

## RECALIBRATING... GETTING BACK ON TRACK TOWARDS THE SDGs

**Table 1: Social Protection in Times of Uncertainty<sup>1</sup>**  
Thursday 29 September, 2022 | 1.30-3.30pm

### Concept Note

Social protection systems in LAC are characterized by combining social security programs for workers in firms with regulations on labor stability and minimum wages. This combination has been in force in most countries since the 1930s or 1940s, and although it has evolved since then, its main characteristics have remained unchanged.

Social insurance programs are generally limited to workers who have a relation of dependency and subordination with firms, and who receive monetary remuneration in the form of wages or salaries. They are funded mainly with contributions from firms and workers, which are proportional to the salaries or wages of the latter (which leads to the contributory social insurance, or CSI). This structure implies that many workers are excluded, mainly entrepreneurs, but also in some cases, with some variations between countries, employers, agricultural and domestic workers, workers who do not receive monetary compensation, workers in firms who are relatives of the firm owners and share the surplus of the family enterprise, and workers in firms who are not under a relation of dependency because they are paid on a piece-rate or other like basis. Another factor limiting the coverage of CSI regimes is that laws and regulations are imperfectly enforced and there is a high level of non-compliance.

This exclusion is a grave issue, and in response to it, the governments in the region have created programs to provide some form of social security to those left out. Though some adjustments were made in some cases to existing programs, more often policymakers expanded coverage through new parallel programs. In general, these programs are limited to health and old-age pensions, although some countries include other benefits, and are financed from general government revenues, which is why these programs are labelled non-contributory social insurance (NCSI). The benefits they offer are often lower than those offered by CSI schemes and exclude any income floor or protection against the loss of employment.

The interphase between the design and operation of CSI and NCSI programs, on the one hand, and enforcement, on the other, segments the labor force into two categories: formal workers, who are covered by CSI programs and job stability and minimum wage regulations, and informal workers, who receive whatever benefits are offered by NCSI programs. This segmentation is a source of deep inequalities in terms of workers' entitlements to social benefits, and contributes to low productivity growth.

Since all workers are exposed to risks such as illness, disability, unemployment, or death, regardless of their income level, the CSI and NCSI programs should cover everyone. In parallel, the income of some workers may be so low as to push them into poverty, requiring additional programs to increase their consumption. These transfers should be targeted and, by definition, reach a subset of the population and redistribute income in their favor. Social security and social assistance are thus complements and not substitutes in a functioning social protection system.

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<sup>1</sup> Basada en el Informe Regional sobre Desarrollo Humano 2021 (PNUD 2021).



In turn, companies play a very important role in social protection because they constitute the demand side of the labor market and therefore the results of social protection depend on what they do. But, in turn, companies act in reaction to social protection policies. Therefore, the design of social protection policies, although focused on the well-being of households, must pay close attention to their impact on companies.

In the future, a guiding principle of social protection in the region must be the universality in social security systems, understood in three dimensions: (i) the entire population exposed to a given risk needs to be covered through the same program; (ii) the source of financing should be the same for each program, based on the type of risk covered; and (iii) if programs provide benefits in kind, the quality should be the same for all. A social protection system structured around this principle offers the region a path to increase spending on social protection while strengthening the foundations for long-term growth, and a path to improve social inclusion.

With the aim of making progress on these issues, table 1 of the Ministerial Forum on "Social Protection in Times of Uncertainty" will explore the need to rethink social protection systems in the region in order to collectively manage risks. It will examine the steps that countries could take to move towards social protection systems that are universal, inclusive, fiscally sustainable and growth friendly.

Con el fin de avanzar en estos temas, la mesa 1 del Foro Ministerial sobre "Protección Social en Tiempos de Incertidumbre" explorará la necesidad de repensar los sistemas de protección social en la región para poder gestionar los riesgos colectivamente. Se examinarán los pasos que los países podrían seguir para transitar hacia sistemas de protección social que sean universales, inclusivos, fiscalmente sostenibles y favorables al crecimiento. It will focus on the operational aspects of these systems, discussing good practices on how they can improve targeting, beneficiary registration, forms of payment and financing. Lessons will be shared from recent advances and innovations that are proving successful in meeting this goal.

The table will take place on Thursday, September 29, 2022 (1.30-3.30pm). Panelists are expected to share their countries' experiences on this topic, as well as programs, public policies and challenges in their respective countries.