security in Latin America did point to some impressive returns especially in the early years of the reform. However, the apparent savings in fees and administrative costs were never realized¹⁵. After factoring in the costs, the annual rate of return for most pension schemes were between 4.5 and 6.5% which is roughly what the 10 year US Treasury yield was during the same period. There was also a negative social

¹³ Larry Rohter, "Chile rethinks its privatized pension system" *International Herald Tribune* January 10, 2006.

¹⁴ [Rethinking Pension Reform](#) Stiglitz et al,

¹⁵ [World Bank Independent Evaluation Group \(IEG\) criticisms of the World Bank pension reform model](#)

impact. The report found that despite the Bank's claim that coverage would expand under the new scheme, the number of individuals covered by the pension schemes dropped. As for the Bank's claims that a primary motive of its interventions had been to increase pension coverage, the IEG concluded that in fact, "little support was provided to expanding old-age benefits to workers in the informal economy," and that "the impact of gender on the welfare of the elderly is assessed in only 11% of countries." The Bank had also claimed that these pension funds would help domestic financial institutions and firms because the accumulated capital could be reinvested domestically. Yet the report found that much of the money was invested in foreign assets, and while this may have been wise financially, it did little to help the domestic population or local industry¹⁶.

"It should be noted the World Bank's Latin American department came to a similar conclusion two years earlier, when it found, after examining comparative experiences in Latin America, that private managers generally proved to be very costly administrators and that "financial sector development can take place effectively in the absence of pension privatization."

The IEG report also noted that many of the countries selected by the World Bank for pension reform had poor corruption control indices and unstable financial conditions with high government debt. This led to massive fraud and misuse of funds in many of the countries under advisement of the World Bank. Furthermore, many of these nations could not afford the costly procedure of privatizing pension schemes and therefore had to reduce coverage and benefits. The multi-pillar approach was also supposed to guarantee returns and be immune of demographic changes. Yet a 2001 report by the ILO shows that nations with privatized pension plans face the same risks of a shrinking workforce as do nations with public social security

United States.

Social Security reform has been a major issue in Congress for over a decade but unfortunately little progress has been made on the issue. The United States (like Chile in 1980) is faced with some similar choices. The baby-boom generation has upset the demographic pyramid. In 1950, there were 16 workers for every person receiving Social Security benefits. By 2015, there will be only three workers for each beneficiary. Fifteen years after that, the ratio will be down to 2.2 to 1. As is apparent from this projection, at some point the fund will not only distribute more than it receives, but it will also run out of all the accumulated wealth since its inception. The choices of course are cutting benefits, raising taxes, raising the retirement age, or privatizing some or all of the system. In 2005 President Bush announced an initiative to introduce individual private accounts as an alternative to the Social Security system. Like the reforms in Chile, the plan called for supporting both systems until the old system could eventually be phased out. Furthermore, pension plans have overwhelmingly shifted from defined benefit, meaning a stable monthly payment, versus defined contribution, meaning that the amount of money contributed at each pay period is known but the rate of return will depend upon the various performances of the investments that make up the pension plan's portfolio. The

¹⁶ [Social \(in\)security for all: Pension reform in Central and Eastern Europe](#)

privatization of Social Security created a firestorm in Congress and was eventually defeated. The risk of such a move cannot be overstated. In the previous decade many notable economists have praised the privatization idea as a method of getting better returns. Yet almost all of these so-called experts have been silenced by the recent financial meltdown. Individual private accounts would allow citizens to invest their money in a series of mutual funds, individual stocks and bonds. As it is, many Americans have watched their retirement savings and 401-K plans drop in value just as they are approaching retirement age. The stock market crash and the real estate bubble have wiped out trillions of dollars in savings. If social security had been privatized this too would have suffered the same fate and the losses would have been staggering. The crisis has been a lesson that private investment is not risk-free and that the increased returns can often come at a steep cost. While the recession did put a serious dent into the new economic paradigm, the debate is far from over. Increased pressure to cut the deficit, and the recent ratings downgrade on U.S debt, has reignited the debate over cutting social safety programs that many consider too generous especially to public sector employees. In states such as Florida and Wisconsin, many public employees, particularly public school teachers, are now required to contribute at least 3% of their before-tax salaries to their respective state-funded pension systems.¹⁷

Although Social Security is in need of fixing, a more pressing problem for the United States is its obligations under the Medicare and Medicaid programs. The Medicare program was set up to cover medical costs for citizens over the age of 65 while Medicaid covers care for low income earners. Spending on both programs is expected to jump dramatically with Medicaid expected to jump from 1.4 percent of GDP to 3.1 percent by 2050 and Medicare to triple from 2.7 percent of GDP today to 9.4 percent by 2050¹⁸. The recent health care bill passed by President Obama in 2010, forces all Americans earning more than \$30,000 USD annually to buy health insurance. The idea behind the bill is to expand the social safety net and reduce the number of uninsured. While expanding access will help millions of Americans gain access to health care, the bill has been met with mounting controversy both over its cost and its legality. Several leading presidential candidates have called for a termination of the health care bill and a return to individual responsibility for insurance.

Societal Impact of Austerity Measures

In the wake of the financial crisis, most nations increased government spending to help off-set the economic crisis. In the U.S, the financial bailout of the banks was followed by a \$787 billion stimulus package which included infrastructure spending, additional funds for cash strapped states and tax breaks. The results of the stimulus have been difficult to gauge since it is difficult for economists to determine what unemployment and GDP would look like without the stimulus. However, since 2009, there has been increased focus on cutting the U.S budget deficit, including potential cuts in welfare, medical costs for the elderly and the poor, and unemployment benefits. In the U.S for example, a person who loses their job is eligible for 26 weeks of unemployment

¹⁷ Trip Gabriel, "Teachers Wonder, Why the Scorn?" *New York Times* March 2, 2011.

¹⁸ [A Guide to Fixing Social Security](#)

benefits (totaling on average \$300/month) from the state, and an extension of up to 99 weeks from the federal government as long as they are continuing to look for work. However, there is speculation that the federal extension of benefits may be cut¹⁹. In a speech at Harvard University, Republican presidential candidate Newt Gingrich recently stated “It is fundamentally wrong to give people money for 99 weeks for doing nothing.” Many economists note, though, that unemployment benefits are automatic stabilizers at the macroeconomic level. As unemployment rises, more unemployment benefits are paid out, the overwhelming majority of which are immediately injected into the economy for consumption purposes, thus maintaining and/or boosting demand and GDP. When unemployment falls because firms are hiring again, fewer dollars are paid out in unemployment insurance at the same time that tax revenues are rising as a result of an improved employment situation.

Large budget deficits in a number of EU member states (most notably Greece, Italy, Ireland and Spain) have forced governments in those states to slash spending even further. These so called “austerity measures” have had a major societal impact and there is deep worry that the timing of these austerity measures will tip many of these economies back into recession. In its 2011 report, the UN Department of Economic and Social Affairs stated that large cutbacks in areas such as education may have implications for years to come.

“Many country's governments could be undermining economic recovery by implementing austerity measures such as cuts in spending on health, education and other social programs, which threaten to turn back decades of social progress, block new job creation and derail efforts to eradicate poverty in both developed and developing nations”²⁰.

Nonetheless, the continuing crisis with the euro, and the inability for the European Central Bank to stabilize interest rates of several EU member states, leaves countries with little choice but to reduce deficits. German Chancellor Angela Merkel and French President Nicolas Sarkozy announced in early December 2011 that their respective governments were committed to implementing mandatory ceilings for sovereign debt for EU member countries; this announcement is particularly critical as it comes during late stage negotiations for rewriting some of the financial legislation that undergirds the European Union itself.²¹ Social safety nets and government pension are seen by many as large liabilities that must be reduced in order to balance national budgets. Many unemployed and government worker have taken to the streets in Spain, and Greece to protest cuts to social programs but the intense pressure from lenders and high boring rates for heavily indebted nations seem to have left policy makers with little choice.

¹⁹ Source: MSNBC <http://www.news.com/videos/congress-weighs-unemployment-benefits-extension/>

²⁰ Source: the UN Department of Economic and Social Affairs
<http://social.un.org/index/LinkClick.aspx?fileticket=v0LQqd2FT3k%3d&tabid=1561>

²¹ Edward Cody, “Sarkozy, Merkel call for new EU treaty to address debt crisis” *Washington Post* December 5, 2011.

Potential Solutions

The ILO conventions and standards clearly indicate that the primary goal of any social security scheme is to alleviate poverty and provide welfare for those who are unable to care for themselves. The new economic paradigm and World Bank approach do not directly address these issues and often are not driven by the security for all principle²². They ignore some of the social and gender issues that are often present in social protection plans and instead focus purely on fiscal management (often times failing in that task as well). While this is important to the sustainability of such programs, they must be done in a way that does not limit the protections offered to the public. There are several philosophical questions that must be answered here. We have all heard arguments about *welfare mothers* who simply collect a check every week and therefore lack any motivation to work. So what should be the balance of individual responsibility and state welfare? Who should qualify under such schemes and should the schemes distribute wealth based on an individual's contribution or based on who needs it the most? A successful social protection plan must strike a balance between these viewpoints. Recently the ILO has suggested countries view such programs in a new light. Rather than social costs or obligations to entitlement programs, social security should be viewed as an "investment in people". A social protection model must be

- a) flexible to accommodate national circumstances
- b) progressive i.e. has to permit a gradual build-up of more comprehensive systems as societies' mature
- c) accept the benefit levels defined by the ILO minimum standards as an ultimate level of protection

Obviously implementation of such programs is much easier for rich countries than poorer ones. However, even in the poorest countries, the ILO believes there is hope for social protections. Basic elements of a program must include:

- Access to basic health care through a national system that consists of public tax-financed components, social and private insurance and community based components that are linked to a strong central system
- A system of family benefits that permits children to attend school
- A system of self-targeting basic social assistance (cash-for-work programs) that helps to overcome abject poverty for the able-bodied.
- Developing a system of basic universal pensions for old-age, invalidity and survivorship that in effect supports whole families.

Such details may seem daunting especially to poor countries. Yet there is evidence that basic welfare is affordable even in the poorest areas.

²² [Social \(in\)security for all: Pension reform in Central and Eastern Europe](#)

Is social protection affordable?

The International Financial and Actuarial Service of the ILO conducted a study designed to estimate the level of resources needed to be applied at the global level, to address the problem of ongoing poverty. The study used a hypothetical social protection package containing the minimum standards of basic education, access to health care and income transfer in case of need (government handouts to the poor). The results indicated a mere 2 percent of Global GDP would be needed to provide such a minimum package of benefits to all of the world's poor. In fact most of these resources could be raised nationally and poor countries would only need small transfers of funds to sustain the program. The case for affordability has been clearly made, and now it's a question of political will to enable such a system. A global approach may be necessary simply because of the wide disparities in wealth between the developed nations and the LDC's. Furthermore a global approach will help nations meet their obligations to alleviate poverty under the Millennium Development Goals. The first step in any potential new plan is to urge governments to understand the importance of social protections and ratify the various ILO conventions and in particular convention No. 102. Any potential solution must adhere to the principles of: poverty alleviation as a social priority, ensuring progressively higher levels of protection in line with national social and economic development, the creation of a level playing field in the global economy and political feasibility. The last element may pose a significant challenge. Politically, it will be difficult to design a program that allows wealth transfers from one country to another for the purpose of social security. In the current budget crisis affecting much of the western world, most national budgets are under enormous strains and many governments are forced to make domestic cuts in social welfare and in such an environment aid to other nations may be untenable. Although largely unnoticed, the global community has already assumed more responsibility for the provision of basic services in some developing countries. In Ghana and Tanzania for example, direct financial support from donors already accounts for substantial proportions of the national health budget.

Globalization in the economic sense is already leading to countries competing for lower cost manufacturing and services. Often this means competition in lowering taxes for foreign companies and this can come at the expense of social protections. This strategy is not only utilized by developing countries but also by developed countries such as Ireland which has one of the lowest corporate tax rates in the EU. After assuming the debts of its largest banks, Ireland (like Greece) required a bailout from other EU countries (though the European Central Bank) and the IMF. Both lending entities have learned from the mistakes in Latin America and South East Asia and the terms are less draconian than past agreements. However, in an effort to boost growth, Ireland refused to raise its corporate tax rate and instead implemented harsh austerity measures including "543m euros cut in health, 475m euros cut in social protection, a cut of six weeks in the fuel allowance and a reduction in child benefit for third and subsequent children"²³. It remains to be seen whether sparing the private sector of any tax increases will increase employment and allow Ireland to reduce its budget deficit.

²³ BBC News Dec 6th 2011 <http://www.bbc.co.uk/news/world-europe-16045457>

One campaign by the ILO is the [Global Extension of Social Security](#) . The main focus of this campaign is to encourage more nations to ratify ILO conventions in particular Convention No. 102 which calls for minimum social security requirements. Once more nations ratify the convention, nations can collaborate on different approaches and begin to learn about different methods. This may be private accounts, public pensions or some type of hybrid. In February 2011, the UN News Centre announced that the “United Nations began laying the groundwork today for a global ‘social protection floor’ that would guarantee food security, health services for all and old-age pensions.”²⁴ As delegates to the General Assembly Second Committee debate how to at minimum protect and preserve, as well as scale up, existing social protection systems, they will want to draw upon the work of the International Labor Organization (ILO), the Commission on Social Development, and the respective regional bodies of the UN System as well as relevant international financial institutions (IFIs).

Conclusion

There are many different approaches to social protection systems and pension schemes. Even in the United States they range from pay-as-you-go government schemes such as Social Security, to private retirement accounts such as 401-K plans and individual retirement accounts. Most importantly, however, social protection programs must also cover basic services such as health and unemployment coverage. Furthermore they must be easily accessible to the people that need these services the most. While the efficiency of administering such programs (public vs. private) is debatable, there must be a balance of government support and individual responsibility (solidarity vs. pluralism). However, the biggest challenge is the international acceptance of global responsibility for a global social policy that helps to create a fair sharing of the proceeds of globalization. The ILO’s Convention No. 102 is an important first step in attaining many of these goals. Its ratification is pivotal in moving forward to an eventual global social security fund that can help all nations. Delegates to the General Assembly Second Committee must also remember that it is far easier to scale up existing social safety nets and/or social protection schemes than to create them entirely anew; preserving existing structures then must be of the utmost importance for the international community. Furthermore, delegates should be aware of the difficult budgetary situations facing many developed nations including the U.S and many EU member states. All discretionary spending from environmental protection and carbon taxes to public pensions and health care are under intense scrutiny and any legislation that transfers wealth to another nation (even a developing one) may face stiff resistance.

²⁴ UN News Centre, “UN pushes for social schemes to protect poor at mere fraction of national wealth” February 14, 2011.

References:

I highly recommend reading the following paper in advance of the conference. They will provide a comprehensive view of social protections as well as potential solutions especially in developing countries.

The Global Social Crisis: Report on the World Social Situation 2011
United Nations Department of Economic and Social Affairs
<http://social.un.org/index/LinkClick.aspx?fileticket=v0LQqd2FT3k%3d&tabid=1561>

ILO Paper: [Social Security Standards In a Global Society](#)

ILO Paper: [Setting Social Security Standards](#)

ILO Paper: [Affordability of Basic Social Protections in Africa](#)

World Bank Report "[Rethinking Pension Reform: Ten Myths About Social Security Systems](#)"

Guiding Questions

What type of social security protections exist in the country you represent? Are you a signatory to any ILO conventions and which ones? Does your nation meet the minimum standards set forth in these agreements? (Please see the following document. [Setting Social Security Standards In a Global Society](#). It contains the minimum standards set forth in Convention No. 102 and lists signatories in the annex sections at the end of the document.)

Does your country have private pension schemes, public pension plans or a combination of both? What have been the most recent developments in terms of funding these pension plans?

Has your country achieved universal health coverage, and if not are there plans to do so?

Is your country either a contributor or recipient of aid for the specific purpose of developing social security? Have social security programs in your country effectively combated poverty and helped reduce income inequalities?

What has been the recent impact of the financial crisis and recession on your country? Has this affected the social safety net in your country and in what way?

