Understanding Universal Social Protection



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What is universal social protection?

The achievement of universal social protection has been endorsed by the international community. However, understanding often remains unclear around what universal social protection is, and what it entails in terms of systems, schemes, combinations of non-contributory and contributory benefits and eligibility.

Universal social protection refers to unconditional income transfers that protect the financial security of every individual, when they require it during key life cycle contingencies.

This definition of universal social protection upholds the universal right to social protection and is supported by four key principles:

Principle 1: The individual, not the household, must be defined as the primary rights holder and beneficiary of social protection. To effectively address key life cycle contingencies and uphold the rights of individuals, universal social protection must treat each individual as a separate beneficiary unit. By doing so it avoids the failures of most poverty-targeted schemes that often use a snapshot of household consumption that becomes increasingly invalid as time goes on.

Principle 2: Eligibility criteria must be simple and objective and designed to verify the experience of a life cycle contingency. Life cycle contingencies are easily identifiable and do not require complex and continuous monitoring. For example, child and old-age benefits can be provided based on age whereas universal disability benefits are most often paid for disabilities that are likely to be permanent. This distinction is important as other approaches may employ more complex eligibility criteria that creates space for subjective selection. For example, poverty-targeting carries high risk due to the changing nature of consumption.

Principle 3: Income transfers must seek primarily to prevent poverty by addressing common risks, thereby reducing the need for reactive, last-resort transfers. Ensuring coverage of key contingencies along the life cycle is essential to prevent individuals from falling into poverty in the first instance. This is an important distinction as other approaches require individuals to fall into poverty before providing financial support. Further, although a broad definition of social protection may include the provision of in-kind support and social care services, here financial support must include income transfers.

Principle 4: Basic income transfers designed to address life cycle contingencies must be unconditional. Ensuring unconditional income transfers is essential to achieve universality as failure to meet the conditions can result in sanctioning and exclusion, often of those who are the most vulnerable and least likely to meet conditions. This process of sanctioning and exclusion does not uphold the universal right of all to social protection.

BOX 1

THE RIGHT TO SOCIAL PROTECTION IS UNIVERSAL

The right to social security and an adequate standard of living are enshrined in both universal and regional human rights frameworks, which uphold that "everyone, as a member of society, has the right to social security".

This fundamental human right to universal social protection is clearly outlined in the Universal Declaration of Human Rights (1948) and the International Covenant on Economic, Social and Cultural Rights (1966). These contingencies are covered in international human rights frameworks to ensure that everyone has financial security in the event of unemployment, sickness, disability, widowhood, old age or other circumstances beyond people's control that impact the livelihood, as well as special care during motherhood and childhood.

What key contingencies should be covered?

To support the realization of the rights to social protection for all, the ILO Social Protection Floors Recommendation No. 202, (2012) provides guidance to ensure that the design of social protection schemes and systems covers key life cycle contingencies. The Recommendation encourages the establishment and maintenance of "social protection floors within strategies for the extension of social security that progressively ensure high levels of social security to as many people as possible, guided by ILO social security standards".[1]

TABLE 1 SOCIAL PROTECTION FLOOR GUARANTEES

Social protection floor component	Basic social security guarantee	Life cycle contingency addressed
Health	Access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality	Health services, maternity
Children	Basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and other necessary goods and services	Childhood
Working-age adults	Basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income	Sickness, unemployment, maternity, disability, workplace injury
Older persons	Basic income security, at least at a nationally defined minimum level, for older persons	Old age, survivorship

It is critical that social protection schemes address these key life cycle contingencies, acknowledging that all people may experience one or several of these contingencies throughout their lives, and consequently require access to social protection.

1 ILO, 2012, Social Protection Floors Recommendation (202), https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:3065524

How can Governments achieve universal coverage for specific life cycle contingencies?

Universal social protection can be achieved through a single scheme or a combination of schemes.

A single scheme should provide unconditional and non-contributory cash transfers to everyone experiencing a defined contingency. In this case, benefits are typically financed from general taxation and usually paid at the same level to all individuals.

For example, to be eligible for a universal old age pension, the person should have reached statutory retirement age and reside in the country of enrolment. Such criteria would be objective, transparent and easily verified. It would also be easy to understand.

As such, a universal old age pension should:

- Cover all older persons above the statutory retirement age
- Provide individual entitlements, regardless of whether they have contributed or not
- Pay a continuous benefit sufficient for an adequate standard of living
- Not impose any additional requirements or conditions

While old age and child benefits define eligibility by age and residence, a universal disability benefit also considers the level of disability, usually established through a disability-sensitive assessment. This can take a medical approach that is complemented by an assessment of how functional limitations and social and environmental factors affect the individual's ability to carry out regular life activities and support themselves through work. A thorough assessment should result in a level of assessed disability, often expressed as a percentage or categorization within defined groups. The level of benefit is then typically linked to this assessment. For the scheme to be considered universal, all persons with disabilities above nationally defined eligibility thresholds must be included, regardless of their means.

Universality through a combination of schemes should provide unconditional cash transfers to everyone experiencing a defined contingency. Benefits may be financed from general taxation, social contributions or a combination of both and the level of benefit may vary according to previous contributions, employment history or earnings.

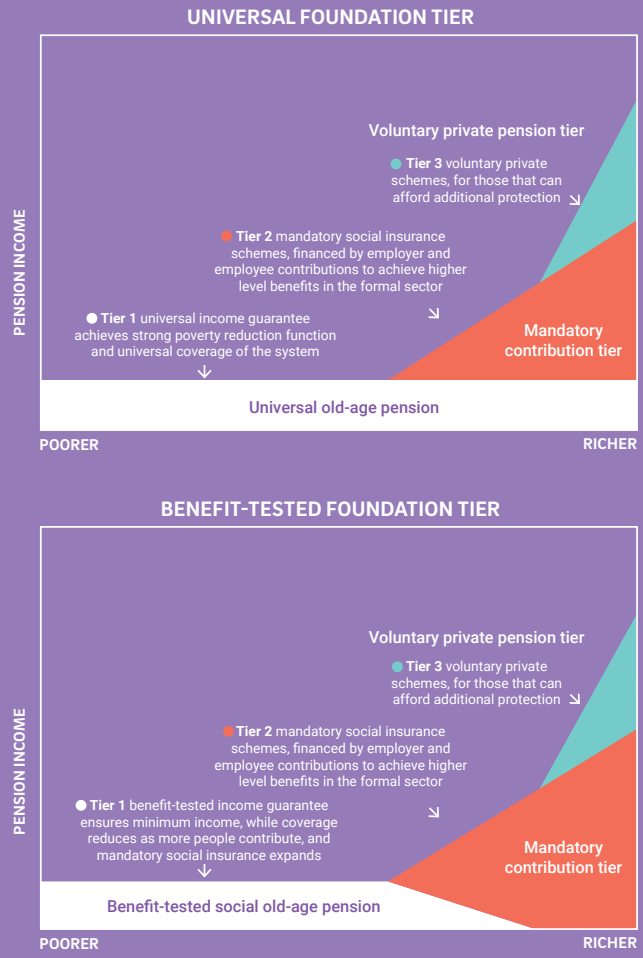
Moving toward such a multi-tiered universal social protection system for a defined contingency typically consists of three key tiers. Below an example of these tiers is illustrated using an old age pension.

- **Tier 1** provides a minimum, guaranteed and adequate benefit for everyone during a defined contingency, in this case, old age.
- **Tier 2** provides a contributory benefit based on the accumulation of previous contributions
- **Tier 3** provides a supplementary benefit based on voluntary payments into a savings scheme

Figure 1 illustrates the concept of multi-tiered social protection using a generic example of old-age pensions, leaving no gap in coverage of the population across the horizontal axis. Within this example, universal coverage is achieved through a combination of a benefit-tested non-contributory pension for older persons who did not meet contribution requirements, and with the provision of higher levels of benefits for those who were enrolled in mandatory and voluntary contribution schemes.

While many countries follow a multi-tiered approach to achieve universal coverage in old age, other key life cycle contingencies can also be comprehensively addressed through multi-tiered systems. For example, countries may consider the provision of contributory child and family benefits. Unlike contributory pensions which are not available to people until retirement, contributory child benefits can provide immediate benefits to children and families, increasing incentives to join the formal sector and enrol in social insurance.

FIGURE 1 IDEAL TYPICAL MULTI-TIERED OLD-AGE SYSTEM, WITH UNIVERSAL OR BENEFIT-TESTED SOCIAL PENSIONS



Source: Development Pathways.

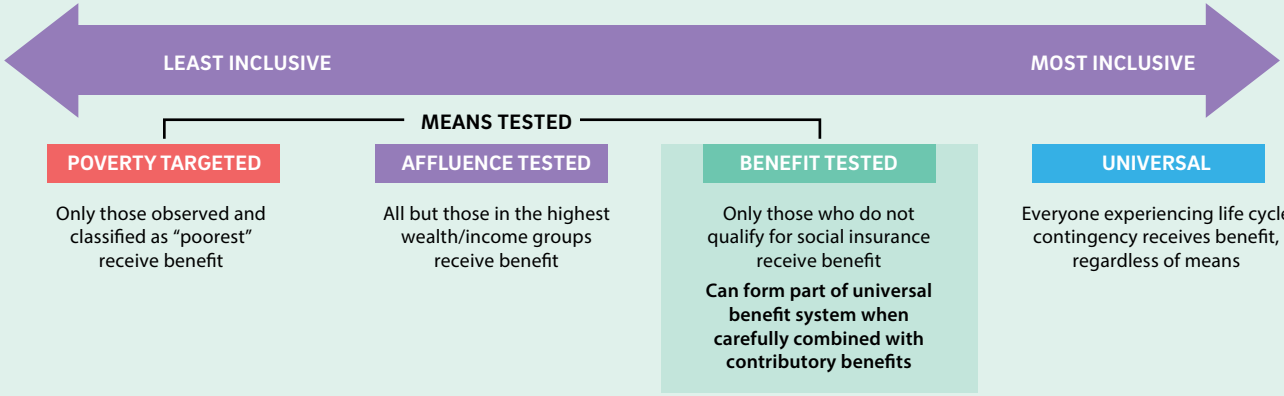
CAN JUST ANY SCHEME OR SYSTEM ACHIEVE UNIVERSALITY?

Whether achieving universal coverage through a single scheme or a combination of schemes, it is important to be aware that design choices matter.

Schemes that rely on means-tested targeting methodologies cannot achieve universality as, by design, they exclude members of society based on means. As outlined in Figure 3, there are a variety of means-tested approaches that vary in their level of inclusivity.

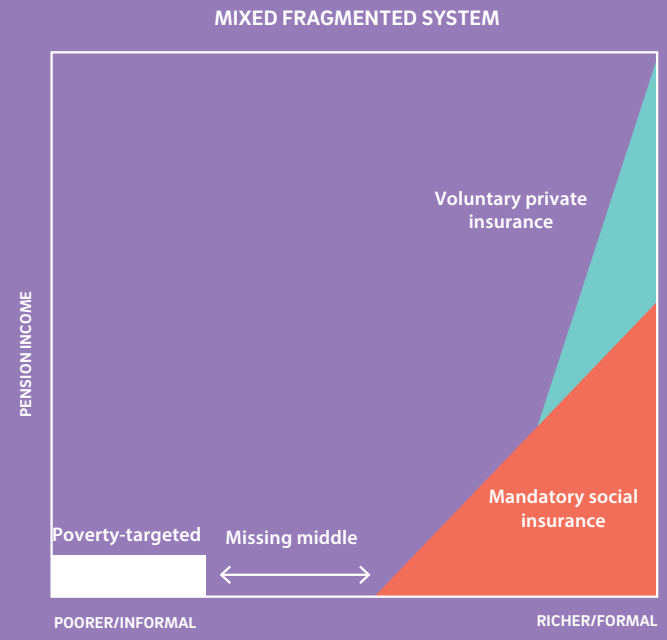
Poverty targeting attempts to reach select households that are estimated to be poor at a specific period in time. Universal social protection, on the other hand, is purposely designed to protect financial security during key life cycle and labour market contingencies and is therefore likely to avoid poverty as the sole reason for receiving a benefit. This is an important distinction as poverty targeted schemes create a "missing middle" by design. This large group tend to be informal workers. In Asia-Pacific, the labour force consists of 2.1 billion people and of these workers, 2 in 3, or 1.4 billion people are informally employed. Most of them therefore survive on a low and irregular income, no social protection, employment contract and labour rights

FIGURE 3 MEANS-TESTING VERSUS UNIVERSALITY



Source: Development Pathways.

FIGURE 4 DEPICTION OF TYPICAL MIXED FRAGMENTED SYSTEM WITH LARGE MISSING MIDDLE



Source: Development Pathways.

How can universal social protection be progressively realized?

Building a universal system, including with a multi-tiered framework, requires investment of both time and funds and often cannot be achieved at once. Within a context of limited fiscal space governments may achieve universality through initially limiting coverage to a clearly defined group within a defined contingency. Governments can also consider initially achieving universal coverage but with lower benefit levels, increasing them over time.

RESTRICTED UNIVERSAL SCHEMES

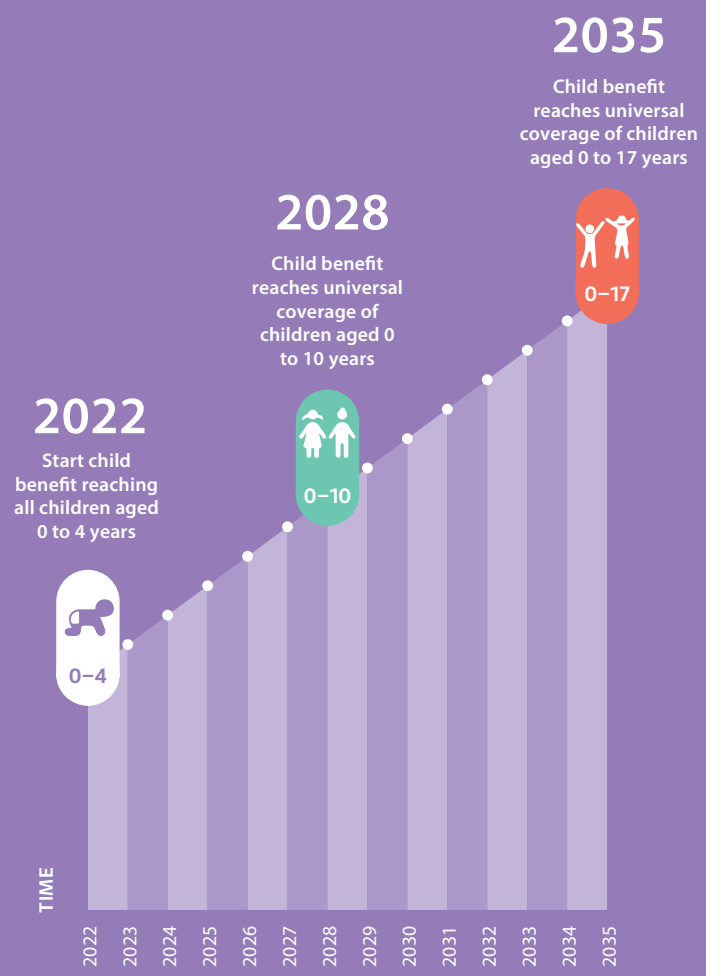
Initially, schemes can be designed with the principle of universality, but with restricted eligibility in a clear and objective manner. For example, while a fully universal child benefit scheme should reach all children from birth up to their 18th birthday, a 'restricted scheme' may cover all children up to their 5th birthday, expanding over time.

While restricted universal schemes may allow governments with limited fiscal space to reach less people with a higher benefit, another option is for governments to reach more people with lower benefits. This approach allows governments to achieve universal coverage at the outset while gradually achieving adequate benefit levels over time.

By design, poverty targeted schemes cannot be considered as a 'restricted scheme' because they do not meet the requirements of universality and also tend to exclude those they are designed to reach.

Means-tested and poverty-targeted approaches do not provide financial security to cover all people within a defined contingency. Restricted budgets also mean that there is always an upper limit set on the number of households that can be classified as poor.

FIGURE 5 PROGRESSIVE EXPANSION OF CHILD BENEFITS OVER TIME



Universality and the social contract

People's trust in institutions has generally fallen world-wide. Reasons are many but include lack of fairness, transparency and reliable information.[2] One way for governments to re-build trust among people and between people and institutions is to invest in universal social protection.

Within this lens, universal social protection has potential to be an effective policy tool to promote solidarity, while at the same time strengthening the social contract. The social contract can be defined as the mutual obligations between members of society and the state, in which individuals support the common good through contributions to the state and the state manages and administers essential programmes and services for the common good. These mutual obligations generate a virtuous cycle that builds trust in government and greater willingness to make contributions to the state.

Many states have used universal social protection as a policy tool to rebuild the social contract. After the Second World War governments in Western Europe prioritized the replacement of poverty-targeted social protection with universal social protection and other public services. This paradigm shift transformed Western Europe and positioned governments to build trust between members of society and the state, and bring about stability, while also realizing increased tax revenue as a result.

More recently, the Government of Nepal introduced a universal old age pension prior to the start of the civil war. Following the end of the civil war, the pension was significantly expanded as a peace dividend. As the pension expanded tax revenues also increased dramatically from 9 per cent of GDP in 2006 to 20 per cent of GDP in 2019. In Timor-Leste, following the independence in 2002, the Government first made investments in poverty-targeted schemes. After facing protests that demanded the transparent distribution of social benefits, in 2006 the Government made significant investments in social protection as a policy tool to support peace and stability, building universal old age and disability benefits.

2 United Nations, 2021, Our Common Agenda. https://www.un.org/en/content/common-agenda-report/assets/pdf/Common_Agenda_Report_English.pdf

FIGURE 6 THE VIRTUOUS CYCLE OF INVESTING IN UNIVERSAL SOCIAL PROTECTION



Source: Kidd et al (2020a).

Did you get that?

KEY TAKEAWAYS FROM THE POLICY GUIDE: "UNDERSTANDING UNIVERSAL SOCIAL PROTECTION"

- Universal social protection refers to unconditional benefits that provide financial security of every individual, when they need it during key life cycle and labour market contingencies. The individual, not the household, should be defined as the primary rights holder and beneficiary of social protection.
- Universal social protection is purposely designed to protect people from falling into poverty when they are most vulnerable. Poverty-targeted approaches are not designed to achieve the core principles of universality.
- Poverty-targeted schemes, by design, exclude members of society based on their estimated means at a particular point in time. This often means that these schemes tend to exclude many of those they are designed to reach.
- Eligibility criteria for a defined contingency should be transparent, objective and easy to understand.
- Restricted universal schemes allow governments to follow the principle of universality by initially limiting coverage to a clearly defined group within a defined contingency.
- Universal social protection promotes solidarity and strengthens the social contract, generating a virtuous cycle that builds trust in government and greater willingness to make contributions to the State.

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Understanding Universal Social Protection

This is the ninth in a series of primers developed to support policymakers and practitioners in Asia and the Pacific in their efforts to strengthen social protection. The primer clarifies understanding around universality in social protection, what it entails and how it can be operationalized.

The first primer in this series explores why social protection is needed; the second explains how to design inclusive and robust social protection systems and focuses on tax-financed income security; the third focuses on its effective implementation; the fourth discusses options for financing; the fifth highlights key concepts and schemes required for disability-inclusive social protection; the sixth illustrates how the design of social protection systems can either exacerbate or mitigate the disadvantage women; the seventh highlights key design elements in developing an inclusive and comprehensive old age pension system; and the eighth outlines key strategies to ensure the right to maternity leave and maternity cash benefits.

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