Africa Development, Vol. XXVIII, Nos. 3 & 4, 2003, pp. 1–21

(ISSN 0850-3907)

Globalisation and Social Security in Low-Income Countries: The Case of Côte d'Ivoire

Steven D'Haeseleer
& Jos Berghman*

Abstract

Drawing on empirical evidence from Côte d'Ivoire, this article emphasises the need to reform existing social security systems in low-income economies in order to alleviate poverty and guarantee economic security. Following a background perspective, the article presents a brief overview of existing formal and informal social security systems and examines their merits and limitations. Next, the challenges of globalisation for social security systems in a low-income country context are discussed. Here, it is argued that the impact and challenges of globalisation are real and increase the need to redesign social security. The article concludes by suggesting that social security provision in low-income countries should be organised in a complementary way, drawing on the strengths of both formal and informal arrangements. Future reforms should attempt to combine poverty alleviation with measures designed to promote economic development and international economic integration.

Résumé

Cet article, qui s'inspire de données empiriques sur la Côte-d'Ivoire, souligne le besoin de réforme des systèmes de sécurité sociale existants dans les économies à faible revenu, nécessaire à réduction de la pauvreté et à la garantie d'une certaine sécurité économique. Cette ocntribution, qui suit une perspective de base, présente un bref aperçu des systèmes de sécurité sociale officiels et informels existants, et examine leur mérite, ainsi que leurs limites. L'on discute ensuite des défis liés à la mondialisation, qui se posent à ces systèmes de sécurité sociale, dans le contexte d'un pays à faible revenu. Il est affirmé que l'impact et les défis de la mondialisation sont réels et augmentent le besoin de redéfinition du système de sécurité sociale. L'article se termine sur l'idée que le système de sécurité sociale des pays à faible revenu devrait être organisé d'une

* Steven D'Haeseleer and Jos Berghman are both at the Department of Sociology, University of Leuven, E. Van Evenstraat 2B, B-3000 Leuven, Belgium.

façon complémentaire, qui s'inspirerait des points forts des deux systèmes officiels et informels. Les réformes à venir devraient combiner l'entreprise de réduction de la pauvreté à des mesures de promotion du développement économique et de l'intégration économique internationale.

Introduction

One of the great social achievements of the twentieth century is the adoption of social security as a basic human right to which all individuals are entitled. Fundamental international treaties such as the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights include the right of everyone to social security. Formal social security programmes have been created by governments of both industrialised and developing countries as an instrument for the realisation of this principle. However, whereas most industrialised countries have achieved almost complete coverage, social security systems in low-income countries[1] cover only a small minority of the population for a more restricted range of contingencies. The majority of the population is excluded from formal social security coverage and has to seek protection through alternative institutions outside the state. To make matters worse, the process of economic globalisation is said to undermine the capacity of both state and non-state based systems to provide adequate protection against social risks. Hence, in order to achieve broad-based coverage, many low-income economies need to reform their social security systems in a direction that better suits their specific socio-economic conditions and one that can cope with the pressure and challenges emanating from the process of globalisation.

These issues are analysed in more detail in this article. The argument will be illustrated with evidence drawn from the experience of Côte d'Ivoire. Both the socio-economic situation of Côte d'Ivoire and the challenges facing its social security system are typical of many low-income countries: it is mainly an agricultural country with a large informal sector and a heavy dependence on trade in a narrow range of agricultural commodities. From a social point of view, the general situation is characterised by low living standards and a high incidence of poverty. Considering this context, Côte d'Ivoire exemplifies the challenge facing the social security schemes of practically all low-income economies: how to implement a broad-based social security system that is both compatible with its socio-economic environment and can contribute to economic development in order to reduce economic insecurity and ameliorate poverty.

Background perspective

Among developing countries, a growing discrepancy has been observed between those that are successfully participating in the process of economic globalisation and those benefiting little from global markets and advanced technology. The latter, a group of about sixty countries which will be referred to as the 'low-income economies' in this article, have been marginalised in the wider world economic system, mainly because of an insufficient level of industrialisation for competitive production (Robyn 2001:8-14).

With respect to the low-income economies' involvement in world trade, three country groups can be observed: (i) oil-exporting low-income economies; (ii) manufacturing-goods and/or services exporters; and (iii) primary-goods and mineral exporters with relatively small and inefficient manufacturing sectors. Since the latter comprises the majority of low-income countries, agriculture and extraction of other natural resources remain the cornerstone of economic life and participation in world trade for most of the low-income economies. The Ivorian economy, too, is to a large extent based on agriculture and the export of agricultural products. At present, agriculture accounts for about one-quarter of GDP and 66 percent of the country's total employment.

After independence in 1960, Côte d'Ivoire opted for an outward oriented development strategy through export promotion of agricultural products based on its comparative advantage in the production of cocoa, coffee and timber. Driven by the export of agricultural products, the country grew at an average annual rate of 7 percent for nearly two decades (Goedhuys 1999:16). Yet, with only two commodities – coffee and cocoa – accounting for the bulk of export revenues, the Ivorian economy was highly vulnerable to price or demand fluctuations on the world market. Consequently, the steep drop in world prices for coffee and cocoa and the resulting deterioration of terms of trade was a significant contributory factor in the economic recession of the 1980s which led to the implementation of comprehensive austerity and macro-economic reform programmes, the devaluation of the CFA franc[2] in 1994 and, ultimately the collapse of social indicators. Although the economy slightly recovered after the devaluation, Côte d'Ivoire is now ranked 161st out of 175 countries listed by the United Nations Development Programme, according to the Human Development Index (UNDP 2003:240). Some basic socio-economic and health indicators in Table 1 illustrate the lack of basic need-satisfaction experienced by a large part of the population in Côte d'Ivoire.

Table1: Selected indicators for Côte d'Ivoire, low-income (LIE) and middle-income economies (MIE)

	Côte d'Ivoire	LIE	MIE
GNI per capita ($ US), 2001	630	430	1,860
Average annual population growth rate (%), 1980-2001	3.3	2.1	1.4
Male adult illiteracy rate (% age 15 +), 2001	40	28	9
Female adult illiteracy rate (% age 15 +), 2001	62	46	18
Total health expenditure (% of GDP), 1997–2000	2.7	4.3	5.9
Life expectancy at birth (years), 2001	46	59	70
Physicians (per 1,000 people), 1995-2000	0.1	n.a.	1.9
Prevalence of HIV (% of adults), 2001	9.70	2.29	0.67

Source: World Bank (2003), various tables.

One indicator, i.e. poverty, is especially important from the perspective of the main purpose of this article, since any social security system in a low-income economy must first and foremost deal with an environment of widespread and persistent poverty. In 1995, twelve percent of the Ivorian population had consumption levels below the subsistence poverty line of $1 a day used by the World Bank while almost half of the population lived on less than $2 a day (ILO 2002).[3] Based on the national higher relative poverty line, the poverty rate increased from 10 percent in 1985 to 36.8 percent in 1995 whereafter it fell to 33.6 percent in 1998. Extreme poverty, measured by the lower line, still affects 10 percent of the population (INS & UNDP 2000:20).[4]

Table 2: Poverty incidence in Côte d'Ivoire 1985–1998 (%)

Area	1985	1993	1995	1998
Abidjan	0.7	5.1	20.2	11.1
Other Towns	8	31.2	28.6	33.8
East Forest	15.2	38.9	41	46.6
West Forest	1.6	38.2	50.1	24.5
Savannah	25.9	49.4	49.4	54.6
Côte d' Ivoire	10	32.3	36.8	33.6

Source: INS & UNDP (2000:25).

Income poverty is unevenly distributed both geographically and socio-economically. As Table 2 shows, poverty was traditionally a predominantly rural phenomenon while urban areas have only recently registered a rapid increase in poverty.

In urban areas, the socio-economic group most affected by poverty is informal sector households (INS & UNDP 2000:39). Almost one-third of households headed by an informal sector worker[5] were poor in 1998. By contrast, the poverty incidence among households headed by modern sector workers was only 12.4 per cent. In rural areas 50 per cent of food crop farmers and 45 per cent of households that farm export products were affected by poverty (INS & UNDP 2000:31). Together the latter two categories account for almost 60 percent of poor households in Côte d'Ivoire.

Formal and informal social security in low-income countries: An overview

Most low-income countries, including Côte d'Ivoire, are characterised by a dichotomy in the access to social security: only a minority of formal workers is covered while the great majority of informal workers and rural self-employed is excluded. Informal arrangements have emerged as the response to this lack of protection. In this section, we discuss the structure and shortcomings of formal social security systems and identify existing informal arrangements in low-income countries with reference to the situation in Côte d'Ivoire.

Formal social security systems

Conventional definitions of formal social security often refer to specific state-based social insurance or social assistance programmes that are set up with the aim of providing income protection against the financial consequences resulting from the occurrence a number of prescribed social contingencies. Usually, the list of social risks that are covered is based upon the ILO's Social Security (Minimum Standards) Convention from 1952 that included the following provisions: medical care and benefits in case of sickness, unemployment, old-age, employment injury, family size, maternity, invalidity and widowhood.

By the end of the 1990s, formal social security systems existed in the great majority of low-income economies. Like many other countries, Côte d'Ivoire has adopted an employment-related social insurance scheme that is financed by contributions paid by employers and employees. The average total contribution rate accounts for more than 15 percent of the total payroll of which the bulk is paid by employers, i.e. 85 percent (Barbone &

Sanchez B 1999:9). The National Social Insurance Fund is responsible for the administration of the programme while the overall supervision is confined to the Ministry of Social Security and the Ministry of Economy and Finance (N'Doumi 2001:3). The oldest social security programme is the family allowances scheme, which was created in 1955 and comprises the provision of child benefits. The Ivorian pension scheme covers old age, disability and death. Benefits are determined by the worker's length of covered employment and average earnings. In addition, a solidarity pension and a one-time allocation can be provided (Kipré 1995:24-26). A mandatory private pension system plays a supporting role. Other contingencies covered are maternity and work-injury and occupational disease while sickness benefits are omitted from the scheme (US SSA 2003). An embryonic employment protection programme provides benefits in case of redundancies for economic reasons only (CLEISS 2003).

Formal social security in Côte d'Ivoire, as in most low-income countries, suffers from a number of deficiencies that impede the provision of adequate and broad-based protection. A first major shortcoming is its limited extent of personal coverage. This is mainly due to the employment-related nature of social insurance schemes. The adoption of the latter technique was based on the assumptions of the modernisation approach, in which the development of the formal sector of the economy constitutes an important determinant of social security coverage. It was believed that the process of economic growth would be accompanied by a progressive increase in modern, formal sector employment so that statutory social security would eventually cover most of the population. However, these expectations have not been met: employment in the agricultural sector remains dominant (66 percent) in Côte d'Ivoire while the informal sector accounts for 26.9 percent of total employment. Only 7.3 percent is employed in the modern sector of the economy. As a result, the Ivorian state-based social security system has not succeeded in broad-based coverage of the population. Only a small minority of urban industrial workers and public employees – the latter benefiting from a special scheme – is covered, while rural peasants, rural non-farm workers, informal sector workers in urban areas and those outside the workforce are excluded from coverage.[6] Only 395,000 people out of an economically active population of 4,500,000 were covered by the national social insurance scheme in 1989, resulting in a coverage rate of less than 9 percent (Gruat 1990:409).[7] Coverage rates in most-low income countries range between 10 and 25 percent of the working population and their dependants (Van Ginneken 1999: 179). In Sub-Saharan Africa and South Asia, more than 90 percent of the population is generally not covered (Van Ginneken 1999:1).

Secondly, state-based social security systems in many low-income countries experience severe financial difficulties. With few exceptions, these countries have only a limited proportion of formal sector workers with stable and regular incomes upon which income-related taxes can be imposed or that are in a position to contribute to the insurance scheme. Most workers have very low and insecure incomes. Both their irregularity of income and the fact that self-employed workers have to pay the full contribution rate by themselves explain why so many informal sector workers cannot afford to contribute to state-based social insurance (Van Ginneken 1999:11).

A third problem faced by many low-income countries is administrative incompetence. Management of social security systems has failed to operate efficiently for reasons such as a lack of qualified personnel, high illiteracy rates, poor working conditions, and bad investment of reserves. The Ivorian National Social Insurance Fund (NSIF) suffered from a lack of transparency, poor quality of services provided, and inadequate communication that failed to keep employers and members informed about their participation in the scheme and the allocation of resources. The lack of accessibility and transparency generated a serious crisis of confidence between the social security system and its members. In order to remedy this situation, the NSIF has recently been transformed from a national public institution into a private institution of a special type providing a public service. This reform is expected to improve flexibility and efficiency so that time lags can be reduced, formalities simplified, and relations with the insured population improved (N'Doumi 2001, 2002).

Finally, formal social security systems cover only a limited range of contingencies in many low-income countries. Benefits for employment-injury, old-age, disability and to survivors are provided in many low-income countries. Sickness and maternity schemes are less prevalent. Family allowance and unemployment are seldom covered (US SSA 2003). This pattern can to large extent also be found in Côte d'Ivoire. Recent research, however, suggests that these risks are not considered as fundamental by the majority of workers in developing countries (Canagarajah & Sethuraman 2001; Van Ginneken 1999). Consequently, there is little enthusiasm among them to finance such benefits. In general, the social security priorities for rural and informal sector workers are medical coverage, survivor and disability benefits and smoothing out expenditure on basic education and specific high-cost social ceremonies such as funerals (IFAD; Van Ginneken 1999:10). In Côte d'Ivoire, the demand for adequate health care coverage, in particular, is very strong (Atim et al. 1998:6; IFAD).

Informal social security arrangements

In order to mitigate the specific risks they face, informal arrangements for rural self-employed and informal sector workers have been set up. These are predominantly household- or organisation-based safety nets that provide support to individuals or households in the social and/or economic field.

In the economic field, traditional organisation-based systems in Côte d'Ivoire are known as tontines. These are small-scale rotating savings and credit associations that are set up with the aim of providing credit to individuals otherwise excluded from formal financial services. Scheme members are usually people from the same village or occcupation among whom there exists a strong solidarity and trust. Each member of the group saves a certain amount of money determined at the outset. The collected savings are regularly deposited with a common fund which returns the money – totally or partially and without interest rate – towards each group member in turn for investment purposes. In case of occurrence of a specific social risk such as the death of a family member, this sequence can be revised and the collected savings can be used by the affected member to cover emergency expenses. Besides being a financial institution that provides acces to credit and encourages savings, tontines can therefore also be considered as a form of social insurance (Van Ginneken 1999:21). However, due to a number of serious problems such as theft of the collected funds, these traditional systems have suffered from a lack of confidence recently.

Supported by various actors – national/international and governmental and non-governmental organisations – other informal financial institutions have therefore emerged during the 1990s that are operating alongside the tontines. At present, at least thirty micro-finance institutions with over 20,000 clients are operating in Côte d'Ivoire, both in urban and rural areas. The importance to and adherence of clients is reflected in an average reimbursement rate of 90 percent and the fact that loans are repaid on average in less than one year (Sambe and Djoussou-Lorng 1997:6). In theory, micro-finance institutions can contribute positively to economic development by enabling households to accumulate a diversified range of assets or to create or expand micro-enterprises. In practice, however, the low level of credit is often insufficient for investments in material or equipment and rather functions as an income stabiliser. Micro-credit associations are especially important for women and women-headed households who often have serious difficulties getting formal credit. It is not surprising, therefore, that women constitute a target group in most institutions of which some, such as the Associations Féminines d'Epargne et de Crédit (AFEC), have been very successful. Recently, these associations have decided to combine and create a joint central fund, the FAFEC, which has acquired a semi-formal status (Laurent 2002:1–4).

In the social field, the Ivorian government has acknowledged the potential of existing mutual-aid organisations to cover the population's health needs by encouraging them to set up self-financed health insurance schemes in which individuals voluntarily share risks by pooling resouces. Typically, the frequency and rate of contributions that members are supposed to make is decided by the organisation itself (ILO 2000:200).

For Côte d'Ivoire, the scarce scientific evidence indicates that the contribution of mutual-aid associations to health care financing has been weak, especially in rural areas. Although the rural population is to a large extent organised into a network of co-operatives that could facilitate the creation of such initiatives, very few rural health insurance schemes have been set up. Competing priorities and an organisational structure directed towards the collection and marketing of agricultural products have meant that these organisations make only marginal allocations for health expenses, notwithstanding the fact that the population in rural areas experiences some (75 percent) or serious (47.5 percent) difficulty paying the cost of care (Atim et al 1998:5–8).[8]

Micro-health insurance schemes are more prevalent in urban areas. In Abidjan, they provide targeted coverage against minor illnesses and/or high-cost, low-frequency events such as hospital care to informal sector workers and their dependants. Revenues are generated through monthly and ad hoc contributions. Similar to the situation in rural areas, however, expenditures for health suffer from competition with other priorities and inadequate funding in urban mutual organisations. The average overall expenditures for health coverage are limited, i.e. only 2 percent of the total contributions received. The average volume of financial allocations to 'death' is three times larger (6.4 percent) while expenditures for the category of 'others' (mostly major social occasions, e.g. marriages) account for almost 10 percent. This ranking of priorities is characteristic for all schemes notwithstanding the fact that some have structurally given priority to health by establishing a quota system stipulating that over half of available resources be allocated for health (Atim et al 1998:6–7).[9]

In sum, the actual contribution of informal arrangements to adequate social security provision in Côte d'Ivoire has had mixed results so far. Institutions of micro-finance have considerably improved access to credit for people in the informal and rural sector with their success being reflected in a high number clients and short reimbursement periods. However, because of relatively limited funds, credits are generally considered by clients as insufficient for investment purposes other than maintaining a cash-flow. Micro-insurance schemes have improved access to health care for people otherwise excluded from coverage. Yet, the extent of personal coverage and, hence, resources remain limited.

Moreover, some of the design features of informal arrangements constitute a major challenge for effective social security provision. First, since informal arrangements function on the basis of mutual trust and personalised information, they are effective only in relatively small groups or geographic areas. Second, since participation is based on the payment of contributions, these schemes do not always reach the poor. Out of necessity, the latter tend to prefer current consumption over future consumption and are therefore not in a position to contribute on a regular basis. Third, as will be argued below, informal arrangements are often powerless when confronted with a collective or covariate risk that affects all participants simultaneously.

The impact and challenges of economic globalisation

While informal arrangements have improved the economic and social security for a part of the population, the combined effect of the former and formal social security systems is far from providing adequate social security protection for the whole population. In addition, social security systems in low-income countries will have to cope with the pressures and challenges emanating from the process of economic globalisation. The latter can be defined as the increasing global interconnectedness of national economies through transcontinental or interregional flows of trade, direct investment and short-term capital. Closely related is the issue of global economic governance: International financial institutions exert considerable influence on the socio-economic policies of many low-income countries through the implementation of economic stabilisation and structural adjustment programmes. This section discusses three ways through which globalisation can contribute to further losses of economic and social security in low-income countries if no urgent initiatives are taken to redesign social security systems.

Integration and social security financing

For relatively small-sized and impoverished countries such as Côte d' Ivoire, integration with the world economy is fundamental to growth and modernity and essential for an amelioration of its social, economic and health indicators. Both within-country and cross-country analysis suggests that an increase in international trade leads to faster economic growth rates accompanied by a proportionate increase in incomes of the poor (Dollar and Kraay 2001). The effects of globalisation on economic growth, however, depend not only on the extent of integration but also on the type of integration. Integrating successfully in an increasingly globalised economic environment requires an industrial base which allows a country to engage competitively in the production and trade of manufactured goods.

Yet, this necessary base from which a process of growth and development could take off, is limited in Côte d'Ivoire and most low-income countries. Although manufacturing is considered to be a more dynamic sector than agriculture, the latter accounts for 24 percent of GDP compared to only 19 percent for manufacturing in Côte d'Ivoire. For low-income countries as a whole, the share of manufacturing in GDP amounts to 18 percent as compared to 23 percent for the group of middle-income countries. The failure to obtain a substantial share in global markets because of insufficient industrialisation has impeded economic development and aggravated poverty. Rapid and sustained industrialisation and economic diversification through substantial policy and institutional changes are therefore important objectives for future economic development and poverty reduction.

In the social security context, it is reasonable to assume that, at least in the long term, integration in the international economy and economic growth will lead to an increase in social security spending and population coverage. Various studies have empirically demonstrated a positive relationship between the degree of trade openness and social security expenditure on the one hand and between the latter and the level of coverage on the other. In the short term, however, economic integration entails adverse implications for the financing of formal social security systems. In general, governments in low-income countries depend heavily on trade taxes as a source of revenue. In Côte d'Ivoire, for example, import and export duties accounted for 43 percent of total tax revenues in 2001 (World Bank 2003). The abolition or reduction of tariff barriers would therefore increase the risk of a severe retrenchment in social expenditures and seriously jeopardise the fiscal viability of tax-based social assistance programmes in those countries that have adopted such a scheme. Moreover, labour market effects resulting from the implementation of structural economic reforms constitute a threat to the financial base of social insurance schemes (see infra).

Increased vulnerability to international economic shocks

Following the devaluation of the CFAF in 1994, Côte d'Ivoire has embarked on a process of trade reforms with the result that the Ivorian economy is now more open than in the past. Yet, greater openness entails increased competition from both highly subsidised agricultural sectors of developed countries and more productive and resource-rich agriculture in Asia and Latin America. In addition, trade liberalisation also implies greater exposure to price and demand fluctuations on global markets.

Côte d'Ivoire relies heavily on the export of a narrow range of agricultural products. Although diversification has begun with the production of other agricultural products and manufactures for export, coffee and cocoa still account for more than 40 percent of Ivorian exports (Republic of Côte d'Ivoire 2002:44). This makes the economy extremely vulnerable to international commodity-price fluctuations, an especially serious problem after the recent phase of trade liberalisation. Moreover, a sharp drop in world prices for coffee or cocoa would adversely affect the income and consumption patterns of export crop farmers in rural communities where revenues generated from the sales of coffee and cocoa represent the major source of income of a typical farm household.

As noted above, informal arrangements have been set up with the aim of providing a safety net for participants that are faced with an adverse risk. However, these informal mechanisms may be ineffective or break down during a community-wide or collective shock such as a sudden collapse in commodity prices. That is because of the localised nature of most informal arrangements, which implies that the participants are usually living in an ecologically uniform area or carrying out activities which are similar from a risk point of view. Obviously, a fall in commodity prices would affect all the farmers/participants at the same time, thereby generating a simultaneous demand for income support. As a result, informal networks would have to keep high reserve ratios, a serious difficulty given that most schemes are small-scale and operate in a poor context. Moreover, should a high ratio exist, the occurrence of such a collective or covariate risk would rapidly exhaust financial reserves. Hence, these informal arrangements may be inappropriate for effective social security provision in an environment where income and risks are not independent across the population.

This problem could be dealt with through the expansion of risk-pooling towards villages of other agricultural regions or to urban areas with uncorrelated incomes or contingencies. Yet, as Platteau (1991:140) argues, 'The difficulty with this solution is that it increases the incentive or information problems at the same time as it reduces the covariance problem'. In other words, an enlargement towards other areas would widen the insurance pool but reduce the informational advantage characteristic for small-scale informal arrangements consisting of intra- and inter-household transfers between related or proximate individuals. Because of close and continuous relations between participants, these systems have adequate and almost complete information on both contingent claims and actions of the insured which reduces the probability of adverse selection and moral hazard.[10] In larger groups, the information is usually less personal and imperfect which may increase these two incentive problems. This situation has been called the insurance dilemma for rural insurance arrangements (Platteau 1991:140).

Structural adjustment and economic stabilisation programmes
Since the late 1970s, structural adjustment programmes have been designed and monitored for over 100 countries as a condition for loans and other forms of economic assistance. This has also been the case in Côte d'Ivoire. Following the severe economic crisis of the 1980s, the government embarked on a process of economic reforms through the implementation of stabilisation and structural adjustment programmes negotiated with the IMF and World Bank. The main objective of the stabilisation and adjustment programmes was to restore macro-economic equilibrium and to encourage market discipline through liberalisation of markets, privatisation of state enterprises, reduction of government intervention in the economy and reduction of government expenditures (Goedhuys 1999:18–19). According to the adjustment model, economic growth would follow soon after economic stabilisation. Social improvements were of second-order importance, being perceived as a by-product of economic growth. Yet, since economic growth did not resume, the expected social benefits resulting from economic reform have not been realised. Instead, economic stabilisation and structural adjustment programmes led to a further deteriorating standard of living of poor households due to cuts in food subsidies and a fall in medical consultation, access to electricity and private expenditures for education and health care (World Bank 1993:2). In addition, these programmes had a severe negative impact on the financial base of the formal social insurance scheme through their labour market effects.

First, modern sector wage employment has been substantially reduced following the implementation of such programmes. Its share in total employment fell from 13.5 percent in 1980 to 7.3 percent in 1995. Public sector employment, in particular, has been severely affected. Due to closure or privatisation, employment fell by 29 percent in completely stateowned enterprises and by 17 percent in enterprises in which the state of Côte d'Ivoire was the principal share-holder during the 1980s. Modern private sector employment registered 33,000 job losses up to the beginning of the 1990s. In total, 94,000 jobs were lost between 1980 and 1992 in public and private enterprises. Most affected were unskilled workers, both in the public and private sector (Hugon and Pagès 1998:23-24; Sambe & Djoussou-Lorng 1997:3). Furthermore, public sector downsizing caused a fall in the number of government and public body employees. Consequently, the open unemployment rate increased from 7.7 percent in 1973 to 22.8 percent in 1986, whereafter it fell to 15 percent in 1995,[11] most notably due to an informalisation of employment (Hugon & Pagès 1998:24; Sambe & Djoussou-Lorng 1997:3). In Côte d'Ivoire, as in most low-income economies, informal sector employment performs a compensatory role since most people cannot remain unemployed for long in the absence of adequate unemployment protection. The combination of a fall in formal wage employment and an urban labour supply which exceeds formal sector demand due to various reasons such as strong population growth and rapid urbanisation led to the expansion of informal wage employment. By the mid-1990s, informal employment accounted for 26.9 percent of total employment in the country and 53 percent in Abidjan (Sambe and Djoussou-Lorng 1997:3; ILO 2002).

Second, structural adjustment had a negative impact on income from employment, in particular in the public sector. By freezing the nominal wages, the adjustment programme has caused a fall in real wages of public servants. Average wages in the formal private sector remained relatively unaffected since the downward adjustment of demand was achieved through reduced employment with large-scale redundancies (Morrisson 1992:18).

Third, the implementation of the PASCO-programme[12] together with the revision of the Labour Code has created a more flexible and deregulated labour market in which both formal and informal employment have become more heterogeneous and precarious, in particular for low-skilled workers. Competition-induced phenomena such as sub-contracting by formal enterprises have proliferated drawing on the large urban informal labour supply while, as a result of the institutionalisation of fixed-term contracts, temporary employment has increased by 40 percent (Hugon and Pagès 1998:30). Besides acceptance of contracts with fewer guarantees, greater flexibility is reflected also in measures to facilitate retrenchment and reduce its cost.

Obviously, formal social insurance suffered from the developments described above. The reduction in modern sector employment has directly led to a reduction in the number of social security participants and hence to a corresponding fall in the level of social security contributions collected. Falling real incomes further contributed to the erosion of the financial base of statutory social security. Between 1990 and 1993, income from contributions registered a fifteen percent decline. As a result, the NSIF had to introduce a series of measures, e.g. a suppression or review of certain posts and a reduction in staff, which added up the difficulties of providing comprehensive and efficient social security protection (N'Doumi 2002:1–2). In addition, the formal social security system is not adapted to the competition-induced evolution towards more frequent job changes in a more flexible and deregulated environment.

Towards better protection: Options for a developmental social security policy

Clearly, the most important policy objective for low-income countries is the reversal of social and economic marginalisation through broad-based equitable economic growth that promotes welfare for all sections of the population. Spurred by the growth experience of successfully globalising developing countries, many low-income economies will opt to move forward by integrating into the international economy. Since openness and integration of national economies increase exposure to international economic forces, effective state institutions to cope with external economic risks are needed if a country is to benefit from integration.

One such institutional response is the implementation of an adequate social security system. If well-designed, social security not only provides direct income support but also positively influences both the extent to which a country participates in global economic processes and the extent to which different segments of society participate in national progress. By providing a cushion against the internal risks of adjustment and economic restructuring, social security facilitates the acceptance of necessary reforms for international economic integration. As Rodrik (1998) has shown, social security also helps to mediate – through compensation by social insurance schemes – domestic social conflicts and political instability triggered by external economic shocks. Its collective structures are conducive to sustainable economic development through the promotion of social solidarity and social cohesion, which are necessary factors for the creation of an attractive investment climate.

However, existing formal social security systems are rudimentary in the great majority of low-income economies. New strategies have to be adopted for effective and broad-based protection which may not be confined to a mere reflection of social security systems of industrialised countries but adapted to the circumstances of low-income countries and, as Guhan (1994:38) notes, be part of and fully integrated with broader anti-poverty policies. Given the various strengths and weaknesses of social security mechanisms at the national and community level, the provision of social security should be organised in a complementary way drawing on the comparative advantage of both state and community-based mechanisms (Jütting 2000:19–21). This interlinking of state-based social security institutions and informal arrangements will not only extend social security coverage but enhance solidarity as well.

Existing informal insurance and credit practices are a good starting point for the extension of coverage towards hitherto excluded workers and should therefore be considered a priority for government support. In a country-context characterised by weak institutional and administrative development, these community or employment-based schemes have an informational advantage relative to the state-based systems and are thus better placed to deal with the risk of moral hazard and adverse selection. Yet, since informal arrangements are usually of small size and restricted to a small area, they are especially vulnerable to community-wide risks such as a terms of trade shock or financial crisis. Therefore, some form of integration between formal and informal mechanisms of social security provision must be established. In other words, the state should step in to protect against covariate risks. Government support could include a transfer of financial means towards or the re-insurance of informal schemes. Other necessary measures are the creation of a legal framework and capacity building through the provision of technical assistance.

In addition to this insurance-based approach, cost-effective social assistance measures targeted at vulnerable (e.g. widows and elderly) and poor (e.g. unemployed or underemployed) groups of people should be implemented.[13] Yet, since the development of an adequate system of income transfers is constrained by a low level of administrative development, limited financial means and a demographic context characterised by growing population pressure resulting in an expanding labour force, rural public employment programmes (PEPs) should be viewed as an appropriate instrument of poverty alleviation for the large group of rural poor.

Well-designed public employment programmes provide not only immediate relief from poverty through cost-effective assistance but contribute also to economic growth by improving infrastructure (roads, schools, irrigation systems) and productivity in rural areas. These investments in infrastructure and transportation should stimulate integration of rural markets into the wider national economy. Furthermore, if the programme is organised in such a way that infrastructural works are undertaken and hence employment is provided during periods of recession or when confronted with an adverse community-wide shock, the resulting income security can induce poor farmers to take productivity-increasing production risks.

From an administrative point of view, the main advantage of PEPs is that they self-select their participants by offering a wage at such a rate that only low-skilled or poor people will apply, thereby reducing and simplifying administrative exigencies. This low wage rate is essential for cost-effectiveness since it will increase the likelihood that only the neediest will be captured and employment will be maximised (Guhan 1994:44).

PEPs have been implemented in low-income economies such as India, Bangladesh, Kenya and Tanzania. Recently, the Ivorian government acknowledged the importance of PEPs by creating several labour-intensive employment programmes for rural youth within the framework of its Poverty Reduction Strategy in order to alleviate the social costs of monetary adjustment.[14] Although empirical evidence indicates that various obstacles can arise to successful implementation, rural PEPs should be considered a promising approach for poverty alleviation because of their targeting efficiency and the creation of assets conducive to economic development.

In sum, for broad-based and effective coverage to realise, outdated social security structures should be abandoned and a 'public-private partnership' (Jütting 2000:20) implemented in which well-designed public action should strengthen the capacity of informal associations while benefiting from the latter's informational advantage. Above all, this seems to be the most appropriate institutional arrangement for meeting social protection needs in a low-income environment.

Conclusion

It is now generally accepted that formal social security in low-income economies has not been able to address adequately the social needs of the population nor has it attained the objective of broad-based coverage of the population. Formal social security programmes cater primarily for persons in wage employment in the modern sector of the economy and for public employees while excluding the population in rural areas and informal sector workers. As a result, these groups have to resort to informal social security systems to cover future contingencies. As we have seen, the process of economic globalisation can impact adversely on the economic security of the population and constitutes a threat to both formal and informal protective arrangements. At the same time, the most likely path to economic modernisation and growth for most low-income countries is precisely through integration into the international economy. Obviously, existing social security systems need to be reformed in order to deal effectively with the negative effects of globalisation and to facilitate the integration of low-income economies into the global economy. If no adequate social security policy is deployed that can manage external risks on the one hand and maintain or improve social stability and cohesion that can nurture economic development on the other, the benefits of economic globalisation for growth and welfare will be slim. Based on theoretical considerations and the empirical evidence provided by the country experience of Côte d'Ivoire, this article emphasised that future reforms of social security should be compatible with the socio-economic context of low-income countries and consist of a complementary form of income security provision, drawing on the comparative advantage of both formal and informal mechanisms.

Notes

1. According to the World Bank, low-income economies are defined as those countries with a GNI per capita of $735 or less in 2002.
2. CFA is the acronym of Communauté Financière d'Afrique. 1 US dollar = 534.123 CFA Francs (rate in March 2004).
3. These are reference lines in 1993 Purchasing Power Parity (PPP) terms, where PPPs measure the relative purchasing power of currencies across countries.
4. The higher relative poverty line equalled an income level of CFAF 75,000 per capita in 1985 and CFAF 162,800 in 1998 while the lower line equalled CFAF 95,700 in 1998.
5. Our definition of informal sector employment covers employment in unincorporated and unregistered micro-enterprises. The production or distribution of goods and services is occasional or illegal and the income level is low. There is an absence of social security and standard labour legislation.
6. Recent reforms, however, have extended the coverage for old-age to certain categories of agricultural workers while certain self-employed may affiliate voluntarily to work-injury schemes (US SSA 2003).
7. These data exclude civil servants.
8. To investigate the extent to which informal schemes contribute to health care coverage in rural areas, Atim et al. (1998) surveyed households in four communities located to the far north of Côte d'Ivoire.
9. It is essential to note however that these findings are based on a limited sample of informal associations in Abidjan.

10. Adverse selection arises from a situation in which one party in a potential transaction is better informed about an important variable in the transaction (here, the individual member's risk) than the other party (here, the insurance system). Moral hazard refers to actions which parties in a transaction (here, insurance) may take after they have agreed to execute the transaction, for example being less risk-adverse when one is insured. Both problems are caused by information asymmetries (Douma and Schreuder 1998: 52–59).
11. This rate obscures very high underemployment, particularly in the traditional agricultural sector and among informal sector workers.
12. Programme d'Ajustement Structurel pour l'amélioration de la Compétitivité.
13. In its 'Interim Poverty Reduction Strategy Report', the Ivorian government committed itself to a consistent policy of improving the living conditions of poor and vulnerable people.
14. Nearly 29,000 jobs have been created but the programmes suffered from poor project targeting because of a weak participative approach.

References

Akindès, F., 2001, 'Dynamique de la Politique Sociale en Côte d'Ivoire', *Politique Sociale et Développement: Document du Programme No. 8*, Geneva, UNRISD.

Atim, C.B., Diop, F. P., Etté, J., Evrard, D., Marcadent, P and Massiot, N., 1998, 'The Contribution of Mutual Health Organizations to Financing, Delivery, and Access in Health Care in West and Central Africa: Summaries of Synthesis and Case Studies in Six Countries', Technical Report No. 19, Bethesda. Abt Associates Inc.

Barbone, L. and Sanchez B, L-A., 1999, 'Pensions and Social Security in Sub-saharan Africa: Issues and options', Paper presented at the Thirteenth International Social Security Association African Regional Conference, Accra, 6-9 July 1999.

Beattie, R., 2000, 'Social Protection for All: But How?', *International Labour Review*, Vol. 139, No. 2, pp. 129-148.

Canagarajah, S. and Sethuraman, S.V., 2001, 'Social Protection and the Informal Sector in Developing Countries: Challenges and Opportunities', Social Protection Discussion Paper No. 130, Washington DC, World Bank.

CLEISS, 2003, *La Protection Locale en Côte d'Ivoire* (http:// www.cleiss.fr/docs/regimes/regime_cotedivoire.html). September 2003.

Diop, M-C., 2001, 'Les Politiques Sociales en Afrique de l'Ouest: Quels Changements depuis le Sommet de Copenhague?', *Politique Sociale et Développement Document du Programme No. 5*, Geneva, UNRISD.

Diwan, I. and Walton, M., 1997, 'How International Exchange, Technology and Institutions Affect Workers: An Introduction', *The World Bank Economic Review*, Vol. 11, No. 1, pp. 1-15.

Dixon, J., 1999, *Social Security in Global Perspective*, Westport Conn.: Praeger.

Dollar, D. and Kraay, A., 2001, 'Trade, Growth, and Poverty', Working Paper No. 2615, Washington DC, World Bank.

Douma, S. and Schreuder, H. 1998. *Economic Approaches to Organizations*, New York-London, Prentice Hall.

Dror, D. and Duru, G., 2000, 'Stabilising community health financing through re-insurance', Paper presented at the ISSA Year 2000 International Research Conference, Helsinki, 25-27 September 2000.

Gasse-Hellio, M., 2000, *Les Tontines dans les Pays en Developpement.* (http://www.gdrc.org/icm/french/matthieu/contents.html). September 2003.

Goedhuys, M., 1999, 'Industrial Organisation in Developing Countries: Evidence from Côte d'Ivoire', Unpublished PhD Thesis, Catholic University of Leuven.

Gruat, J.V., 1990, 'Social Security Schemes in Africa: Current Trends and Problems', *International Labour Review*, Vol. 129, No. 4, pp. 405-421.

Guhan, S., 1994, 'Social Security Options for Developing Countries', *International Labour Review*,Vol. 133, No. 1, pp. 35-53.

Hugon, P. and Pagès, N., 1998, 'Ajustement Structurel, Emploi et Rôle des Partenaires Sociaux en Afrique Francophone',*Cahiers de l'Emploi et de la Formation No. 28*, Geneva, ILO.

IFAD, 2003, *Gender and Household Food Security: Uganda, Ghana and Côte d'Ivoire. The Situation of Widows* (http://www.ifad.org/ gender/learning/challenges/ widows/55.htm). November 2003.

IFAD, 2003, *Côte d'Ivoire - Wealth, Saving and Borrowing in the Zanzan Regions*, (http://www.ifad.org/gender/learning/challenges/youth/ci_6_3.htm). October 2003.

ILO, 2000, *World Labour Report 2000: Income Security and Social Protection in a Changing World*, Geneva, ILO.

ILO, 2002, *Key Indicators of the Labour Market*,Geneva, ILO.

INS and UNDP, 2000, *Profil et Déterminants de la Pauvreté en Côte d'Ivoire*, (http://www4.worldbank.org/afr/poverty/pdf/docnav/02864.pdf). September 2002.

ISSA, 1994, 'The Impact of Structural Adjustment Programmes on Social Security in African Countries', *Social Security Documentation: African Series No. 15*, Geneva, ISSA.

Jütting, J., 1999, 'Strengthening Social Security Systems in Rural Areas of Developing Countries', *Discussion Papers on Development Policy No. 9*, ZEF.

Jütting, J., 2000, 'Social Security Systems in Low-Income Countries: Concepts, Constraints and the Need for Cooperation', *International Social Security Review*, Vol. 53, No. 4, pp. 3-24.

Kanbur, R., 1990, 'Poverty and the Social Dimensions of Structural Adjustment in Côte d'Ivoire', *SDA Working Paper Series*, Washington DC, World Bank.

Kipré, V.Z., 1995, 'Les Pensions de Retraite en Côte d'Ivoire', in ISSA 'Pensions de retraite en Afrique francophone, *Documentation de Sécurité Sociale: Série Africaine No. 16*, Geneva, ISSA, pp. 23-42.

Laurent, B., 2002, *Mise en place d'un système financier rural en Côte d'Ivoire: la FAFEC.* (http://www.agridoc.com/fichestechniques_gret/services/Mise-en-place_syst% E8me_financier_rural_FAFEC.pdf). September 2003.

Midgley, J., 1995, *Social Development: The Developmental Perspective in Social Welfare*, London, Sage.

Morrisson, C., 1992, 'Adjustment and Equity', *Policy Brief No.1*, Paris, OECD Development Centre.

N'Doumi, B., 2001, 'La Sécurité Sociale en Côte d' Ivoire', *Points de vue No. 1: L'Avenir de la Sécurité Sociale en Afrique Francophone*. (http://www.issa.int/engl/homef.htm). October 2003.

N'Doumi, B., 2002, '*Tools for Efficient Administration: The Experience of Côte d'Ivoire*', Report presented at the Fourteenth International Social Security Association African Regional Conference, Tunis, 25-28 June 2002.

Platteau, J.P., 1991, 'Traditional Systems of Social Security and Hunger Insurance: Past Achievements and Modern Challenges', in E. Ahmad, J. Drèze. and A. Sen, eds., *Social Security in Developing Countries*, Oxford, Clarendon Press, pp. 112-170.

Republic of Côte d'Ivoire. 2002. *Interim Poverty Reduction Strategy Paper*, (http://www.imf.org/External/NP/prsp/2002/civ/01/index.htm). August 2003.

Robyn, G., 2001, 'Aspects of Marginalization: Growth, Industry and Trade of the Least Developed Countries', SIN Discussion Paper No.1, UNIDO.

Rodrik, D., 1998, 'Where Did All The Growth Go? External Shocks, Social Conflict, and Growth Collapses', Working Paper No. 6350, Cambridge: NBER.

Sambe, B. and Djoussou-Lorng, L., 1997, *UNDP Microfinance Assessment Report: Côte d'Ivoire* (http://www.uncdf.org/english/microfinance/reports/country_feasibility/cotedivdb.html). October 2003.

UNDP, 2003, *Human Development Report 2003: Millennium Develoment Goals*, New York, Oxford University Press.

US SSA, 2003, *Social Security Programs Throughout the World: Côte d'Ivoire*, (http://www.ssa.gov/policy/docs/progdesc/ssptw/2002-2003/africa/cotedivoire.pdf). September 2003.

Van Ginneken, W., 1999, *Social Security for the Excluded Majority: Case Studies of Developing Countries*, Geneva, ILO.

Wiesmann, J. and Jütting, J., 2000, 'The Emerging Movement of Community Based Health Insurance in Sub-Saharan Africa: Experiences and Lessons Learned', *Africa Spectrum*, Vol. 35, No. 2.

World Bank, 1993, 'Poverty and Structural Change in Côte d'Ivoire', *Development Brief No. 20*, Washington DC, World Bank.

World Bank, 2000, *World Development Report 2000/2001: Attacking Poverty*, New York, Oxford University Press.

World Bank, 2003, *World Development Indicators 2003*, Washington DC, World Bank.