THE CONCEPT OF THE SOCIAL PROTECTION FLOOR

EXPLANATORY NOTE FOR EMPLOYERS

February 2011

INTERNATIONAL ORGANISATION OF EMPLOYERS
1. GENERAL DESCRIPTION

The concept first emerged from the World Commission on the Social Dimension of Globalization in the following terms: “a certain minimum level of social protection needs to be an accepted and undisputed part of the social economic floor of the global economy.”

Subsequently, the UN system specified the definition of the Social Protection Floor (SPF) as the promotion of access to essential services and social transfers for the poor and vulnerable, presenting a comprehensive approach to social protection that highlights both the supply and demand side of extending social protection and ensuring effective access.

The Social Protection Floor has two components:

(i) A basic set of essential social rights and transfers, in cash and in kind, to provide a minimum income and livelihood security for all and to facilitate effective demand for and access to essential goods and services.

(ii) The supply of an essential level of goods and social services such as health, water and sanitation, education, food, housing, life and asset-saving information, that are accessible for all.

The SPF emphasises the need to guarantee services and transfers across the life cycle – from childhood, through poor adulthood, despite economic activity, to old age. It pays particular attention to the vulnerability experienced across all age groups as a result of gender, socio-economic status, ethnicity, disability, HIV/AIDS, migration, exposure or sensitivity to adverse external factors such as natural hazards, extreme climate phenomena etc.

The United Nations System Chief Executives Board adopted in April 2009 the Global Initiative for a Universal Social Protection Floor (SPF-I) as one of nine initiatives in response to the 2008/2009 economic crisis. This initiative transcends the mandate of any individual UN agency, and it is being implemented through a coherent, UN system-wide approach.

Nevertheless, the International Labour Organization (ILO) is the lead UN agency for the first component of the SPF, and the World Health Organization (WHO) is in charge of the second. The UN also established an Advisory Group of experts chaired by Ms Bachelet (former President of Chile). The SPF will also be on the agenda of the G20 under the French Presidency in 2011.

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1 “World Commission on the Social Dimension of Globalization : A fair globalization – Creating opportunities for all”, 2004
2 UN/WHO/ILO brochure : “Social Protection Floor Initiative”, June 2010
2. DEFINITION OF THE FIRST COMPONENT: THE BASIC SET OF SOCIAL RIGHTS AND TRANSFERS

The first component has its origin in the aim to extend social security to all. In 2001, the International Labour Conference adopted unanimous conclusions which called for this extension. This was then translated by the ILO into a Global Campaign on Social Security and Coverage for All, launched in 2003, which enjoyed the full support of the ILO Employers’ Group.

The extension of social security can be vertical and horizontal. The former concerns an increased level of benefits, while the latter looks to increase the number of people covered and forms the basis for the first component of the social protection floor.

The concept has been developed at the ILO to horizontally extend social protection, especially by:

- Increasing the access to health care for all
- Ensuring income security for elderly and disabled people
- Ensuring income security for children
- Creating assistance to the unemployed and poor.

It is grounded in a basic and “modest” set of social security guarantees which complement current social security mandatory schemes as a first step in a social security staircase as illustrated below:

As an outcome of the Global Campaign, the social protection floor has been endorsed by the ILO Governing Body. The ILO Global Jobs Pact, adopted by the ILC in June 2009, also called for its consideration: “Countries should give consideration, as appropriate, to the following: (ii) building adequate social protection for all, drawing on a basic social protection floor including: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor.”

This concept will be at the heart of the June 2011 International Labour Conference recurrent discussion on social security.
3. DEFINITION OF THE SECOND COMPONENT: THE LEVEL OF GOODS AND SOCIAL SERVICES

This could be considered as the “supply” side of the social protection floor. It is not as well defined as the first component and it is, at this stage, more a regrouping of different activities on various items.

It concerns activities to develop the means to ensure the availability of goods and services in areas of health, water and sanitation, housing, education, food and related information, etc. For instance, the fight against HIV/AIDS and the development of infrastructures could be part of this component.

While employers are not directly involved in this component, its achievement would also contribute to improving the environment for business activity.

4. ROLE OF THE INTERNATIONAL LABOUR ORGANISATION

Given that most of the policies in the first component are more related to social assistance than to social security, and given the mandate of the ILO, there is a question over the role of the ILO.

This was a point already raised by employers. Recommendation 67 on Income Security (1944) stated: “Provision for needs not covered by compulsory social insurance should be made by social assistance; certain categories of persons, particularly dependent children and needy invalids, aged persons and widows, should be entitled to allowances at reasonable rates according to a prescribed scale”.

The use of “social assistance” would confer the whole responsibility – including its funding – to the State and not to social partners, especially in countries with a social security system based on contributions. On the other hand, employers’ organizations may consider that, although it is not strictly speaking their business, they may benefit from being part of the policy debate.

However, the concept of a “social protection floor” is broader than social assistance as it talks about guarantees which may be covered by social security schemes and not by social assistance. Moreover, the UN and the ILO have popularized this terminology.
The ILO has never fully developed the social assistance component of Recommendation 67 while the other component – social insurance – was developed through the adoption in 1952 of Convention 102 on social security. As indicated in the social security staircase, the SPF is in addition to most current schemes; it does not propose replacing them. Nevertheless, it is likely to reference Convention 102 and call for its ratification by all countries. There is also a risk that some stakeholders may wish to use the SPF to consider the appropriateness of new social security schemes; for instance, some unions in Latin America may use this debate to review the role played by the private capitalization schemes which have been so successful in Chile and now have developed in other countries worldwide. At the same time, there are other positive aspects which may be highlighted by employers.

A debate has started at the ILO on the form of the best mechanism to promote this first component of the social protection floor, especially through the development of a new standard. At this stage, the position is summarized in the conclusions of the ILO Tripartite Meeting of Experts (September 2009):

“Workers and a number of governments made the case for the creation of an international labour standard on the social protection floor, since current existing instruments have been developed within a specific historical context of the Second World War and its aftermath. They are focused on standards relating to social insurance schemes, and an instrument on social assistance programmes is still lacking. The Employers expressed a preference for a non-binding mechanism given that for them a pragmatic approach based on best practices would be the most efficient mechanism to achieve the goal of extending coverage of social security.”

The IOE considers that the Social Protection Floor Initiative is not a “one-size-fits-all” approach as it covers a lot of different experiences around the world. This catalogue of different experiences may be difficult to translate into a global instrument. Any new mechanism should remain general and flexible, leaving this issue to national debate and including a progressive implementation. As indicated in the Global Jobs Pact, it has “to build up a basic social protection floor on a national basis” and be cognisant of the national context and capacity. In any case, employers should insist on having a flexible mechanism in order to include all kinds of coverage and not to undermine current basic schemes.

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5 The Convention mainly deals with general benefits and gives governments the choice of how to provide them. It underlines the main responsibility of governments in the definition of a delivery system and recognizes the role of employers’ organizations without defining it. Nevertheless, its interpretation by the ILO Committee of Experts has been questioned by employers concerning private schemes.
6 C 102 has been ratified by only 46 countries, including 32 European countries (January 2011).
5. ROLE OF THE WORLD HEALTH ORGANISATION

At this stage, the WHO does not promote the SPF in the way that the ILO does since the second component of the SPF remains very broad. At WHO level, it mainly brings together existing activities.

The WHO supports countries in all parts of health system financing with the aim of attaining and maintaining universal coverage – how to raise funds, how to pool them and how to use them efficiently and equitably – involving a mix of technical support, capacity building and sharing of country experiences. Often in collaboration with other UN agencies such as the ILO and the World Bank, it supports countries in developing health financing systems capable of ensuring universal coverage, defined as ensuring that all people can access necessary health services while avoiding catastrophic expenditure and impoverishment as a result of seeking care.

The WHO is also working with countries to renew and strengthen Primary Health Care, in which universal coverage is one of the key components along with: service delivery reforms to reorganize health services with people at the centre; public policy reforms that integrate public health policies across sectors; and leadership reforms to strengthen the important role of government in ensuring the health system moves in the desired direction.

The WHO has a variety of tools to evaluate the extent of health protection, national health accounts and expenditure tracking, and the costs, financial feasibility and sustainability of scaling up health services and of improving social health protection. A UN costing-impact tool is also in the final stages of development, involving collaboration between the WHO, World Bank, UNICEF, UNDP, UNFPA, UNAIDS and the Partnership for Newborn, Maternal and Child Health.

The IOE is fully involved in the WHO Global Plan of Action on Workers’ Health, but not in the WHO activities directly related to the social protection floor.

6. PARTICIPATION OF OTHER INTERNATIONAL AGENCIES

The UN approach to a social protection floor is based on the lessons learnt from the “Delivering as One” initiative which, ensuring cooperation of the relevant Organizations under the umbrella of UN coherence can play a crucial role in implementing the SPF. Several UN and other international agencies are already active in this regard.

UNICEF is becoming active in the area of social protection, advising countries on the implementation of social protection schemes, and improving linkages with social welfare services, including rapidly expanding pilots in low-resource settings. However, UNICEF has developed activities and projects which fall within the mandate of the ILO. This may jeopardize the role of social partners, which is important in most countries, by promoting a reform of the whole system of social security without their involvement. The ILO takes a tripartite approach which could
be preferable for employers, leaving them to decide on their own involvement at national level. Nevertheless, the IOE should contact UNICEF to explore common points of interests.

At the joint IMF/ILO meeting in September 2010, the social protection floor was considered as a possible area of joint activity. Employers should welcome the participation of the IMF, especially considering the IMF’s expertise on fiscal issues. The conclusions stated: “As a result of this Conference, the ILO and the IMF have agreed to work together on two specific areas. First, we will explore the idea of a minimum social protection floor for the most vulnerable in all countries. This is a concept the UN as a whole and the ILO in particular have been working on. The idea now is to bring the financial expertise of the IMF into the equation...”

The World Bank is also an actor in most countries in the area of social protection. It is reviewing its social protection and labour strategy in 2011 to be finalized in 2012 and to which the IOE might contribute. At this stage, it is not fully involved in the SPF initiative, but it could be a future actor. Above all, the current approach developed by the World Bank is more in line with the employers’ approach. The SPF has also been used by the OECD in the OECD-Povnet.

With regard to the second component, there are a huge number of examples of agencies engaged in the issue. Among them, the World Food Programme (WFP) is mandated to support economic and social development, concentrating its efforts and resources on the neediest people and countries. UNAIDS is working with partners to ensure universal access to HIV prevention, treatment, care and support as well as social protection mechanisms for patients and their families (the ILO undertakes similar actions with a workplace focus through its ILO/AIDS programme). UN-HABITAT in collaboration with UNITAR is developing guidelines on access to basic services for all. The guidelines are based on a rights-based approach and will promote access to basic services by the poor, as well as basic water and sanitation services through pro-poor tariff and community-based financing mechanisms which include subsidies or grants. The World Meteorological Organization (WMO) is promoting the development of Early Warnings Systems for a large range of natural hazards, the occurrence of which can jeopardize lives and goods, ruining efforts to improve living conditions, especially those of the most exposed populations who happen to be generally also the victims of lack of social protection.

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8 The OECD Network on Poverty Reduction (POVNET) is a source of expertise and a community of practice on understanding and tackling poverty.
7. ROLE OF SOCIAL PARTNERS

In most countries, social partners do not play an active role on issues related to social assistance; employers may ask what the role of social partners would be in the social protection floor. Social partners could have an advisory role, but not like the one they play in some social security schemes; in most countries, employers’ organizations have an active role in management/supervisory mechanisms. A new ILO instrument may give a more official role to social partners on the issue of social assistance by defining what should be covered by social assistance and by social security. Business community may also better influence social expenditures and the costs to companies.

At national level, the ILO could envisage the setting up of national SPF task forces composed of government representatives, social partners and other stakeholders, and supported by UN SPF country teams to raise awareness; to prepare diagnostics and assessments; and, to propose a country specific approach to the social floor, to identify alternatives, make concrete proposals and monitor and evaluate the results. This approach is constructive and could be supported. The issue of social security coverage may be part of the Decent Work Country Programmes which are the main ILO vehicle for technical cooperation.

8. AFFORDABILITY

The ILO considers that the first component is affordable, firstly given the impact of poverty reduction on the national economy. Secondly, the ILO studies⁹ show that the initial gross annual cost of the overall basic social protection package (excluding access to basic health care) is projected to be in the range of 2.2 to 5.7 per cent of GDP.

Although not yet fully assessed, the WHO estimates as affordable the costs of scaling up health services linked to AIDS, tuberculosis and malaria, as well as access to maternal and child interventions and water and sanitation, recognizing that service delivery is a key component in the overall scaling up of health systems. UNAIDS has also undertaken a number of studies of resource requirements to ensure universal access to necessary services, the most recent showing a cost of only US $4.30 per person in 2010 in 132 low and middle-income countries. The WFP estimates that it would take US$ 3 billion a year to ensure that no child goes to school hungry by providing school meals and take-home rations for those who need it. Recent World Bank analyses point to the fact that school feeding programmes can be designed and implemented in a cost-effective and sustainable way to benefit and protect those most in need of help today and in the future.

While the second component may receive international support, any new mechanism to establish the first component should lead to national and sustainable funding and should not call for international funding. It should leave the issue of funding to national debate. Without questioning the value of the ILO’s studies, fiscal matters are not part of the ILO’s mandate and should be discussed at national level even if the IMF may play a role in some countries.

The business community should not enter into a debate on tax policy and budget allocations at the ILO level, but at national level. Moreover, employers should be mindful of the risk of new fiscal burdens on companies, but a national debate may reallocate resources in a more effective way. Any new mechanism should not go into this debate. This is particularly true in times of crises. The crisis has shown the need to support vulnerable people, but has also shown the pressure on governments to restrict their expenditures in a limited fiscal space. Nor should placing new fiscal burdens on businesses be seen as a solution, as this would risk jeopardising their sustainability in an already challenging global economic context.

A progressive approach to SPF implementation should be adopted as everything cannot be done at the same time. Some governments have developed these kinds of mechanism (e.g. Brazil, Nepal and India)\(^\text{10}\). Flexible mechanisms have been developed with their own funding, for example in Mauritius where companies in the informal economy have established mutual insurance. Nevertheless, the SPF should not encourage people to remain in the informal economy where they may receive the same benefits without paying taxes.

The SPF should not encourage people to remain inactive. Any mechanism should encourage people to work and to enter the formal labour market through incentives or conditionality. The SPF can be a means of introducing incentives to re-enter the labour market (e.g. conditionality of allowances subject to job search on the part of the unemployed person), business may also use it to increase the flexibility and effectiveness of unemployment policies (e.g. flexicurity model in Europe and RSA\(^\text{11}\) (Revenu de solidarité active) in France). Registration with employment agencies to take advantage of unemployment insurance may also be a means to formalize workers. The SPF should be used to combat informality.

\(^{10}\) The UN considers that around 30 countries have established elements of a SPF.

\(^{11}\) See: [http://www.rsa.gouv.fr/](http://www.rsa.gouv.fr/)