

FUNDING THE SOCIAL PROTECTION FLOOR IN WEST AFRICA: ISSUES AND OPTIONS

by

Funmi Adewumi (Ph.D.),

Professor of Industrial Relations

Department of Human Resource Management ,

Elizade University, Ilara-Mokin, Ondo State, Nigeria

E-mail: funmiadewumi@rocketmail.com funmi.adewumi@elizadeuniversity.edu.ng

Presentation made at the

17th ILERA WORLD CONFERENCE,

HELD AT THE SOUTHERN SUN, CAPE SUN HOTEL,

CAPE TOWN, SOUTH AFRICA

7-11 SEPTEMBER 2015

Introduction

- The very nature of employment relations under capitalism makes workers extremely vulnerable to the vicissitudes of the capitalist economy.
- The very fact of private ownership of the means of production with its obsession for profitability puts workers welfare and well-being on a lower priority level.
- The commodity status of human labour power under capitalism encourages industrial owners to place the same value on the worker just as other factors of production.
- Two of the characteristic features of capitalism identified by Hyman (1975) are;
- (i) the ownership and, or, control of the means of production by a small minority and, (ii) the domination of profit as the fundamental determinant of economic activity.
- These are very important in understanding the plight of labour under the regime of capitalism.
- This is because ownership confers the right, if not power, of control on the employer.
- Given the centrality of profitability to capitalist production relations, it follows that the profit motive determines the treatment meted out to employees and what accrues to them from their productive activities.
- It is within this context that the average employer does not value the worker beyond his or her utilitarian value

Introduction contd.

- It is important to note that work, its organisation and management as well as the interaction among those involved in the world of work are of crucial importance to the development process and the survival of the society.
- The demands of society for various goods and services can only be met through the productive activities of those engaged in work.
- It then becomes necessary to protect workers from extreme abuse in the work arena.
- Laws for social protection of employees developed in the second half of the 19th century against the background of the excessive exploitation of workers and international control bodies were established to ensure compliance with the new laws.
- Since its establishment in 1919, the International Labour Organisation (ILO) has been the major international and inter-governmental body driving the need for ensuring social protection for workers individually and collectively.
- These efforts have come in the forms of Conventions and Recommendations which member countries are expected to comply with.
- In 1944, the ILO's Declaration of Philadelphia, stated that "it was the solemn obligation of the International Labour Organisation to further among the nations of the world programmes which will achieve, among other things, the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care (Article III (f), as well as provision for child welfare and maternity protection (Article III (h)(cited in Cichon et. al., 2011:2).

Introduction contd.

- The need for social protection and social security are, in part, also reinforced by Articles 22 and 23 of the United Nations Universal Declaration of Human Rights of 1948.
- Article 22 says;
- Everyone, as a member of society, has the right to social security and is entitled to the realization, through national effort and international cooperation and in accordance with the organisation and resources of each state, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality (cited in Cichon, Behrendt & Wodsak(2011:1).
- Article 23 of the United Nations Universal Declaration of Human Rights of 1948 also provides that:
- Everybody has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. Everyone, without discrimination, has the right to equal pay for equal work. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented if necessary by other means of social protection (cited in CDHR 1996, Annual Report: 113).

The social protection deficit

- However, in spite of the long standing concern with social security as a basic human right, not much has been achieved in realizing it. In the words of Cichon et al.(2011:2) “for about five decades, the international community failed to give prominence to the human right to social security and many nation states seemed to hide behind the principle of progressive realization”.
- This has been further confirmed by the ILO. According to Tthe World Social Protection Report for 2014/15, “ more than 70 per cent of the world population not adequately covered by social protection(source:http://www.ilo.org/global/about-the-ilo/newsroom/news/wcms_244748/lang-en/index.htm, accessed on 10/02/2015). The actual figure is 73%.
- The ascendancy of neo-liberal economic policies and the unending crises of world capitalism since the mid-1980s have, more than ever before, brought to the fore the need for social protection to mitigate the adverse consequences of developments within the world of work and the larger polity and economy on workers.
- As a result of massive restructuring and rationalizations, job losses are recorded on a monumental scale, industrial accidents resulting in loss of lives and permanent injuries and disabilities occur daily on a frightening scale and unemployment in many countries, particularly developing countries, constitute a major social problem.
- The pressure on governments of developing countries by the down turn in their economies has encouraged them to abandon the duty of protecting workers and other vulnerable social groups. This is in addition to massive cut down on investment in social services, thereby compounding an already bad situation.

Social protection deficit contd.

- It is this grim reality that appears to have provoked renewed interests in what can be done to address what amounts to great injustice.
- In June 2003, the “Global Campaign on Social Security and Coverage for All’ was officially launched by the ILO during the International Labour Conference .
- To further underscore the concern of the international community, in April 2009, the Social Protection Floor initiative was adopted by the High Level Committee of the UN Chief Executives Board, with the ILO and World Health Organisation (WHO) as lead agencies while the UN Commission for Social Development came up with a resolution urging the ILO “to strengthen its social protection strategies, including the assistance to countries in building social protection floors and policies on extending social security coverage for all(Cichon et.al., 2011:3).
- The push for the establishment of national social protection floors is anchored on the above foundation.
- Just like other efforts of the ILO, it is basically an attempt for the organisation to re-address one of its original mandates.

Conceptualising social security

- The United Nations (UN) defines social protection as ‘a set of public and private policies and programmes undertaken by societies in response to various contingencies to offset the absence or substantial reduction of income from work; to provide assistance to families with children as well as provide people with basic health care and housing’ (United Nations, 2000: 4, cited in Barrientos & Hulme, 2008:6).
- According to the world body, this conceptualization is underpinned by shared ‘fundamental values concerning acceptable levels and security of access to income, livelihood, employment, health and education services, nutrition and shelter” (ibid).
- While in developed industrial countries, social protection consists of a set of integrated institutions and programmes including social insurance, social assistance, and employment protection and promotion, in the developing countries, social protection is fast becoming “an effective response to poverty and vulnerability ...and an essential component of economic and social development strategies”(Barrientos and Hulme, 2008:3).
- The neoliberal economic policies foisted on these countries since the mid-1980s have made this compelling. Within this context, social protection addresses income transfers as well as promoting access to basic services and gainful employment.
- In developing countries multiple agencies are involved in providing social protection.
- These include government agencies, multilateral and bilateral international organisations, and national and international NGOs.

Conceptualising social protection contd.

- Over the years there has been a shift in emphasis to:
- “a much broader armoury of policies and programmes that combine interventions protecting basic levels of consumption among poor and poorest households; facilitation and other productive assets which provide escape routes from persistent and intergenerational poverty and strengthening the agency of those in poverty so their capacity to overcome their predicaments are increased” (Barrientos & Hulmes, 2008:3).
- Three main roles of social protection have been identified.
- According to Barrientos and Hulme these are;
- i. to lift the constraints to human and economic development posed by social risk,
- ii. to ensure the satisfaction of basic needs and
- iii. as a strategy or means of implementing a rights-based approach to human development.
- These translate to the social risk, basic needs and rights-based perspectives or approaches to social protection.
- However, it is important to say that these perspectives are not mutually exclusive.
- Rather, they should be taken as complementing each other, with each indicating the point of emphasis of those pushing a particular position while underscoring competing/contending development options.

conceptualising social protection contd.

- The World Bank sees social protection as social risk management,
- The ILO views it from the perspective of human rights defined by “entitlements to benefits that society provides to individuals and households-through public and collective measures-to protect against low or declining living standards arising out of a number of basic risks and needs” (cited in Barrientos and Hulme, 2008:6).
- The beauty of the ILO conceptualization is that it captures the three perspectives mentioned above and reinforces our earlier position that the three perspectives are not mutually exclusive.
- If the desired result is to be achieved, it is better to adopt the rights-based approach of the ILO as it would make social protection an obligation for countries and not just a policy option. This perspective also has implications for financing social protection mechanisms.
- The general interest for broad social protection coverage is located in internationally accepted protocols such as the International Covenant on Economic, Social and Cultural Rights and International Labour Organization’s Conventions (Ginneken, 2003). Essentially, social protection is about preventing or mitigating deprivations in the form of income, consumption and rights as well as shielding members of society from various contingencies (Tostensen, 2008).
- Social protection is essentially about assisting the citizenry to cope with economic shocks and crises in a manner that such otherwise transient experiences do not result in irreversible damage to their productive capacities and net asset worth. This makes social protection deeply connected with employment and income; and as such discussions on social protection are linked with the employment relationship.

Understanding the social protection floor

- In the context of the social protection floor, it is expected that incomes security would be promoted through a basic set of guarantees that aim at the following;
- i) „all residents have access to a nationally defined set of affordable essential health care services;
- „ii) „all children enjoy income security through transfers in cash or kind, at least at the level of the nationally defined poverty line, ensuring access to nutrition, education and care;
- „iii)„all those in active age groups who cannot (due to unemployment, underemployment, or sickness) or should not (in case of maternity) earn sufficient income on the labor market should enjoy minimum income security through social transfers in cash or in kind schemes or employment guarantee schemes;
- „iv)„all residents in old age and with disabilities have income security at least at the level of the nationally defined poverty line through pensions for old age and disability or transfers in kind.
- Not unexpectedly, “the level of benefits and scope of population covered for each guarantee should be defined with regard to national conditions.
- However, the level of benefits and the actual combination of transfers in cash and in kind should not fall below a minimum that ensures access to a basic basket of food and other essential goods and services.

understanding social protection contd.

- For workers (as represented by the position of ITUC),
- “social protection floor(s) set at a level above the poverty line, and sufficient to provide reasonable living standards” (Ehmke & Bodemer, 2011:2) is considered the minimum.
- Interestingly, the issues that are addressed under the cover of social security are covered by many national constitutions address under economic and social rights.
- For example, Section 6 (c) of the 1999 Constitution of the Federal Republic of Nigeria provides that “it shall be the goal of the government to provide social amenities, education and economic welfare for the citizen”

Social Protection Mechanisms in West Africa

- Right from about the colonial period, the sub-region has a history of social protection mechanisms
- These range from “informal systems of social protection overlain by a patchwork of colonial schemes and aid-financed social assistance programmes (focused on humanitarian support), NGO initiatives and under-funded, fragmented, and partially implemented social insurance institutions for civil servants”
- (Ould El Hadj & Diakhate, n.d.).
- Broadly, there are five broad categories, even though they are not all present in every country. These are;
- i) social transfer programmes
- ii) labour market interventions
- iii) social insurance programmes
- iv) woman and child social protection programmes
- v) informal family and community arrangements
- (Ould El-hadj & Diakhate, n.d.)

Current status of funding Social Protection Mechanisms in West Africa

- Generally, funding level is still low.
- In low income countries only 4.1% of GDP is spent on social security while only 5 percent of the working population in sub-Saharan Africa is effectively covered by contributory old-age benefit programmes (see Cochin et. al., 2011:4).
- As at 2010-2011, the total public social protection expenditure as a percentage of gross domestic product (GDP) for sub-saharan Africa was 4.2%(ILO, 2014).

Current status of funding contd.

- Table showing Public Social Protection Expenditure as Percentage of GDP, 2010/11
- S/No Name of Country Public Social Protection Expenditure as % of GDP(2010-2011)
- 1 Benin 4.20(2010)
- 2 Burkina Faso 5.07(2011)
- 3 Chad 1.31(2010)
- 4 Cote D'Ivoire 1.91(2011)
- 5 Gambia 2.98(2010)
- 6 Ghana 5.39(2010)
- 7 Guinea 2.47(2010)
- 8 Guinea Bissau 5.44(2010)
- 9 Mali 4.88(2010)
- 10 Niger 2.91(2010)
- 11 Nigeria 2.83(2010)
- 12 Senegal 5.34(2010)
- 13 Sierra-Leone 2.07(2009)
- 14 Togo 5.73(2010)
- Source: ILO: World Social Protection Report, 2014/15

Current funding status contd.

- In looking at the funding status of the social protection floor it is important to take into consideration budgetary allocations to social services such as education, health, potable water and public housing.
- In the case of health, for instance, only one country, Equatorial Guinea with US\$543, had a per capita expenditure on health of more than US\$200 as at 2007.
- For other countries in the sub-region, the figures are;
- Ghana, US\$113;
- Benin, US\$ 70;
- Togo, US\$ 68;
- Nigeria, US\$131;
- Niger, US\$ 35;
- Senegal, US\$99;
- Cote D'Ivoire, US\$67;
- Guinea Bissau, US\$33;
- Gambia, US\$71;
- Guinea, US\$62;
- Sierra-Leone, US\$ 32;
- Mali, US\$67;
- Burkina-Faso, US\$72;
- Liberia, US\$39 and
- Chad, US\$72.

Current funding status contd.

- In respect of access to water, the picture is not too rosy as reflected in the figures(2008) of the proportion of the population without access ;
- Benin, 25%;
- Mauritania, 51%;
- Togo, 40%;
- Nigeria, 42%;
- Niger, 52%;
- Senegal, 31%;
- Guinea Bissau, 39%;
- Guinea, 29%;
- Sierra-Leone, 51%;
- Mali, 44%;
- Liberia, 32% and
- Chad, 50%
- (Source: United Nations' Human Development Report, 2010).
- (The World Social Protection Report, 2014/2015 presents a comprehensive picture of the funding status all over the world).
- Other components of the social protection floor such as old age pension and social insurance schemes which cover formal sector employees are usually jointly financed by employees and employers. This is particularly so in respect of old age pension which is now based on a contributory arrangement.

Issues in financing the social protection floor

- In examining the issues and options available in financing social protection mechanisms, some pertinent questions need to be addressed.
- These include; why do people work, who benefits from their productive efforts and who takes care of them while providing for societal needs.
- The answers to these questions would go a long way in adequately addressing the issue of financing social security.
- An attempt would be made to answer these questions below.
- Although it could be argued that people work in order to earn a living, the truth is that people actually work in order to meet the needs and demands of society for certain goods and services.
- In other words, the society is dependent on the goods and services produced and rendered by workers.
- Put differently, if such goods and services are not needed or required, there would be no need for people to work on them.
- It follows, therefore, and it answers the second question, that the society is the primary beneficiary of the activities of those who engage in productive activities.
- A combination of economic and technological considerations makes workers vulnerable and puts them at risk in the world of work.
- In a sense, the modern industrial society's obsession with productivity, profitability and technical progress would appear to have made all of us oblivious of the vulnerability of the average worker.

issues in financing the social protection floor contd.

- At times of economic difficulties his security of employment becomes threatened while the high technology employed for production increases the risks of accidents/injuries with the attendant loss of income, whether temporary or permanent
- As such, in answering the third question it can be argued that the vulnerability to which the worker is exposed in the course of meeting the needs of society for various goods and services should be borne by the society itself.
- If we adopt the rights-based approach along with the arguments in the preceding paragraph, national governments are duty bound to protect the worker citizen against the vicissitudes of the employment relationship.
- From the above government has a primary responsibility to finance social protection.
- This position is further supported by Ginneken(2003) who argues that:
- People cannot contribute to society and their own well-being, unless they have the capacity to do so and can satisfy their basic needs. This fact justifies government intervention and financing in health and education services, as well as in food and housing.
- Social security mechanisms can play an important role in the financing – and the provision of access to – these services.
- Social insurance often plays an important part in the financing of health care, and government subsidies can improve access to food, education and housing.
- The main functions of social insurance are to make provisions for various capacity deprivations (contingencies), to avoid indebtedness, and to make household expenditure more predictable.
- The main functions of tax-based social benefits are to support low incomes and to reduce household expenditure on basic items (p.7).

issues in financing the social protection floor contd.

- In spite of financial constraints, the expansion of social protection, especially in low income countries is possible if there is political will . As argued by Hickey (2007:8),
- “it is the lack of political contract for social protection that constitutes arguably the largest barrier”.
- To buttress this line of argument is the fact that “for low income countries in Africa and Asia ...the resources required to provide a basic social assistance package.... including a universal pension covering old age and disability and a child benefit, would absorb around two to three percent of GDP((Berendt, 2008).
- It can therefore, be argued that affordability is not a problem while in case of countries without strong resource base, the issue to address is how to increase their revenue mobilization capacity.
- There are three key sources of funding social protection for formal sector employees
- As identified by van Ginneken(2003), these are statutory social insurance, community- based schemes and cost-effective tax financed social benefits aimed at the poor and vulnerable groups.
- We can also distinguish between social transfer programmes, labour market interventions and social insurance programmes on the one hand, and woman and child social protection programmes and informal family and community arrangements on the other.
- The first set of mechanisms which affect the formal sector programmes are usually jointly funded by employees, employers and the state. In this category are pension schemes, social insurance programmes, workmen’s compensation and unemployment benefits.

Issues in financing the social protection floor contd.

- Of course, because of pressure on governments of developing countries, many of these schemes are contributory which means that both employers and employees make equal contributions.
- This is unfair to workers in the public sector who earn relatively lower than their counterparts in the private sector.
- Unless there is an appreciable increase in emoluments in the public sector, the pension scheme should be non-contributory.
- There is nothing wrong with this option, other than corruption by which those charged with the administration of the schemes divert money meant for such without being punished.
- In respect of workmen's compensation scheme, the major problem here is with the quantum of compensation due to claimants.
- The suggestion here is that in case of those with permanent disability resulting from the negligence of the employer, they should receive their full salaries until death.
- Cash transfer schemes targeted at those who cannot find employment and unable to enjoy support from their family as well as those with permanent disability should be fully funded by government.
- This should be taken along with the second category of social protection mechanisms mentioned earlier, that is, woman and child social protection programmes; including free education and health services which should equally be funded by government. In the final analysis, the free provision of these services would ease the pressure on the disposable income of workers and other low-income earners.

Options for increased financing the social protection floors

- In examining the options available in financing social protection mechanisms, we need to bear in mind the initial position that social security should be regarded as a basic human right which imposes an obligation on governments.
- This is the rights-based approach which implies that national governments are duty bound to protect the worker citizen against the vicissitudes of the employment relationship. Deriving from this is that government has a primary responsibility to finance social protection.
- This is in line with the position of Ginneken(2003) who argues that:
- People cannot contribute to society and their own well-being, unless they have the capacity to do so and can satisfy their basic needs. This fact justifies government intervention and financing in health and education services, as well as in food and housing. Social security mechanisms can play an important role in the financing – and the provision of access to – these services. Social insurance often plays an important part in the financing of health care, and government subsidies can improve access to food, education and housing. The main functions of social insurance are to make provisions for various capacity deprivations (contingencies), to avoid indebtedness, and to make household expenditure more predictable. The main functions of tax-based social benefits are to support low incomes and to reduce household expenditure on basic items (p.7).

options for increased financing contd.

- The question at this juncture is how governments can raise the funds necessary to implement these.
- A related question is; does government possess the political will to address the important question of social security/funding the social protection floor?
- The first option here is that governments should raise tax revenues. This can be done through improvements in tax collection while serious consideration should be given to new tax regimes. Along this line the luxury and obscene affluence of the rich should be taxed, ranging from exotic cars to sprawling mansions erected in exclusive residential areas in cities across the west coast. They should be made to part with a fraction of their wealth, which they do not really need in any case, to take care of the poor and needy in society.
- The second option of mobilizing resources is by blocking avenues of leakages within the economy including the unjustifiably high cost of governance. This should address both the size of government and the perquisites of office. There are too many idle political appointees who do not add value to governance in any way. Related to this is that there is the need for governments to re-order their priorities to give more attention to the social sector. If government appreciates the need to address the social sector in order to drive economic development, this should not be problematic.
- The third option is the establishment of a National Social Protection Trust Fund. Companies employing a minimum threshold of workers to be determined should be made to contribute about 2% of their pre-tax profit to this fund. This should generate a sizeable pool of fund to support various social assistance programmes.

options for increased financing contd.

- A fourth proposal for financing national social protection floors is through development assistance fund from governments and non-governmental organisations from the developed countries.
- However, the amount that can be sourced this way depends on the generosity and goodwill of the donor-countries and organisations.
- A more viable option may be the establishment of a Global Trust Fund or Global Social Net as proposed by the ILO and to be funded by all member countries.
- This proposal is based on the finding that “it would take just about 2% of global GDP to lift every one of the 1.3billion currently poor out of poverty”(von Ginneken, 2003).
- Of course, the question here is that if member countries are not forthcoming in paying their regular contributions, how do we expect them to respond favourably to such a global fund?

Conclusion

- The need for social protection is today a major challenge facing countries across the northern and southern hemispheres. Ginneken (2003) notes that more than half of the world's population is excluded from any type of statutory social protection. The percentage of the excluded rises to ninety in the case of sub-Saharan Africa and South Asia.
- The situation remains so not so much because of lack of resources but more because of the lack of the will on the part of governments to protect the poor and vulnerable groups in society.
- This situation is further compounded by the adoption of neo-liberal economic policies which have forced governments to cut down on budgetary allocations to the social sector while privatizing social services in line with the demands of those pushing for reduced government involvement in social service delivery.
- According to McCord and Vandemoortele(2009), “developing country governments face tough decisions on what to prioritise in terms of public expenditure as deficits rise, including the provision of social protection”. It is our duty to compel them to take a decision in favour of the disadvantaged groups in society. Many countries in the Northern Hemisphere that have put in in place well-funded social protection programmes are not better endowed.
- From the foregoing, we submit that government has a sacred duty to protect its citizens particularly the poor and disadvantaged.
- As such, financing social protection floors within the sub-region should be the responsibility of government and it is in a position to mobilise resources both internal and external to do this.

conclusion contd.

- As argued by many, social protection programmes would go a long way in reducing poverty and engendering social cohesion (see McCord and Vandemoortele, 2009, for example).
- It is equally important to note that funding the social protection floors is not just a question of economic convenience.
- Providing them or not is rather a political issue and for this reason trade unions and other organisations of civil society, individually and collectively must mobilise to put pressure on governments to give priority attention to the provision of social protection programmes.

References

- Barrientos, Armando & Hulme, David (2008). Social Protection for the Poor and Poorest in Developing Countries: Reflections on a Quiet Revolution, BWPI Working Paper 30, Manchester: Brooks World Poverty Institute, University of Manchester
- Cichon, M., Scholz, W., van de Meerendonk, A., Hagemeyer, K., Bertranou, F., and Plamondon, P. (2004), Financing Social Protection(Quantitative Methods in Social Protection), Geneva: International Labour Office
- Committee for Defence of Human Rights (1996). Annual Reports on the Human Rights Situation in Nigeria, Lagos: CDHR
- Ehmke, E. and Bodemer, A., (2011), Working for a Social Protection Floor, accessed at <http://column.global-labour-university.org/> on March 9, 2015
- van Ginneken, W., (2003). Extending Social Security Policies for Developing Countries, ESS Paper No 13, Geneva: International Labour Office
- Hickey, Samuel, (2007), Conceptualising the Politics of Social Protection in Africa, BWPI Working Paper 4, Manchester: Brooks World Poverty Institute, University of Manchester
- Hyman, Richard, (1975). Industrial Relations. A Marxist Introduction, London: Macmillan Press
- International Labour Organisation (2014), World Social Protection Report 2014/2015
-(2002). International Labour Standards. A Global Approach, Geneva: International Labour Office

References contd.

- McCord, Anna & Vandermootele, Milo(2009). The Global Financial Crisis: Poverty and Social Protection. Evidence from 10 Country Case Studies, ODI Briefing paper 51, August 2009, London: Overseas Development Institute
- Ould EL HADJ, Sidya and Diakhate, Medou,(n.d.). Social Protection Schemes in West and Central Africa, A Draft. UNICEF-WCARO, <http://www.gsdr.org/go/topic-guides/socialprotection> , retrieved July 4, 2011
- Tostensen, A. (2008). 'Feasible Social Security Systems in Africa' Social Security in Africa, Vol. 10(2)