

## **ROUNDTABLE 3**

### **SOCIAL PROTECTION FOR ALL: A CHALLENGE**

#### **ILO Tripartite Consensus on Social Security**

“Social security is very important for the well-being of workers, their families, and the entire community. It is a basic human right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of government social policy and an important tool to prevent and alleviate poverty. It can, through national solidarity and fair burden sharing, contribute to human dignity, equity and social justice. It is also important for political inclusion, empowerment and the development of democracy.”<sup>1</sup>

#### **Concept of the Social Protection Floor**

Recognizing the strategic importance and need to ensure universal social protection, in 2009 the United Nations System Chief Executives Board adopted the Social Protection Floor Initiative. It is one of nine initiatives in response to the economic and financial crisis (ILO, 2010).<sup>2</sup> The idea reflects the conviction that guaranteeing access to essential services and social transfers for all, particularly for the poor and most vulnerable, is feasible and necessary. The initiative which offers an integral approach to social protection, strengthening both the supply and the demand for social protection, refers to two dimensions:

1. A range of essential social rights and transfers, in cash and in kind, to ensure a minimum income and a secure livelihood for all, thus facilitating access to essential goods and services.
2. The supply of a minimum level of essential goods and services, such as health, water and sanitation, education, housing, and basic survival information which is accessible to all.

The Social Protection Floor Initiative (SPF-I) emphasizes the need to guarantee transfers and services over the life cycle, ensuring the well-being of children, low-income workers, and the elderly, with specific attention to vulnerable groups (based on gender, socioeconomic status, ethnicity, disability, individuals living with HIV/AIDS, migrants, and persons exposed to adverse situations such as natural disasters, and so on).

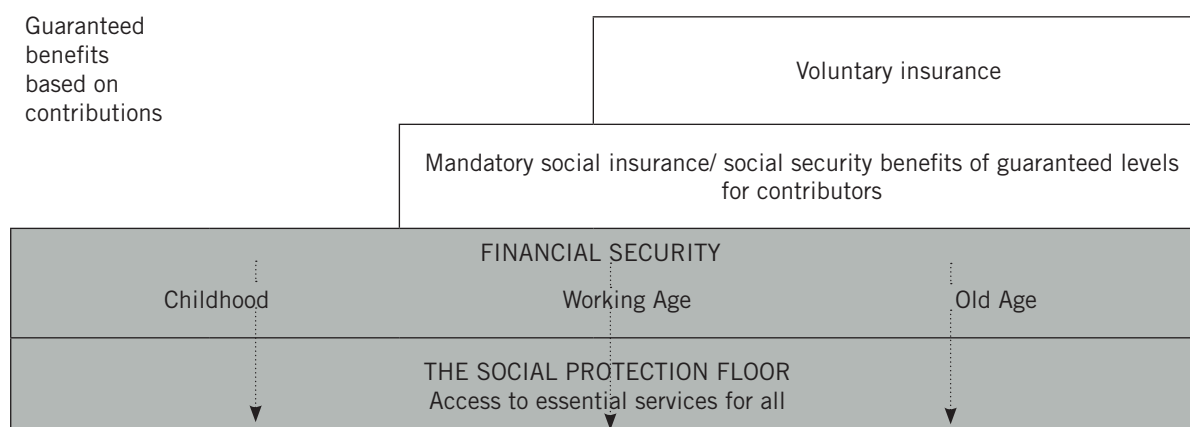
This initiative is flexible, since it does not establish universal minimum levels for such services, leaving each State or nation to decide what is feasible and to define the essential services they will provide within their borders. Given the magnitude of this undertaking and the lack of available resources, a social security ladder could be considered, with a first floor comprising of a set of basic guarantees for all, and a second level with contributory benefits, as a right which is financed by workers and employers (defined and protected according to the minimum levels established by law). Finally, depending upon the need or desire for greater levels of protection, a higher voluntary level may be organized. The provision could be public, private or mixed, and should be publicly regulated and supervised like any private insurance system.

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1 Conclusions adopted in a tripartite form for the International Labour Conference of 2001 in Geneva, Switzerland under the framework of the conclusions adopted by the Technical Commission on Social security, paragraph 2.

2 The initiative also reflects and incorporates the commitments and recommendations embodied in Convention 102.

**Figure 1**  
**The Social Protection Ladder**



Source: ILO (2008)

The SPF platform guarantees economic and social rights for each individual and in addition provides opportunities to acquire the skills and competences for individual human development and access to decent work. Hence, the SPF is actively committed to promoting decent work. How to maximize social insurance coverage is closely linked to creating more and better employment for all. The best form of social security is a job (ILO, 2008). “Social security, if properly managed, enhances productivity by providing health care, income security and social services. In conjunction with a growing economy and active labour market policies, it is an instrument for sustainable social and economic development...”<sup>3</sup> Moreover, as the system matures and employment is formalized, mandatory and contributory insurance will become a more important factor in the commitment to guarantee social protection for all.

## Feasibility and Fiscal Space

The SPF is a social and economic necessity: Investing in a SPF implies investing both in social justice as well as in economic development, as social protection contributes to economic growth by investing in human capital. This, in turn, increases labour productivity, reduces poverty, and improves social cohesion, and furthermore, it contributes to achieving the Millennium Goals linked to poverty reduction, education, health, and gender equity (ACTRAV, 2009).

In times of economic crisis, the SPF will act as an automatic stabiliser, mitigating the fall in aggregate demand, ensuring consumption (especially among the poorest), and alleviating the pressure on wages. Approximately 30 countries around the world have taken steps to introduce SPF components, and their experiences show that social security and social protection systems are vital and sufficiently flexible to alleviate and lessen the social and economic consequences of financial shocks and crises (Stiglitz, 2009).

To be viable and sustainable, the SPF needs adequate funding. It is important to emphasize that especially in Latin America there is sufficient fiscal space to implement this initiative and to respond to the income inequalities that characterize the region and labour markets even in the wake of the economic and financial crisis. This can be attributed to the fact that the region in general was better prepared than in prior crises—with better fiscal positions, more international reserves, and good macroeconomic management. As a result, many Latin American countries have the potential fiscal space to increase the weight of direct contributions over indirect contributions, and at the same time to improve income distribution. These changes and reforms must be seen within the context of building the SPF while still contributing to the formalization of the labour market together with labour and employer organisations.

<sup>3</sup> Conclusions adopted in a tripartite form for the International Labour Conference of 2001 in Geneva, Switzerland under the framework of the conclusions adopted by the Technical Commission on Social security, paragraph 3.

## Coordination and Articulation of the Floor

The many dimensions of poverty and economic vulnerability have spurred the development of systems that seek to provide comprehensive social protection. A fundamental issue for the success of this type of system is having inter-sector coordination among different government instances and entities. Building a SPF also implies strengthening coordination mechanisms among the sectors in charge of various public policies, such as labour and job-creation policies, policies to strengthen human capital and to support the productive development of private enterprise. Various government ministries and agencies should coordinate their efforts to provide better social protection with extended coverage. Ministries of Economy, Health, Education, Labour, Housing and Development should coordinate to ensure an integral attention to basic needs.

Also important is the articulation of the SPF with contributory social insurance, as well as paying careful attention not to create disincentives that inhibit transition from non-contributory to contributory systems. “Poverty traps” must be avoided, and these are created when individuals lose their non-contributory benefits upon joining the labour market as waged workers. This implies the universality of certain benefits must be ensured, while other benefits should be adjusted according to income or to the duration of employment. At the same time, certain individuals will admittedly face particular difficulties when transitioning as SPF beneficiaries to a contributory system.

When it comes to women, strong gender divisions of work within the household can prevent their participation in the labour market (ILO/UNDP, 2009). If joining the labour market entails replacing certain tasks like caring for children or dependants, and if this responsibility for care continues to disproportionately fall on families and women, reservation wages will include the cost of replacing this type of care service. If the wages available to women do not exceed the cost of substituting for the care they usually provide, it is highly improbable that they will join the labour market. It is not surprising, then, that labour participation rates for women with small children tend to be quite low. In order to reduce and redistribute care-related expenses (ILO/UNDP, 2009) it would help to implement conciliatory policies such as improving access to nurseries or care services, implementing legislation on maternity or paternity leave and benefits, and making it possible for working mothers to breast feed. These policies could be effective in facilitating the more equitable participation of women in the labour market, both for women in vulnerable as well as in wealthier economic groups. A properly constructed SPF can facilitate access to care benefits and reduce the costs of transitioning into the labour market, particularly if these benefits are universal.

Similarly, a SPF that is well coordinated with the other steps in the ladder can facilitate inclusion in the labour market of vulnerable groups, such as youth, the long-term unemployed workers, and the disabled. Active labour market policies, such as training and creating incentives to recruit and retain these workers, can also help with the transition to decent work.

## Social Dialogue and the Social Protection Floor

Effective social dialogue has proved to be a powerful tool for creating consensus responses to the challenges of a globalized economy. Social partners in many countries around the world perform an active role in governing social security systems (in some cases, directly), or even as the main promoters for the system, for they have proved to be effective agents in that realm. The composition of the floor, the guaranteed basic essential services, and their articulation with other steps of the ladder, and the mix of public and private services, should all result from social dialogue and policy consensus. The active and effective participation of all sectors in social dialogue about the design and articulation of the system is crucial for decent work and the well-being of the general population. The role of both employer and worker organisations is fundamental in ensuring that the transition to work does not create “poverty traps” for the new workers entering the labour market, nor allow SPF benefits to compete with, or lessen, the benefits agreed upon in formal work. The existence of an SPF that provides universal rights to health and education benefits ensures the well-being and human development of the population. At the same time, investment in quality health and education for all, reduces investment costs in complementary benefits, such as training or curative healthcare by enterprises. Similarly, employer co-financing of pensions and health insurance creates direct benefits for the rights-holders and indirect benefits for the whole of

society. Indirect benefits help to strengthen an institution's ability to provide these services as well as to improve their technical knowledge and set the expected standards for quality services delivered through the system.

Participation by all sectors in a social dialogue about the design and articulation of the system is therefore essential in providing decent work and ensuring the well-being of the general population. It is necessary, however, to strengthen the effective participation of employer and worker organisations in a social dialogue about policies that support the establishment and development of the Social Protection Floor. In this sense, respect for the freedom of trade unions, freedom of association, and collective bargaining, is fundamental to achieve a viable and sustainable Social Protection Floor.

## Critical Questions for the Hemispheric Agenda Meeting

Every country faces diverse conditions, different social needs, and has dissimilar fiscal restrictions. Each country would therefore have to choose from a range of different policies and programmes in order to achieve their economic and human development objectives as part of tripartite dialogue with consensus. The SPF gives each country the freedom to choose which essential services it will guarantee, and how the floor will be articulated with contributory benefits and mandatory or voluntary social security systems. Many countries, however, do face common challenges when adopting this initiative to improve social protection systems.

- What basic needs should be included in the SPF? What components of the floor exist already?
- What should be done to extend the Social Protection Floor? Who does not have access to the SPF? And, which are the challenges we face today when creating social protection systems for all?
- How can an SPF articulate with other social security systems to build a social protection ladder?
- How can sustainable social protection systems be achieved?
- How can the costs of financing social protection for all be distributed among the public and private sectors?
- How can poverty traps, that prevent transition towards wage employment, be avoided?
- How can better participation of employer and worker organisations be promoted in the establishment of an SPF?
- How can existing tripartite forums be used to design and further improve the SPF?

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