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SOCIAL SECURITY AS A WORLD PROBLEM

by

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SOCIAL SECURITY AS A WORLD PROBLEM

Time was when social security was among the most domestic of domestic social problems; it now has a recognised place among world-wide social problems. This change of outlook is attributable to three main factors:

the relevance of broader social security to economic and social development and technological change;

the relevance of broader international experience to the increasingly complex problems which the contemporary development of social security presents for many countries;

the impact of the ILO on social security in a wide range of countries.

Nothing in the history of social policy has transformed the life of the common man more radically than the assurance that, in the event of loss of income through accident, poor health, unemployment, death of the breadwinner or any other misfortune, he will not be forced into destitution. This assurance has done more than any other one factor to provide a floor for personal freedom and economic stability which makes the common man a citizen of a free community rather than the slave of merciless fate.

New Zealand's Pioneering Role in Social Security

We in the ILO know full well the pioneering role New Zealand has played in the matter.

Towards the end of the last century you were among the first countries to introduce a system of pensions and workmen's compensation.

In the 1930s you led the world in the development of social welfare schemes and in transforming social insurance into the broader concept of social security. Your Social Security Act of 1938 was a landmark in the social history not only of New Zealand but of the entire world.

Today a Royal Commission, the McCarthy Commission, is undertaking a major overhaul of your entire social security system. The report of another Royal Commission - the Woodhouse Commission on Compensation for Personal Injury - has proposed that every member of society should be compensated for personal injury whether this was caused at work or not. I have no doubt that this recommendation will profoundly influence not only the legislation of New Zealand but that of many other countries. New Zealand has long been, and remains, a testing ground for new approaches to social security.

The ILO Contribution

You, for your part, know of the role that the ILO has played in expanding the frontiers of social security throughout the world, often inspired by the experiences of New Zealand.

You know that before the war ILO standards and technical co-operation were instrumental in spreading rapidly over many countries systems of social insurance which would otherwise have remained ambitious experiments limited to a few countries.

You know that during the latter part of the war the ILO played a decisive part in developing a world-wide awareness and acceptance of a new and much broader concept of social security, based on the principles of:

universality of protection;

effectiveness of protection;

unification of various types of insurance and protection within the framework of over-all economic and social policy.

To this concept New Zealand's example and experience made a major contribution. The decisive steps in securing international recognition for it were taken at the Philadelphia session of the International Labour Conference in 1944 under the presidency of Walter Nash.

You know that, during the full quarter of a century which has now elapsed since Philadelphia, we have developed, on the basis of this broader concept, a new series of international standards the groundwork for which was laid at the only ILO meeting ever held in New Zealand, the meeting of the ILO Committee of Social Security Experts held here in 1950.

You know that, for some forty-five of our fifty years, we

have been endeavouring to assist developing countries in devising approaches to, and policies for, social security appropriate for their stage of development.

New Needs and New Developments

I am not here today to praise famous men either among New Zealanders, or on the broader international stage where Sir William Beveridge acquired a unique eminence, or among the ILO pioneers of social security such as Adrien Tixier, Oswald Stein, Maurice Stack and Anton Zelenka. I am here to explore with you how we can build upon their work to meet adequately the requirements of the present and the future.

We have now reached, almost simultaneously in a wide range of countries, a critical stage in the development of social security when it is necessary to take stock of what we have achieved and to consider in what directions and how far we should proceed in the future. This is as true of countries, like New Zealand, which have highly developed systems of social security, as it is of the poorest countries which have only the most rudimentary schemes.

In most of the more advanced countries, the trend of the past thirty-five years or so has been towards a generalisation of the protection offered by social security schemes; the drive for universal coverage has been the basic characteristic of the evolution of modern social security systems, as formulated in your Social Security Act of 1938, in the Beveridge Report of 1942, in the Philadelphia recommendations of the ILO, and in the new series of ILO Conventions adopted during the last twenty years and not yet complete.

Weaknesses of Existing Schemes

Parallel to this trend there has been a growing concern with the effectiveness of the welfare and protection provided by social security schemes. The apparently most affluent and apparently most egalitarian of our societies have come to the distressing conclusion that social security and the welfare state have not abolished poverty. Flat rates of pensions and short-term benefits, based on the granting of uniform minimum benefits, have remained below the real needs of many of the under-privileged: the old, the physically disabled, widows and orphans, migrant and foreign workers, and other groups. The reduction of pockets of poverty and rehabilitation of groups living on the margins of affluent societies have become among the most pressing problems of our most prosperous societies.

In few countries does social security yet offer a measure of protection which satisfies modern aspirations. In many, immense progress has been made in supplementing existing schemes, based on the Beveridge principle of basic flat-rate benefits, by new schemes of graduated benefits related to former earnings, a limited minimum guarantee to one of ensuring effective income maintenance. This trend reflects rising standards of living and rising expectations and aspirations, but it has brought with it numerous administrative and economic problems which are far from resolved.

Administrative Problems

The administrative problems are serious. The proliferation

of numerous special and complementary schemes has undermined the principle of structural unity proposed by Beveridge in 1942 and generally adopted in theory at least after the Second World War. Social security in most modern industrial societies has become an immensely complex, and often inadequately co-ordinated, constellation of various schemes, superimposed one upon the other, so that only a highly trained lawyer can find his way around some of them. The immense merit of the recommendations of the Woodhouse Commission is that they cut through this Gordian knot in the field of compensation for personal injury, and should thus reduce the bewildering administrative complexity and heavy administrative costs of such schemes. For this reason, if for no other, they deserve serious study in other countries and in relation to other branches of social security.

Cost Problems

The problems of cost are still more serious. Your Deputy Prime Minister, the Rt. Hon. J. R. Marshall, said in his statement to the International Labour Conference last June that "Social progress is an expensive process. Our ingenuity in thinking up plans for bigger and better welfare programmes invariably outruns our capacity to pay for them". I have heard the same preoccupation expressed by responsible Ministers of every shade of political opinion from countries with every type of economic and social structure. Employers and trade unions alike are well aware of the problem and of the dilemmas, human and financial, which it presents. How much social security is desirable? How much social security can we afford on a balance of all the relevant social and economic considerations? How can we best ensure a maximum of desirable protection at a minimum of other social and

economic costs? These are now world-wide problems, taking different forms in countries in different stages of economic development and with different types of economic structure and social tradition, but acute virtually everywhere.

Effects on General Economy

In the more advanced countries rising aspirations for fuller, broader and more effective protection against the hazards of modern life, the growing tendency to shift on to the community as a whole the cost of social security protection and the progress of medical technology and resulting sharp rise in the costs of medical care have greatly increased social security costs. The costs involved have given rise to apprehensions of their unfavourable effects on the capacity for economic growth, investment, price stability and competitiveness on international markets. Are these apprehensions valid if account is taken of all relevant elements? A study by the ILO covering the period 1950-1963 revealed that the increase of social security benefits had been more rapid than that of national consumption in nearly all countries studied, some thirty in all. The proportion of funds available to individuals in the form of social protection benefits has continually increased. The growth of social security charges has been generally more rapid than that of the national product. Even when allowance is made for the fact that receipts of contributions have tended to increase in much the same proportions, it is clear that in the advanced countries social security has become an important factor in the balance of the economy. It can no longer be planned and developed in a haphazard way. It has to be planned in such a way that the goals and growth of social security systems are brought into close harmony with the objectives of long-term economic and social policy.

The impact of inflation has been particularly serious in respect of social security; whereas wage rates tend to be adjusted to changes in the cost of living reasonably quickly, there have often been substantial delays in readjusting social security benefits, and the need for principles and procedures which facilitate such an adjustment on a reasonably automatic basis has become apparent.

For all these reasons we can expect the economically advanced countries to be increasingly concerned with streamlining and effectively co-ordinating their social security and welfare schemes in the years to come and integrating them in long-term economic and social planning.

Social Security in Developing Economies

The outlook for social security in the developing world presents a different spectrum of equally acute problems. The once widespread view that social security schemes are a luxury which developing countries cannot afford and do not need is now discredited.

The developing world has social security problems no less pressing and far more difficult than those of the advanced countries. The traditional social security of the collective responsibility of family, tribe and village has been eroded by the mobility of labour, urbanisation and the general impact of social change on the traditional structure of society. The drift of rural populations to the towns and the growth of industrial employment breaks the links between the individual and the traditional social systems in which each individual enjoys a relative degree of security

within the framework of his family, tribe or local community. It becomes imperative to replace these links by arrangements whereby society as a whole assumes at least some of the burden and pays at least some of the cost of having a reasonably stable and committed industrial labour force and an increasingly large urban population.

Unless new methods to meet these urgent new needs are found, developing countries are liable to be faced with social tensions of an increasingly explosive nature in the years to come. The problem is most acute in the more developed of the developing countries which are well aware of the need, but is becoming increasingly acute almost everywhere.

Variations in Developing Countries

There are wide variations among the developing countries in the history and present status of the approach to social security. Some already have a long and solid tradition of social insurance and social welfare schemes in some sectors.

The Indian Workmen's Compensation Scheme, for example, goes back to the 1920s; and India has an Employees' State Insurance Scheme, developed with the co-operation of the ILO, as well as a number of compulsory provident funds dating from the 1940s and 1950s. Others have only the most rudimentary embryonic schemes. A small and decreasing number have virtually nothing that resembles even the beginnings of a modern social security system.

Nowhere among the developing countries of the Afro-Asian world has social security reached anything like the stage of

generalisation of social security coverage attained in the majority of industrially advanced countries; rarely does it extend to workers outside the public administration and the modern industrial sector, who constitute a small and, in this respect at least, privileged minority. There is, however, a marked trend in the more progressive of the developing countries towards broader coverage and some are attempting to find the ways and means of extending certain limited forms of social welfare schemes to the countryside.

The obstacles to be overcome are formidable. The resources available are totally inadequate to provide even a guaranteed basic minimum covering only a limited number of contingencies for more than a small fraction of the population. An immense resources problem is a first bar to progress.

Social security as it has been developed in industrial societies is still an alien concept, little accepted and imperfectly understood even by those whom it is supposed to benefit in many developing societies where the traditional environment is based on a subsistence economy. An immense educational problem is a second bar to progress.

The lack of qualified medical staff and of adequate health and welfare facilities in many areas make it utterly impossible to provide the medical care which is one of the major components of social security and in some branches a condition without which cash benefit schemes become a financial and administrative impossibility. An immense health services problem is a third bar to progress.

The lack of qualified administrative staff, low administrative efficiency, and lack of adequate co-ordination between social security services and public health and welfare services, greatly increase the difficulty of broadening security coverage and using widely the wholly inadequate resources available for social welfare. An immense administrative problem is a fourth bar to progress.

We cannot afford to be deterred by the gravity of these problems. In most of the developing countries social changes such as urbanisation are taking place at a far faster rate than economic growth; they are creating urgent needs for more extensive and effective social security schemes; unless these urgent needs are urgently met, the social turmoil of frustrated expectations may engulf much of the developing world. But we cannot achieve worth-while results unless we face the gravity of these problems and find new and appropriate solutions for dilemmas which arise in contexts wholly different from those in which the advanced countries have evolved their social security systems.

The Need for Reappraisal of Methods and Policies

What part can you in New Zealand, what part can we in the ILO, play in the reappraisal of fundamental problems which may be required to adapt the concept, forms and institutions of social security to the special needs and problems of the developing countries?

How valid is the contention that in some cases resources have been overstretched by measures ill-suited to local needs and

conditions? What emphasis should be placed on working out new methods of protection in keeping with the needs and traditions of the majority of the population which is still outside the modern sector?

What measures are necessary to integrate social security programmes in over-all plans for economic and social development in such a manner as to co-ordinate them effectively with employment policies, agricultural income policies based on technical improvement, credit policies and institutional reforms, wage and minimum wage-fixing policies, general fiscal policies and public health policies?

What should be done to simplify administrative procedures and improve administrative efficiency in the operation of social security schemes? It is not uncommon in some developing countries for benefits to be paid two or three years late, or never to be paid at all; for unpaid contributions to amount to as much as 30 or 40 per cent of the income which should have been received, or even for the State itself to fail to pay its contributions to social security institutions; and for inflated bureaucracies to eat up large percentages of available resources in administration rather than benefits.

Need for International Co-operation

All of these problems are broadly international in character because in the greater part of the developing world they are unlikely to be resolved without a substantial measure of international co-operation, but there are also social security problems which are international in their essential nature.

This is particularly evident in relation to the schemes for regional economic integration which are becoming increasingly important in Europe, Latin America, and Africa. Economic integration is almost always accompanied by considerable discussion of the harmonisation of social charges as an element in labour costs. Such harmonisation is a difficult problem; it cannot and should not be achieved by downgrading the more advanced systems and cannot always be achieved by immediately upgrading the less advanced. There may be options where there is much to be said on either side and nothing more than a rough equivalence is likely to be possible. In general, the wise course may be to guide divergent systems along convergent paths, not necessarily always at identical speeds.

Social security protection for foreign and migrant workers is another social security problem of an inherently international nature. In different ways and for different reasons this problem is arising in acute forms in many different parts of the world in which migrant workers now constitute a large under-privileged proletariat, often far from integrated in the society in which they work, with little or no long-term security of employment and living in the least satisfactory and least sanitary conditions. Adequate social security protection for such workers has become an acute issue.

These types of international problem affect New Zealand less closely by reason of your relative remoteness in even the late twentieth-century world, but they have long been acute in Europe and are now attracting increasing attention in other continents.

Can International Policy be given a Broader Base?

Can we conceive of an international approach in broader terms, seeking a larger measure of world-wide solidarity for the benefit of the least privileged in the developing nations? In what form could we evolve such an approach on a realistic and practical basis which would secure the necessary measure of support for the substantial period which would be required to show worth-while results?

The developing countries face immense difficulties in broadening and extending their social security schemes, in making them provide more effective guarantees and protection for their entire population. However strenuous their efforts may be, important gaps in their schemes will remain. How far can the more developed countries help fill those gaps, for example by providing assistance and resources to build up public health facilities and the medical, social welfare and administrative infrastructure which are essential before an effective social security scheme can even get off the ground? The United Nations Strategy for the Second Development Decade lays a new emphasis on the social objectives of and the social factors in, the development process. How much reflection of this emphasis can we hope to find in positive action?

This is a formidable agenda of unfinished business, the more so as it makes no claim to be complete.

Major Issues Demanding Attention

In relation to even the most advanced countries five major

issues are claiming urgent attention.

What measures are desirable and possible to make more effective the social security protection of such vulnerable social groups as rural and migrant workers, low-income groups, the disabled, the handicapped and the aged?

What measures are desirable and possible to provide for the periodical readjustment of social security benefits to the cost of living, to the social needs of the beneficiaries, and to improvements in the living standards of the active population?

What measures are desirable and possible to give social security a more active and effective role in adaptation to technological change?

What measures are desirable and possible to resolve the questions presented by the increasing sophistication and cost-lines of medical practice and teaching?

What resources is it reasonable to make available, by diverting them from other potential uses, to meet increased social security costs?

To these major issues we must add the special problems of the relationship of social security to economic integration and social security protection for foreign and migrant workers.

When we pass from the advanced to the developing world the emphasis changes but the problems are no less complex and acute.

They include the problems of coverage, educational background,

health services and administrative shortcomings, and are dominated by the inadequacy of resources and need to integrate social security programmes in general economic and social plans.

ILO Programme for Review of Social Security

A resolution on social security adopted by the International Labour Conference this year, and adopted unanimously, has given the ILO a renewed mandate covering all these matters. An in-depth review of the ILO social security programme is to be considered by the Governing Body and will afford an opportunity for a thorough reappraisal of the future of international action concerning social security, the scale on which it should be pursued, and the relative emphasis which should be given to the different problems and to different approaches to their solution. This reappraisal will be the counterpart of the far-reaching re-examinations of social security policy which are in progress in many countries and not least in New Zealand.

In the course of this reappraisal there can be no sacred cows and a thorough retesting of every aspect of ILO action will be indispensable, but it seems unlikely that there will be any major change in the nature of ILO action as distinguished from its specifics. The outcome may well be a clearer recognition that to fulfil the wide range of its responsibilities the ILO will need to continue to use all of its established modes of action.

As the recognised international centre for social security information it will have to continue to keep abreast of developments in social security throughout the world, a task involving prompt knowledge of an increasingly complex and changing scene.

Basic studies of fundamental social security problems will clearly remain necessary.

ILO standards may be expected to remain important. They have already had a far-reaching, indeed in many cases a decisive, impact on the social security legislation of a large number of countries. They will continue to require periodical revision from time to time. We may reasonably assume that the completion of the revision of those of its pre-war Conventions which have still not been revised to take account of the major changes that have since taken place in the scope, nature and concepts of social security will remain the first priority. The major outstanding work remaining to be done in this respect relates to the field of unemployment insurance.

Direct assistance to member States in the framing of social security legislation, in placing social security finances on a sound basis, and in improving social security administration, will continue to be necessary and the demand for it may well become substantially greater.

There is also likely to be an increased demand for assistance to regional organisations in the harmonisation of social security schemes for economic integration, drawing on the experience already acquired in Europe, Latin America and Africa.

Regional action through the regional conferences and advisory committees of the ILO, long since important, may become even more so.

In Latin America our regional emphasis in recent years, clearly expressed in the Ottawa Programme of Social Security Reform in 1966, has been upon the measures necessary to overcome inadequacies and

inequities of coverage, secure more efficient administration, provide for sounder financing, and thereby enable social security, the erratic development of which has sometimes created pockets of privilege rather than a broader social justice, to play a more effective part in ensuring balanced economic and social development and a juster distribution of national income.

In Asia our regional emphasis, formulated at the Tokyo Conference in 1968, is upon the increasing need for social insurance as industrialisation progresses and a modern economy develops, the problems involved in proceeding beyond the limited schemes at present in operation, and the importance of exploring new approaches to the provisions of some basic protection for rural populations and persons not in employed status.

In Africa our regional emphasis remains to be defined with comparable authority but may be expected to be upon an attempt to develop systems genuinely adapted to African economic and social conditions, the distribution and age composition of the population and the practical possibilities.

In Europe, and possibly the advanced countries generally, the emphasis in the immediate future may well be on the role of social security in adaptation to technological and structural change, the cost and co-ordination of health care, social security protection for migrant workers (a matter on which the ILO impact has already been substantial), and possibly better coverage for the non-employment risks of societies with advanced technologies.

As we broach these immense tasks we will continue to find in the experience and pioneer experiments of New Zealand a source of

invaluable inspiration to freshness of thought and vigour of action; we hope to find increasingly in your practical experience and expertise a stock of trained skill on which we can draw in the expanding task of technical co-operation with developing countries in social security matters.

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