Enhancing employers’ involvement in Social Protection policy debates
Pre-course material

Short concept note introducing the concept of social protection and its importance for employers and employers’ organizations.

1 Setting the scene

1.1 What is social protection?
People might face contingencies throughout their life-cycle (such as maternity, illness, sickness, unemployment, work injury, disability/invalidity, old age, and death of the breadwinner), which can cause substantial reductions in income or even a complete loss of earned income. Likewise, families may require medical care, support for their children’s care and education and to meet their basic needs. To meet all these needs at different points in people’s lives, social security is important.

The ILO defines social security as the protection that society provides for its members:

(1) to compensate for the loss of income (or insufficient income) caused by sickness, disability, maternity, employment injury, old age or death of a family member;
(2) to address the lack of (affordable) access to health care;
(3) to provide support to families, particularly for children and adult dependents; and
(4) to address general poverty and social exclusion.

While many associate the term “social security” with social insurance mechanisms and the protection provided for those in the formal economy and financed through contributions, the ILO uses this term to refer to a much broader range of mechanisms to cover the entire population, including programmes and schemes financed by general taxation. This understanding is anchored in the fundamental human right to social security, as outlined in the Universal Declaration of Human Rights.

The totality of schemes and programmes available in a country is referred to as social security system (or: social protection system).

The term social protection has been often used to refer to a broader concept than social security, yet sometimes it is also being used in a narrower sense. For some, social protection describes measures addressing only the needs of the most vulnerable and excluded populations. For others, it includes also protection provided between members of the family and members of a local community. Yet, in many context the terms “social security” and “social protection” may be largely interchangeable, and the ILO in fact uses both terms.
1.2 ... And the Social Protection Floor?
To turn the right to social protection into a national reality and improve the lives of millions of people worldwide, the United Nations (UN) system’s Chief Executives Board for Coordination (CEB) launched the Social Protection Floor Initiative in April 2009.

Social protection floors (SPFs) as defined in LO’s Social Protection Floors Recommendation, 2012 (No. 202) are nationally defined sets of basic social security guarantees that ensure access to essential health care; adequate cash transfers for children; benefits and support for people of working age in case of maternity, disability, work injury, or for those without jobs; and pensions for all older persons.

The Social Protection Floors Recommendation, 2012 (No. 202) is considered the first international legal instrument that explicitly recognizes the triple role of social security as a universal human right and an economic and social necessity.

With the objective of assisting member states in extending social protection coverage to as many people as possible, the Recommendation provides guidance:

(1) in establishing social protection floors as fundamental element of national social security systems; and
(2) in assisting countries in implementing their floors by progressively ensuring higher levels of social security as soon as possible to as many people as possible.

This basic level of protection guaranteed through the Social Protection Floor can be provided through social insurance, tax-funded social benefits, social assistance services, public works programmes, and other schemes guaranteeing basic income security.
Among the many strategies that countries can employ in expanding their social protection programmes and systems, the social protection floor (SPF) approach stands out for its promotion of universal and rights-based social protection coverage.

The SPF approach also highlights the need to consider individuals’ social protection needs throughout the life cycle. Social protection floors should, by definition, ensure, as a minimum, that, over the life cycle, all in need have access to essential social services (such as health care and education) and a basic level of income security.

**Figure 3: The SPF is the minimum level guaranteed at the national level; it is not an additional scheme**

It should be noted that the objective of social protection floors goes beyond the eradication of poverty. By protecting workers against the loss of income originating from unemployment, work injuries and maternity, social protection floors influence positively also the business environment in which companies operate. Protection against this type of risks reduces in fact absenteeism and boosts productivity of workers, generating in turn profitable outcomes for employers. Adequate social security encourages human capital investment from both employers and workers and enables workers to adapt to change.

1.3 How much does it cost?

1.3.1 Social protection: a cost or an investment?

Social protection policies have been neglected for a long time as an effective tool for human development and poverty reduction in low and middle income countries. Next to popular arguments such as cash transfers being only a short term cure at best and creating welfare dependence and negative labour supply incentives, financial affordability arguments were at the forefront in the political discourse. It was commonly perceived that social protection is not affordable for developing countries.

More recently, the discourse has shifted. There is increasing awareness of the potential of social protection policies to reduce poverty and protect individuals and households against shocks that threaten their livelihoods, evidenced, for example, by the global support for the Social Protection Floor
Initiative (ILO Recommendation 202) and the prominent place of social protection in the post-2015 development agenda. Social protection policies are no longer seen as a cost to the economy, but as a source of resilience during economic downturns and as a support for growth and productivity in good times.

1.3.2 Is social protection affordable?
The introduction or extension of social protection policies in low and middle income countries requires substantial funding, while governments face financial constraints and often fear commitment to long-term liabilities. The required financial resources vary per country and depend on the size of the target population and the choice and design of the policy instruments.

Implementing social protection policies entails start-up costs and recurrent costs. Initial start-up investments of several millions of dollars only finance the formulation of strategies and policies, the development of legal frameworks, the identification of sustainable financing mechanisms, and the building of administrative, actuarial and statistical capacities. Many countries may be hesitant to make these initial investments and instead opt for more ad-hoc small-scale and, ultimately, fragmented and unsustainable programmes. Once the system is in place, the recurrent costs (social protection transfers and administrative costs) are to be financed by national sources in a sustainable manner.

A recent analysis carried out by the ILO shows that the recurrent resources needed to operate social protection floors amount to 2.9 per cent of global GDP. This cost varies greatly, however, among countries. For example, in upper-middle income countries the cost is estimated at 2.2 per cent of GDP, on average, while in lower-middle income countries the cost is estimated to represent 5.4 per cent of GDP, on average. The largest relative cost for operating social protection floors was found in low-income countries at 10.7 per cent of GDP, on average. There are also stark differences across regions with highest average relative cost in sub-Saharan Africa. In countries where relative costs are highest, the necessary changes in the allocation of national resources may not be immediately feasible. In these cases, the countries would normally have to start with selected social protection floor components, providing only limited benefits and coverage.

Overall, various simulation exercises showed that the provision of a basic package of social protection is affordable, especially if implemented incrementally. But, as Beattie correctly states, “[t]he real problem with universal schemes is not their aggregate cost ... but the fact that ... they have to be financed from general government revenue and therefore have to compete every year with all the other expenditure priorities of the government” (Beattie 2000:142).

1.3.3 What is the current social protection coverage and what are the gaps?
Despite huge progress made in the field of social protection, nearly 73 per cent of the world’s population still lack access to adequate social protection coverage. More than 90 per cent of the population living in low-income countries remains without any right to coverage in health. Without health protection, the sick finance the cost of health care services from their own pockets which leads

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1 The set of benefits included in the calculation consists of a transfer per child of 12% of the National Poverty Line, a transfer per orphan of 100% of the Line, a non-contributory pension of 100% of the Line to people of age 65 and more and persons with severe disabilities, four months of 100% of Line to pregnant women and the payment of 90 days of work guarantee to one individual per vulnerable household at National Minimum Wage; plus the administrative costs to deliver the programmes.

to impoverishment and delayed access to the services they need. 50 per cent of the world’s children live in poverty and are deprived of their most elementary rights. These children suffer from food deprivation that can be detrimental to their long-term development; they may lack access to education and other basic services and are at greater risk of child labour. A majority of the world’s economically active population does not benefit from any protection in cases of unemployment (88 per cent of unemployed have no unemployment benefits), work-related injury (61 per cent are not covered in case of work-related accidents and diseases), maternity (72 per cent of working women have no access to maternity cash benefits). Nearly half (48 per cent) of all people over pensionable age do not receive a pension, and for those who receive a pension, the pension levels are often inadequate. As a result, the majority of the world’s older women and men have de facto no right to retire and have to continue working as long as they can – often badly paid and in precarious conditions.

2 Why would employer care?

Employers have an important role to play in ensuring social security for their employees. In the context of an employment relationship between employers and employees, employers have several obligations towards their employees throughout the life-cycle under the labour and social security legislation. This can include:

- To compensate for the loss of income in case of maternity, unemployment sickness and work injury;
- To grant to pregnant women a certain numbers of days of leave before and after the pregnancy;
- To provide adequate working conditions as to prevent potential work injuries and unexpected sicknesses;
- To provide immediate assistance in case one of the abovementioned risks occur;
- To provide health insurance coverage;
- To provide for a compensation after the end of the employment relationship, particularly in the case of unemployment or old age.

Some of these responsibilities can be delegated fully or partially to social insurance schemes, which are financed by contributions from employers and workers. Membership in social insurance schemes is usually mandatory and regulated through national social security legislation. Employers have an obligation to ensure the due payment of contributions in order to ensure the protection of their employees.

2.1 What is the role of employers in social protection?

Employers play a key role in the social security system in line with the national labour and social security legislation. Employers are directly responsible for the payment of some benefits (employer liability), such as paid maternity leave or severance pay, paid sick leave, compensation in case of employment injury. In some cases, employers are mandated to take out a private insurance to fulfil some of their obligations, namely in the case of workers compensation for employment injury.

Employers also play a key role in social insurance (e.g. pension insurance, health insurance, unemployment insurance). These schemes are usually financed through employer and worker contributions, sometimes complemented by a direct transfer from the government. Employers are usually responsible for ensuring the due payment of employer and worker contributions for their
employees. Employers are usually represented in the board of social security institutions and participate in the governance and management of these institutions. Employers may also contribute to occupational pension funds and mutual funds, either on a mandatory or voluntary basis.

Although employers are not directly involved in the financing and management of non-contributory social protection schemes, they indirectly contribute to the financing through the tax system.

Many employers choose to provide additional benefits for their employees, realizing that these can attract skilled workers, increase productivity, reduce absenteeism, promote a healthier workforce, and enhance workers’ skills through job-training and lower turnover rates by retaining trained employees. Employers not only invest in the well-being of their own workforce (employees), but also contribute to the communities in which they operate through Corporate Social Responsibility (CSR) or sustainable and inclusive business activities (SIBA).

Many organizations are setting new standards for businesses on better business practices. In the case of SIBA, it is used as a long-term strategy to expand into emerging markets through promoting sustainable supply chains and making business activities inclusive by serving larger and poorer segments of the market. This can be done collectively with foundation, NGOs, impact investors and the government by (as listed by Stanford Social Innovation Review). CSR, however, is typically the direct involvement of corporations in local communities that need its support. Employers utilize their skills through expertise in service delivery, operational efficiency, mobilizing and managing resources, and identifying potential beneficiaries to provide direct support and economic development by partnering with organizations.

2.2 How do employers and workers benefit from investments in social protection?
Social protection policies provide security for workers facing various life contingencies throughout their lifetime. Without proper social protection, life events can have adverse effects on workers’ well-being and productivity, and can cause important costs for the worker and employer.

Looking at Figure 1 above, there are various risks and contingencies during a workers’ life course that can disrupt business operations if not properly managed. However, if an adequate social protection benefits are in place, these may be addressed in a way that benefits both the workers themselves and their employers. Think about in which ways social protection benefits workers and their employers.

Here are some examples:

- Maternity protection plays an important role in protecting the health of both the mothers and children, and can lower turnover and training costs.
- Ensuring effective access to health care contributes not only to maintaining or to improving workers’ health status, but it also contributes to a fully efficient and productive workforce and lowering the costs of work days missed due to illness.
- Employment injury protection ensures access to health care, rehabilitation and income security in the case of a work accident or occupational disease; in the case of collectively financed compensation mechanisms (social insurance) also protects employers from financial risks.

Overall, providing social protection packages attract quality and motivated candidates who are committed to employers.
Social protection provides a better business environment by having access to a more skilled and productive workforce, increased and more stable consumption, positive contributions to local economic development, resilience during economic downturns, political stability, and changes in labour costs. While social protection may necessitate a short-term increase in labour costs initially, the return on investment is substantially higher as social protection reduces absenteeism (through increased participation and decreased sick days), reduces turnover costs (through more efficient skill matching in the labour market an increase motivation) and promotes productivity.

Social protection can have positive effects on consumption and savings, no matter the economic climate. Cash transfers can create multiplier effects, which affect not only the consumption patterns of the participant but also, their extended familial networks. These positive increases in consumption strengthen aggregate demand in any economic climate and through local economies by stimulating more trade and services.

Additionally, social protection allows individuals to take more risky decisions and engage in more productive activities. By building up savings through social protection programmes, individuals have more opportunities to invest in entrepreneurial activities further promoting economic growth and a richer business environment.

Figure 4: Social protection contribution to inclusive growth

Source: ILO World Social Protection Report 2014/15

Please read the IPR-UNDP for detailed discussions on how social protection can contribute to stimulating local economies:

2.3 Why should employers’ organizations get involved in national dialogues on social protection?

Social protection floors are increasingly being developed in many low and middle-income countries around the world. In this process, governments organize national dialogues, often in the form of assessment based national dialogues (ABND), to better understand social protection needs, the strengths and weaknesses of the current social security system in responding to those needs and identify gaps, consider different policy options in terms of costs and expected impact, in order to formulate their social protection floor policy. The participation of employers’ representatives, together with workers’ representatives, as well as other key stakeholders in this decision making process is essential to voice their priorities and concerns and to constructively contribute to the formulation of social protection floor policies.

The participation of employers’ organizations in this dialogue is important. Employers contribute to the financing of public programs directly (through social insurance contributions) and indirectly (through taxes). Taking part in national dialogue on social protection, employers’ organizations can contribute to shaping social protection policies that respond to the evolving needs and capacities of workers and enterprises.

“It is important that representatives of those who are a part of the solution are involved in the system. They will help to ensure that what is put in place is appropriate and sustainable.” Mr. Kris De Meester (Employer, Belgium; Employer Vice Chairperson of the Committee on the Social Protection Floor)

“National strategies to extend social security are closely associated with employment policies. In this context it is essential to promote sustainable enterprise creation and growth of decent and productive employment.” Mr. Patil (Employer, India)

3 Take away messages

✔ Social protection is the set of measures that a society provides for its members to protect them from general poverty and social exclusion, from a lack of income caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member, a lack of affordable access to health care, and insufficient family support particularly for children and adult dependents.

✔ Access to social protection is a public responsibility which is typically provided through public institutions, financed from either contributions or taxes or both. However the delivery of social protection can be and is often mandated to private entities. Moreover, there exist many privately run institutions (of an insurance, self-help, community-based or mutual character) which may complement and largely substitute for elements of public social protection schemes.³

✔ The ILO has played a fundamental role in setting international labour standards guiding the development and extension of social security in its member states;

Despite the impressive progress in the extension of social protection coverage in the last century, only a minority of the world’s population is effectively protected and the human right to social security remains unfulfilled for a large group of people.

Based on the most recent data (from 2011), there has been a worldwide decline in social protection expenditure in terms of GDP, particularly for middle-income and high-income countries. Only low-income countries have increased public social protection expenditure as a percentage of GDP;

With the adoption of the ILO’s Social Protection Floors Recommendation, 2012 (No. 202), the world has taken a significant step forward in the realization of the human right to social security. National social protection floors should comprise basic social security guarantees that ensure effective access to essential health care and basic income security to a level that allows people to live in dignity throughout their life cycle;

By addressing different dimensions of deprivation in an integrated and interconnected way, social protection floors have demonstrated to be a decisive tool for the achievement of MDGs and have been included as fundamental component in the post-2015 agenda;

In more recent years social protection has rapidly gained more importance as a human right and an economic necessity, receiving also the attention of other international organizations and regional bodies (e.g. ASEAN, African Union).

4  Looking for more?

4.1  The basic social security guarantees

To provide as many people as possible with a minimum level of protection against the main economic and social risks, the ILO recommends that, through social protection floors, states put in place a set of fundamental and modest guarantees identified as follows:

1. Access to healthcare  ➔ Health protection coverage is crucial for every human being and for the economy as a whole. The productivity of the labour force strictly also depends on their health, and can be seriously diminished sickness, disability or low life expectancy. Hence, ensuring access to adequate and functioning health services is of fundamental importance. In order for everyone to enjoy access to health care or health services, existing economic, social and cultural barriers should be removed. Moreover, where health infrastructure does not exist or is overburdened and thus inadequate to meet demand, efforts should be made to improve supply.

2. Social protection for all children  ➔ The consequences of poverty for children are more severe than for adults. While an adult may fall into poverty temporarily, a child who falls into poverty may be poor for a lifetime. Even short periods of food deprivation can be detrimental to children’s long-term development. If children do not receive adequate nutrition, they lag behind their peers in size and intellectual capacity, are more vulnerable to life-threatening diseases, perform less well in school, and ultimately are less likely to be productive adults. Social protection measures play an important role in realizing children’s rights, ensuring their well-being, breaking the vicious cycle of poverty and vulnerability, and helping all children to realize their full potential.
3. **Income security during working age** → The majority of people in working age, whether in formal or informal employment, gain their livelihoods through income-generating activities. These people, during their working life, might be exposed to a permanent or temporary loss of income as a result of unemployment, employment injury, disability, sickness or maternity. Social protection policies, coordinated with labour market, employment and wage policies, play the fundamental role of ensuring income security, avoiding people to fall into poverty and helping them to restore their earning capacity after any of the abovementioned contingencies occur.

4. **Income security during old age** → When people get older they can rely less and less on income from employment. With the exception of highly educated professionals that might still enjoy of well-remunerated jobs after they retire, a large proportion of the population face the risk to fall into poverty, if in the absence of

5. **Sufficient social protection measures.** Affordable and inclusive social protection measures, as public pensions, have become important institutional solutions to guarantee income security in old age.

4.2 Selected literature by topic

4.2.1 Social protection floors


4.2.2 Social protection, poverty, and growth


Barrientos, A. 2012. Social Transfers and Growth: What do we know? What do we need to find out?. World Development, 40(1). Available at: http://www.ppge.ufrgs.br/sabino/ecd03/bibl/wd%208.pdf


4.2.3 Social protection and health


4.2.4 Social protection and climate change


4.2.5 Country Note Series


4.2.6 Administration of social protection schemes


