PRESS RELEASE

SOCIAL WATCH: Deregulated finances erode the universal right to social security

NEW YORK (Oct 23) – Instead of helping workers insure their retirement, current international financial mechanisms are an obstacle to the realization of the universal human right to social security, says the Social Watch Report 2007 launched here Tuesday in the context of the United Nations High-level Dialogue on Financing for Development.

Half the world's population is excluded from any kind of social security protection and in the less developed countries of Sub-Saharan Africa and East Asia barely 10% of people have some type of social security coverage.

This situation and the various proposals to overcome it are the main theme of the annual Social Watch Report "In dignity and rights. Making the universal right to social security a reality." The report of the international network of citizens' organizations is the most highly recognized independent document on human and social development in the world.

"The question is if global civilized existence is at all possible without implementing the right to social security for all", said Social Watch coordinator Roberto Bissio.

Current social security systems follow two basic models. The first links the benefits received by individuals to the contributions they made during their working life. The second model is based on social solidarity, where benefits generated by taxes cover the social security of individuals according to their needs and not according to their ability to save.

In the social solidarity system, which channels resources from those who have more towards those who need more, the implementation of progressive taxes, like income tax or inheritance and capital gain taxes, has been an essential component of community-wide redistributive policies.

According to the report, countries can appeal to the structural reforms where individual capitalization and the complete or partial management of the system are in private hands, or implement non-structural or 'parametric' reforms, which introduce improvements to the existing national public social security systems.

The first type follows the rationale of the Washington Consensus, materialized in the structural adjustment policies the World Bank applied in many countries. This model is a three-tiered approach with a compulsory savings pillar managed by the state; the second is a compulsory individual capitalization pillar under private administration; and the third is a voluntary individual capitalization pillar.

The World Bank has criticized the non-structural reform model, warning that among other factors, it affects the formal labour market and stimulates evasion because it raises labour costs and would not be financially sustainable.

The defenders of the solidarity system claim that the World Bank's model follows policies based on biased analysis and selective research, which took place after the reforms were implemented, is prone to financial ups and downs and, more often than not, does not offer full coverage.

All social security systems should take into account internationally agreed basic principles, which include secure and non-discriminatory benefits, transparency and good administration, says the report.

Social Watch looks at the way these models were applied in different scenarios. For example, the thematic report by the Bulgarian Research Foundation examines what happened in Bulgaria, Hungary and Poland – all of which adhered strictly to the World Bank model – and Slovenia, Czech Republic and Romania – that opted for a freer form.

The clue, according to the report, can be found in the role of the state. While in one of the models – the one in which the risk is passed on to the individual and determines the quality of the benefits – the state has a secondary role or at the most as overseer, in the other model it is the key actor.

"A new social pact is needed at the national and global levels to balance individual rights and social rights universally recognized as well as global rules with the national space in which democratic debate shapes each country's own priorities", added Bissio.

The great challenge, according to the report, is to reach a balance between social justice and the economic sustainability of the social security systems, including cases where there are severe financial limitations.

Fernando Cardim de Carvalho, author of one of the thematic articles of the report, puts forward the notion of "(restoring) the primacy of full employment as a social goal, as it was in the first two decades after World War II, which would avoid many of the financial problems of social security systems."

According to Cardim de Carvalho, "There is also a need to promote a broad debate with all sectors of society as to the perspectives of the social security system", while recognizing that "the political climate is still unfavourable to such a debate, since neoliberal ideas about the virtues of the market are still strong."

There is also a correlation between social protection and social inclusion, since in order to sustain high quality universal social protection policies, governments must promote employment to receive the taxes and social security contributions derived from it.

Social Watch argues that this not enough. When over one hundred years ago the richest countries in the world started worrying about social security, the world was a very different place. Industrialization policies generated employment and guaranteed a degree of distribution of wealth. At that time capitals were not able to move internationally. In today's globalized world, capital mobility pushes wages as well as environmental and labour standards down.

According to the Social Watch report, to guarantee the universal right to social security requires putting an end to tax havens and offshore banking facilities that promote corruption and tax evasion and generate a constant state of insecurity among the poorer nations.