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THE AMERICAS SOCIAL SECURITY REPORT 2005: LABOR MARKETS AND THE FRAGMENTATION OF SOCIAL INSURANCE, FINANCING FOR HIV-AIDS BY SOCIAL SECURITY (*Book Review*)^{1/}

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The Americas Social Security Report 2005, published by the CISS, gathers the contributions, opinions, and comments of more than 30 social security specialists from different countries in the American continent, as well as the review of the most recent literature on this matter. The purpose is to present, to specialized public and to laymen, a detailed, analytic, and updated report of the situation regarding three topics of common interest in the region in social security terms: the relationship between labor markets and social security; the problems related to the segmentation of social security regimes; and, the financing of HIV/AIDS treatments through social security.

The whole document—228 pages— is divided into seven chapter and one summary. The first chapter analyses the way the economic reforms that have been carried out in the last 25 years in several countries have affected differently the social security systems in the region. A relevant conclusion of this analysis is that, although social security has not considered the deterioration that was expected to occur because of some reforms (for instance the liberalization of international trade), it is true that productivity gains that have been observed in some sectors have not implied higher rates of social protection, and that informal economy has risen.

However, the increase in informal economy has been partially influenced by the effects that population growth has had on labor market. For that reason, the second chapter studies the demographic and migratory trends in the American continent in the last decades, as well as the forecast of these indicators for next 25 years. A fundamental fact focused in this chapter is that, although the fertility rate that used to be high during the fifties and the seventies was reverted in the eighties and nineties, the population in the American continent maintains growth inertia at the beginning of 21 century, which has generated a strong pressure on national economies to absorb a great number of workers, by encouraging informal economy growth and migration, and thus by deteriorating social security coverage degree.

1/ Book Review of “The Americas Social Security Report 2005: Labor Markets and the Fragmentation of Social Insurance, Financing for HIV-AIDS by Social Security, edited by Gabriel Martinez and Martha Miranda, Inter-American Conference on Social Security, October 2004, Mexico City.

In fact, one of the biggest and current challenges that international labor organizations have pointed out is precisely the promotion of the sustainable growth of social security coverage in developing countries. And, since economic informality and social security coverage are closely related (inversely), a deep study of the causes and consequences of economic informality becomes necessary and useful in order to better assess both the nature and evolution of social security coverage. Therefore, the third chapter introduces a synthesis of the most recent theoretical developments and empiric studies about the relationship between labor market and social security. Although plenty of the topics that are currently discussed may still be debated, three relevant lessons seem to derive from the previously mentioned works. Firstly, informal sector is highly heterogeneous and part of it keeps a close link to formal sector, in contrast to traditional approach. Secondly, regulations and imposed codes that have been designed or applied incorrectly, in addition to the heterogeneity of the participants in labor market, promote informality. Thirdly, informality does not imply a real cost on economic activity in the short term, but over the numerous individuals that constitute this sector, which are not covered by social protection and thus are exposed to significant potential damage.

In order to deepen the analysis of its causes, the fourth chapter analyzes with more detail three main aspects of informality: taxes, regulation and administration improvement. Although the combination of heavy fiscal burdens and inappropriate regulations encourage the growth of informal activities, one contribution of this chapter is the emphasis on the incapability of institutions to fulfill such impositions and regulations. In other terms, informality has also an institutional origin. For this reason, in order to fight informality, this chapter recommends the simplification of laws and regulations, the improvement of the administrative tasks of the institutions in charge of the application of respective norms, the modernization of court's procedures aimed at solving controversies, as well as the minimization of administrative process costs (through the intensive use of information technologies, among other means).

Informal sector growth and low social security coverage are not the only problems that capture the attention of international labor institutions. Another important issue is the "coexistence" of regimes or social security "fragmentation". This phenomenon is alarming, not only because it obstacles efficiency in the administration of social security services, but also because it inhibits their "equity" and "universality". In order to check the current status of this problem, the fifth chapter evaluates the advances in the consolidation, portability, and homologation of access conditions to social security benefits in Latin America and the Caribbean. Essentially, some countries still face very serious problems that require attention, although experience across countries is varied. In order to arrive to this conclusion, pension programs of different countries were classified according to two criteria: the age of programs and whether they have been reformed or not since their creation. Results may be summarized in four affirmations.

First, countries that initiate their pension programs earlier have typically reached higher levels of coverage and development. Secondly, the severe consequences of fragmentation are more evident in countries where pension programs have not been reformed and multiple institutions exist. Thirdly, while the reforms in the eighties and the nineties allowed significant improvements regarding fragmentation and homologation in several countries, the experience has been mixed in terms of portability. Finally, in relation to social security coverage and its respective financial sustainability, the progress has been subtle virtually in every nation, and both topics remain as central issues in the international agenda.

Within the problem of segmentation, health insurance portability issue deserves special attention because of its great implications on labor mobility. This is probably the reason why this Report assigns a whole chapter to its study. The sixth chapter recognizes that the interaction between health sector and labor market is a complex issue. On the one hand, empirical evidence supports the importance of health insurance portability over workers and firms labor decisions (the higher the portability of social security services, the higher the labor mobility). On the other hand, low social security coverage in Latin America and the Caribbean has allowed the risen of public assistance as main channel to assist the necessities of uncovered population. Although plenty of individuals that otherwise would not have access to health services have been benefited, this situation has also produced additional frictions. Despite of the existing consensus on the necessity of increasing “universal coverage”, the way to accomplish this goal effectively remains unclear. For instance, one proposal is to unlink health services access from salary taxes payment in order to improve portability; however, this situation would increase the necessity of a greater financing through governmental resources, which is precisely another relevant issue in the international agenda.

The seventh and last chapter presents a statement about the financing of HIV/AIDS through social insurances in the region. In 2002, 42 million people was infected with the virus that causes such a serious disease, 3 million of which lived in the American Continent (the Caribbean being the region with the highest rates of infection in the world, after Sub Saharan Africa). This reality alerts social security authorities for several reasons.

First, because the economic impact of this disease is very powerful, not only because the cost of treatment is still significant, but also because this suffering severely damages labor force capacity. Secondly, because social security systems, in a wide set of countries in the region, are the main financing sources of such treatment. And thirdly, because the treatment necessity is increasing, even if only half of the population who needs it receives it in Latin America and the Caribbean, and plenty of patients are still in the early stage of the infection. Hence, although the course of this disease is still uncertain, the truth is that financial pressures on social security programs will continue increasing in next years.

The CISS Report fulfills to a great extent the purposes for which it was elaborated. As it may be appreciated in the previous recapitulation, this Report contains a wider and detailed vision of several fundamental issues, as for social security institutions, as for governments who run their policies and society in general, about the relationship between labor market and social security, social security regimes fragmentation, and the financing of HIV/AIDS treatment through social security.

Certainly, its worth to acknowledge the work of editors and their team, which consisted in the processing of a great deal of documentary and quantitative information that orders, describes and comments by the intensive use of tables, boxes and graphs. Thus, conclusions presented were given empirical and analytical support. Another quality of this Report is that includes the most recent published studies and reports. Thus, unfamiliar readers may practically be situated in the frontier of knowledge, which otherwise would have meant a huge quantity of time and effort. In addition, by constantly using the comparative method—of studies, opinions and numbers between countries and authors—, the editors manage to accomplish a more objective and impartial assessment of the issues in debate. Certainly, throughout the Report, there is no bias on behalf of any particular approach other than the one derived from the consensus of the different specialists in the Continent.

Nevertheless, this work also presents some problems, which are common in essays compiling complex and wide issues, where technical analysis plays a key role. However, such imperfections, far from shading the effort of authors, actually offer opportunities to refine future editions of this Report.

A crucial aspect is the magnitude of the Report, both conceptual and spacial. From the reading of the document, the establishment of specific lineaments by the editors that delimit the scope of their work is not obvious. In fact, in practice, the definition of which issues should be included in this sort of reports turns out very difficult, and as a consequence, editors usually choose to include too much material. The product of the CISS seems to fit in such case. Certainly more than one reader will affirm that the document turned out to be much vaster than it was needed in order to clearly communicate and support the main conclusions presented.

In relation to previous argument, one of the risks of gathering such a vast quantity of information in one single document is that some ideas or statements may repeat, exhibit little direct relationship between them, or not necessarily follow a thematic order. Although the order in the chapters is coherent, within some chapters, particularly in some sections, some of these problems may be appreciated, causing some difficulties for readers to follow the statements. Again, these problems may be avoided significantly if the extension of the Report was shorted, the discussion focalized, and its own limits were established.

Finally, as a suggestion, the impact of this Report on general audience could be risen if an executive summary was introduced at the beginning, instead of the summary of chapters at the end of the document. In current format, readers may use a lot of time to figure out the valuable results that are presented in this Report. Therefore, a more effective strategy of communication would be the early notification of those results in an overview section, in addition to the presentation of the document, letting the skilled reader to examine the fundamentals of respective chapters.

To sum up, the Americas Social Security Report 2005 satisfactorily manages to provide the public with a detailed, analytical and updated report about issues in reference, although it may be improved if its extension was shorted, the discussions were focalized, and the presented conclusions were early notified.