



Towards Globalization for the People: the role of social protection in shaping a fair globalization

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1. Introduction: the nexus between growth, decent employment and effective social protection

Globalization has considerable positive potential in terms of higher growth, higher levels of employment, higher standards of living triggered, inter alia, through rapid technology transfers, fast investment pace and global information access, as well as potentially enhanced fiscal space for social protection. However, its benefits are unevenly distributed within and between nations. For global economic integration to be sustainable governments, acting together and in partnership with the private sector, trade unions and others, need to develop a social dimension of globalization that translates economic gains into improvements in people's lives in all parts of the world and thus generates global public acceptance of the process.

Persistent and emerging social and decent work deficits threaten social stability in many industrialized and developing countries. The symptoms of social malaise range from illiteracy and ignorance with consequential social exclusion and lowered productivity, to unemployment, unmet health care needs, health hazards in formal and informal workplaces, deep poverty, widespread inequality and finally to the lack of social dialogue and the denial of basic human and labour rights. Such deficits create risks for sustainable economic and social development (notably insecurity, societal disintegration, environmental hazards and global health hazards). Without social stability, economic growth and development remain at risk.

Globalization creates a rapid pace of social, economic and employment change. As a recent study by the ILO and WTO Secretariats finds, trade liberalization is associated with both job destruction and job creation. In the short run the resulting net employment effects may be positive or negative depending on country-specific factors such as the functioning of the labour and product markets. In the long run, however, the efficiency gains caused by trade liberalization are expected to lead to positive overall employment effects, in terms of quantity of jobs, wages earned or a combination of both. Average wage increases may, however, hide distributional changes that affect some workers negatively.¹

¹ International Labour Office and Secretariat of the WTO, *Trade and employment: Challenges for policy research*, a joint ILO/WTO Secretariat study, Geneva, Feb. 2007 provides an impartial view of what can be said, and with what degree of confidence, on the relationship between trade and employment. It provides a thorough and objective review of the academic literature, both theoretical and empirical, and distinguishes itself from existing surveys by its focus on the link between trade policies on the one hand, and labour market and social policies on the other. Copies of the study and an executive summary are available on request.

www.ilo.org/public/english/support/publ/textem.htm#5511.

While the potential benefits of these changes are large, the current process excludes many, generating social tensions that can burst out in unpredictable and damaging ways. There is an increasing awareness of the need for decisive political action to shape a fair globalization that offers opportunities for all. People need to be confident that – even in an economy dominated by global players – their societies and governments can still provide an adequate level of economic and social security. In order to broaden and deepen confidence in the process of change set in motion by globalization the following twin objectives need to be achieved:

- an adequate degree of security of decent employment.
- an adequate degree of effective social protection.

The importance of decent employment lies in the fact that it is much more than simply a vehicle for income generation, but also provides individuals with a sense of achievement and fosters societal coherence.

In general and in the long-run high employment levels are necessary to finance social protection, as high employment levels substantially contribute to the creation of the tax base for social spending. In industrialized countries national policies and policy discussions increasingly focus on the area of activated and activating social protection systems which aim at increasing national employment levels and labour market participation. It makes more sense to finance activity than inactivity; thus there is trend towards in-work benefits in many countries, including negative income tax for allowing those with low wages to have living wages. Ultimately social protection systems can only remain economically and financially viable if they are successful in containing levels of dependency at socially adequate and economically responsible levels. So-called passive labour market policies (unemployment benefits) have also come under scrutiny and shorter phases of benefit-financed periods of job search activities are today often followed by active labour market policy measures, which aim at rapid labour market reintegration.

Adequate social protection means secure access to benefits and services that maintain and enhance an individual's employability and the guarantee of at least a minimum income level and basic social services (including health care) when people are out of work and to adequate and secure pensions when individuals are no longer active.

Change will be more easily accepted by workers and societies as a whole if the population is confident that governments and employers are seeking ways to facilitate the adaptation process in a socially responsible manner. This includes using the tools of social dialogue and negotiations with representative organizations of workers to build together the necessary consensus for restructuring.

What is required are innovative combinations of government social policies, corporate social actions and individual initiative that support sustainable levels of growth, employment and growing levels of welfare for all, i.e. decent work in decent lives. Welding these policies into a coherent, socially effective, economically beneficial and fiscally affordable strategy implies finding a new balance of rights and duties for all stakeholders, individuals and employers, as well as the state. Public policies will have to protect and support individuals, but in turn individuals and enterprises have to accept and support change. This note focuses on the role of social protection policies in that context.

2. Achieving decent work and decent lives for the global society: The role of social protection

Globalization and technological change are exposing national economies to more intense competition. Firms have to adjust their operations and their labour forces to meet fluctuations in demand more frequently. Ensuring income security even in times of labour market and economic adjustment requires effective social protection mechanisms.

For the ILO, the term social protection - as used here - encompasses all measures that provide income security to people in case of poverty, unemployment, sickness, disability, old age and loss of the breadwinner, as well as access to essential social services. The access to essential social services encompasses most importantly access to health services but also access to education and occupational training and retraining. Without basic income security and access to basic social services people cannot efficiently adapt to changes in their lives and the economy. Social protection is part and parcel of the ILO's Decent Work Agenda. Social protection is also a productive factor that facilitates social and economic development. But before that case is made, some of the ethical foundations of social protection and the present political debate on the subject must be revisited.

2.1 The moral challenge

Social security is a human right. Article 22 of the Universal Declaration of Human Rights states: "Everyone, as a member of society, has the right to social security": Even today, almost 60 years later, that right remains a mere dream for 80 per cent of the global population. To many people a basic set of benefits could make the difference between a miserable and a decent life, or simply the difference between life and early death. Millions of children under the age of five die every year in Africa alone because they have no access to adequate health care, while there is not enough income to secure their food needs. According to ILO calculations, less than 2 per cent of Global GDP would be needed to provide a basic set of social security benefits to all the world's poor. Six per cent of the Global GDP would be sufficient to provide a basic set of benefits to all who presently have no access to social security. That potential investment in people amounts, for the two scenarios, to less than 10 per cent or 30 per cent respectively, of the total annual global investment in tangible assets. The major share of the cost of a set of basic social security benefits stands to be financed out of national revenues. In some countries, however, a degree of international help might be needed to jump-start such systems.

2.2 Social impact, historical experience and the current political question mark

Social security systems providing social transfers are instruments to alleviate and prevent poverty, which work directly and rapidly in a way that the putative benefits of "trickle down" effects of economic growth cannot match. We know from long experience in OECD countries that social protection is a powerful tool to alleviate poverty and inequality; it reduces poverty and inequality in many of those countries by almost 50 per cent.

There is no successful industrialized country in Asia, Europe, Oceania and North America that lacks a fairly extensive social security system. There has been a widespread consensus in most industrialized countries that the social protection of their population should be improved as societies grew more prosperous. Until recently and over many decades that principle was rightly accepted, almost without question. Many of the most successful economies in the

world, such as Denmark, France, Germany, Norway, Sweden and the Netherlands, have also recorded the highest social expenditure when measured as a percentage of GDP, generally between 25 and 30 per cent of their Gross National Products. These economies are also traditionally open economies and were subject to international competition for decades before globalization became topical. They also have in common the feature that all of them started to introduce their social protection systems about a century ago – that is, when they were poor. Providing social security was and is part of their development paradigm.

Moreover, there are positive examples of successes with modest universal social benefit systems in Africa, Latin America and Asia. In Botswana, Mauritius, Namibia and South Africa, for example, basic universal pensions have shown positive poverty alleviation effects. Valuable experience has been gained regarding the potential role of social transfers in combating poverty in countries such as Brazil and Mexico and in parts of India. All experience shows that implementing basic social security systems in low-income countries can make an enormous contribution to achieving the First Millennium Development Goal of halving poverty by 2015.

One may ask why, then, is the reduction or containment of social expenditure a predominant pre-occupation of policy-makers in many countries around the world? Why then does the stabilization of social security systems or the introduction of at least basic systems of social security not play a bigger role in economic and development policies? Why then do the majority of people in the world lack access to even basic social security? Why are many of those who provide advice to poor countries reluctant to support major transfer programmes? Why is there not enough support within the countries themselves?

2.3 Understanding the economic effects of social protection systems

The answer to the above questions lies in a lack of understanding about the economic effects of social protection systems. In a tough competitive environment on global markets, every perceived detriment to national competitiveness is subject to intense scrutiny. Thus, social expenditure – at a level of between 25 and 35 per cent of GDP in industrialized countries - and between 5 and 15 per cent of GDP in many developing countries – is often feared to be unproductive expenditure. The national social security systems in industrialized countries came under political pressure following the two oil crises, when economic growth slowed down and the fiscal space for income transfers in cash and in kind contracted or at least no longer expanded. The perceived need to contain social security expenditure became even more pronounced when globalization took off in full force at the beginning of the new millennium. The pressure to perform in a global competitive environment led to a one-sided view of social security as a cost to a society, rather than a potential benefit and an investment in economies and people.

The international social protection policy debate has thus become a debate on fiscal and economic affordability. In the developed world it is a double-edged debate. On the one hand – on the revenue side – real or perceived global tax competition between countries and growing informality is perceived to limit the fiscal space for transfers, while on the other hand – on the expenditure side – the ageing of the population and new health hazards lead to higher dependency levels and treatment cost and are hence seen as inevitably driving up expenditure levels.

In the developing world the fiscal space debate is also a debate on economic and fiscal affordability but also implicitly a debate about opportunity cost. It is argued that scarce public

resources can better be invested elsewhere where they would create more economic growth which would in the long run be more beneficial to the welfare of a population than allegedly “unproductive” transfer payments – largely to people working and living in informality.

In order to make the “economic case” for strong social transfer systems three of the major misunderstandings or myths with regard to the relationship between social protection and economic performance must be corrected. These are:

- that social expenditure has an exclusively consumption character and is not an investment;
- that economic growth automatically reduces poverty (the so-called “trickle-down effect”) and thus redistributive (social protection) policies can remain very restricted; and
- that there is a trade-off between social expenditure and economic efficiency or growth and hence high levels of redistribution are detrimental to growth.

These myths are here taken up in turn:

(1) *Social expenditure has an investment character*

Social security systems reduce poverty and are an investment in productivity. The World Bank stated in its World Development Report 2005 that poverty is a risk to security and lack of security is a hindrance to the investment climate.² Furthermore, only people who enjoy a minimum level of material security can afford to take entrepreneurial risks.³ Social security benefits (that do not establish disincentives to work) can facilitate the adjustment of labour markets in the industrialized and the developing world. As mentioned before they can thus help to facilitate the public acceptance of global changes in production processes triggered by globalization. The existence of collective security systems can help to maintain competitive wage levels as, in their absence, individuals would have to seek higher incomes to finance individual or private risk-coping mechanisms out of current incomes. Furthermore, only healthy and well-nourished people can be productive. Only people that have enjoyed at least a minimum level of schooling – facilitated by child and other benefits linked to school attendance - can work their way out of poverty successfully. Many people would not be able to afford that level of schooling without family cash benefits.

(2) *Economic growth does not automatically reduce poverty*

The empirical statistical evidence of the last decade shows clearly that economic growth does not automatically reduce poverty without putting employment promotion and income redistributive mechanisms (such as social security systems) in place; if this were so, countries with the same levels of GDP per capita would not experience a wide range of different levels of poverty and inequality. Moreover, one would not see persistently high levels of poverty, as is the case, in some countries with relatively high levels of GDP per capita.

² See World Bank: *World Development Report 2005: A Better Investment Climate for Everyone* (Washington, D.C., World Bank, 2004), pp.89-90.

³ See OECD Development Assistance Committee: *Promoting pro-poor growth: Key policy messages* (Paris, OECD Development Assistance Committee, 2006), <http://www.oecd.org/dataoecd/33/54/36570936.pdf>, p.11.

(3) *The trade-off between growth and equity does not hold true*

There is ample evidence that countries with identical levels of social spending experience a wide range of different levels of GDP, which contradicts the hypothesis that there is an automatic negative correlation between long-term economic performance and levels of redistribution. On the contrary, there is no hard and fast rule as to what countries can afford. There is, however, a fairly strong positive correlation between per hour productivity and per capita expenditure on social protection in OECD countries. Thus, superior economic performance and high social expenditure do coexist, with social expenditure and economic performance supporting each other. The often quoted growth- equity tradeoff is a myth rather than fact.

Obviously, at the early stages of development, the financial and fiscal space is more limited than at later stages, so the introduction of social security benefits must be sequenced by order of priority. But we will show in the following sections that most of even the low-income countries can afford some level of social protection.

Later on in the development process there may be a saturation point for social expenditure beyond which it becomes economically and socially counter-productive due to disincentives and crowding out of other public expenditure. That will depend on specific national circumstances and the specific design of the transfer systems and the associated incentives – whether, for example, the system creates incentives for staying in or taking up work. The ageing of the populations and the consequential reduction in the size of the labour force calls for a close review of the incentives that need to be built into the systems to maintain or reduce the dependency levels in the systems without depriving those in need from necessary levels of protection.

2.4 The case for a global set of basic social protection mechanisms

Thus there seem to be good social reasons to introduce social protection mechanisms at an early stage of economic development and generally no good economic reasons why that should not be done.

The time seems to be right to define a basic set of social protection benefits that should be achieved by all countries in the shortest possible time. This could be the minimum benefit package that was advocated as part of a global socio-economic floor by the World Commission on the Social Dimension of Globalization.⁴ That floor could also contain minimum social and labour rights that go beyond the borders of social protection. The World Commissions argues: “As long as countries – however poor – are able to collect some taxes and contributions, they can afford some level of social protection. A global commitment to deal with insecurity is critical to provide legitimacy to globalization.”

Already three years earlier the International Labour Conference in its general discussion on social security had requested that the ILO launch a “major campaign ...in order to promote the

⁴ See World Commission on the Social Dimension of Globalization: *A fair Globalization – Creating opportunities for all* (Geneva, ILO, 2004), p. 110.

extension of coverage of social security”.⁵ The campaign officially commenced in 2003, since when a number of national campaigns have been launched and major research efforts to explore the different options to extend coverage have been started. Since about mid-2005, research has focused on the affordability of minimum tax-financed cash benefits and the feasibility of pluralistic financing systems for health care. In a recent policy consultation paper⁶ the ILO suggests that the social protection part of the global socio-economic floor should consist of:

- access to basic health care through pluralistic national systems that consist of public tax-financed components, social and private insurance components, as well as community-based components that are linked to a strong central system;
- a system of family benefits that permits children to attend school;
- a system, to be developed progressively, of basic universal pensions for old age, invalidity and survivorship that in effect support whole families; and
- a system of self-targeting basic social assistance (cash-for-work programmes) that helps to overcome abject poverty for the able-bodied.

Support for that policy position grows. The Director-General’s report to the International Labour Conference of 2004 announced that the Office will further explore that suggestion and will explicitly test the financial feasibility and deliverability of basic non-contributory pensions, basic health services and access to basic education.⁷ The UK-based initiative “Grow up free from poverty”, a coalition of 21 leading NGOs, promotes a “social minimum”⁸ benefit package consisting of a basic set of cash transfers similar to the one listed by the ILO as a crucial tool in combating poverty in developing countries. This position is fully endorsed by the recent White Paper on development policy of the UK Government.⁹ For several years the Governments of Belgium, France and Portugal have been supporting the extension of health security through a combination of community-based and central government approaches promoted by the ILO STEP project. The Government of France launched a health insurance initiative for developing countries during the G8 meeting in St. Petersburg and is actively following up on the initiative. The German G8 Presidency is providing continuity by making health care in developing countries, the social dimension of social protection and the role of social protection, focal topics for the Presidency in 2007.

⁵ ILO: *Social security: A new consensus* (Geneva, ILO, 2001), p. 5.

⁶ ILO (Social Security Department): *Social security for all: Investing in global social and economic development. A consultation* (Geneva, ILO, August 2006), p. 34.

⁷ International Labour Conference, 92nd Session: *A fair Globalization: the role of the ILO, Report of the Director General on the World Commission of the Social Dimension of Globalisation*, (Geneva, ILO, 2004), p. 36 Working out of poverty Quote 2004 report.

⁸ Grow up free from poverty – International action against child poverty: *Realising Universal Rights to Social Protection – Briefing paper* (London, November 2006).

⁹ Department for International Development (DfID): *Eliminating world poverty: making governance work for the poor*, White paper on International Development, (London, 2006), p. 85/86.

What we observe is a real shift in development policy paradigms. The “grow first - distribute later” policies appear to be history. Hilary Benn, the Minister for Development of the United Kingdom, described the new development policy with the statement “Our agenda is about growth with equity, not either or.”¹⁰

Social protection systems and activating employment policies stabilize societies in low- and high-income countries. Stable societies in low-income countries are of direct economic benefit to high-income countries as only stable countries produce the volume of trade that can create further global growth. Social protection and active employment policies are investments in people, the productivity of the workforce and social cohesion that are prerequisites for a good investment climate and a potentially productive economy. However, the benefits of such policies are of a medium and long-term nature, which may look unattractive by comparison with some of the short term returns offered on new financial instruments. Individual corporations or even countries cannot be expected to pursue long-term sustainable economic and social development policies and strategies if regulatory and tax competition will lead to the loss of short-term profits or growth. Ensuring that national strategies for social development are complementary and avoid the risk of undermining each other requires increased dialogue and, in many fields, commitment to the progressive application of international labour and social standards.

However, a basic set of social protection benefits can only be credibly promoted if it can be demonstrated that it is logistically feasible and affordable. Logistical feasibility can easily be demonstrated by examples of successful benefit delivery at reasonable administrative cost from Botswana, Brazil, Mexico, Namibia and South Africa. The critical question remains: Can developing countries afford a basic social security floor?

2.5 Fiscal affordability of social protection and a development context

Fiscal space is always limited. At early stages of development the space is more limited than at later stages, so the introduction of social security benefits may have to be sequenced by order of priority. However, ILO actuarial calculations have shown in the case of 12 developing countries that some form of basic social security can be afforded by virtually all countries. The following box describes that exercise in more detail. At the same time, countries need to invest in tax system design and the effectiveness of contribution collection mechanisms.

¹⁰ Benn, H. (UK Secretary of State for International Development): *Growth and poverty reduction - creating more and better jobs in poor countries 1st White Paper Speech* (New Economics Foundation, 19 January 2006).

Can developing countries afford to close the social security deficit?

A recent ILO modeling exercise has demonstrated that basic social protection benefits are not out of reach of low-income countries in Sub-Saharan Africa and Asia, even though some international assistance could be necessary for a transitional period in some countries.¹ Seven African countries were included in this study (Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal and Tanzania) and five Asian Countries (Bangladesh, India, Nepal, Pakistan and Vietnam). The cost of a basic social protection package was assessed, including a universal old-age and invalidity pension, universal access to basic health care and a universal child benefit. The main assumptions were:

- *Basic old age and invalidity pensions:*

For the Senegal/Tanzania distributional analysis: Benefit of 70 per cent of food poverty line;

for the 12 country costing exercise: Benefit of 30 per cent of per capita GDP.

- *Child benefits:*

Senegal/Tanzania: Benefit of 35 per cent of food poverty line (half of the hypothetical pension), paid to all children of school age (7-14) and orphans also below 7.

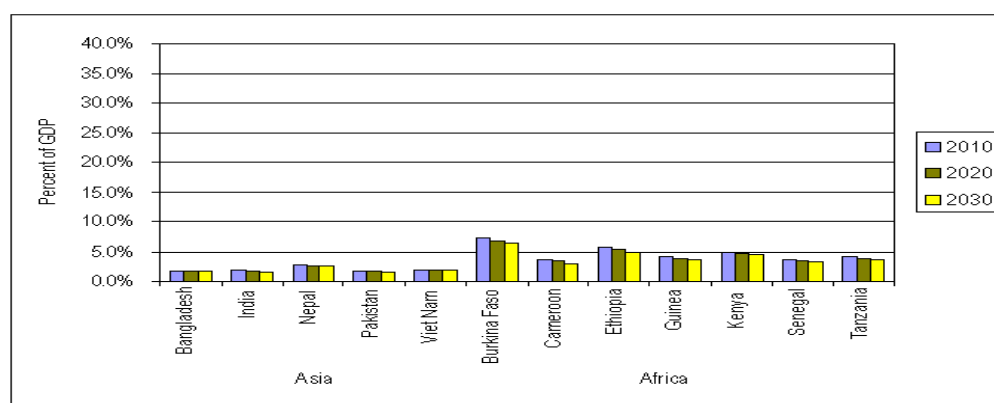
For the 12 country costing exercise: Benefit of 15 per cent of per capita GDP (half of the hypothetical pension), paid to all children up to the age of 14.

- *Essential health care:*

Annual per capita costs based on the benchmark professional staffing ratio of 300 population per one health professional (approximately the staffing ratio of Namibia and Thailand).

The result, in the form of projections over a periods of 30 years, show that a modest basic social protection package would be affordable, at least to a substantial degree, even for low- and middle-income countries. Expenditure on the basic benefits package could be kept below 5-6 per cent of GDP in almost all countries during the entire projection period. Only in Burkina Faso would expenditure of more than 7 per cent of GDP be required, whereas less than 5 per cent of GDP would be required in Cameroon, Ethiopia, Guinea, Kenya, Senegal and Tanzania and less than 3 per cent of GDP in all of the Asian countries. The projections show percentage costs declining year by year, largely due to demographic trends of reducing dependency rates in all countries during the next two-and-a-half decades.

Box figure 1. Expenditure on basic social protection benefit package for the seven countries in per cent of GDP, 30-year projections



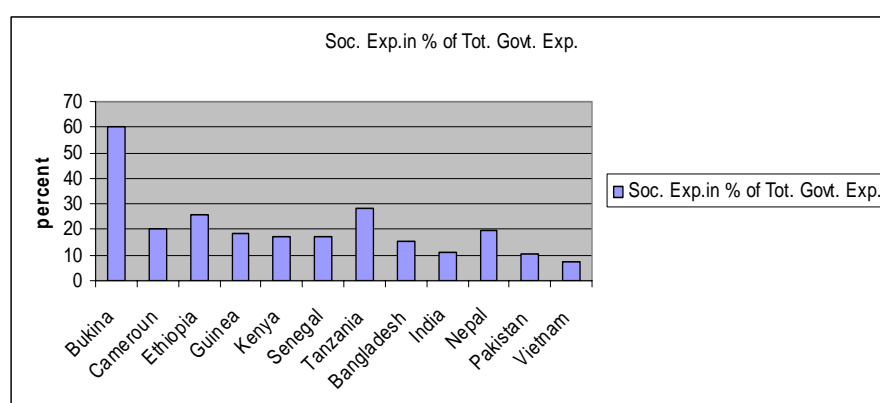
Source: ILO calculations.

Total government expenditure in each of these countries ranges from 12 per cent to over 20 per cent of GDP at present. If it is assumed that governments, after some fiscal reforms, were able to use about 20 per cent of their revenues to finance the basic benefits package, full domestic financing would be possible

in most countries immediately. The exceptions are Burkina Faso, Ethiopia and Tanzania. In the longer term (i.e. within the next 25 to 30 years) only Burkina Faso of these countries would be unable to cover the cost of the basic package within 20 per cent of government expenditure. The set of minimum benefits may still require around 30 per cent of the government budget in 2030. If the government expenditure on social protection in Asia² can be assumed to reach of 20 per cent of total government expenditure in the near future, then the complete benefit package could be financed by domestic resources through the entire projection period.

In some African countries the financing gaps during the next three decades might have to be bridged through a gradual introduction of the benefit package, some budget support from international donors or the increase of the resource base for the national social budget. The latter could, for example, be achieved through the introduction of a health insurance system with a wide population coverage.

Box figure 2. Cost of basic social protection benefits package in per cent of government revenues, 2005/2006



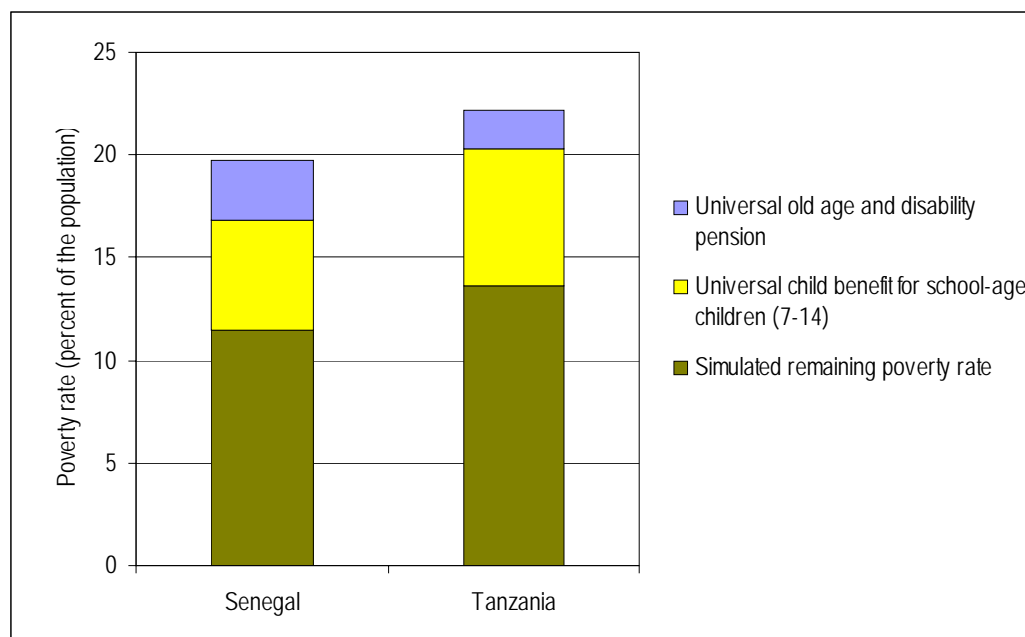
Source: ILO calculations.

¹ See Pal, K.; Behrendt, C.; Léger, F.; Cichon, M., and Hagemejer, K., : *Can Low Income Countries Afford Basic Social Protection? First Results of a Modelling Exercise*, Issues in Social Protection - Discussion Paper 13 (Geneva: ILO (Social Security Department), June 2005). ² Data were obtained from Mizunoya, S.; Behrendt, K., Pal, K. Léger, F.: *Costing of basic social protection benefits for selected Asian countries: First results of a modelling exercise*, Issues in Social Protection - Discussion Paper 17 (Geneva: ILO (Social Security Department), September 2006).

The effects of a basic benefit package on poverty reductions could be quite dramatic. The following figure based on the results of a distributional analysis¹¹ show that the combination of a modest cash benefit for children and a modest pension, which could be an entry level benefit package for poorer countries, could reduce the poverty head count by about 40 per cent – a major contribution to the achievement of the first Millenium Development Goal. The cost of this set of benefits is not expected to exceed about 4 per cent of GDP.

¹¹ Gassmann, F. and Behrendt, C.: *Cash benefits in low-income countries: Simulating the effects on poverty reduction for Senegal and Tanzania*, Issues in Social Protection - Discussion paper No. 15 (Geneva, ILO (Social Security Department, August 2006), pp. 47-49.

Figure 1: The poverty reducing effects of child benefits and pension benefits with regard to the food poverty level in Tanzania and Senegal



The above costing exercise uses a static (i.e. a simple “all other things being equal”), economic and fiscal model. It does not take into account the potential dynamic effects of a basic social protection package on the levels of national growth.

The case can well be made that the net cost of early investments into a basic set of social security benefits are zero or even negative, given expected offsets by positive economic returns. A few real world figures illustrate the potential. We know that the basic conditional cash transfer programme *Oportunidades* in Mexico reduces sickness days of adults by about 19 per cent, a major productivity push. The cash-for-education programme in Bangladesh increased the lifetime earnings of beneficiaries by 25 per cent, again an indication for a productivity hike.¹² If we assume that we only increase overall levels of GDP by 10 per cent due to productivity increases that are linked to basic social security schemes, then modest schemes should quickly pay for themselves. In the long run – and after some investment in the tax collection mechanisms – the tax revenues would increase in line with growth, creating the fiscal space that is needed to finance the benefits.

3. By way of summary and conclusion: The need for integrated employment and social protection policies

High levels of productive and fairly remunerated employment remain the most important vehicle for the distribution of national income and the distribution of the proceeds of economic growth. In a global economy, with a high degree and pace of structural change, flexible

¹² See UK Department for International Development (DfID): *Social Transfers and Chronic Poverty: Emerging Evidence and the Challenge Ahead*, DfID Practice Paper (London, October 2005), <http://www.dfid.gov.uk/pubs/files/social-transfers.pdf> pp. 14 and 17.

adjustments of employment structures are a precondition for employment levels to keep pace with economic growth. Since jobs shed and jobs created differ by sector and skills, a coherent combination of active and activating labour market policies is needed to promote such flexibility. This involves the enhancement of skills through training and retraining and the stimulation of job creation in combination with adequate social transfers programmes delivered by national social security systems, providing income security (without disincentives to work) to all those who have to develop new skills and find new employment opportunities.

Low employment levels, which not only reflect in a loss in potential GDP, but also lead to inequality, loss of societal coherence and social tensions, at the same time restrict the fiscal room for manoeuvre for social policies. Loss of primary income from work requires increased secondary income through compensatory social transfers (unemployment benefits, social assistance, early retirement pensions, invalidity pensions). Social tensions affect the investment climate which in turn reduces investment and economic growth. Without social transfers that downward spiral cannot be reversed and must indeed be expected to accelerate. Thus social transfers help to stabilize societies and economies. They represent an insurance premium against societal and economic meltdown and as such a safeguard of economic growth.

All G8 countries are addressing the ways and means to ensure that people are not excluded from, but are on the contrary enabled to share fully in, the benefits of accelerating economic integration. It is also increasingly apparent that there is a need to implement an integrated and coherent employment and social policy concept that pursues the twin objectives of employment and social security. Achieving both simultaneously is vital to a more inclusive process of globalization.

That concept does not have to be invented. It exists. At the global level, the ILO's Decent Work agenda provides a global framework for action across the key issues of employment and enterprise development, social protection, international labour standards and social dialogue. Without a decent job a worker's life cannot be decent and without social protection neither work nor life can be decent. The ILO's Global Employment Agenda and its Decent Work Country Programmes represent innovative means for integrating policies for more and better jobs and connecting them to broad development strategies aimed at achieving the Millennium Development Goals.

The social protection dimension of the decent work concept has been neglected in many national development strategies and needs to be further strengthened. In addition the development of social inclusion strategies must not stop when countries reach the level of GDP per capita of G8 countries. When governments, social partners and civic society are shaping policies for low- and middle-income countries, as well as most high-income countries, they should be aware that social protection systems, provided they are designed well, and do not lead to wasteful administrative overheads and perverse incentives, can simultaneously achieve social, economic, and employment objectives as they:

- effectively reduce poverty;
- efficiently provide a level of basic income security that can increase the acceptance of globalization;
- effectively redistribute the proceeds of globalization and growth and hence reduce inequality;

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- support labour market policies and facilitate adjustments and thus enhance overall productivity levels;
 - provide the social stability and cohesion that is conducive to long-term investment and hence support stable growth; and
 - improve individual productivity and employability through facilitating education and access to health services and support long-term economic growth.

When making national social protection systems an explicit feature in national development policies, the critical question should not be whether this is the right thing to do, but how to do things right. In that context, G8 countries have a double responsibility. On the one hand, they have to adapt their own national social protection systems to provide people with the levels of security that allow them to embrace change and, on the other hand, they should share their experience with regard to the establishment and the reform of national social protection systems with their trading partners in the developing world.