

Globalisation: return of the social dimension?

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From 10 to 14 June 2010, the Hong Kong conference centre hosted 2500 specialists in social work and social development from more than 120 countries. This impressive gathering was the result of the combined work of the three worldwide NGO's whose common roots go all way back to the Paris International Conference on Social Work of 1928. The three organisations are the International Association of Schools of Social Work, the International Council on Social Welfare and the International Federation of Social Workers. For the first time in recent history the three bodies made a joint decision to organise a successful world conference.

Approximately twenty French people attended the event and actively participated in the discussions, making spoken or written contributions and organising French-speaking workshops. This was the result of effective preparation in partnership by two institutions: GIP SPSI (Public Interest Group on International Health and Social Protection) and CFADS (French Committee of ICSW). Representatives of social security offices, in particular the Presidents of the National Family Allowances Fund and the National Fund for Solidarity and Independence, university personnel, association militants and of course, managers from the GIP and CFADS spoke about French social protection and action at the conference.

The opening speech was delivered by Mr. Sha Zukang, UN Under-Secretary-General for Economic and Social Affairs, who called for mobilisation around the Millennium Development Goals (MDG) and underlined the role of civil society in this field.

Above and beyond this unique opportunity for participants to meet and discuss the major social subjects of the times, the organisers wished, somewhat ambitiously, to propose the preparation of a world social agenda. Conscious of the fact that this could not be done in just a few days, in spite of considerable preparatory work, they wanted at least to initiate a process and set out the milestones.

What were the fruits of this proposed world social agenda?

Four major topics were defined in order to illustrate the priorities and face up to the social challenges of the modern world:

- to counter the rising inequalities between regions of the world and within nations, which are sustained by food and financial crises, we must set up a universal basis for social protection and effectively integrate social and economic policies;
- due to the growth of violence and other forms of domination, terrorism, forced migration, and the erosion of human rights in different parts of the world, we are seeing a deterioration in human dignity and value: the international community must correct this situation and encourage respect for what these different populations are saying;

- faced with the urgent need to protect the physical environment, we must enlist the help of local populations in finding sustainable responses from the social, human and ecological standpoint;
- social services in the wider sense have a vital part to play in maintaining human relationships wherever they are threatened with disruption through exclusion or isolation (family structures, old age, disability, etc.): they should be providing integrated, imaginative responses to the challenges of de-humanisation in daily life.

This first draft of a world social agenda is intended to be discussed and improved, in particular through an internal debate between the three NGOs that organised the conference. A revised version will be issued on World Social Work Day in March 2011. The Stockholm conference, from 8 to 12 July 2012, still under the aegis of the three groups, will be an opportunity to update the agenda.

The present article is designed to throw a spotlight on the first of the four themes chosen by the Hong Kong conference: the role of social protection, and in particular the promotion of a universal foundation as a guaranteed, worldwide minimum social provision. International Council on Social Welfare, for its part, has elected to make this a major component in its strategy.

Social protection is often the result of a crisis

We need to adopt an historical perspective in order to establish a link between the development of social protection and periods of grave crisis, war or economic depression. This requirement is made more acute by the short memories which are commonplace in such matters.

The first social security institutions, created by Bismarck in Germany at the end of the 19th century, were the result not of a crisis but rather of a lucid and realistic expectation of a looming social crisis caused by the rapid spread of industrialisation and the rise of a working class with poor standards of living.

It is also clear, however, that as a result of the Great Depression at the end of the 1920's, the US Congress in 1935 adopted the Social Security Act, the basis of welfare in the United States.

Neither is there any doubt that the Second World War germinated ambitious social protection projects, which developed after peace returned. We are aware of the role of the National Resistance Council in France in promoting Social Security on the basis of a national consensus, while the birth of social insurance in the 1930's had been a painful process. The Beveridge Report, which Churchill had asked for during the war, was similarly the wellspring of a "universal" protection system which has become a major landmark in the field.

In 1944, before the war came to an end, the Philadelphia Declaration from the ILO said that "lasting peace can be established only if it is based on social justice". Even before the

creation of the United Nations, the “Spirit of Philadelphia” was established, according to the book of that title by Alain Supiot.¹

The link between social protection and periods of crisis became looser after reconstruction, and in particular with the end of the “glorious thirties”.

What is now known as the “Washington Consensus”, a doctrine expressed by John Williamson in 1989 but conceived much earlier, was the origin in particular of recovery plans promoted by the International Monetary Fund (IMF) in response to the numerous financial crises which occurred around the globe in the 1980’s and 1990’s. These plans were based on strict macroeconomic discipline, budgetary austerity, an extension of market economics and globalisation: they often provoked social disruption and the least one can say is that they did not match the Spirit of Philadelphia (Alain Supiot speaks of the “great reversal”, from social justice to a market without limits). Under this approach, social protection is considered to be an intolerable cost rather than a response to crisis.

Liberal principles have been the predominant factor for several decades: the Copenhagen “Social Summit” of 1995 was certainly an attempt by the UN to rehabilitate the strategy propounded by the ILO. But the commitments given, particularly in terms of employment, were not really followed through, although the UN Social Development Commission has given them serious consideration. The adoption of the Millennium Development Goals in 2000 signalled a return to realism through fixing a smaller number of quantified targets combined with performance indicators, albeit ambitious, in particular with regard to the struggle against poverty.

The reality is more complicated, however, if only because of the opposition which has sometimes resulted in failure to apply the IMF recommendations.

A recent article by Naren Prasad and Megan Gerecke (*social security spending in times of crisis*), published in the magazine “Global Social Policy”², presented a thoroughly-documented analysis of the subject. It is not possible to summarise the authors’ description of several dozen cases, but their overall conclusion is indeed that economic crises have led to a strengthening of social protection systems which has survived beyond those crises, even though sometimes at a lower level.

In most of the crises which have arisen in Asia, fiscal disciplines imposed by the IMF have prolonged and worsened matters, although when faced with the ineffectiveness of the measures proposed, governments have often adopted counter-cyclical measures to replace austerity policies. South Korea, which successfully pulled out of a crisis, is the country which has pushed furthest its social policies (universal sickness insurance, retirement pensions, unemployment insurance, etc.). The level of cover for unemployment insurance rose from 12% in 1999 to 50% in 2004.

¹ “The Spirit of Philadelphia, social justice in the face of a market without limits”, Alain Supiot, Seuil, January 2010

² “Global social policy”, volume 10, number 2, August 2010, pages 218 to 242

The question is whether or not, with the arrival of a new worldwide crisis, first concerning food and then financial and economic, a new reversal is taking place, at least in the human mind.

The World Bank, for example, has for a number of years believed that education and health are the key factors in building up the human capital which must be preserved in times of crisis. The battle against poverty has become the recurring theme of the World Bank's work: of the many examples illustrating this preoccupation, we can mention the support provided by the Bank to the research team of the international movement "ATD Fourth World", a well-known French charitable organisation which now has a sizable international dimension³.

The IMF itself, however, has reviewed its analyses and recognised the perverse effects contained within the adjustment policies which it recommended.

S. Akbar Zaidi, in the same issue of "Global Social Policy" mentioned above, analyses five reports from the World Bank in 2008 containing, according to him, a new approach to social policy. He finds in them the idea, already known, that social policies can contribute to the development of human capital. He also finds the more radical concept, new to the institution, that poverty is partly caused by factors which maintain inequalities, and that certain power structures render ineffective the policies for fighting poverty.

In his excellent work "Our house in the south is burning"⁴, Serge Michailof speaks about the "disillusion of the exclusive social approach" in connection with the MDG's, yet these are an attenuated form of the commitments given at the Copenhagen Summit. This is without doubt a predominant view, but is it not evolving under the effect of the ravages of the crisis? The IMF and the ILO also presented a joint report to the Oslo Conference on 13 September 2010, of which the first part, written by the IMF, has the unambiguous title "the human costs of the recession". In short, is the "social dimension" making its return due to the effects of the worldwide financial crisis, the worst since 1929, which became a crisis for humanity and development?

Social protection as a factor in economic development

After first appearing in the industrialised nations, the crisis quickly and inexorably spread to all developing countries. The poorest countries are particularly vulnerable, because they do not have the necessary resources to correct the situation. Each time that growth slows down by 1% in developing countries, twenty million additional people are thrown into poverty. According to the World Bank, the current crisis will drive a further 64 million people into poverty (living on less than 1.25 dollars per day) in 2010⁵.

³ "Participatory approaches to attacking extreme poverty", World Bank working paper N°77, by Xavier Godinot, Research Director at the ATD Quart Monde Institute and Quentin Wodon, specialist in poverty at the Bank's Africa Unit

⁴ "Our house in the south is burning: what can development aid do?", Serge Michailof and Alexis Bonnel, Fayard, 2010

⁵ All figures extracted from Global Economic Prospects – GEP 2010 from the World Bank

The prospects of attaining the Millennium Development Goals, which were already worrying prior to the crisis, are even more alarming today. The present financial and economic crisis comes on top of rocketing prices of oil and food products in 2008. Funds sent home by migrant workers also dropped by some 7 to 9 per cent in 2009, a swing which contrasts with the double-digit growth recorded in recent years. The recovery has started, but growth will still be slow and, for developing countries, there is a risk that the economic and human repercussions will still be felt for several years, wiping out several decades of progress. "Thus, unfortunately, we should not expect a miraculous recovery after such a grave crisis, because it will take years to rebuild economies and redress the employment situation. The poor will be hit hard," says Justin Lin, Chief Economist and Senior Vice-President of the World Bank in January 2010.

In the face of these challenges, the international community has reiterated its commitment to the fight against poverty and to promoting sustainable economic growth, notably by promising its commitment to achieving the Millennium Development Goals. Social protection will henceforth be seen as an essential policy for a rapid and sustainable emergence from poverty, the crisis having revealed a process which was already at work.

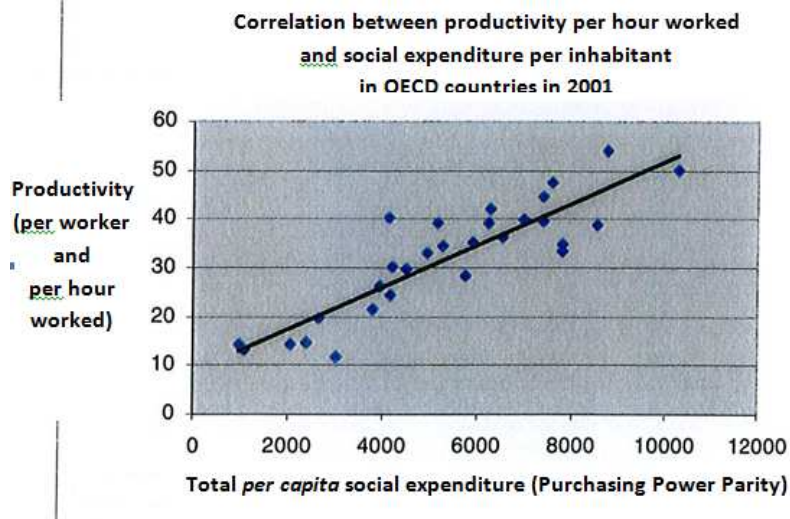
It has been recognised that social protection is accessible to developing nations, notably those emerging countries with the advantage of a rapidly-growing middle class, with income and savings and aid for social democracy. Growth and economic vigour should provide acceptable employment and sufficient earnings to ensure income security for workers and their families. It is also accepted, however, that social protection should provide income security when risks become reality, such as old age, ill health, incapacity, childbirth and unemployment, as well as adequate universal health care.

Well-managed social protection makes economic growth equitable and thus contributes to its sustainability. It is considered (and this is somewhat novel) as useful for developing countries which can provide it at an acceptable cost to the national finances. It facilitates structural and technological changes linked to growth, which require a flexible and mobile work force.

These links are confirmed by experience in France and other industrialised European countries.

Hence, as shown in the following illustration, there is a strong positive correlation in OECD countries between social expenditure per inhabitant and workplace productivity (GDP per hour worked)⁶.

⁶ Questions of social protection, ILO Reflection no. 16 of August 2006. This subject is controversial, however.



It is appropriate to restate in general terms the traditional arguments put forward on the complementarity between economic performance and social security:

- social protection can contribute to economic vigour by enabling companies to employ “healthy” workers. WHO economists estimate that increasing life expectancy by 10% induces annual GDP growth of 0.3% to 0.4%.
- the efforts made in terms of preventing workplace accidents and occupational illnesses also support economic activity
- furthermore, certain social expenditures represent an investment in human capital which improves potential growth⁷ by raising the quantity and quality of labour
- social protection expenditures also act as a lever for creating employment in the private sector⁸

The current period of crisis makes social protection even more effective in stimulating economic growth and fighting poverty via “automatic stabilisers”, mechanisms which allow public finances spontaneously (i.e. with no discretionary decisions in terms of economic policy) to attenuate the impact of economic shocks on growth.

In periods of economic recession, social benefits are maintained (health and retirement) or rise spontaneously (unemployment benefit, and means-tested benefits), whereas the earnings-based revenues that pay for them diminish. This contributes, at equal levels of regulation, to maintaining household incomes, with a counter-cyclical impact which is more

⁷ Growth that results from the offer of productivity factors, capital, employment and technical progress. It is determined by labour resources, the stock of capital and the productivity of the factors.

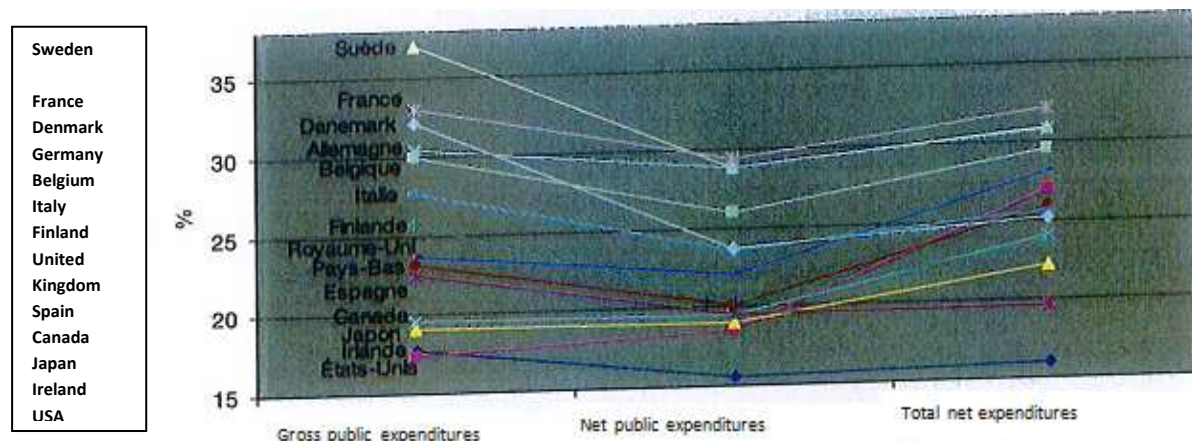
⁸ In France, the sectors with the greatest development are health, social work, services in the home, areas which receive substantial help from Social Security.

important if social benefits represent a large proportion of GDP and the tax base is sensitive to fluctuations in economic activity⁹.

According to estimates for France, a growth deficit of one point results in a deterioration in public finances of approximately 0.5 points. The feedback effect of these stabilisers contributes to limiting the growth deficit to 0.2 points of GDP. This means that automatic stabilisers attenuate the shocks by approximately one fifth after one year¹⁰.

Based on a study of 16 countries, the OECD estimates¹¹ that, in the presence of an economic shock, social expenditures alone have a smoothing effect of 16%. Within the various sub-categories, social expenditures relating to pensions and unemployment are those with the largest contribution to smoothing. Furthermore, the stabilising effects of social expenditures are significantly greater in countries with the highest levels of such expenditure.

The funding of social protection is also a component in economic performance, with costs which should not interfere with economic competitiveness. When comparing systems, we must go beyond merely taking account of collective social protection costs: the calculation must include the costs of protection for sickness, old age and occupational accidents, whether these costs are internalised or externalised by the employer. The OECD thus calculates, for each of its members a net social protection cost as a percentage of GDP which is obtained by subtracting the taxes on benefits from gross public expenditure and by adding mandatory private expenditures and system costs established by collective bargaining in sectors and companies. The disparities between OECD countries are thus reduced, as shown in the following table extracted from the strategic analysis committee monitoring note of September 2008.



⁹ Social protection expenditures in France amounted to 31.5% of GDP in 2005, against a European average of 27.2%. If taxation is included, France reaches 28.1% against an average of 26.1%. Source: EUROSTAT April 2008 and December 2009.

¹⁰ Report on the evaluation of the national economy and the strategy of public finances, June 2009, inset on page 25.

¹¹ OECD Stabilisation effects of social spending – David FURCERI – 27/02/2009

Over and above this cyclical aspect, social protection has a particularly effective double impact in terms of redistribution and fighting poverty.

Several studies illustrate this point:

- an OECD report in 2005 underlined the fact that “among the different countries, those with the lowest relative levels of poverty are those with the highest levels of social expenditures (other than on health) in favour of the population of working age. In each country, fiscal systems and benefit regimes have the joint effect of bringing out of relative poverty, on average, more than half of the population exposed to risk. This effect has however, recently become weaker because the rise in the real value of benefits has not kept pace with that of average disposable income”¹².
- a second report published by the OECD in the autumn of 2008 on inequalities and poverty shows an correlation between global inequalities in income and the frequency of poverty. Poverty and inequality have become worse in OECD countries in the past 5 years, and work alone is not sufficient to avoid poverty. Public services such as education and health care are more equally distributed than incomes. Increasing the incomes of beneficiaries by the cost of the services reduces the inequalities. This study clearly shows the major role of collective expenditures on health care, education and housing on the reduction of inequalities.

Initiative for a universal social protection floor

For a number of years, certain experts from international bodies, notably the Geneva-based ILO and the economic and social department of the UN in New York, have been working on the study and promotion of a universal system of basic social protection, starting from the fact that 80% of the world’s population is not adequately covered. They produced the concept of a universal system of basic social protection.

In contrast to the “safety nets” for the poorest, which do not concern the whole population (everything depends on the fineness of the mesh in the net...), the basic level under discussion is a solid minimum base accessible to everyone. Part of this basic level already exists in certain countries and needs to be widened and strengthened. Further levels can be, and sometimes already have been, constructed on this foundation.

The minimum level of social protection comprises two essential components:

- access to permanently-available essential services (potable water, health care, education, social worker support)
- the organisation of social transfers, in cash or in kind, to the most vulnerable populations (guaranteeing secure supplies of food and a minimum income to those unable to work (children, disabled persons, the unemployed and the elderly)

¹² M. FORSTER and M. MIRA D'ERCOLE, working document on social affairs, employment and migration no. 22 PARIS 2005.

These benefits obviously represent a cost to public funds. ILO experts have designed simulations¹³ which produce a cost of the order of 4% to 10% of GDP: this level is judged to be affordable, with necessary recourse to the private sector or outside aid in poor countries.

A scenario for Senegal, for example, results in a cost of approximately 6% of GDP. At this price, the minimum level comprises the following:

- A pension of 30% of *per capita* GDP, with a minimum of \$1 per day for persons aged more than 65 and the severely disabled
- A benefit of 30% of *per capita* GDP per child, with a minimum of \$0.5 per days
- An allocation of 30% of *per capita* GDP for the unemployed for 100 days, with a minimum of \$1 per day
- Access to essential health care in kind, or through social insurance

This work has been given a positive reception, together with a not-unexpected scepticism: can we implement such a system and overcome the technical obstacles as well as political and financial resistance?

In April 2009 an event occurred which triggered a dynamism whose strength we cannot yet measure, but which represents something of a break with purely formal declarations. The department heads of all UN agencies, and the directors of some twenty organisations concerned, decided jointly to support the initiative for a universal level of basic social protection and to coordinate their efforts to that effect. Two institutions, the ILO and the WHO, were nominated to lead the initiative and 19 agencies decided to cooperate with it, including FAO, UNESCO, UNICEF and significantly, the IMF and the World Bank. This unanimity is rare and clearly constitutes a factor in success.

Since then, we have seen a proliferation of expressions of support. A group of NGO's has been formed to communicate the initiative to civil society: ISSA (International Social Security Association) and ICSW (International Council on Social Welfare), which in Hong Kong gave a commitment to promote the minimum level of social protection.

Numerous governments, including that of France, have also decided to support the initiative. National experiences of implementing components of the minimum level have been pooled and studied. The UN and the agencies constitute a worldwide advisory network designed to help countries in analysing their situation and launching projects.

The ILO International Training Centre in Turin is also a contributor.

During the summer of 2010, the Initiative created a worldwide consultative group, presided by Mrs. Michelle Bachelet, previously President of the Republic of Chile. Members include Mr Martin Hirsch, previously High Commissioner for Active Solidarity against Poverty and for Youth. This means that political support is now in place.

¹³ ILO, Social Security Department, 2008

A link must undoubtedly be made with the UN summits which, five years earlier, examined progress in implementing the MDG's. As Mr Sha underlined in his introductory speech to the Hong Kong conference, the situation is difficult in terms of the fight against poverty, due to the effects of crises in food and finance; he indicated that, between 1990 and 2005, the number of people living on less than \$1 per day in sub-Saharan Africa rose by 92%, and that the situation had since deteriorated further. He insisted on the point that the overall improvement of results in the fight against poverty was largely due to the situation in China, whereas concern is justified for other areas of the world.

More precisely, social protection appears as one of the relevant responses to the risks of an aggravation in poverty. Reaching the MDG's by 2015 is, in this respect as in others (in terms of health care), linked to success in implementing a universal floor of social protection. One can understand the importance of mobilisation around this initiative, which comes at an appropriate moment.

We may in this sense be experiencing a form of "return of the social dimension". In any event, there are indications that views are evolving, which are a necessary condition, although we all know that it not sufficient in itself.

In fact, strong resistance is appearing not only among private insurers, but also among the potential beneficiaries themselves when the aim is to create a new social system which inevitably implies a certain level of constraint. As Esther Duflo¹⁴ so appropriately said, with regard to sickness insurance: "Insurance is seen as a tax by the large majority who do not fall ill... The insurance premium is paid today, whereas the benefits are only seen later, in an uncertain future, or even never." The remark can be extended to any collective system (such as retirement or unemployment protection) based on a universal contribution. And non-contributory systems of benefits targeted on the poorest come up against other obstacles (such as corruption, vote-catching and fraud).

Social protection – a subject of international cooperation

The return of the social dimension into globalisation results in a growing requirement for partnership, with emerging and less-industrialised nations, in the fields of health care and social protection.

French social protection and its experts have a great deal to contribute in response to this demand, on subjects as diverse as electronic management of health care, taking the informal economy into account, conditional benefits such as a minimum guaranteed income, or the introduction of a floor level of retirement income. We cannot offer panaceas, or "one size fits all" models. The expertise contributed must be pragmatic and ready to listen to demands. This is a significant investment by all the French players in terms of the mobilisation of experts, which can be difficult in a period of budgetary constraints. It is the role of GIP SPSI, created in 2005 and renewed in 2010, to highlight and promote what France has to offer in the field of health care and social protection. As a player, GIP SPSI is well known to public authorities, foreign organisations involved in health care and social protection, and the major

¹⁴ "The politics of independence, Battle against poverty II", page 56 etc, Esther Duflo, Seuil, and The Politics of ideas, January 2010

international bodies. The four main forms of overseas action are bilateral cooperation, fact-finding missions, participation in multilateral cooperation programmes and coordinating visits to France by foreign delegations. Between 2005 and 2010, GIP SPSI operated in more than thirty countries, and has also recently joined, as a French partner, the initiative on the basic level of social protection. This new context represents an enormous opportunity for all members of the GIP SPSI network. This opening on the world is well justified since, over and above the values communicated, we can participate, on our own scale, in better-balanced globalisation with a narrowing of the North-South gap in standards of living.

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