

Social security in developing nations and the role of the state

Social security refers to protection against socially recognized conditions, including poverty, old age, disability, unemployment and other kinds of multi-dimensional deprivation. In a welfare state paradigm, it usually refers to services provided by the state, though in most countries the state acts in concert with the market and other agencies to make such schemes available. It may refer to social insurance schemes like retirement pensions or disability insurance where people receive benefits or services in recognition of contributions to an insurance scheme. However, the primary function of social security benefits, including state retirement pensions, is to provide a basic standard of living to people who are vulnerable to socio-economic shocks. Income maintenance is another aspect of social insurance, and it covers schemes that involve the distribution of benefits in the event of interruption of employment through retirement, disability, death or unemployment. Sometimes, the term social security is also used in a general sense to refer to uninterrupted access to basic necessities such as food, clothing, shelter, education and health care. If used in such a case, entitlement to social security will be means-tested, that is to say, financial assistance is provided for those who are unable to cover these basic needs.

Systems of socio-economic security were introduced in Europe in the late 19th century. These were implemented in most countries during the early 20th century and consolidated after the Second World War. Two of the most influential examples were the United States 1935 Social Security Act and the social security programme implemented in the UK, summarised in the 1942 Beveridge Report. These programmes established the basis for modern forms of social security, defined by the International Labour Organisation (ILO) in 1984 as the protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, invalidity and death; the provision of medical care; and the provision of subsidies for families with children.

It is often argued that the term social security is less applicable for developing nations because of a widespread informal economy, and the limited capacity of the state in reaching a vast majority of its poor population due to a lack of resources. An alternate term that has been suggested in this context is

social protection. Nomenclature apart, the introduction of social security programmes in developing countries is a difficult task given that capital and insurance markets are typically underdeveloped, budget restrictions are high and developing countries are usually characterised by traditional labour structures and large levels of poverty, which would require social programmes to achieve a magnitude that few governments in developing countries are able or willing to implement. In addition, governments in those countries have, in general, less capacity to collect taxes, implement complex programmes of social protection or correct market failures, due to their low levels of income, education and infrastructure. These problems have led researchers and policy advisers to argue that poverty eradication and socio-economic security of the poor should rather be achieved through sustained economic growth that will raise the level of living of the whole population. However, although economic growth is an important factor in the promotion of better standards of living, it is not empirically clear that economic growth per se brings about social development and increased equality as pockets of poverty can persist due to the inability of some population groups to participate in the growth process. Consequently, protection mechanisms against poverty, destitution and uncertainties are needed in order to guarantee the safeguard of vulnerable elements of the population against life contingencies and uncertainties. Although the type of social security programmes implemented in industrialised countries may not be economically or politically feasible in poorer economies, experiences of economies such as China, Costa Rica, Jamaica, Chile, Cuba, Sri Lanka and the state of Kerala have shown that extensive systems of socio-economic protection based on efficiently targeted policies, widespread public participation and careful integration of social and economic policies can perform a central role in the maintenance of living standards and the well-being of the most fragile groups in the population.

Amartya Sen and Jean Dreze distinguish between two different aspects of social security protection and promotion. The protective-type programmes such as old age pension, widow pension, and survivor benefits provide a certain degree of support to persons facing specified adverse contingencies. India has so far relied on promotional measures such as self-employment and wage employment programmes, general health, and education. There is, however, overlapping between the two measures. For example, the National Rural Employment Guarantee Scheme, which is one of the biggest social security programmes for unorganised workers, can come under promotional as well as protective measures. Although the coverage is not high, several State Governments have attempted to provide various protective social security measures for the unorganised poor. Kerala and Tamil Nadu took the lead in providing social security. A social security system in the form of the National Social Assistance Programme (NSAP) was introduced in 1995. However, the coverage of the national and

the State level programmes is not adequate.

An important question that arises in the context of social security in developing nations is the identification of beneficiaries. The definition of social security provided by the ILO assumes the beneficiaries of social security policies to be the workers who for several reasons (sickness, pregnancy, invalidity, old age) face a stoppage or substantial reduction of earnings. These workers have contributed during their working lives towards the social security funds with a percentage of their earnings, which would entitle them to maintain their standard of living in the event of the life contingencies listed above. In developing countries, where the majority of the population is self-employed and the informal sector (where earnings cannot be accurately accounted for) is large, the focus of social protection policies cannot be on workers only. Furthermore, workers in developing countries that can be accurately put into one of the categories listed in the ILOs definition of social security will not necessarily be those worse-off since they would have been employed in the formal sector where incomes are more regular. Thus it has been argued that addressing the needy rather than the workers will guarantee more efficiency within the programmes since financial resources will not be wasted on large scale universal systems.

Financial constraints faced by most developing countries imply that social security provision should have definite public dimensions. Informal arrangements of social protection (such as the joint family, or an agricultural commune) have indeed played a vital role in developing countries. However, families and communities can be affected by the same risks (bad weather conditions affect individuals and their community in the same way) and thus they are not the ideal suppliers of insurance and socio-economic protection. Also, traditional forms of family and communal arrangements are disappearing as a consequence of socio-economic modernisation and increasing urbanisation. Public social protection policies are a natural solution. One strong reason for the involvement of the state in the provision of social protection is the element of uncertainty, which arises from the public good aspect of social security policies. In the presence of a public good, state intervention becomes necessary because it can provide the appropriate incentives and exert the necessary pressure for the provision of the public good. In addition, the state has the obligation of protecting and promoting social, economic and political rights.

(The October edition of Rights First features contributions from Mr Bhairav Acharya.)

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