



# Moving towards a universal and sustainable social security system in the BRICS countries

*Brief prepared for the BRICS Labour and Employment Minister's Meeting, Durban, South Africa, 2-3 August 2018*

## Introduction

The BRICS Labour and Employment Ministers have attached great importance to the topic of social protection, and have discussed progress in moving forward towards a universal and sustainable social security systems in each of their meetings since 2015. Accordingly, the following Ministerial Declarations have addressed this topic in the following Ministerial Declarations:

- BRICS Labour and Employment Ministers' Declaration: Quality Jobs and Inclusive Employment Policies, Ufa, Russian Federation, January 2016
- BRICS Labour and Employment Ministers' Declaration: Employment generation, social protection for all and transition from informality to formality, New Delhi, September 2016
- BRICS Labour and Employment Ministers' Declaration, Chongqing, July 2017

The Ministerial Declaration adopted in Chongqing in July 2017 includes the *BRICS Social Security Cooperation Framework*, which “is designed to implement the requirements posed by the Declarations of previous BRICS Summits and the commitments of the Declarations of Labour and Employment Ministerial Meetings, which provides guidance for the BRICS countries to deepen coordination and cooperation in the field of social security.” This cooperation framework rests on the principles of “equality, openness, efficiency, mutual trust and benefit as well as consensus built upon consultation”, and is “pragmatic, open-ended and progressive” (BRICS Social Security Cooperation Framework, II.1).

The specific objectives of the cooperation framework are the following: “(1) Through bilateral and multilateral exchanges and cooperation, promote the reform and improvement of social security systems in the BRICS countries, expand social security coverage and enhance the sustainability of social security so as to adapt to the ever evolving national and international

environment; (2) promote discussion on the signing of bilateral social security agreements between the BRICS countries; and (3) encourage the BRICS countries to establish a liaison mechanism among the social security administrative agencies to carry out case-based assistance and share information and experiences, so as to promote the improvement of the management and service capacity of administrative agencies and realize good governance and effectively achieve policy objectives (BRICS Social Security Cooperation Framework, III.1-III.3).

This note summarizes the commitments adopted in the previous BRICS Labour and Employment Ministers' Meetings, and provides an overview over the situation in BRICS countries, based on more detailed country briefs, based on information from national governments as well as ILO, ISSA (ILO, 2017a, 2017b; ISSA, 2016). This note and the related country briefs (ILO and ISSA, 2018a, 2018b, 2018c, 2018d, 2018e) are structured along the BRICS Social Security Cooperation Framework.

## Improvement of the social security system

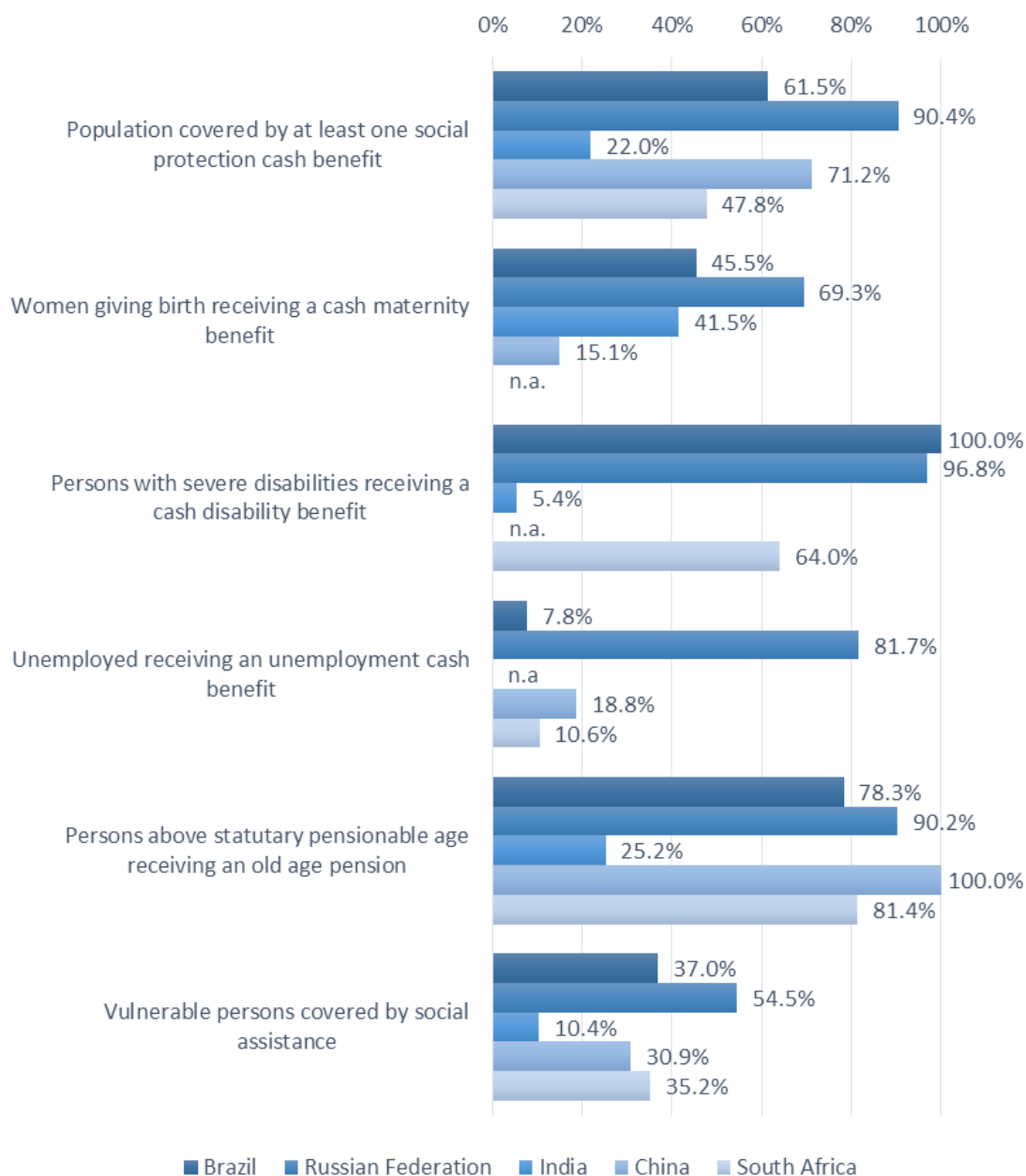
Since 2015, BRICS countries have adopted a range of policy commitments with regard to improving their national social security systems. Recognizing the “important contribution of social protection to the inclusiveness of labour market and give vulnerable groups new chances for a decent living” (Ufa Declaration, 2016, para. 5) as well as its impact on labour market outcomes and the reduction of poverty (New Delhi Declaration, 2016, para. 14), BRICS countries are committed to “designing and implementing comprehensive social security systems that are effective, equitable, economically sustainable and address the needs of the society” (New Delhi Declaration, 2016, para. 16). They recognize the “important role of universal and sustainable social security systems, including social protection floors, for inclusive growth, decent and productive employment, gender equality and social inclusion” (Chongqing Declaration, 2017, para. 16) and are committed to building “comprehensive social security systems that are effective, equitable, economically sustainable to address the needs of [BRICS] societies” (Chongqing Declaration, 2017, para. 17). However, it is also recognized that “despite significant progress, sizeable gaps in coverage and level of benefits as well as sustaining social security systems remain challenges for economic development and social justice” (Chongqing Declaration, 2017, para. 16). Yet, BRICS countries recognized “the innovative capacity of social protection systems to establish the balance between work-incentives, improving human capital and income protection”. (New Delhi Declaration, 2016, para. 15).

One of the specific areas of concern has been the extension of adequate protection to all workers (Ufa Declaration, 2016, para. 15), especially those who are currently not, or inadequately covered. This includes the extension of coverage to those in the informal economy and outside the scope of existing schemes (New Delhi Declaration, 2016, para. 15), and strengthening social protection of vulnerable groups and protection of the unemployed looking for job to prevent social exclusion or marginalization from decent work opportunities (Ufa Declaration, 2016, para. 6). BRICS countries have also recognized that “those who work, and those who are too young or old or unable to work, require protection from idiosyncratic and economy-wide shocks and unanticipated events” (New Delhi Declaration, 2016, para. 14).

In fact, all BRICS countries have made significant progress in extending social protection coverage in recent years, despite different starting points and country contexts, and continue doing so. Figure 1 shows the proportion of the population that are effectively covered by at least one social protection cash benefit (excluding health) according to SDG indicator 1.3.1, as set out in the ILO's World Social Protection Report (ILO, 2017a). The effective coverage rates achieved by BRICS countries range from 22 to 90 per cent of the population. While these figures reflect enormous

progress in extending coverage over recent years, they also show that much remains to do, given that between 10 and 78 per cent of the population in BRICS countries are not covered at all.

**Figure 1: Beneficiaries of social protection cash benefits by groups of population (SDG 1.3.1), 2015**



Notes: Population coverage by at least one social protection cash benefit: Proportion of the total population receiving a contributory or non-contributory benefit, or actively contributing to at least one social security scheme.

Children: Ratio of children/households receiving child/family benefits to the total number of children/households with children.

Mothers with newborns: Ratio of women receiving cash maternity benefits to women giving birth in the same year.

Persons with severe disabilities: Ratio of persons receiving disability benefits to persons with severe disabilities.

Unemployed: Ratio of recipients of unemployment benefits to the number of unemployed persons.

Older persons: Ratio of persons above statutory retirement age receiving an old-age pension to the persons above statutory retirement age (including contributory and non-contributory).

Vulnerable covered by social assistance: Ratio of social assistance recipients to the total number of vulnerable persons (defined as all children plus adults not covered by contributory benefits and persons above retirement age not receiving contributory benefits (pensions)).

For more detail, see ILO (2017c), Annex II.

Sources: ILO (2017c), based on the ILO World Social Protection Database, including the ILO Social Security Inquiry.

Figure 1 also demonstrates that BRICS countries have chosen different strategies for ensuring social protection coverage, combining contributory and non-contributory schemes in different ways, and successfully extending coverage through the combination of different mechanisms, adapted to their national contexts.

However, although the extension of coverage is a key element of the performance of social security systems, it is not the only one. Another, equally important aspect is to ensure that the scope and level of protection is adequate to meeting the needs of the population.

In this regard, with a view to ensuring “adequate social protection to all workers” (Ufa Declaration, 2016, para. 15), the BRICS countries have recognized that it is essential to “rationally set and adjust the benefit levels while maintaining adequacy of benefits” (Chongqing Declaration, 2017, para. 16). So far, the available data do not yet allow for a comparison of benefit adequacy across BRICS countries.

It is essential to ensure that social security systems are continuously improved and adapted to changing situations, as to ensure that they meet people’s needs in an adequate way. This is particularly relevant with respect to closing coverage gaps for workers in non-standard forms of employment, including workers in the digital economy, as well as with regard to extending coverage to those in the informal economy and fostering their transition to the formal economy (ILO and OECD, 2018; ILO, 2013, 2016, 2018a, 2018b; Behrendt and Nguyen, 2018). Particular challenges have emerged with respect to the future of work, which are reflected in several BRICS Ministerial Declarations. BRICS countries have emphasized the need to develop “regulations covering new or non-standard forms of work that ensures full respect for workers’ rights and access to social protection” (Ufa Declaration, 2016, para. 6), and “ensure adequate social security coverage for workers across different contractual arrangements including non-standard forms of employment, supporting the mobility of workers, complementing effective and efficient contributory social insurance schemes with non-contributory schemes” (Chongqing Declaration, 2017, para. 16).

In this context, it is highly relevant that the BRICS Social Security Cooperation Framework specifically foresees (1) leveraging the BRICS Network of Labour Research Institutes to carry out joint research on the social security systems of the BRICS countries and exchange on the ways of expanding social security coverage, innovating on management and service modalities and promoting the sustainable development of social security; and (2) conducting communication and exchange on the challenges and experiences of the BRICS countries with a view to improve social security systems, expand social security coverage and enhance system sustainability through activities including seminars, mutual visits and personnel training.

## Social security agreements

BRICS countries have committed to “encourage bi-lateral social security agreements amongst the BRICS member states and work towards developing a general framework for cooperation” (New Delhi Declaration, 2017, para. 18), and “deepening social security cooperation among ourselves, and with other countries, with the support of the ILO and the ISSA (Chongqing Declaration, 2017, para. 18). Accordingly, the BRICS Social Security Cooperation Framework encourages BRICS countries to carry out exchanges on employment and social security for cross-border population flows, and in line with respective work priorities, initiate technical consultation on social security agreements between the BRICS countries and explore the feasibility of launching formal negotiations in this regard. It also encourages BRICS countries to exchange information on good practices regarding social security agreements within and beyond the BRICS countries to initiate consultations on social security agreements in due course.

The bilateral social security agreement between Brazil and India provides an excellent example of how deepened cooperation can enhance the provision of social security of migrant workers in BRICS countries, thus generating tangible benefits for the population.

## Social security administration

Building comprehensive social protection systems is not possible without ensuring sound and solid social security governance and administration. BRICS countries have committed to “preserving and further reinforcing the financial basis of the social security systems, including social security funds, and adapting administrative procedures to facilitate compliance” (Chongqing Declaration 2017, para. 16).

The Social Security Cooperation Framework foresees (1) the establishment of a liaison mechanism among the social security administrative agencies in the BRICS countries, and (2) the encouragement of case-based assistance among social security administrative agencies, especially in terms of social insurance issues.

## Promoting international standards and guidelines

The BRICS member States committed to be guided by international social security standards, including ILO Social Security (Minimum Standard) Convention No. 102 and Social Protection Floors Recommendation No. 202 (Chongqing Declaration 2017, para. 17). They also agreed to follow ILO Recommendation No. 204 to pursue a threefold objective in their policies addressing informality (New Delhi Declaration, 2016, para. 11). In addition, they committed to be guided by professional standards for governance and administration, including the International Social Security Association (ISSA) guidelines for social security administration. (Chongqing Declaration 2017, para. 17).

The Social Security Cooperation Framework foresees that the BRICS countries should carry out joint activities under this cooperation framework. It also foresees strengthened cooperation with the ILO and the ISSA, taking into consideration the national situation and the social security development status of the BRICS countries, and push forward the efforts of the BRICS countries through technical consultations, side-events during the International Labour Conferences, BRICS sessions during the World Social Security Forum, seminars and training courses, etc.

Ever since their adoption, ILO social security standards have served as global reference, including within BRICS countries, for building and developing comprehensive social security systems governed by core principles of sound management and financing and placed under the rule of law and the general responsibility of the State. The value of these standards comes also from the fact that they are commonly referred to as substantiating the human right to social security by reference to qualitative and quantitative internationally agreed minimum benchmarks (ILO, 2017c).

In 2012, on the occasion of the recent adoption of the Social Protection Floors Recommendation (No. 202) the international community unanimously reaffirmed the central place of Convention No.102 in the legal architecture upholding comprehensive social protection systems. While among the five BRICS countries, only Brazil has so far ratified Convention No.102, the other countries are currently exploring the possibility to ratify this key instrument currently with assistance from the ILO. The ILO has committed to actively promoting the ratification of this key instrument so as to meet the objective of 60 ratifications by 2019, the year of the ILOs centenary, as agreed by the ILO Governing Body in 2012. The ratification on Convention No. 102 by all five BRICS countries would send a strong signal to the world in terms of working towards meeting the

SDG Objectives and contribute to guaranteeing that more than half of the world's population benefits from the protection of the internationally agreed minimum social security standards.

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# Moving towards a universal and sustainable social security system in Brazil

*Brief prepared for the BRICS Labour and Employment Minister's Meeting, Durban, South Africa, 2-3 August 2018*

## Introduction

The BRICS Labour and Employment Ministers have attached great importance to the topic of social protection, and have discussed progress in moving forward towards a universal and sustainable social security systems in each of their meetings since 2015. In particular, the topic has been addressed in the Ministerial Declarations adopted in Ufa (Russian Federation) in January 2016 <sup>1</sup>, New Delhi (India) in September 2016 <sup>2</sup>, and in Chongqing (China) in July 2017.

The Ministerial Declaration adopted in Chongqing in July 2017 includes the BRICS Social Security Cooperation Framework, which “is designed to implement the requirements posed by the Declarations of previous BRICS Summits and the commitments of the Declarations of Labour and Employment Ministerial Meetings, which provides guidance for the BRICS countries to deepen coordination and cooperation in the field of social security.” This cooperation framework rests on the principles of “equality, openness, efficiency, mutual trust and benefit as well as consensus built upon consultation”, and is “pragmatic, open-ended and progressive”.<sup>3</sup>

This note provides a summary of the progress made with regard to moving towards a universal and sustainable social security system in Brazil, based on national information and international sources (ILO, 2017a, 2017b; ISSA, 2016). This country brief is structured along the BRICS Social Security Cooperation Framework.

## Improvement of the social security system

As the other BRICS countries, Brazil recognizes the “important role of universal and sustainable social security systems, including social protection floors, for inclusive growth, decent and

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<sup>1</sup> BRICS Ministerial Declaration: Quality Jobs and Inclusive Employment Policies, Ufa, Russian Federation, January 2016.

<sup>2</sup> BRICS Ministerial Declaration: Employment generation, social protection for all and transition from informality to formality, New Delhi, September 2016.

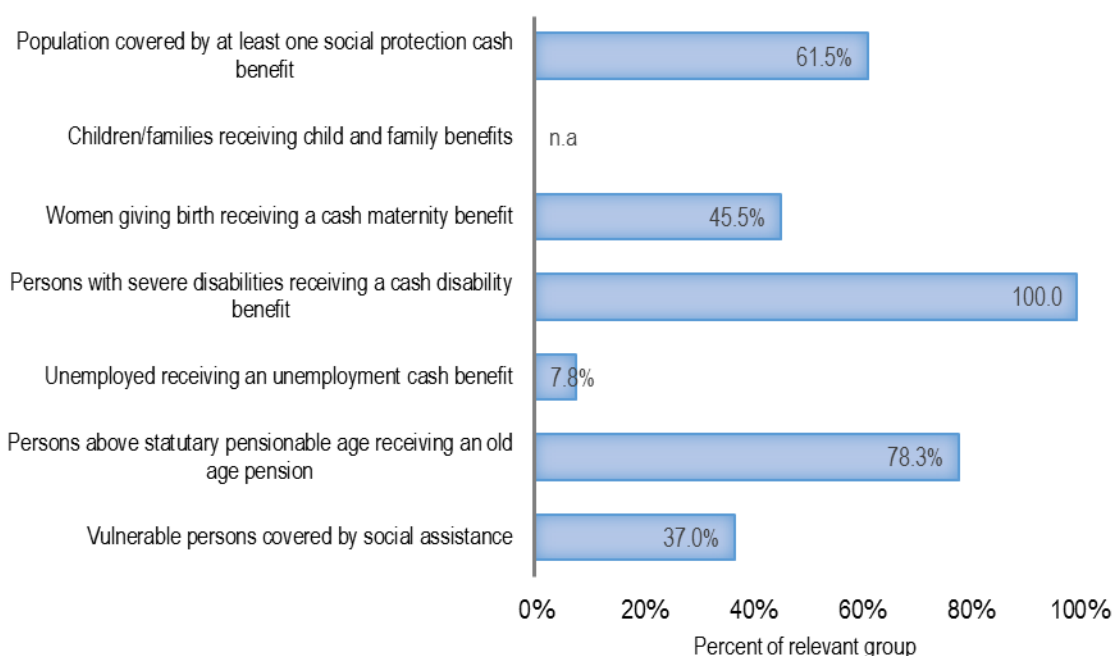
<sup>3</sup> For more detail on BRICS commitments in the area of social security, see ILO and ISSA, 2018.

productive employment, gender equality and social inclusion” (Chongqing Declaration, 2017, para. 16).

Brazil’s social security system has been developed over many years, with significant successes in extending social security coverage to those who were not covered before.<sup>4</sup> The social security system has also significantly contributed to the reduction of the high levels of income inequality over the last decade (Ocampo and Gómez-Areaga, 2016).

Figure 1 shows that more than 60 per cent of the population are effectively covered by at least one social protection cash benefit (excluding health care) according to SDG indicator 1.3.1, as set out in the ILO’s World Social Protection Report (ILO, 2017a). While the effective coverage ratio for maternity benefits reaches 45 per cent of mothers giving birth, the one for unemployment benefits remains below 10 per cent of the unemployed. However, almost 80 per cent of older persons receive some form of old age pension, including pensions from the rural pension scheme which has significantly improved income security for rural populations (ILO, 2017b; ILO, 2017a).

**Figure 1: Beneficiaries of social protection cash benefits by groups of population (SDG 1.3.1), 2015**



Notes: Population covered by at least one social protection cash benefit: Proportion of the total population receiving a contributory or non-contributory benefit, or actively contributing to at least one social security scheme.

Children: Ratio of children/households receiving child/family benefits to the total number of children/households with children.

Mothers with newborns: Ratio of women receiving cash maternity benefits to women giving birth in the same year.

Persons with severe disabilities: Ratio of persons receiving disability benefits to persons with severe disabilities.

Unemployed: Ratio of recipients of unemployment benefits to the number of unemployed persons.

Older persons: Ratio of persons above statutory retirement age receiving an old-age pension to the persons above statutory retirement age (including contributory and non-contributory).

Vulnerable covered by social assistance: Ratio of social assistance recipients to the total number of vulnerable persons (defined as all children plus adults not covered by contributory benefits and persons above retirement age not receiving contributory benefits (pensions). For more detail, see ILO (2017c), Annex II.

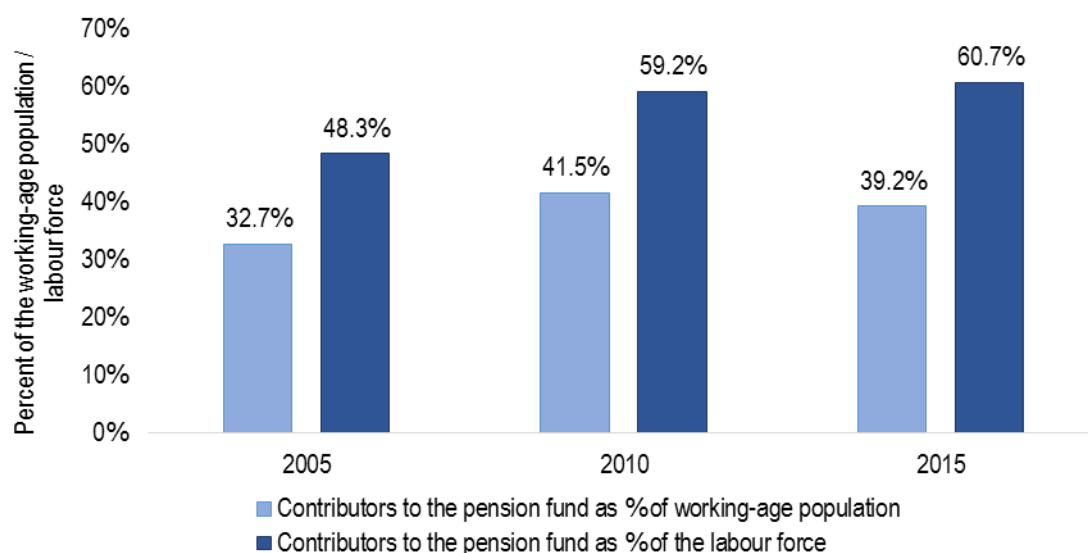
Sources: ILO (2017c), based on the ILO World Social Protection Database, including the ILO Social Security Inquiry.

<sup>4</sup> A summary of Brazil’s social security system is available on the ISSA website, see <https://www.issa.int/en/country-details?countryId=BR&regionId=AME&filtered=false>.



Among the working-age population, pension coverage has significantly increased over the last decade. While only half of the labour force contributed to an old-age pension scheme in 2005, more than 60 per cent did so in 2015. The proportion of active contributors in the working-age population reached almost 40 per cent in 2015. However, a significant coverage gap remains.

**Figure 2: Active contributors to old age pension schemes as a percentage of the working age population and the labour force**



Sources: Based on national sources.

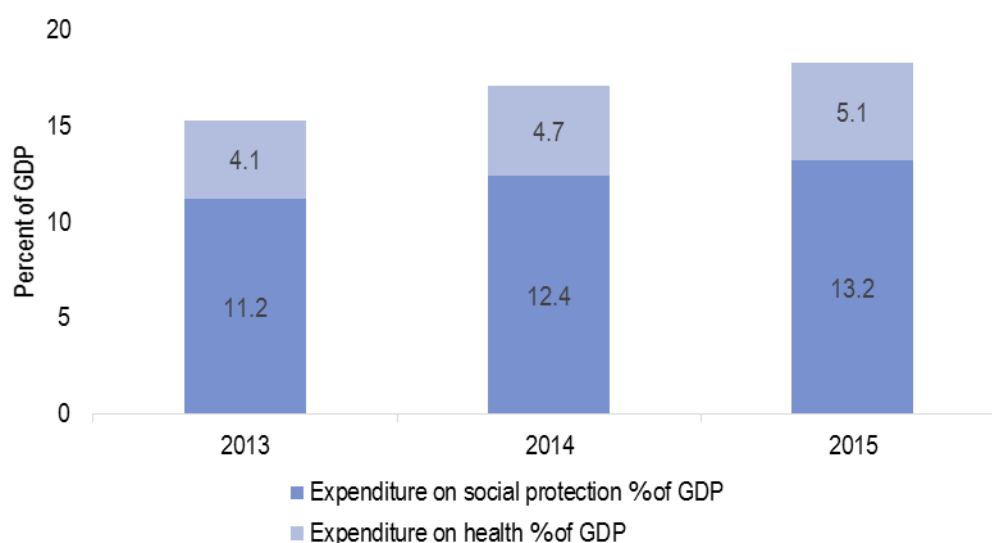
One of the drivers of the significant extension of social security coverage was the introduction of simplified tax and contribution payment mechanisms (“monotax” mechanisms such as SIMPLES and SIMPLES nacional), which significantly reduced the cost of compliance for certain categories of micro-enterprises and facilitated access to social security for workers. In addition, the rural pension scheme is an important means to extend social security coverage to rural populations, including producers and workers in the agricultural sector, in a way that is adapted to their particular situation (ILO, forthcoming).

The expansion of cash transfer programmes are also an important feature of the Brazilian social security system, ensuring that poor and vulnerable families enjoy at least a basic level of social protection. Brazil’s Bolsa Família programme has played a major role in this regard (Campello and Côrtes Neri, 2013; Fultz and Francis, 2013; ILO, 2017a), and cash transfers and payment for environmental services are key in promoting environmental sustainability (ILO and AFD, 2016; Schwarzer et al., 2016).

The significant expansion of social security coverage in Brazil was associated with an increase in social protection and health expenditure between 2013 and 2015 (see figure 3).

Yet, in the current economic climate of lower growth rates, Brazil is currently reviewing the suite of existing policies, which may have implications for the pace of expanding social security coverage and future levels of protection (ILO, 2017b), and may ultimately lead to a renewed increase in the relatively high levels of income inequality (Casanova et al., 2016).

**Figure 3: Public expenditure on social protection by function as a percentage of GDP, 2014-16**



Source: Based on CEPAL data.

## Social security agreements

The BRICS Social Security Cooperation Framework encourages BRICS countries to carry out exchanges on employment and social security for cross-border population flows, and in line with respective work priorities, initiate technical consultation on social security agreements between the BRICS countries and explore the feasibility of launching formal negotiations in this regard. It also encourages BRICS countries to exchange information on good practices regarding social security agreements within and beyond the BRICS countries to initiate consultations on social security agreements in due course.

As one of the outcomes of the 8th BRICS Summit in Goa, Brazil has concluded a bilateral social security agreement with India, which entered into force in January 2018.<sup>5</sup> This agreement adds to Brazil's social security agreements with more than 14 other countries, including Belgium, Canada, Cape Verde, Chile, France, Germany, Greece, India, Italy, Japan, Republic of Korea, Luxembourg, Portugal and Spain (ILO, 2017b; van Panhuys et al., 2017). In addition, Brazil's workers enjoy reciprocal coverage under ILO Convention No. 118 with 38 countries, including India, regarding medical care, sickness benefits, maternity benefits, invalidity benefits, old-age benefits, survivors' benefits and employment injury benefits.<sup>6</sup>

## Social security administration

Building comprehensive social protection systems is not possible without ensuring sound and solid social security governance and administration. BRICS countries have committed to "preserving and further reinforcing the financial basis of the social security systems, including

<sup>5</sup> [http://www.business-standard.com/article/news-ani/india-brazil-initiate-social-security-agreement-117031601440\\_1.html](http://www.business-standard.com/article/news-ani/india-brazil-initiate-social-security-agreement-117031601440_1.html).

<sup>6</sup> For more information, ILO (2017a), based on ILO Database on migrants' access to social protection in 120 countries, see also van Panhuys et al. (2017).

social security funds, and adapting administrative procedures to facilitate compliance” (Chongqing Declaration 2017, para. 16).

One of the back bone of social security system is its single registry, which has facilitated the expansion of social assistance benefits, and is also coordinated with the social insurance database. It has also supported the significant extension of social security coverage through both contributory and non-contributory programmes, and supported the country’s formalization policies (ILO, 2014; ISSA, 2013; Maurizio, 2014).

## Promoting international standards and guidelines

The BRICS member States committed to be guided by international social security standards, including ILO Convention No. 102 and Recommendation No. 202.<sup>7</sup>

Brazil is the only BRICS country which has ratified more than one up-to-date ILO Social Security Conventions. Brazil ratified the Social Security (Minimum Standards) Convention, 1952 (No. 102), after having ratified the Equality of Treatment (Social Security) Convention, 1962 (No. 118) already in 1969, and the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) in 1993.

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<sup>7</sup> The full text of these international social security standards and other relevant information is available in ILO (2017a).

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# Moving towards a universal and sustainable social security system in the Russian Federation

*Brief prepared for the BRICS Labour and Employment Minister's Meeting, Durban, South Africa, 2-3 August 2018*

## Introduction

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The Ministerial Declaration adopted in Chongqing in July 2017 includes the BRICS Social Security Cooperation Framework, which “is designed to implement the requirements posed by the Declarations of previous BRICS Summits and the commitments of the Declarations of Labour and Employment Ministerial Meetings, which provides guidance for the BRICS countries to deepen coordination and cooperation in the field of social security.” This cooperation framework rests on the principles of “equality, openness, efficiency, mutual trust and benefit as well as consensus built upon consultation”, and is “pragmatic, open-ended and progressive”.<sup>3</sup>

This note provides a summary of the progress made with regard to moving towards a universal and sustainable social security system in the Russian Federation, based on national information and international sources (ILO, 2017a, 2017b; ISSA, 2016). This country brief is structured along the BRICS Social Security Cooperation Framework.

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<sup>1</sup> BRICS Ministerial Declaration: Quality Jobs and Inclusive Employment Policies, Ufa, Russian Federation, January 2015.

<sup>2</sup> BRICS Ministerial Declaration: Employment generation, social protection for all and transition from informality to formality, New Delhi, September 2016.

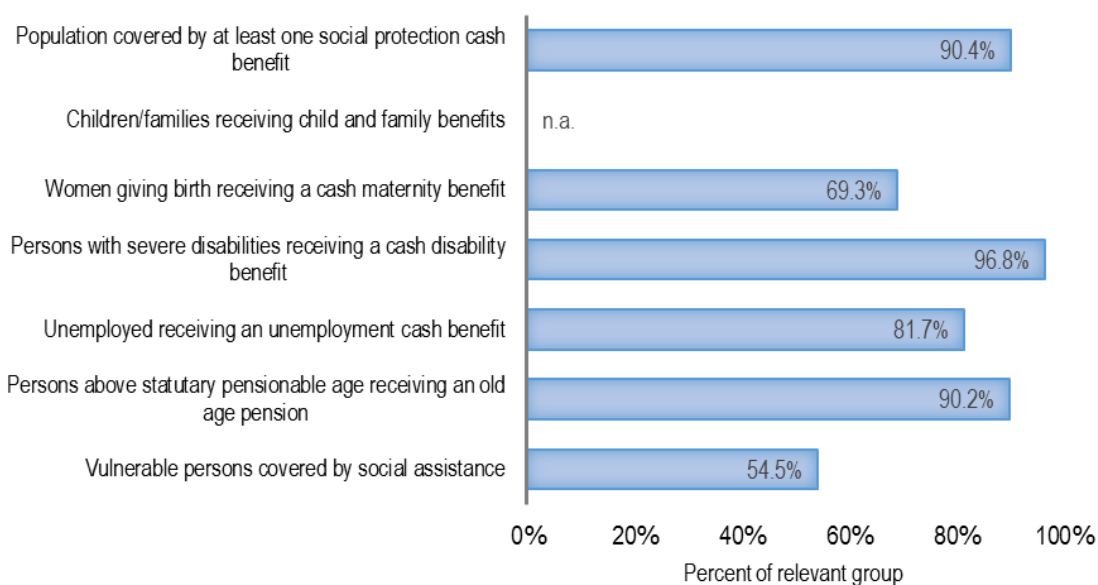
<sup>3</sup> For more detail on BRICS commitments in the area of social security, see ILO and ISSA, 2018.

## Improvement of the social security system

As the other BRICS countries, the Russian Federation recognizes the “important role of universal and sustainable social security systems, including social protection floors, for inclusive growth, decent and productive employment, gender equality and social inclusion” (Chongqing Declaration, 2017, para. 16).

The Russian Federation has a long history of ensuring universal social security coverage which resonates with the BRICS commitments in the area of social protection.<sup>4</sup> Universal pension coverage is achieved through the combination of social insurance, covering approximately two thirds of the working-age population, and non-contributory schemes (ILO, 2017b; ILO, 2017a). Figure 1 shows that more than 90 per cent of the population are effectively covered by at least one social protection benefit (excluding health care) according to SDG indicator 1.3.1, as set out in the ILO’s World Social Protection Report (ILO, 2017a). More than 95 per cent of persons with severe disabilities receive a disability benefit, and more than 90 per cent of older persons above statutory retirement age receive an old age pension. Close to 70 per cent of women giving birth are receiving a periodic cash maternity benefit, and 68 per cent of the unemployed receive unemployment benefits.

**Figure 1: Beneficiaries of social protection cash benefits by groups of population (SDG 1.3.1), 2015**



Notes: Population covered by at least one social protection cash benefit Proportion of the total population receiving a contributory or non-contributory benefit, or actively contributing to at least one social security scheme.

Children: Ratio of children/households receiving child/family benefits to the total number of children/households with children.

Mothers with newborns: Ratio of women receiving cash maternity benefits to women giving birth in the same year.

Persons with severe disabilities: Ratio of persons receiving disability benefits to persons with severe disabilities.

Unemployed: Ratio of recipients of unemployment benefits to the number of unemployed persons.

Older persons: Ratio of persons above statutory retirement age receiving an old-age pension to the persons above statutory retirement age (including contributory and non-contributory).

Vulnerable covered by social assistance: Ratio of social assistance recipients to the total number of vulnerable persons (defined as all children plus adults not covered by contributory benefits and persons above retirement age not receiving contributory benefits (pensions)).

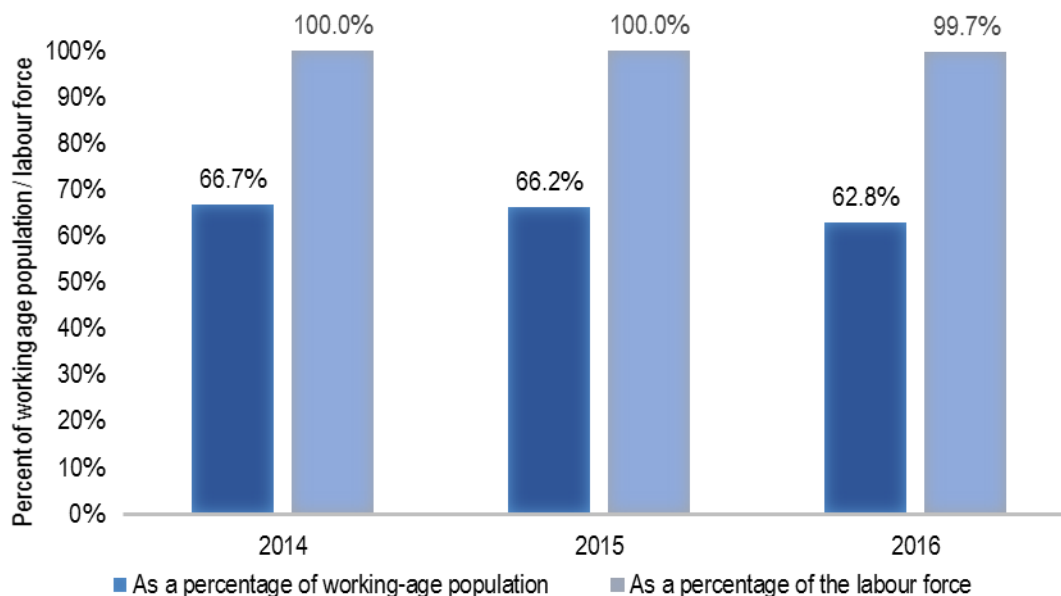
For more detail, see ILO (2017c), Annex II.

Sources: ILO (2017c), based on the ILO World Social Protection Database, including the ILO Social Security Inquiry.

<sup>4</sup> A summary of the Russian Federation’s social security system is available on the ISSA website, see <https://www.issa.int/en/country-details?countryId=RU&regionId=EUR&filtered=false>.

Social security coverage for pensions, as measured by the share of active contributors in the labour force has remained stable between 2014 and 2016, yet the share of active contributors as a percentage of the total population has slightly declined over the same period (see Figure 2).

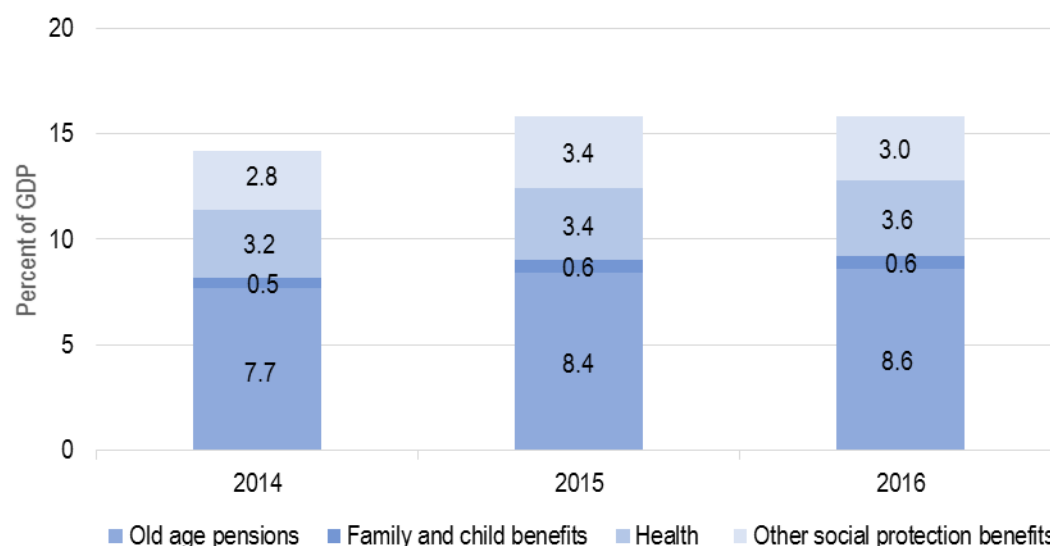
**Figure 2: Active contributors to old age pension schemes as a percentage of the working age population and the labour force**



Sources: Pension Fund and ILO Social Security Inquiry.

Public expenditure on social protection in 2016 reached slightly above 15 per cent of GDP including health expenditure (see figure 3).

**Figure 3: Public expenditure on social protection by function as a percentage of GDP, 2014-16**



Note: Expenditure on old age includes coverage of social protection in the form of cash benefits and benefits in kind against the risks linked to old age (loss of income, inadequate income, lack of independence in carrying out daily tasks, reduced participation in social and community life, etc.) and administrative costs.

Sources: IMF.

One of the objectives of recent policy reforms was to contain poverty risks for the working population and to align employment policies and labour market institutions with the social protection system, the Government has sought to establish a closer link between social protection floors and minimum wages (ILO, 2017b).<sup>5</sup> The minimum wage will be increased in May 2018 to R11,163, equal to subsistence level.

In addition, the Government introduced a State Programme on Social Support for Citizens 2013-2020, aiming at poverty reduction for low income citizens (though promoting targeting) and expansion of social community based services. This included an upgrade and expansion of active labour market policies and human capital development –where education and health are seen as priority sectors for interventions.

In addition, measures to address demographic challenges and reduce poverty include the introduction of a “maternity capital” in 2007. In addition to periodic maternity benefits from social insurance, women receive after the birth of each child (except the first one) a fixed amount of capital of about 60 times the minimum wage as "maternity capital", which can be used for strictly defined purposes, such as improving housing conditions or land purchase, children’s education, special equipment for children with disabilities or future pension entitlements (ILO, 2017b). Being, in place since 2007, this innovative practice has effectively reversed the negative trend of a declining population within a very short time.

In 2018, Russia introduced a monthly child benefit to be paid until the child is 18 months old. This benefit is a subject to the family’s income. This benefit is connected to the child subsistence expenses depending on the region. It will amount to an average of 10,523 RUB in 2018, 10,836 RUB in 2019 and 11,143 RUB in 2020.

Ongoing pension reforms face the challenge of increasing retirement ages in a difficult labour market context, and ensuring adequate benefit levels of the pension system in the currently difficult economic situation (ILO, 2017b). Supporting decent living standards of the population is considered as an indisputable priority by the Government, and this, in turn, indicates that the Government will seek to maintain real benefits for retirees, as a minimum, while attempting to deal with the current economic challenges.

## Social security agreements

The BRICS Social Security Cooperation Framework encourages BRICS countries to carry out exchanges on employment and social security for cross-border population flows, and in line with respective work priorities, initiate technical consultation on social security agreements between the BRICS countries and explore the feasibility of launching formal negotiations in this regard. It also encourages BRICS countries to exchange information on good practices regarding social security agreements within and beyond the BRICS countries to initiate consultations on social security agreements in due course.

The Russian Federation has concluded agreements on social security with the Republic of Bulgaria, the Czech Republic, the Republic of Estonia, the Republic of Belarus, the Republic of Latvia, the State of Israel, the Republic of Serbia, the Kingdom of Spain and others. Multilateral agreements include the Agreement on Cooperation in the Field of Labor Migration and Social

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<sup>5</sup> Minimum wages are used for the calculation of basic benefits as unemployment benefit, health care, maternity and other benefits. They have been adjusted several times during the recent years, to close the gap to the subsistence level. There is a complex system of regionally defined subsistence levels, often significantly higher than the federal level, and fixed multipliers for the regions of the High North, Siberia and Far East, allowing benefit recipients in these regions to enjoy several times higher payments than the rest of Russia.



Protection of Migrant Workers, the Commonwealth of Independent States (CIS), concluded in 1994.<sup>6</sup> "

The countries of the Eurasian Economic Union (EAEU) are currently cooperating on the elaboration of a multilateral pension agreement for the EAEU member States. They also are discussing possible ways for multilateral cooperation in the field of social security and medical care).

## Social security administration

Building comprehensive social protection systems is not possible without ensuring sound and solid social security governance and administration. BRICS countries have committed to "preserving and further reinforcing the financial basis of the social security systems, including social security funds, and adapting administrative procedures to facilitate compliance" (Chongqing Declaration 2017, para. 16).

Access to social security services is one of the most recent important directions related to the administration of social security services in Russia. For example, the Russian citizens have enjoyed the opportunity to receive a number of public services online from the Pension Fund of the Russian Federation (PFR), as well as to submit their applications electronically for the provision of certain public services through the unified portal of public and municipal services, as well as through the information system "personal account of the insured person" on the website of the PFR.

As part of improving the compulsory social insurance system, the responsibility for the payment of insurance contributions is gradually transferred from the employer to the insurer (Social Insurance Fund of the Russian Federation), as to ensure that social insurance coverage even in case of employers' dishonesty or bankruptcy. In addition, responding to increased demands for electronic government services, since 1 July 2017, health institutions can issue sick leave certificates in the form of an electronic document; this reform is actively implemented by the Social Insurance Fund of the Russian Federation with the participation of medical institutions and employers nationwide. The introduction of this technology allows optimizing the process of establishing insurance claims, enhance transparency in the exchange of information, and reduce the cost of processing paper sick leave certificates for both medical institutions and employers. It also facilitates the transfer of information by minimizing the participation of the insured person and eliminating the possibility of losing the sick leave certificate and the need to reissue in case of errors, and reducing the number of applications for insured persons.

## Promoting international standards and guidelines

The BRICS member States committed to be guided by international social security standards, including the Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Social Protection Floors Recommendation, 2012 (No. 202).<sup>7</sup>

Although ILO social security standards have been used as a reference for the development of its social protection system, the Russian Federation so far has not yet ratified any of the up-to-date ILO Social Security Conventions. However, the Government has undertaken decisive steps which might lead to the ratification of Convention No. 102 in the near future. Following a decision by the

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<sup>6</sup> For more information, ILO (2017a), based on ILO Database on migrants' access to social protection in 120 countries, see also van Panhuys et al. (2017).

<sup>7</sup> The full text of these international social security standards and other relevant information is available in ILO (2017a).

Tripartite Commission for the Regulation of Social and Labour Relations, the Government submitted a draft ratification law to the State Duma in June 2018.

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# Moving towards a universal and sustainable social security system in India

*Brief prepared for the BRICS Labour and Employment Minister's Meeting, Durban, South Africa, 2-3 August 2018*

## Introduction

The BRICS Labour and Employment Ministers have attached great importance to the topic of social protection, and have discussed progress in moving forward towards a universal and sustainable social security systems in each of their meetings since 2015. In particular, the topic has been addressed in the Ministerial Declarations adopted in Ufa (Russian Federation) in January 2016<sup>1</sup>, New Delhi (India) in September 2016<sup>2</sup>, and in Chongqing (China) in July 2017.

The Ministerial Declaration adopted in Chongqing in July 2017 includes the BRICS Social Security Cooperation Framework, which “is designed to implement the requirements posed by the Declarations of previous BRICS Summits and the commitments of the Declarations of Labour and Employment Ministerial Meetings, which provides guidance for the BRICS countries to deepen coordination and cooperation in the field of social security.” This cooperation framework rests on the principles of “equality, openness, efficiency, mutual trust and benefit as well as consensus built upon consultation”, and is “pragmatic, open-ended and progressive”.<sup>3</sup>

This note provides a summary of the progress made with regard to moving towards a universal and sustainable social security system in India, based on national information and international sources (ILO, 2017a, 2017b; ISSA, 2016). This country brief is structured along the BRICS Social Security Cooperation Framework.

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<sup>1</sup> BRICS Ministerial Declaration: Quality Jobs and Inclusive Employment Policies, Ufa, Russian Federation, January 2016.

<sup>2</sup> BRICS Ministerial Declaration: Employment generation, social protection for all and transition from informality to formality, New Delhi, September 2016.

<sup>3</sup> For more detail on BRICS commitments in the area of social security, see ILO and ISSA, 2018.

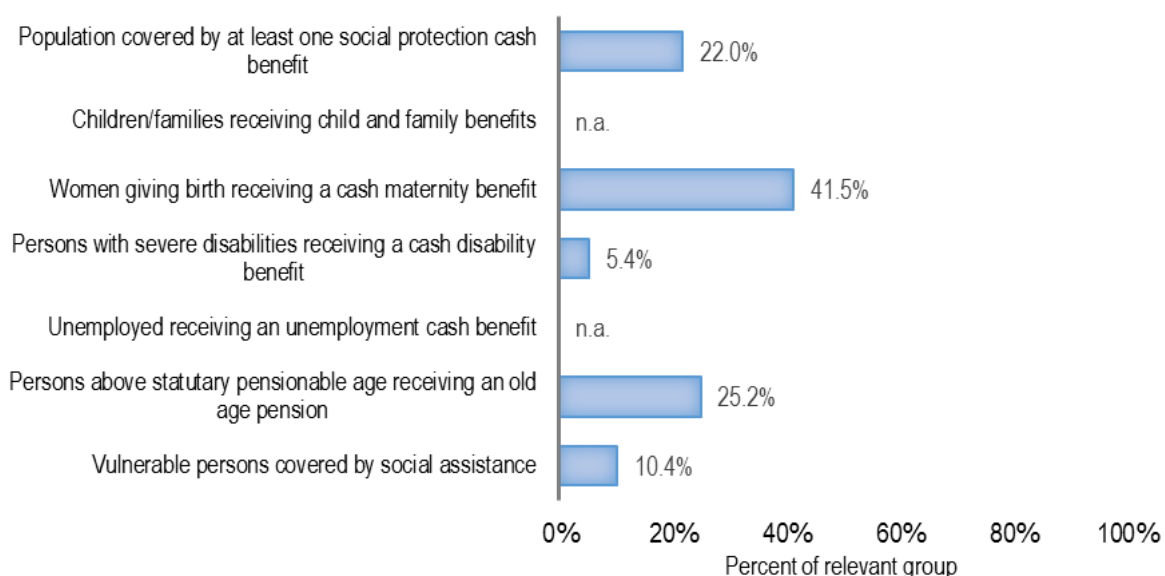
## Improvement of the social security system

As the other BRICS countries, India recognizes the “important role of universal and sustainable social security systems, including social protection floors, for inclusive growth, decent and productive employment, gender equality and social inclusion” (Chongqing Declaration, 2017, para. 16).

India’s social security system is characterized by a large number of contributory and non-contributory social security schemes, including a large number of state-level schemes.<sup>4</sup>

Figure 1 shows that only 22 per cent of the population are effectively covered by at least one social protection cash benefit (excluding health) according to SDG indicator 1.3.1, as set out in the ILO’s World Social Protection Report (ILO, 2017a). However, more than 40 per cent of women giving birth received a cash maternity benefit, either through social insurance, or through non-contributory benefits. However, only 5 per cent of persons with severe disabilities receive a disability benefit. One in four older persons (25 per cent) above statutory retirement age receive an old age pension from social insurance or from the Indira Gandhi National Old Age Pension Scheme.

**Figure 1: Beneficiaries of social protection cash benefits by groups of population (SDG 1.3.1), 2015**



Notes: Population covered by at least one social protection cash benefit: Proportion of the total population receiving a contributory or non-contributory benefit, or actively contributing to at least one social security scheme.

Children: Ratio of children/households receiving child/family benefits to the total number of children/households with children.

Mothers with newborns: Ratio of women receiving cash maternity benefits to women giving birth in the same year.

Persons with severe disabilities: Ratio of persons receiving disability benefits to persons with severe disabilities.

Unemployed: Ratio of recipients of unemployment benefits to the number of unemployed persons.

Older persons: Ratio of persons above statutory retirement age receiving an old-age pension to the persons above statutory retirement age (including contributory and non-contributory).

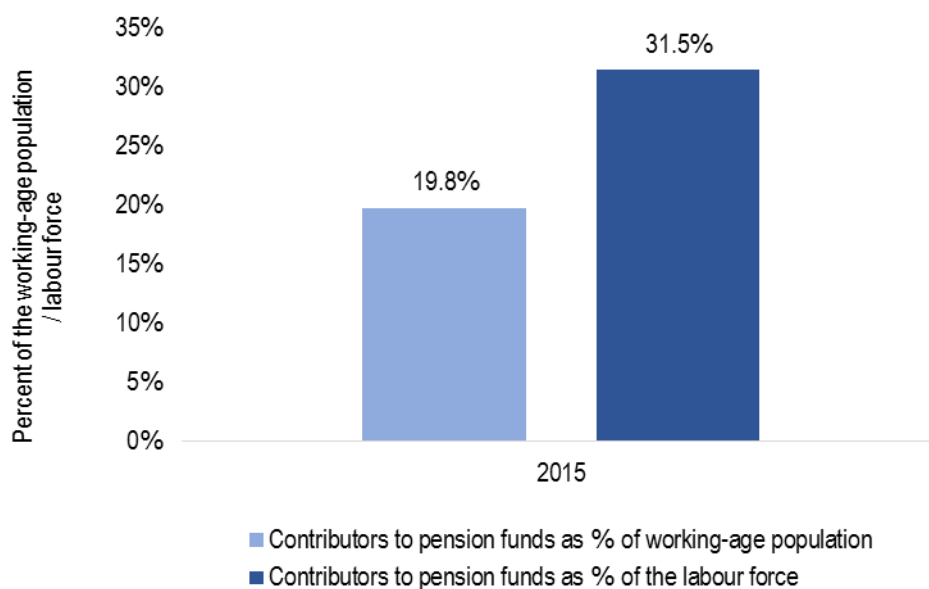
Vulnerable covered by social assistance: Ratio of social assistance recipients to the total number of vulnerable persons (defined as all children plus adults not covered by contributory benefits and persons above retirement age not receiving contributory benefits (pensions)). For more detail, see ILO (2017c), Annex II.

Sources: ILO (2017c), based on the ILO World Social Protection Database, including the ILO Social Security Inquiry.

<sup>4</sup> A summary of India’s social security system is available on the ISSA website, see <https://www.issa.int/en/country-details?countryId=IN&regionId=ASI&filtered=false>.

Only one fifth of the current working-age population, or 31.5 per cent of the labour force currently contributes to old age pension schemes (figure 2). These figures show that unless measures are taken to extend pension coverage through contributory and non-contributory mechanisms, future generations of older persons are likely to find themselves without sufficient income security.

**Figure 2: Active contributors to old age pension schemes as a percentage of the working age population and the labour force**



Source: Based on national sources.

Closing existing gaps in social protection coverage is a priority of the Indian Government with more than 80 percent the country's population still remaining outside of social insurance coverage and a minority of the working population covered under a contributory pension scheme.

India's ongoing social security reforms address two essential challenges: closing coverage gaps (in particular extending coverage to the unorganized sector) and improving governance of the social security system. The draft Code on Social Security is part of the Government's effort to consolidate 44 labour laws into four Codes – industrial relations, wages, social security, and occupational safety, health and working conditions. It shows a clear intention to extend the right to social protection to all workers in India, regardless of the size of the employing entity or whether public or private, but most notably by extending the protection to workers operating in the informal economy where 90 percent of the 450 million persons workforce operates. The draft legislation is intended to reduce fragmentation of institutions and responsibilities, eliminating overlaps and duplication and closing gaps in benefit coverage. The social security legislative reform, as part of the labour law reform, is based on the principle of mandatory coverage for all workers and aims at streamlining the multitude of social security laws at both national and state level, closing coverage gaps and improving outcomes for both employers and workers. As such, it represents a systematisation of the Indian social protection system by building on the main existing protection elements, and aims at organising and governing them in a holistic and systemic manner. Workers in the unorganized sector considered to have limited contributory capacity will be subsidized according to established criteria via States' budgets or through cess levied on certain economic sectors.

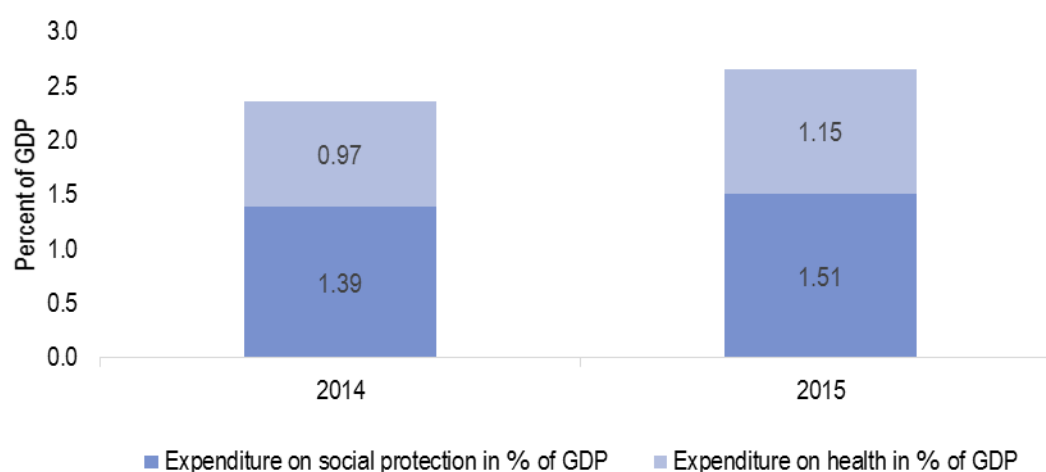
India recently enacted major amendments to the Maternity Benefit Act, which extended the duration of maternity cash benefits from 12 to 26 weeks, although the coverage of women in the unorganized sector still poses a major challenge. While some programmes, such as the Indira

Gandhi Matritva Sahyog Yojana (IGMSY) provide pregnancy-related cash transfers for a woman’s first two children, the coverage of such programmes is still relatively limited. More investments in income security for pregnant and childbearing women in the unorganized sector would allow women to reduce their workload before and after childbirth, which not only enhances families’ income security, but also reduces family members’ exposure to health risks (ILO, 2016).

India’s public work programs are mostly used as anti-poverty programs and the country has a long experience in experimenting with labour intensive public works starting from the 1960. The current legislation (NREGA Act) was enacted in 2005. The flagship Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) provides employment opportunities and a basic level of income security to the rural population, and are an important component of India’s nationally-defined social protection floor.<sup>5</sup> It guarantees every rural household up to 100 days of wage employment in a year within 15 days of demand for such employment and has been recognized as the world’s largest public works programme, providing as basic level of income security to almost 182 million beneficiaries or 15 per cent of the country’s population.

Overall public expenditure on social protection and health however remains relatively limited, despite significant extension efforts over recent years (see figure 3).

**Figure 3: Public expenditure on social protection by function as a percentage of GDP, 2014-16**



Source: Based on ADB data.

Over the last decade, India’s health spending considerably increased. However, India faces challenges with regard to ensuring effective access to health care. Primary health services remain inequitable within the country, both in terms of access and delivery and access and delivery problems are compounded by severe human resource constraints. In 2018, the launch of the National Health Protection Scheme (NHPS), has the objective of expanding insurance cover from current low levels to a substantial 100 million households, substantially improving access to secondary and tertiary healthcare by following a two-pronged strategy of demand side as well as supply side interventions in healthcare. Eligibility requirements, and other details of the programme have yet to be finalized. In addition to the direct health benefits, the program is expected to have substantial job creation effects.

<sup>5</sup> <http://www.nrega.nic.in/netnrega/home.aspx>; see also Ehmke, 2015.

## Social security agreements

The BRICS Social Security Cooperation Framework encourages BRICS countries to carry out exchanges on employment and social security for cross-border population flows, and in line with respective work priorities, initiate technical consultation on social security agreements between the BRICS countries and explore the feasibility of launching formal negotiations in this regard. It also encourages BRICS countries to exchange information on good practices regarding social security agreements within and beyond the BRICS countries to initiate consultations on social security agreements in due course.

As one of the outcomes of the 8<sup>th</sup> BRICS Summit in Goa, India has concluded a bilateral social security agreement with Brazil, which entered into force in January 2018.<sup>6</sup> This agreement adds to social security agreements with more than 19 other countries, including Australia, France, Germany, Japan and the Republic of Korea (ILO, 2017b; van Panhuys et al., 2017). In addition, India's workers enjoy reciprocal coverage under ILO Convention No. 118 with 38 countries, including Brazil, regarding medical care, sickness benefits and maternity benefits.<sup>7</sup>

## Social security administration

India has taken measures to improve the governance and administration of its various contributory and non-contributory social protection schemes and programmes. These include, for example, the introduction of a Universal Account Number, which has so far been allotted to 60 million workers, to enable the portability of their accounts under the Employees' Provident Fund (EPFO), as well as the online *Shram Suvidha Portal*, which facilitates labour inspection and compliance based on a unified Labour Identification Number (LIN). Universal Account Number (UAN) has been made mandatory for all individuals covered under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (ILO, 2017b).

As of October 2017, India had issued 1.18 billion identity cards (often referred to as "Aadhaar card"). Each individual Aadhaar card and its unique identity number is part of an enormous digital system. Every record in the centralized database includes a person's basic demographic and biometric information, including a photograph, 10 fingerprints and two iris scans. The system is meant to make it possible to provide essential public services as there are least 87 different schemes linked to it, including education access, pensions, scholarships for minorities, farming subsidies, school meals, and healthcare. The Aadhaar system now covers 99% of the adult population, 75.4% of children between five and 18 years old and 41.2% of children between zero and five.

In 2017, India's Union Health Ministry has rolled out large scale IT systems in different areas of healthcare ecosystem such as integrated health surveillance program, public health management, hospital information system and tele-medicine, among others. The Government pursues the objective of creating integrated digital health platform and enabling creation of electronic health record for 1.3 billion people of India.

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<sup>6</sup> [http://www.business-standard.com/article/news-ani/india-brazil-initiate-social-security-agreement-117031601440\\_1.html](http://www.business-standard.com/article/news-ani/india-brazil-initiate-social-security-agreement-117031601440_1.html).

<sup>7</sup> For more information, ILO (2017a), based on ILO Database on migrants' access to social protection in 120 countries, see also van Panhuys et al. (2017).

## Promoting international standards and guidelines

The BRICS member States committed to be guided by international social security standards, including the Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Social Protection Floors Recommendation, 2012 (No. 202).<sup>8</sup>

Although ILO social security standards have been used as a reference for the development of its social protection system, India so far has not yet ratified any of the up-to-date ILO Social Security Conventions, but has used as a reference of the current comprehensive reform the core principles and systemic vision established by ILO's social security standards laying the ground for a possible ratification of Convention No. 102 in the future.

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<sup>8</sup> The full text of these international social security standards and other relevant information is available in ILO (2017a).





# Moving towards a universal and sustainable social security system in China

*Brief prepared for the BRICS Labour and Employment Minister's Meeting, Durban, South Africa, 2-3 August 2018*

## Introduction

The BRICS Labour and Employment Ministers have attached great importance to the topic of social protection, and have discussed progress in moving forward towards a universal and sustainable social security systems in each of their meetings since 2015. In particular, the topic has been addressed in the Ministerial Declarations adopted in Ufa (Russian Federation) in January 2016<sup>1</sup>, New Delhi (India) in September 2016<sup>2</sup>, and in Chongqing (China) in July 2017.

The Ministerial Declaration adopted in Chongqing in July 2017 includes the BRICS Social Security Cooperation Framework, which “is designed to implement the requirements posed by the Declarations of previous BRICS Summits and the commitments of the Declarations of Labour and Employment Ministerial Meetings, which provides guidance for the BRICS countries to deepen coordination and cooperation in the field of social security.” This cooperation framework rests on the principles of “equality, openness, efficiency, mutual trust and benefit as well as consensus built upon consultation”, and is “pragmatic, open-ended and progressive”.<sup>3</sup>

This note provides a summary of the progress made with regard to moving towards a universal and sustainable social security system in China, based on national information and international sources (ILO, 2017a, 2017b; ISSA, 2016). This country brief is structured along the BRICS Social Security Cooperation Framework.

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<sup>1</sup> BRICS Ministerial Declaration: Quality Jobs and Inclusive Employment Policies, Ufa, Russian Federation, January 2016.

<sup>2</sup> BRICS Ministerial Declaration: Employment generation, social protection for all and transition from informality to formality, New Delhi, September 2016

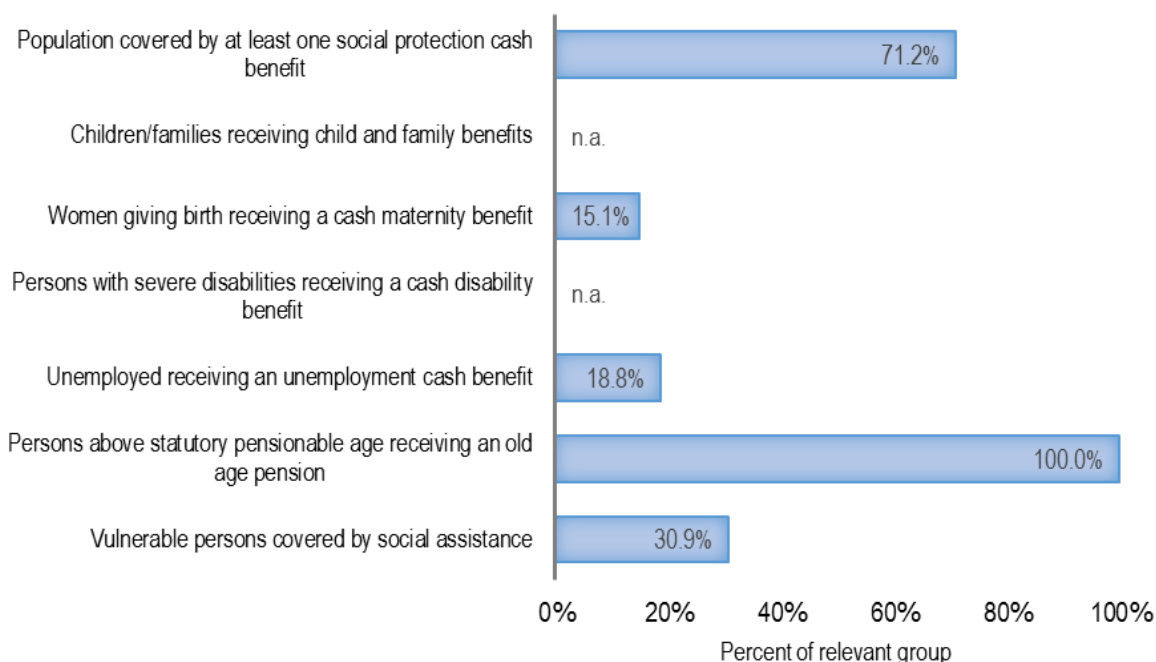
<sup>3</sup> For more detail on BRICS commitments in the area of social security, see ILO and ISSA, 2018.

## Improvement of the social security system

As the other BRICS countries, China recognizes the “important role of universal and sustainable social security systems, including social protection floors, for inclusive growth, decent and productive employment, gender equality and social inclusion” (Chongqing Declaration, 2017, para. 16).

China is committed to ensuring at least a basic level of social protection to all by 2020 (ILO, 2017b).<sup>4</sup> After decades of a massive and continuous expansion, the number of people covered by the state social insurance schemes still kept growing in 2017. For example, the total number of insured persons (including beneficiaries and contributors) under the pension, unemployment, work injury and maternity insurance was all increased by at least 3 per cent. It shall be noted that this was achieved when the pension and health insurance had already covered more than 80 per cent of the population of working age and above and 95 per cent of the entire population respectively.

**Figure 1: Beneficiaries of social protection cash benefits by groups of population (SDG 1.3.1), 2015**



Notes: Population coverage by at least one social protection cash benefit: Proportion of the total population receiving a contributory or non-contributory benefit, or actively contributing to at least one social security scheme.

Children: Ratio of children/households receiving child/family benefits to the total number of children/households with children.

Mothers with newborns: Ratio of women receiving cash maternity benefits to women giving birth in the same year.

Persons with severe disabilities: Ratio of persons receiving disability benefits to persons with severe disabilities.

Unemployed: Ratio of recipients of unemployment benefits to the number of unemployed persons.

Older persons: Ratio of persons above statutory retirement age receiving an old-age pension to the persons above statutory retirement age (including contributory and non-contributory).

Vulnerable covered by social assistance: Ratio of social assistance recipients to the total number of vulnerable persons (defined as all children plus adults not covered by contributory benefits and persons above retirement age not receiving contributory benefits (pensions)).

For more detail, see ILO (2017c), Annex II.

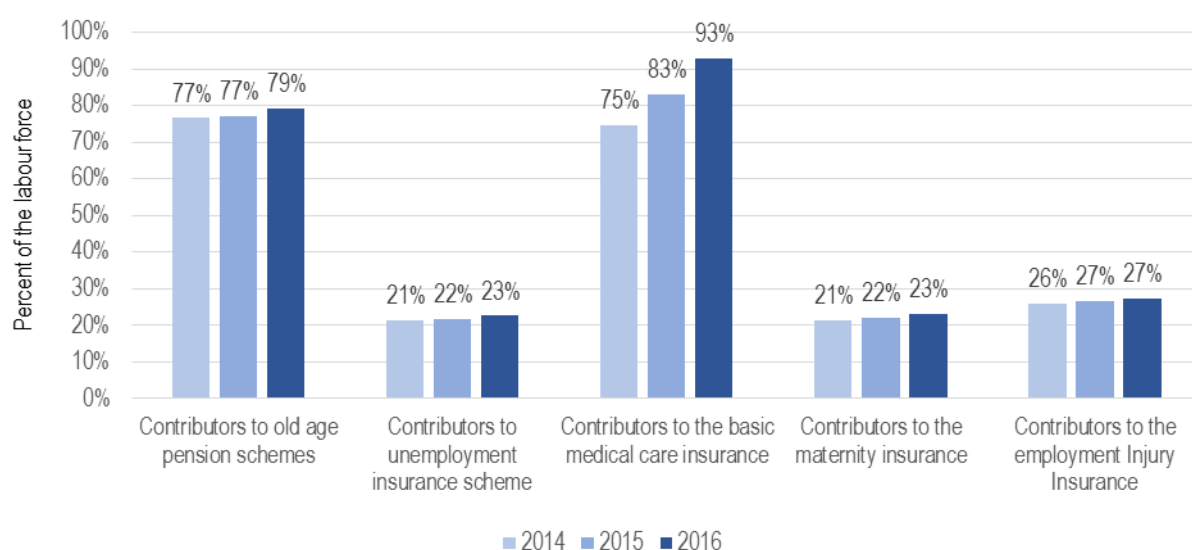
Sources: ILO (2017c), based on the ILO World Social Protection Database, including the ILO Social Security Inquiry.

<sup>4</sup> A summary of China’s social security system is available on the ISSA website, see <https://www.issa.int/en/country-details?countryId=CN&regionId=ASI&filtered=false>.

Figure 1 shows that 71 per cent of the population are effectively covered by at least one social protection cash benefit (excluding health care) according to SDG indicator 1.3.1, as set out in the ILO's World Social Protection Report (ILO, 2017a). All older persons have access to old age pensions, and the government is committed to progressively increasing benefit levels. Yet, so far only 15 per cent of women giving birth are receiving a periodic cash maternity benefit, and 19 per cent of the unemployed receive unemployment benefits. However, the government is committed to enhancing social protection coverage across different branches.

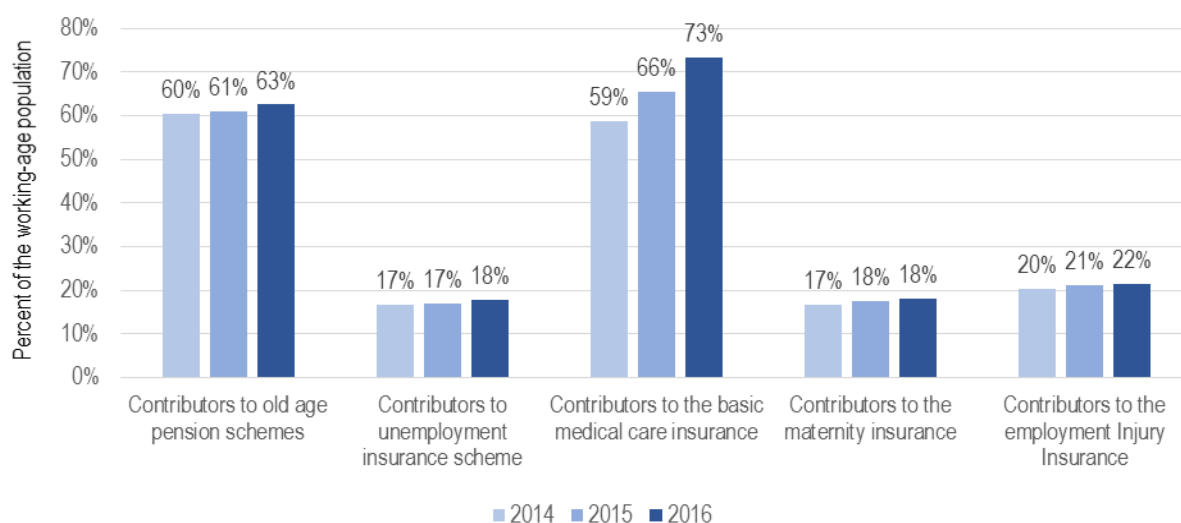
The extension of coverage also led to a significant increase of the number of active contributors to social insurance across the different branches of the social security system (see figures 2a and 2b). For example, 79 per cent of the labour force, or 63 per cent of the working-age population contributed to an old age pension scheme in 2016, compared to 77 respectively 60 per cent just two years earlier.

**Figure 2a: Active contributors to old age pension schemes as a percentage of the labour force**



Sources: Based on information from China Annual Statistical Yearbook.

**Figure 2b: Active contributors to old age pension schemes as a percentage of the working-age population**



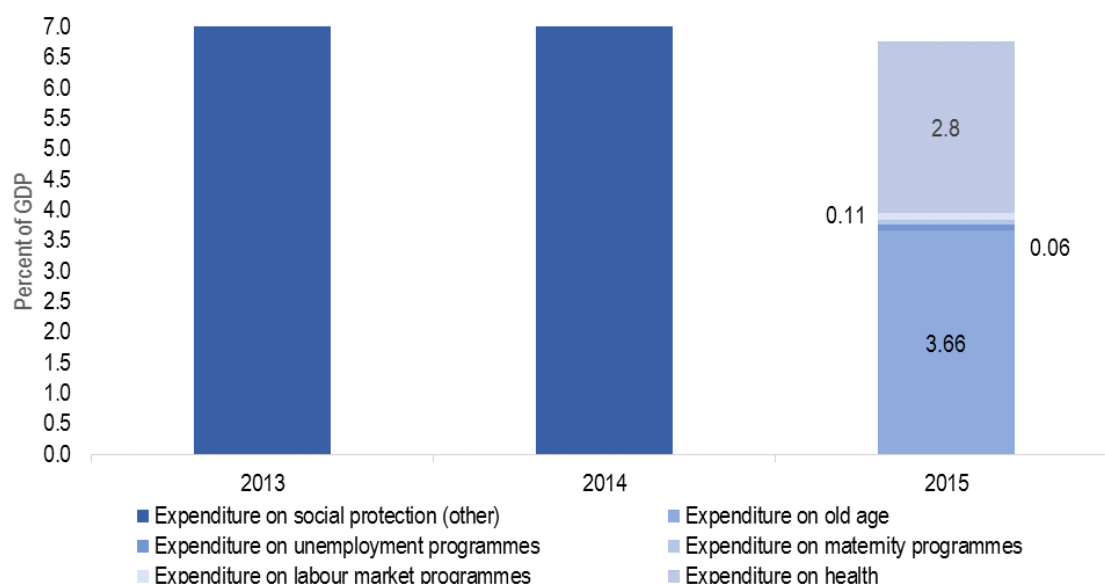
Sources: Based on information from China Annual Statistical Yearbook.

With a view to ensuring adequate benefits, China continued its efforts in strengthening the packages of benefits across all social security branches. For instance:

- The level of pension paid under the urban workers' schemes was increased for the 13th time over the last 13 years, benefiting more than 100 million retirees, which makes the pension increased at an annual average of 8.8 percent over the last 13 years.
- Regarding maternity insurance, the number of paid maternity leave days was increased in a number of province, such as from 98 days to 128 days in Shanghai, Chongqing, Hubei or to 158 days in Sichuan and Shaanxi. In addition, the implementation of the Government's decision on merging the health and maternity insurance schemes in numerous cities will have another positive impact on maternity benefit: the reimbursement rate will be eventually increased from its current level of below 70 per cent to 80 per cent or even higher to be aligned with that of the health insurance (ILO, 2017b).
- The three lists for covered medicaments applied to health, employment injury and maternity insurance were updated and implemented, which further enlarge the scope of covered drugs along with 44 per cent of an average reduction in the price of negotiated medicines.
- The level of unemployment cash benefits was augmented from 80 to 90 per cent of the minimum wage of urban workers.
- Long-term care insurance is being piloted in 15 cities nationwide (ILO, 2017b)

Public expenditure on social protection as a percentage of GDP remained relatively stable (see figure 3) in the context of substantial economic growth.

**Figure 3: Public expenditure on social protection by function as a percentage of GDP, 2014-16**



Sources: Based on information from IMF and the ILO Social Security Inquiry.

The total annual revenue collected by the five social insurance systems in 2017 was able to adequately cover all the annual expenditure, as revenues grew more quickly than current expenditures. In order to further reinforce the financial sustainability of social insurance schemes, additional measures have been taken in 2017, such as:

- the National Social Security Fund (NSSF), a state reserve, was further strengthened by the allocation of 10 per cent of the equity of state-owned enterprises to the fund, which managed an asset of over CYN 2 trillion, about 35 per cent of the annual expenditure of the five social insurance schemes;
- the Government reduced the comparatively high employer social insurance contributions for pension, unemployment, employment injury and maternity insurance, with a view to enhancing the long-term financing capacity of Chinese enterprises;
- The governance of the investment of social security funds were further strengthened with 9 provinces having delegated a total of CNY430 billion to the National Social Security Fund for investment;
- Pension adjustment mechanisms and medical care provider payment mechanisms were studied and developed.

## Social security agreements

The BRICS Social Security Cooperation Framework encourages BRICS countries to carry out exchanges on employment and social security for cross-border population flows, and in line with respective work priorities, initiate technical consultation on social security agreements between the BRICS countries and explore the feasibility of launching formal negotiations in this regard. It also encourages BRICS countries to exchange information on good practices regarding social security agreements within and beyond the BRICS countries to initiate consultations on social security agreements in due course.

China has signed nearly 50 bilateral cooperation agreements with counterpart ministries and institutions from over 30 countries; including social security agreements with ten countries (Canada, Denmark, Finland, France, Germany, Luxemburg, Netherlands, Spain, Switzerland).<sup>5</sup>

## Social security administration

With a view to effectively “leave no one behind”, China has taken systematic and integrated measures to facilitate access to social protection benefits and services, such as:

- Decentralizing the services to ensure all people had access to the essential social security services within their residential communities;
- Standardizing the quality and process of services,
- Making full use of digital services and other modern technologies so that people could access the social security services whenever and wherever they were;
- Developing integrated information systems with latest technologies, which made the administration more effective and efficient;
- Establishing a national database based on the information and data collected from 1.33 billion people during the three-year long campaign on universal registration, which would have profound implications for achieving the goal of universal coverage and better governing social security systems;

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<sup>5</sup> Ms. ZHANG Yizhen, Chinese Vice Minister of Human Resources and Social Security, press conference held on 24 January 2018 in Beijing, see [http://www.xinhuanet.com/2018-01/24/c\\_1122310164.htm](http://www.xinhuanet.com/2018-01/24/c_1122310164.htm), [http://www.mohrss.gov.cn/SYrlzyhshbzb/dongtaixinwen/buneyaowen/201801/t20180125\\_287456.html](http://www.mohrss.gov.cn/SYrlzyhshbzb/dongtaixinwen/buneyaowen/201801/t20180125_287456.html); see also van Panhuys et al. (2017).

- Merging the pension and health insurance schemes for rural and urban uninsured residents with a view to enhance administrative efficiency and equality between urban and rural residents;
- Making the nationwide free-dialling consultancy phone of “12333”, launched in 2004, available in all provinces and 334 prefectures or prefecture-level cities, which was combined with mobile phone 12333 apps, self-service terminals, 12333 message platform and 12333 WeChat service.
- Developing an inter-city or inter-province “clearing bank” for settling down the hospitalization bills occurred outside the province in which the health insurance policy originally covered.

## Promoting international standards and guidelines

The BRICS member States committed to be guided by international social security standards, including ILO Convention No. 102 and Recommendation No. 202.6

Although ILO social security standards have been used as a reference for the development of the Chinese social protection system, China so far has not yet ratified any of the up-to-date ILO Social Security Conventions. However, the Government has undertaken decisive steps which might lead to the ratification of the Social Security (Minimum Standards) Convention, 1952 (No. 102).

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<sup>6</sup> The full text of these international social security standards and other relevant information is available in ILO (2017a).



# Moving towards a universal and sustainable social security system in South Africa

*Brief prepared for the BRICS Labour and Employment Minister's Meeting, Durban, South Africa, 2-3 August 2018*

## Introduction

The BRICS Labour and Employment Ministers have attached great importance to the topic of social protection, and have discussed progress in moving forward towards a universal and sustainable social security systems in each of their meetings since 2015. In particular, the topic has been addressed in the Ministerial Declarations adopted in Ufa (Russian Federation) in January 2016 <sup>1</sup>, New Delhi (India) in September 2016 <sup>2</sup>, and in Chongqing (China) in July 2017.

The Ministerial Declaration adopted in Chongqing in July 2017 includes the BRICS Social Security Cooperation Framework, which “is designed to implement the requirements posed by the Declarations of previous BRICS Summits and the commitments of the Declarations of Labour and Employment Ministerial Meetings, which provides guidance for the BRICS countries to deepen coordination and cooperation in the field of social security.” This cooperation framework rests on the principles of “equality, openness, efficiency, mutual trust and benefit as well as consensus built upon consultation”, and is “pragmatic, open-ended and progressive”.<sup>3</sup>

This note provides a summary of the progress made with regard to moving towards a universal and sustainable social security system in South Africa, based on national information and international sources (ILO, 2017a, 2017b; ISSA, 2016). This country brief is structured along the BRICS Social Security Cooperation Framework.

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<sup>1</sup> BRICS Ministerial Declaration: Quality Jobs and Inclusive Employment Policies, Ufa, Russian Federation, January 2016.

<sup>2</sup> BRICS Ministerial Declaration: Employment generation, social protection for all and transition from informality to formality, New Delhi, September 2016

<sup>3</sup> For more detail on BRICS commitments in the area of social security, see ILO and ISSA, 2018.

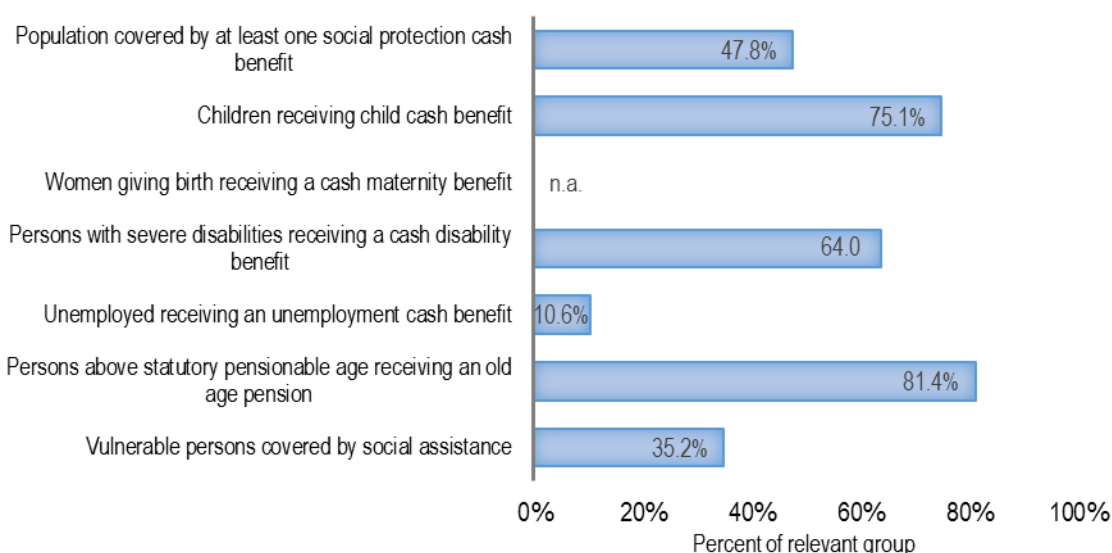
## Improvement of the social security system

As the other BRICS countries, South Africa recognizes the “important role of universal and sustainable social security systems, including social protection floors, for inclusive growth, decent and productive employment, gender equality and social inclusion”.

During the last two decades, South Africa has considerably strengthened its social protection system, by closing coverage gaps, enhancing the adequacy of benefits, and improving governance and administration.<sup>4</sup> Complementing existing social insurance programmes, this included significant improvements in the range of non-contributory benefits, such as child benefits, disability benefits and the old age grant, as well as contributory benefits.

Figure 1 shows that close to half of the population are effectively covered by at least one social protection benefit (excluding health care) according to SDG indicator 1.3.1, as set out in the ILO’s World Social Protection Report (ILO, 2017a).

**Figure 1: Beneficiaries of social protection cash benefits by groups of population (SDG 1.3.1), 2015**



Notes: Population covered by at least one social protection cash benefit: Proportion of the total population receiving a contributory or non-contributory benefit, or actively contributing to at least one social security scheme.

Children: Ratio of children/households receiving child/family benefits to the total number of children/households with children.

Mothers with newborns: Ratio of women receiving cash maternity benefits to women giving birth in the same year.

Persons with severe disabilities: Ratio of persons receiving disability benefits to persons with severe disabilities.

Unemployed: Ratio of recipients of unemployment benefits to the number of unemployed persons.

Older persons: Ratio of persons above statutory retirement age receiving an old-age pension to the persons above statutory retirement age (including contributory and non-contributory).

Vulnerable covered by social assistance: Ratio of social assistance recipients to the total number of vulnerable persons (defined as all children plus adults not covered by contributory benefits and persons above retirement age not receiving contributory benefits (pensions)).

For more detail, see ILO (2017c), Annex II.

Sources: ILO (2017c), based on the ILO World Social Protection Database, including the ILO Social Security Inquiry.

Close to two thirds of persons with severe disabilities receive a disability benefit, and more than 80 per cent of older persons above statutory retirement age receive an old age pension. One in three children receives a child cash benefit, most of them through the child grant scheme. Yet, only one in ten unemployed persons received an unemployment cash benefit.

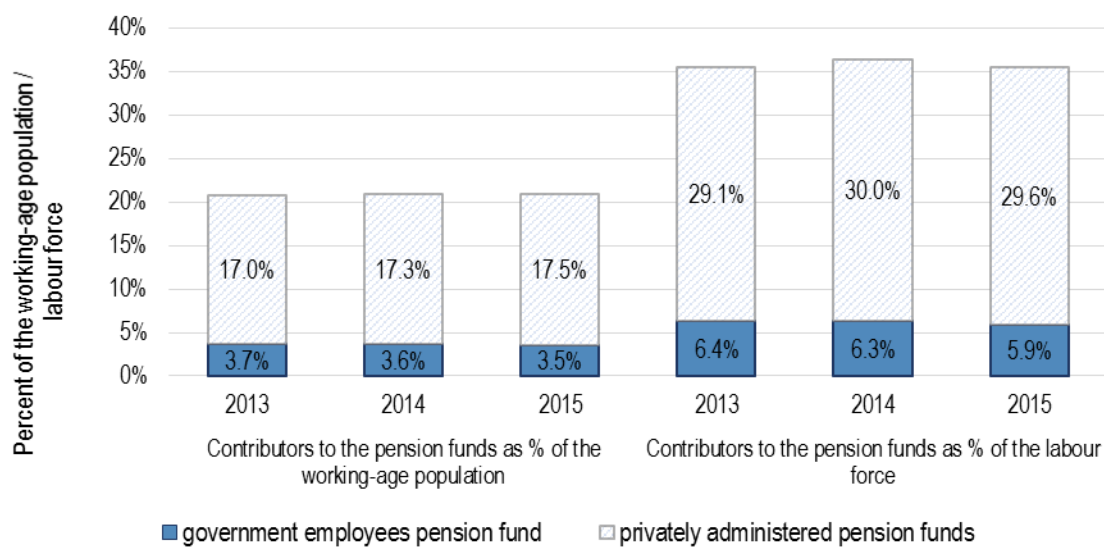
<sup>4</sup> A summary of South Africa’s social security system is available on the ISSA website, see <https://www.issa.int/en/country-details?countryId=ZA&regionId=AFR&filtered=false>.



In order to close coverage gaps, South Africa has extended the coverage of unemployment and maternity insurance to domestic workers and seasonal workers, which has led to a significant increase in coverage since 2003 (ILO, 2017a). Today, more than 600,000 domestic workers are covered and receive benefits in case of unemployment or maternity.

With regard to old age pensions, contributory provision is still dominated by occupational pensions, with limited coverage for public pension schemes. Less than 5 per cent of the working-age population, and close to 6 per cent of the labour force contribute to a public pension scheme (see figure 2a). In addition, another 17.5 per cent of the working-age population, or 29.6 per cent of the labour force, contribute to privately administered pension funds. Overall, while coverage by contributory pensions remains relatively low, at least a basic level of income security for the majority of South Africa’s older population is secured by the old age grant.

**Figure 2a: Active contributors to public and private old age pension schemes as a percentage of the working age population and the labour force**



Sources: Based on national sources.

The availability of sex-disaggregated coverage data allows for a more detailed analysis of the gender dimension. Interestingly, among the current contributors to the available public pension funds; women enjoy a higher coverage rates compared to men, both relative to the labour force and the total working-age population (see figures 2b and 2c), which is likely to be related to gender employment patterns in the public sector.

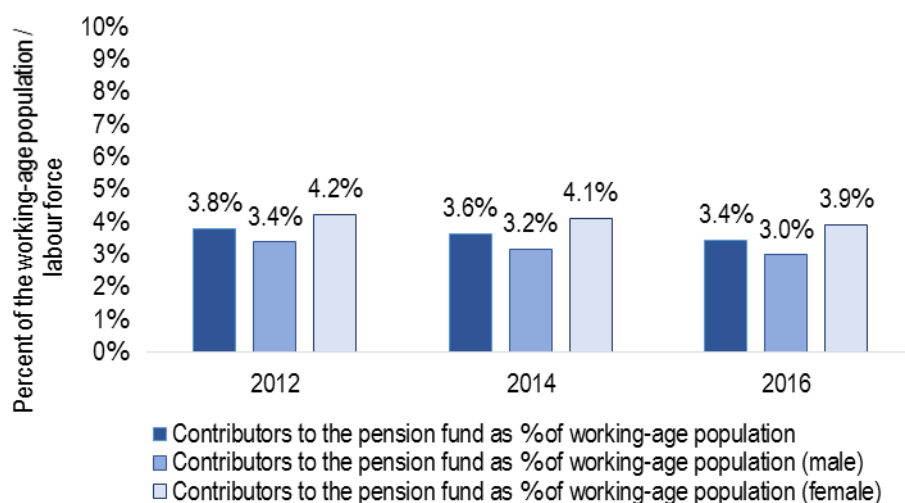
The government tabled at the National Economic Development and Labour Council (NEDLAC) a consultation paper on comprehensive social security reform; this aims at creating an integrated comprehensive social security system. In the area of pensions, the government envisages to universalize the existing social pension (old age grant), establish it as a zero tier of a national pension system and introduce a first-tier contributory national pension fund (ILO, 2017b).

Recent policy reforms also included enlarging the scope for the funding of labour market activation programmes from the Unemployment Insurance Fund (UIF) through an amendment of the Unemployment Insurance Fund Act in early 2017.<sup>5</sup> In addition, the revised Unemployment Insurance Fund Act (adopted in January 2017) extended the duration of maternity benefits from

<sup>5</sup> These measures will extend the period during which unemployment benefits are paid to workers who have lost their jobs from a maximum of eight to a maximum of twelve months, and expanded the scope of unemployment insurance benefits to cover also certain categories of workers in training programmes.

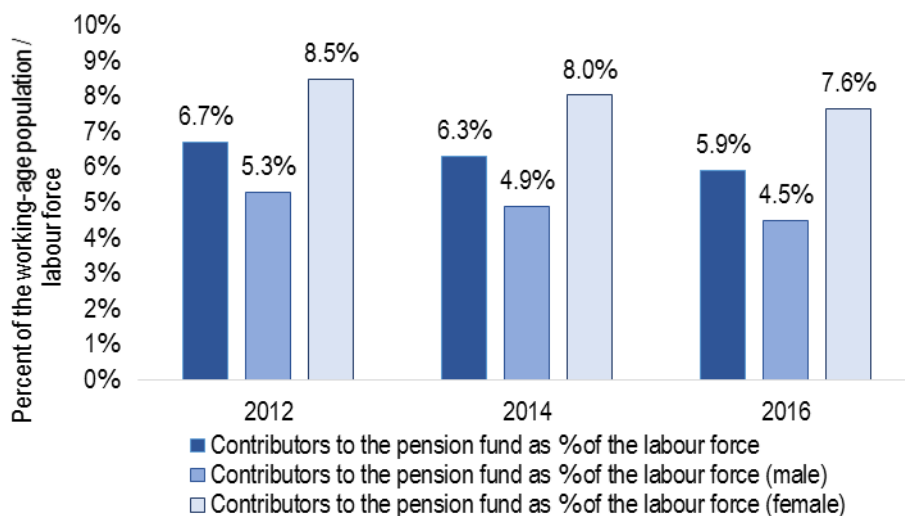
238 to 325 days, and increased the level of maternity benefits from 45 to 66 per cent of the women’s salary.

**Figure 2b: Active contributors to public old age pension schemes as a percentage of the labour force**



Sources: Based on national sources.

**Figure 2c: Active contributors to public old age pension schemes as a percentage of the labour force**



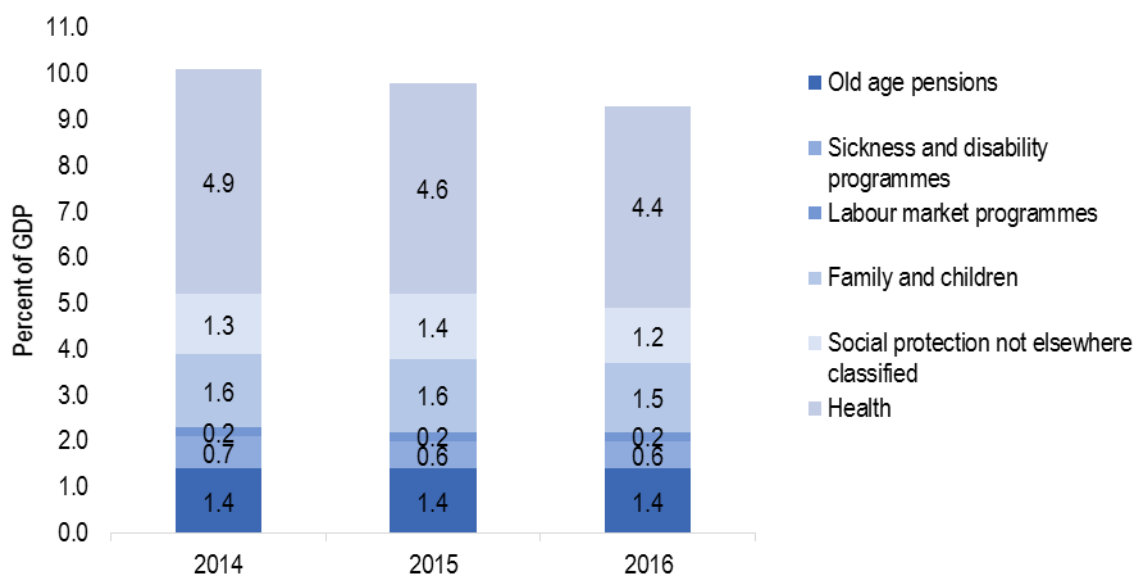
Sources: Based on national sources.

In addition, the government of South Africa aims at improving health protection through a National Health Insurance, based on the latest White Paper. It is expected that this reform will significantly enhance effective access to health care, reduce inequities and strengthen the funding base for health care.

Public expenditure on social protection reaches close to 10 per cent of GDP, and has been declining between 2014 to 2016. However, social spending is expected to increase again in 2018.<sup>6</sup>

<sup>6</sup> <https://www.biznews.com/budget/budget-2018/2018/02/21/executive-summary-2018-national-budget/>.

**Figure 3: Public expenditure on social protection by function as a percentage of GDP, 2014-16**



Source: Based on IMF data.

## Social security agreements

The BRICS Social Security Cooperation Framework encourages BRICS countries to carry out exchanges on employment and social security for cross-border population flows, and in line with respective work priorities, initiate technical consultation on social security agreements between the BRICS countries and explore the feasibility of launching formal negotiations in this regard. It also encourages BRICS countries to exchange information on good practices regarding social security agreements within and beyond the BRICS countries to initiate consultations on social security agreements in due course.

South Africa has concluded a number of bilateral social security agreements, including with Angola, Cuba, Mozambique and the Netherlands. In addition, the SADC Cross-Border Portability of Social Security Benefits Policy Framework adopted by Ministers and social partners in May 2016; article 19 of the SADC Employment and Labour Protocol, 2014, is currently open for ratification.<sup>7</sup>

## Social security administration

Building comprehensive social protection systems is not possible without ensuring sound and solid social security governance and administration. BRICS countries have committed to “preserving and further reinforcing the financial basis of the social security systems, including social security funds, and adapting administrative procedures to facilitate compliance” (Chongqing Declaration 2017, para. 16).

One of the measures that South Africa has taken to enhance the outreach of its social protection system is to improve accessibility of social grant programmes through an expanded presence in

<sup>7</sup> For more information, ILO (2017a), based on ILO Database on migrants’ access to social protection in 120 countries, see also van Panhuys et al. (2017).

a number of rural areas through its Integrated Community Registration Outreach Programme (ICROP), as well as facilitated access for undocumented caregivers and children (ILO, 2015).

Following a decision by the Constitutional Court related to the difficulties with previous delivery mechanisms, the administration of the social grants schemes has been entrusted to the South African Social Security Agency and the South African Post Office.

South Africa's National Development Plan 2030 includes an outcome on social protection that considers the structural nature of poverty and inequality, and envisages the creation of a national integrated social protection information system.<sup>8</sup>

## Promoting international standards and guidelines

The BRICS member States committed to be guided by international social security standards, including the Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Social Protection Floors Recommendation, 2012 (No. 202).<sup>9</sup>

Although ILO social security standards have been used as a reference for the development of the South Africa's social protection system, South Africa so far has not yet ratified any of the up-to-date ILO Social Security Conventions. However, the Government has undertaken steps towards a possible ratification of Convention No. 102, which could make South Africa the first country to ratify this instrument on the basis of its non-contributory pension scheme (ILO, 2014).

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<http://www.poa.gov.za/socialprotection/Delivery%20Agreement/Outcome%2013%20Social%20Protection%20MTSF%20Chapter%20.pdf>

<sup>9</sup> The full text of these international social security standards and other relevant information is available in ILO (2017a).