
ESS Extension of Social Security

Multinational enterprises' engagement in extending social security: Examples of practices and challenges

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List of acronyms

BRICS	Brazil, Russia, India, China and South Africa
CEB	Chief Executives Board for Coordination
COMEX	Executive Committee
CSR	Corporate Social Responsibility
HLCF	UN High-level Committee on Programmes
HR	Human Resources
ICESCR	International Covenant on Economic, Social and Cultural Rights
IFA	International Framework Agreement
IUF	International Union of Food workers
ILC	International labour Conference
ILO	International Labour Office
ILS	International Labour Standards
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MNE	Multi-National Enterprise
OECD	Organization for Economic Co-operation and Development
OOP	out-of-pocket payments
SPF	Social Protection Floor
UDHR	Universal Declaration of Human Rights
UN	United Nations
USD	United States Dollars
WHO	World Health Organization

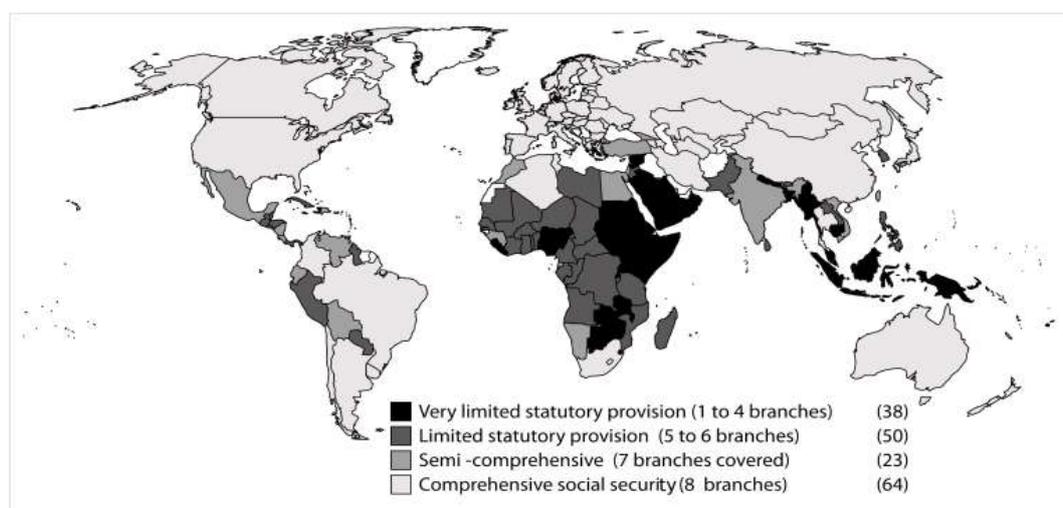
1. Introduction

The global consensus on social protection in the early 2000s and the gradual emergence of the concept of social protection floor (SPF) have sparked interest in social protection on the part of the international community. In parallel, the move towards sustainable business models and sustainable enterprises are increasingly viewed as a necessity by international bodies, States and enterprises themselves as a means to achieve sustained inclusive growth. In this context, the International Labour Office (ILO) started to investigate the relationship between private sector engagement and social protection and released a first working paper on this topic in early 2013 (Tessier and Schwarzer, 2013). The present document aims at further analyzing private sector initiatives related to social protection of workers. This introduction begins by presenting the conceptual approach of the ILO as regards social protection, before providing an overview of the main research findings of the previous working paper that led to this study and the methodology used for its realization.

1.1. The global call for the extension of social protection

Given that an estimated 80 per cent of the world population does not have adequate social protection (SPF Advisory Group, 2011), it can be concluded that many countries lack comprehensive social protection systems. In other words, the coverage people effectively receive can be subject to a number of practical limitations, depending on the country. For example, some groups of people may not be covered, either because no statutory provision entitles them to coverage or because the implementation of statutory coverage does not allow effective access to their rights. In other cases, some contingencies may not be covered, or only covered at levels that are insufficient to effectively mitigate such risks¹. In fact, many countries still have incomplete statutory social protection systems where several contingencies are not covered, as illustrated by figure 1. For instance, some countries have some statutory provisions that cover the risks of old-age or disability for one or several categories of workers but do not have legal provisions providing protection in case of loss of income due to sickness.

Figure 1. Number of branches of social security covered by a statutory social security programme (within the meaning of ILO Convention No. 102), by country, 2012



Source: ILO: World Social Security Report 2013, forthcoming.

¹ For the minimum standards of social security coverage, see the Social Security (Minimum Standards) Convention, 1952 (No. 102).

Still, social protection can contribute to an inclusive society other than just through its ability to mitigate risks at the household level. In particular, it can have many effects on the world of work that help achieve a fairer growth including, among others, improved productivity of labour, reduction of inequalities and improved access to labour markets (SPF Advisory Group, 2011). As mentioned by the SPF Advisory Group in its report: “Social protection represents, in fact, a win-win investment that pays off both in the short term, given its effects as macroeconomic stabilizer, and in the long term, due to the impact on human development and productivity” (SPF Advisory Group, 2011).

In 2009, the Chief Executives Board for Coordination (CEB) of the United Nations (UN), with support from the UN High-level Committee on Programmes (HLCP), adopted the Social Protection Floor Initiative as one of its nine joint initiatives to address the global crisis. The CEB appointed the ILO, in collaboration with the World Health Organization (WHO), as the lead agency for the SPF Initiative. This initiative brings together a coalition of global advisory networks including UN agencies, the World Bank, the International Monetary Fund (IMF) and other organizations and development partners such as regional development banks, bilateral donors and NGOs.

The SPF concept was widely discussed and adopted in various national, regional and international conferences between 2009 and 2012. In particular, the members of the G20 affirmed that the extension of social protection was a necessity in its final declaration in Cannes in 2011². Additionally, the contribution of social protection to the Millennium Development Goals (MDGs) was underlined in the outcome document of the MDG summit in 2010³ and is now on the agenda of the post MDGs discussions⁴. The Rio +20 final declaration also mentions social protection and its role towards sustainable development. This broad international recognition illustrates the growing importance of social protection in the context of sustainable economic strategies, and in particular as regards poverty and inequality reduction.

1.2. Social protection: A human right and a decent work issue addressed by ILO instruments

Ever since its creation in 1919 the ILO has considered social protection a central issue, and has included it at the heart of its mandate. The recognition of the right to social security has been developed through universally negotiated and accepted instruments that establish social security as a basic social right to which every human being is entitled. On this basis, the ILO has developed a number of in-depth instruments, exposed later in this paper, to fulfil this human right in the world of work. Playing a leading role in the renewed global recognition of social protection as both a right and a socio-economic necessity, the ILO recently developed a new instrument.

² The G20 Labour and Employment Minister’s Conclusions, the G20 Development Working Group Report and the G20 Cannes Summit Declaration, in September and November 2011. Accessible : <http://www.g20.utoronto.ca/summits/2011cannes.html>.

³ Accessible : www.un.org/en/mdg/summit2010/pdf/outcome_documentN1051260.pdf.

⁴ See: United Nations Economic Commission for Africa (ECA), International Labour Organisation* (ILO), United Nations Conference on Trade and Development (UNCTAD), United Nations Department of Economic and Social Affairs (UNDESA), United Nations Children's Fund (UNICEF), United Nations System Task Team to support United Nations system-wide preparations for the post-2015 United Nations development agenda: *Social protection: A development priority in the post-2015 UN development agenda* (2012).

Stemming from various national, regional and international tripartite meetings on social security extension strategies, a generic two-dimensional strategy to extend social security began to emerge. This strategy was set out in the Resolution and Conclusions the International Labour Conference (ILC) adopted in its 100th Session in June 2011, where the right and social and economic need of social security was again reaffirmed⁵. The ILC further recognized that closing coverage gaps was of highest priority for equitable economic growth, social cohesion and Decent Work for all women and men, and thereby called for the extension of social security coverage through a two-dimensional approach, with a view towards building comprehensive social security systems. This recognition was converted into the adoption by representatives of governments, trade unions and employers from the 185 ILO member States of the Social Protection Floors Recommendation, 2012 (No. 202), at the 101st Session of the ILC in June 2012.

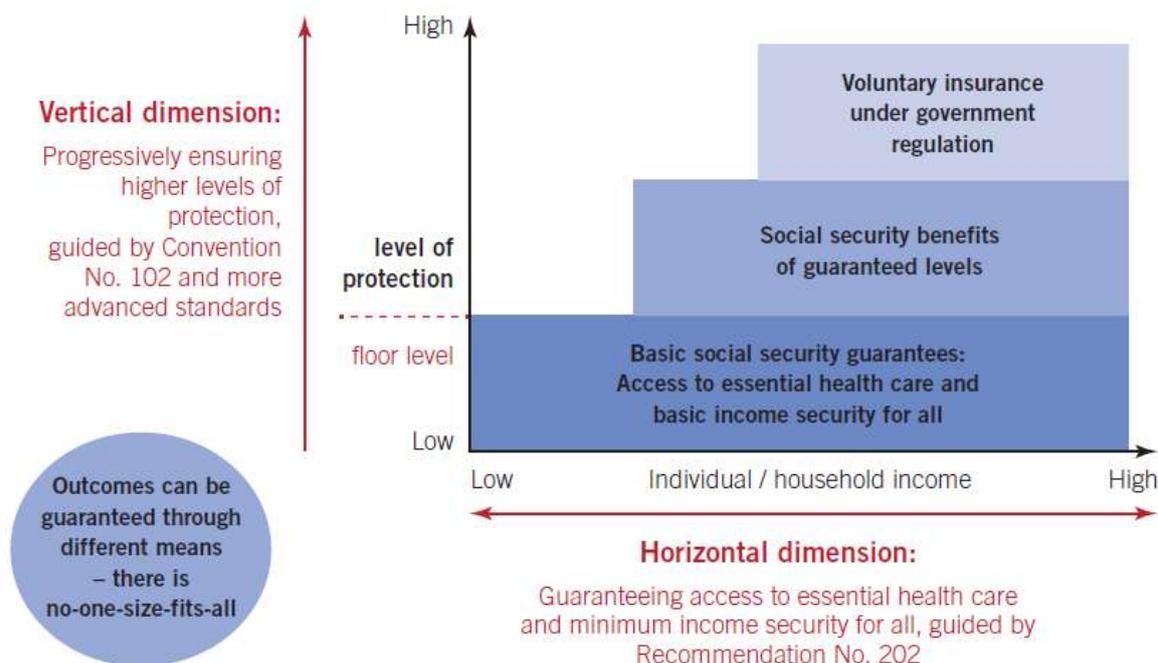
The two-dimensional strategy for the extension of social security, as defined in the Resolution and Conclusions of 2011 and further strengthened by Recommendation No. 202, comprises the following elements:⁶

- establishing and maintaining social protection floors as a fundamental element of national social security systems (*horizontal dimension*); and
- pursuing strategies for the extension of social security that progressively ensure higher levels of social security to as many people as possible, guided by ILO social security standards (*vertical dimension*).

Figure 2. ILO two-dimensional strategy for the extension of social security

⁵ International Labour Organisation: *Resolution and conclusions concerning the recurrent discussion on social protection (social security)*, report of the Committee for the Recurrent Discussion on Social Protection, International Labour Conference, 100th Session, Geneva, 2011.

⁶ Recommendation No. 202, Paragraphs 1 and 2. See also the conclusions of the *Report of the Committee for the Recurrent Discussion on Social Protection*, Paragraphs 8–14, International Labour Conference, 100th Session, Geneva, 2011.



Source: ILO, 2012.

1.3. Social protection and Multi-National Enterprises (MNEs): Overview of research findings

The global social protection coverage gap mentioned earlier, with approximately 80 percent of the world population not enjoying adequate social protection coverage, has direct consequences on the workforce of multinational enterprises. It translates into a lack or an insufficient coverage of workers and their families when a contingency occurs, such as illness, disability or maternity. This situation impacts global business mainly in two ways:

- First, it makes the workforce vulnerable to life contingencies. For example, a worker who does not benefit from an adequate coverage as regards medical care might not seek treatment because of the related costs, see his health condition deteriorate and finally might not be able to perform or even attend work.
- Second, it can create discrepancies in the social protection offered to workers within the same company across the different countries of operation. Indeed, since such differences exist between national legal provisions and infrastructure related to social protection, workers of the same MNE may enjoy radically different levels of protection.

The exploratory study (Tessier and Schwarzer, 2013) revealed that a number of MNEs actually identified those two challenges and had developed responses. This study first conducted a thorough literature review on the subject, which revealed that the research community had left the subject yet unexplored. Then, it identified the possible conceptual framework for the contribution of enterprises to the extension of social protection, and especially to the ILO two-dimensional strategy for the extension of social security. In particular, two types of contributions were identified: compulsory and voluntary. First, companies must comply with mandatory obligations:

-
- Pay social insurance contributions that allow the national social security system to work.
 - Pay general taxes, a portion of which can be assigned to social assistance.
 - Participate, through their representative organizations, in national dialogues on social protection extension.

Second, companies can further their commitment and contribution to socio-economic development by taking into account social protection in company policies (Corporate Social Responsibility (CSR), Human Resources (HR), etc.). Possible ways that this can be done are through direct and indirect voluntary contributions. Direct voluntary contributions can include:

- When considered insufficient, supplement national legal obligations concerning workers' social protection with complementary benefits. The discussion on the extension of social security can be part of social dialogue between head office, HR and workers and their representatives.
- Offer on-site corporate facilities (healthcare facilities, for instance), as part of a broader accessibility strategy, and ensure that these facilities are aligned with national systems whenever possible.
- Monitor efficiently the workers' social protection and ensure transparent communication in corporate reporting on both mandatory and voluntary aspects, including within social dialogue frameworks.

Indirect voluntary contributions or effects may include:

- Incentives for suppliers to comply with national social security obligations within companies' strategies for the responsible management of supply chains. This could have the potential to contribute to the formalization of employment.
- A potential domino effect (e.g. driving competitors to align their social protection offer) could occur.

After shedding light on this possible conceptual framework for MNEs contribution to the extension of social protection, the study sought to verify whether those various contributions were identified by companies. An analysis was conducted on International Framework Agreements (IFAs) – 100 IFAs existed at the time of the study⁷ - and the public reporting of over 100 listed MNEs for the years 2010 and 2011. It revealed that six IFAs⁸ include provisions on social protection for their workers, one IFA mentions social

⁷ To access the complete list of International Framework Agreements, see the following database: <http://ec.europa.eu/social/main.jsp?catId=978>.

⁸ European Aeronautic Defence and Space Company (EADS)/EADS European Works Council (EWC)/International Metalworkers' Federation (IMF) and European Metalworkers' Federation (EMF), EDF/ International Confederation of Energy, Mining & General Workers Unions (ICEM), Public Services International (PSI), International Energy and Mines Organization (IEMO), International Federation of Municipal Engineering (IFME) and national unions, PSA Peugeot Citroën/ International Metalworkers' Federation (IMF) and European Metalworkers' Federation (EMF), Rhodia/ International Confederation of Energy, Mining & General Workers Unions (ICEM), GDF Suez/ International Confederation of Energy, Mining & General Workers Unions (ICEM), and Danone/ International Union of Food (IUF).

security obligations as regards its providers⁹ and 25 per cent of the companies of the Standards and Poor's 100 index¹⁰ report on social protection issues either through their annual reports or CSR reports. All six IFAs mentioning social protection are signed by MNEs that were originally based in France. This finding led to carry out a survey of 15 MNEs originally based in France regarding the social protection of their workers worldwide¹¹.

The survey revealed that the two first direct voluntary contributions had been identified by a number of MNEs (supplement legal coverage and provide on-site facilities). It also demonstrated that two types of strategies could be identified:

- A global strategy: there is an *a priori* decision of corporate management to provide an internally defined minimum level of social protection to all workers. Such a policy decision is often a decision of principle. The company will then identify the benefits to be provided at an early stage, without necessarily having any previous knowledge of what already exists in each subsidiary. Then, it will define what it considers a minimum level of protection for those benefits that all its workers should enjoy, produce guidelines accordingly and follow-up the implementation in its subsidiaries.
- A progressive harmonization of benefits strategy: in this case, the approach is generally more progressive and less centralized. Accordingly, the risks to be covered are not defined *a priori*, nor are desired minimum levels of protection given. Based on an inventory of existing coverage in each subsidiary, harmonization will occur as opportunities arise (expiration of a contract with an insurer, etc.).

The present document intends to follow up on the above-mentioned exploratory study by documenting further the first type of strategy in a more linear manner¹². Indeed, the first strategy sets internal minimal levels of protection for all workers, which raises a number of questions on why and how such companies do it. Before going further, it is necessary to distinguish clearly: on the one hand, when States and international organizations set minimal levels of social protection and essential healthcare packages; and on the other hand, when some MNEs internally set what they consider a minimum level of protection that all their workers should benefit from if some defined contingencies occur. The two are completely distinct and not necessarily inter-related. In the present study, when referring to companies' initiatives, the authors refer to the latter. This distinction is paramount to the understanding of the present study and is at the origin of the research question.

When States and international organizations set minimum levels of protection and essential healthcare packages, they use the terminology "minimum" so as to ensure at least

⁹ GDF Suez/International Confederation of Energy, Mining & General Workers Unions (ICEM).

¹⁰ An index calculated by the Standard & Poor's rating agency, the S&P 100 includes the 100 largest global companies listed on US stock exchanges and included in the SP 500 index. These companies are characterized by both their turnover and the extent of their global implantation.

¹¹ For the complete methodology, list of enterprises and transcriptions of interviews, please refer to Tessier and Schwarzer, 2013.

¹² The exploratory study was built following the various steps companies were following when acting upon their workers' social protection (motivations, stocktaking, implementation, monitoring and evaluation), which means that companies' experiences were mentioned along those lines and not in a linear way from the company's perspective. The authors thought that presenting linear case studies would allow for deeper comprehension of intra-enterprise coherence on this type of strategy.

a nationally or internationally acceptable and defined minimum level of protection and explicitly allow higher levels of protection. When companies use the terminology “minimum level”, they refer to the fact that the minimum levels they set internally are subject to national legislation and might in fact, in many subsidiaries, be higher (for example in some countries of operation the legislation provides benefits that are higher than this enterprise-defined minimum level, in which case the legal coverage will prevail). Indeed, MNEs recognized explicitly in their strategies that legal obligations as regards social protection levels prevail over their own strategy (e.g. when the provisions of local legislations are higher than the minimal level of protection set internally by the company, the subsidiary abides by the law and does not need to complement the national scheme).

The present study aims at documenting why (motivations, business case) and how (process, impact) MNEs develop such global strategies on the social protection of their workers and highlighting what could be the related issues as regards the interaction between those strategies and the national strategies for the extension of social security. To this end, it presents and analyzes two case studies of MNEs which undertook such a global strategy. The methodology used to build the case studies was mainly through press reviews and interviews led all through 2013. The authors also had access to a number of internal documents provided during the interviews. The list of people interviewed and accessed documents are available in appendix. The references used for the analysis are listed in the bibliography and a glossary is made available in the appendix as regards technical terminology used in the document.

The following chapter presents the two case studies. The first case study is about Danone, the food and water company, and its global strategy and international commitment to ensure an internally set minimum level of protection as regards disability or survivors and medical care benefits. With regards to the latter, Danone launched its strategy in 2010 through the Dan’Cares programme; the principles, process and challenges as well as some elements of local implementation are described in the case study. The second case study concerns L’Oréal, the cosmetics company, and the recent formulation of its global strategy aiming at ensuring internally a set of minimum levels of protection as regards various types of benefits (medical care, sickness, maternity, paternity, disability and survivors)¹³. The reasons for selecting these two companies are threefold. First, they had a global strategy regarding social protection of their workers, second, they were at different stages of implementation (Danone has three years of implementation whereas L’Oréal will start implementing in 2014) and, third, because they agreed to disclose the necessary information. Finally, the last part of the study sums up the lessons learned from the case studies in terms of business case for social protection at MNE level, and brings the subject into the context of the ILO framework. Then, it describes pertinent instruments regarding social protection and private sector engagement, before attempting at raising issues as regards the interaction between the strategies developed by MNEs and national strategies for the extension of social security.

¹³ The types of benefits chosen by both companies follow the pattern presented in the first exploratory study (Tessier and Schwarzer, 2013) whereby multinational enterprises do not seek to develop such global strategies for pensions or unemployment benefits. The former could be because it implies a long-term financial liability or because it is a contingency already quite often integrated in national statutory provisions (according to the respondents of the first study). The latter is also a pattern when looking at the statutory provisions across countries.

2. Case studies

2.1. Danone and the Dan'Cares programme

Antoine Riboud took the leadership of two merged glassmaker companies in France in 1966, which originated the progressive creation of Danone. The newly formed company progressively became the first glass seller in France and then started a process of exogenous growth, progressively acquiring other companies. In the 1970s, the company started its beverages and infant food activities through new acquisitions in France, Belgium and Germany. From this period on, the company also began developing the foundation of a strategy regarding its social policy¹. By the end of the 1970s, the company took the decision to pull out of flat glass and focus solely on food; it also started its international expansion with the new single European market and became Europe's third largest food group in 1986. Dannon, the US subsidiary of Danone, was bought in 1981 and in the early 1990s, the company began expanding in eastern European markets and progressively in the rest of the world, especially in emerging markets. The value of sales outside Europe almost tripled between 1989 and 1995². In 1994, the company took the name "Groupe Danone"³ in order to disseminate a unified image. Over the years, Danone has become a major³ multinational company specialized in food and water and listed in the French stock market. Danone has four main business units: dairy, water, early life nutrition and medical nutrition, each business unit counts several brands and reflects the organization at country level (though in some countries not all business units exist). Danone is now operating in 80 countries with a €20.9 billion turnover and 102,401 employees worldwide in 2012.

2.1.1. Issue and expected outcomes

In line with the "dual economic and social project" defined in 1972, and since 2000 the company had formalized "Fundamental Social principles", it led to the redefinition of the company's strategy in order to face the sustainable business development challenges of the new millennium. In 2010, the company decided that its employees' social health

¹ See *Building Danone, Danone global panorama special issue*, first published in 1996, and especially: "The Group clearly stated its commitment to human progress and business success as two aspects of one and the same goal in 1971, and in 1974 it outlined five recommendations to give concrete form to this project. In 1978, the recommendations were the basis for the definition of five priorities for business and social policies, stressing the need to limit the impact of staff reductions as far as possible, to promote wage policies favoring employee motivation, to develop forward-looking human resource management aimed at satisfying employee aspirations as well as business needs, to simultaneously improve working conditions and business performance, and to flesh out communications with employees and their representatives. This was followed in 1986 by the publication of *Le double projet de l'an 2000*, which included a call for employee participation in major change and day-to-day decisions, as well as for new profit-sharing agreements to give employees a stake in the results of the business. (...) Speaking at the national conference of the French employers' association in Marseille in 1972, Antoine Riboud told his peers that there could be no growth without quality of life, calling on them to "reduce excessive inequalities in living and working conditions"."

² Sales outside Europe were already up from only FRF 4 billion in 1989 to FRF 11.5 billion in 1995 (FRF = former French francs).

³ In 2012, as regards sales, Danone was world number one in fresh dairy products, world number two in bottled waters, world number two in baby nutrition, European number one in medical nutrition. For more details, please see: <http://www.danone.com/en/company/introduction.html>

protection should be a priority since it is closely related to the company's mission: "Bring health through food to the largest number of people". The decision to internally establish a minimum standard of medical care protection for all employees worldwide was taken as a decision of principle by the direction of the company (COMEX – Executive Committee). As illustrated hereafter, the company chose to ensure an internally defined minimum level of protection for all workers as regards disability and survivor's benefits on the one hand, and as regards medical care through the Dan'Cares programme on the other hand. The premise behind the Dan'Cares programme was that it would be a contradiction if workers did not benefit from at least internally defined minimal medical care coverage when the mission of the company was integrally related to health.

The strategy developed through the Dan'Cares programme was part of a broader conception of the company's responsibility developed and promoted by COMEX. The long-term vision is that placing human capital at the heart of the company will bring economic prosperity as well. The first expected outcome was the alignment between the Group's mission statement and its HR policy worldwide. The other expected outcomes were set after the stocktaking phase, since it was a decision taken on principle and at the beginning the company had little visibility on the actual social health protection (on both statutory and complementary basis) that was provided to workers in each country of operation. With the knowledge and distance the company now enjoys, it is possible to set a few other expected outcomes of the Dan'Cares programme. Firstly, the competitiveness of the firm and its strategy to set itself apart as a responsible company among the world's multinationals. As such, Dan'Cares is part of the firm's social responsibility policy. Other possible outcomes relate more closely to HR policy (i.e. the attractiveness of the company, its capacity to retain talents as well as its capacity to build a positive and productive work environment, etc.).

2.1.2. Global approach

Stocktaking

Between February and June 2010, Danone took stock of the health care and maternity care insurance that was provided to its workers in 56 subsidiaries in 15 countries⁴. These countries were selected because together they represented 85percent of Danone's employees at that time. Three criteria were used to map and assess the social health protection provided to employees:

- the quality of healthcare providers⁵;
- the accessibility (in terms of both geographical distance and waiting time) of healthcare providers;
- the out-of-pocket payments (OOP) borne directly by workers.

⁴ Brazil, Russia, USA, China, Indonesia, Argentina, Turkey, Mexico, Saudi Arabia, UK, Poland, Spain, Germany, France and the Netherlands.

⁵ Healthcare provider can be defined as "A person or a health facility that provides health care to a patient. Examples include doctors, pharmacists, surgeons, midwives, nurses, health centres, hospitals, etc." (International Labour Organisation Geneva, STEP Programme, 2005).

A questionnaire was sent to the HR services of each of the 56 subsidiaries so they could perform a self-assessment. Danone also contracted a consulting company in order to go through the responses, challenge them (exchange back and forth with the subsidiaries in order to obtain the most objective assessment possible) and analyse them. Few elements of benchmark regarding market practices (i.e. collection of the levels of protection offered by other companies in the same country) were collected and taken into account since at the time, the objective was to get a picture of the position of each subsidiary against the ambitions of the Dan'Cares programme (that were already set) and not against competing companies.

Definition of internal minimum levels of protection

The Dan'Cares programme provides guidelines that set an internally defined minimum level of medical care protection covering all employees (permanent and temporary) meeting the following criteria:

- the composition of the minimum health care package is: inpatient, outpatient and maternity care as well as basic medicine;
- the minimum accessibility criteria are: provide accessible, quality care at an affordable price (the out-of-pocket payment borne by the worker should not be over 20 percent of the total cost of care).

In other words, the Dan'Cares programme guidelines define the provided coverage as follows ⁶:

- scope: complementary medical care;
- extent: all employees (permanent and temporary);
- level: at least 80percent of the cost of inpatient, outpatient and maternity care in geographically accessible facilities as well as basic medicine are covered (the out-of-pocket payment borne by the worker should not be over 20 percent of the total cost of care).

International commitment

The Dan'Cares programme was one of the topics developed through the social dialogue led between Danone and UITA. In 2011, Danone and UITA signed an IFA, which included both the commitment in terms of invalidity and survivor's benefits and the provisions of the Dan'Cares programme as regards medical care. This allowed for an institutionalization of the programme, and was the only time (to date) a multinational enterprise and a global union agreed on a detailed health insurance minimum package for all employees.

⁶ See the International Labour Organisation definition of coverage in *ILO: World Social Security Report 2010/11* (Geneva, 2010), p. 22.

Figure 3. Extract of the Danone-IUF international framework agreement on health, safety, working conditions and stress, 2011

“Danone considers that its health mission must be reflected primarily in actions for the benefit of its employees. To this end, Danone has taken a number of initiatives (Health@Work, Dan’Cares). Health@Work actions are designed to inform and make Danone employees aware of better health through dietary habits and physical activity, etc.). Similarly the Dan’Cares action plan is intended to provide minimum medical cover for all employees, primarily by ensuring that fundamental needs (hospitalization, maternity, medical consultations) are covered by local schemes and/or insurance cofinanced by Danone companies and its employees, at a cost and of a quality and accessibility above or at least equal to those offered by other locally established international groups.

The application of the Dan’Cares action plan could be the subject of dialogue between the trade unions and/or staff representative bodies. Subject to local legislation, where staffs are asked to contribute, the introduction of medical care cover shall be the subject of negotiation.

Employees of all Danone companies shall be covered under a disability/life insurance scheme.”

Source: Danone-IUF international framework agreement on health, safety, working conditions and stress, 2011.

As regards disability and survivor’s⁷ benefits, the internally set minimum level is equal to one year growth salary in the form of a lump sum. The rest of this case study focuses on the Dan’Cares programme which relates to medical care benefits since the process for defining the minimum level of protection and implementing it was far more complex⁸.

Implementation mechanisms

The implementation was progressive. The process undertaken by each subsidiary when joining the Dan’Cares programme is the following: conduct the assessment, undertake a gap analysis (where are we in comparison to Dan’Cares guidelines) and elaborate and implement an action plan by the end of which the level of protection enjoyed by workers complies with Dan’Cares guidelines. After the assessment and gap analysis, each subsidiary has to provide a yearly action plan that it has to follow and report on to headquarters. In this plan, the subsidiary has to detail the local needs the new medical care benefits will respond to (what is already covered by the national health insurance, if any, what is already covered by a complementary plan, if any, and what will be covered through the new plan). The action plan also details how the medical care insurance will be financed, including if the subsidiary will need financial support from headquarters to start the implementation.

The programme is result-oriented; each subsidiary is free to choose its own implementation mechanism. The new medical care insurance can be made available through a private insurer, a pooling of insurers, a mutual health fund, etc. Each subsidiary is also free to go beyond the minimum medical care package and accessibility criteria set by Dan’Cares guidelines. Still, harmonization between the subsidiaries of the same country is encouraged with a view to reduce costs and facilitate staff mobility. For instance, in

⁷ Though the International Framework Agreement mentions “life insurance”, the international terminology (as defined by International Labour Organisation Convention No. 102) for the guarantee covered is “survivor’s benefit”.

⁸ According to our interlocutors at Danone, many countries of operation already had statutory obligations and / or many subsidiaries already had complementary benefits in place that met this internally set minimal level when the International Framework Agreement was signed. Also, put in place such benefit is easier for the subsidiaries than medical care benefits (it is easy to see whether or not they meet the requirement and subsequently (re)negotiate their insurance policy accordingly).

Mexico, all Danone subsidiaries have the same insurance provider, which both facilitates mobility of the workforce and increases the negotiation power with the insurer.

In 2010, 15 countries were part of the stock taking. In 2011, of these 15 countries, the ones that were not in line with Dan'Cares ambition (i.e. eight countries) launched action plans (17 subsidiaries representing 30 000 employees⁹). In 2012, the self-assessment exercise was conducted in almost all subsidiaries of the company in all countries of operation with the exception of a few small business units representing roughly 10,000 workers. At the time:

- 50 percent of the staff was covered in line with the Dan'Cares guidelines;
- 25 percent of the staff was in a subsidiary that was undertaking an action plan to progressively get in line with Dan'Cares guidelines; and
- the remaining 25 percent of the staff was in subsidiaries that were neither offering coverage in line with Dan'Cares guidelines nor undertaking an action plan to be in line with Dan'Cares guidelines.

By the end of 2013, 70 percent of the staff will be covered in line with Dan'Cares guidelines. In total, 90 percent of the staff will be either benefitting from a plan at Dan'Cares level or in the process of doing so since its subsidiary is currently undertaking an action plan with that aim. The initial objective was to reach total coverage by 2013 but the target changed after two substantial acquisitions. Indeed, the initial target was set before Danone acquired several new subsidiaries, including one in Russia with over 15,000 workers.

Financing mechanism

Two main elements have to be considered when examining the financing mechanisms: first, the financing of contributions or premiums (who pays the insurance?) and, second, the level of financial coverage at the point of service (what percentage of the cost of care, if any, still has to be borne by the beneficiary?).

- regarding the payment of contributions or premium related to the complementary healthcare insurance, headquarters does not impose a given mechanism. Each subsidiary is free to establish the mechanism that best suits the context in relation with workers representatives. In concrete terms, this means that the cost of contributions or premium can be either shared between employer and workers or borne exclusively by the employer (here, the subsidiary). Regarding the former option, it is often mandatory to consult with workers representatives;
- regarding an eventual co-payment by beneficiaries to the healthcare provider (out-of-pocket payment at the point of service), it cannot exceed 20 percent of the cost of care, as defined in Dan'Cares guidelines.

Eventually, each subsidiary will have to integrate the cost of the programme into its own budget so as to ensure the programme's sustainability. In order to facilitate that process, headquarters created a fund ("Dan'Cares acceleration fund") that helps subsidiaries kick-start the programme and which is provided for a maximum two-year period. This fund aims at covering part of the costs related to the implementation of the new complementary healthcare insurance until it is progressively integrated in the budget

⁹ Saudi Arabia, Brazil, China, Spain, Indonesia, Mexico, Poland, Russia.

of the subsidiary on a sustainable basis. To benefit from the fund, the subsidiaries have to introduce their action plan to the Dan'Cares Acceleration Fund Committee.

Monitoring mechanisms

Headquarters follow the action plans put in place by the various subsidiaries. A focal point within the compensation and benefits unit of Danone headquarters supports the various subsidiaries when they decide to take part in Dan'Cares, validates and monitors the action plans as well as ensures the follow-up of the requests to benefit from the acceleration fund mentioned above. Headquarters also collect the feedback from employees through global opinion pools undertaken every two years by the company and called Danone People Survey. As of last year, one specific question on access to healthcare has been included in the survey - which already contained many general questions on workers satisfaction and well-being at work - in order to monitor more closely the impact of Dan'Cares on access to healthcare for workers. At headquarters level, the various action plans of the subsidiaries are monitored and in some cases, Dan'Cares programme results are consolidated. As the above-mentioned data indicates, the indicators consolidated at headquarters inform periodically on:

- the proportion of workers enjoying a level of protection in line with Dan'Cares guidelines;
- the proportion of workers in subsidiaries which have an action plan, as well as the number of action plans;
- the proportion of workers still to be covered by a protection in line with Dan'Cares guidelines and the subsidiaries which still have to come up with an action plan.

Still, this process is not automated; there is no systematic and computerized global monitoring mechanism of key consolidated indicators on coverage (such as total number of insured population including dependent beneficiaries where applicable, coverage rate, etc.) or on impact (improvement in employees' health, improvement in productivity, etc.).

2.1.3. Examples of local implementation

Since Dan'Cares has now several years of implementation in some subsidiaries, it is of interest to try and analyze how the programme is locally implemented and why. With this question in mind, two countries of operation of Danone were selected: Mexico and Indonesia. The criteria were: the existence of a significant gap between the local situation and Dan'cares guidelines before 2010 (start of the programme), the early start of the implementation and the availability of the subsidiary to be interviewed and to disclose related information.

In order to provide some background on the local statutory provisions, the following figure gives a rapid overview of the legal provisions regarding medical care, maternity and sickness benefits in each country (for more details, refer to the appendix). Another element to be taken into account (and maybe to balance the following information on statutory coverage with an indicator which gives information on the financial consequences of the shortcomings of effective coverage on households) is the out-of-pocket health expenditure (what households actually pay for healthcare from their own pocket). In Mexico, the OOP represented 47 percent of the total health expenditure in the country in 2011 (accounting for US\$33,086 millions). In Indonesia, the OOP represented 50 percent of the total health

expenditure in the country in 2011 (accounting for US\$11,483 millions) (World Health Organization National Health Account database ¹⁰).

Figure 4. Overview of the legal provisions regarding medical care, maternity and sickness benefits in Mexico

Contingency	Scope of coverage	Benefit package	Payment of Benefits	Entitlement Conditions
Medical Care	<p>1. <i>Social Insurance</i>: All private sector employees; members of cooperatives, pensioners and eligible dependents as well.</p> <p>2. <i>Social assistance</i>: provides medical services to needy people who do not have access to social security services, especially in rural and marginalized urban areas.</p>	<p>1. Social Insurance:</p> <ul style="list-style-type: none"> ■ Outpatient care: <ul style="list-style-type: none"> - General care - Specialist care - Dental - Laboratory services ■ Inpatient care: <ul style="list-style-type: none"> - Surgery - Hospitalization - Care in convalescent home ■ Maternity care ■ Medicine 	<p>1. <i>Social Insurance</i>: No co-payment (service is free in all empanelled facilities).</p>	<p>Medical services are normally provided directly to patients through the health facilities of the Social Security Institute; the Institute reimburses the costs of services when it cannot provide them directly. Medical benefits for dependents are the same as those for the insured.</p>
Maternity	<p>1. <i>Social Insurance</i>: All private sector employees; members of cooperatives and dependents for medical benefits</p> <p>2. <i>Social assistance</i>: Oportunidades program provides medical services to needy persons who do not have access to social security services, especially in rural and marginalized urban areas.</p>	<p>1. Cash benefit: 100 percent of the insured's covered monthly earnings.</p> <p>2. Medical benefits: maternity care provided through the health facilities of the Social Security Institute.</p>	<p>1. Cash Benefits: 42 days before and 42 days after childbirth.</p>	<p>1. Cash benefits: at least 30 weeks of contributions in the 12 months before the benefit is first paid. Insurer must not work for 42 days before and 42 days after childbirth.</p> <p>2. Medical benefits: must be currently insured, a pensioner or eligible dependent</p>
Sickness	<p>All private sector employees; members of cooperatives</p>	<p>60 percent of the insured's covered monthly earnings at the onset of the illness is paid after a three-day waiting period</p>	<p>Up to 52 weeks, may be extended to 78 weeks</p>	<p>At least 4 weeks of contributions immediately before the incapacity begins</p>

Source: table elaborated by the authors, data sources detailed in appendix.

¹⁰ Accessible at the following address: <http://apps.who.int/nha/database/DataExplorerRegime.aspx>.

Figure 5. Overview of the legal provisions regarding medical care, maternity and sickness benefits in Indonesia

Contingency	Scope of coverage	Benefit package	Payment of Benefits	Entitlement Conditions
Medical Care	Social insurance (Jamsostek) for: Employees of firms with 10 or more employees or a monthly payroll of at least 1 million rupiah Employees with labour contracts of less than 3 months are excluded. Medical benefits are paid to dependents (dependent spouse and up to 3 dependent children who are unmarried and unemployed and younger than 21) Employees with employer-provided benefits that are more comprehensive than those provided by the Jamsostek program are exempt.	<ul style="list-style-type: none"> ■ Primary and specialist consultations ■ Hospitalization ■ Medicine ■ Emergency ■ Dental and Eye Care ■ Medical maternity care for up to 3 children, up to 500,000 for each ■ Cost of eyeglasses, hearing aids, and prostheses are reimbursed up to a maximum 	Inpatient care is provided for up to 60 days a year	Must register with a primary care provider who is under contract with Jamsostek. Referrals are necessary to access specialist and inpatient care (except for emergencies). Medical benefits for dependents are the same as those for the insured.
Sickness		No cash benefits are provided		
Maternity		No cash benefits are provided		

Source: table elaborated by the authors, data sources detailed in appendix.

Mexico

In 2013 all Mexican subsidiaries of the Danone company¹¹ were part of the Dan’Cares programme and had put in place social health protection in line with Dan’Cares guidelines for their 14,900 employees. The first Mexican subsidiary to put in place the programme was Bonafont in 2011. Bonafont anticipated a reduction in staff turnover as a potential outcome of the programme; at the time the company had high staff turnover. Indeed, social health protection corresponded to a need expressed by employees. The other two subsidiaries both joined in 2013.

In the Mexican context, Danone is one of the few employers who provides such complementary medical care coverage for all its employees, and particularly to both managerial and non-managerial positions. When undertaking the stocktaking, this was not identified as a local practice. The stocktaking phase brought to light the fact that the main gap to be filled in order to be in line with Dan’Cares guidelines concerned the accessibility and quality of care. As mentioned in the table above, the national mandatory scheme in Mexico comprises a comprehensive package (with both inpatient and outpatient provisions) in the related public facilities. Danone employees reported uneven quality and accessibility levels of those providers. Many employees reported that they sought medical care in private facilities at their own expenses.

¹¹ Bonafont for the water business line, Danone de México for the fresh dairy products business line and Danone Medical Nutrition Mexico for the medical nutrition business line.

The change brought by Dan'Cares is the fact that now employees have the choice of healthcare providers. Danone pays their contributions to both the national health insurance scheme, which ensures employees access to public facilities, it also pays their premium to a private health insurance, which ensures employees with access to private facilities. The latter is in line with Dan'Cares guidelines ¹²:

- inpatient and maternity care are covered with no out-of-pocket payment;
- outpatient care is covered with low out-of-pocket payment (the level of OOP depends on the medical act but does not go beyond 20 percent of total cost threshold set by Dan'Cares guidelines);
- there is a third party paying mechanism as well as a zero co-payment policy put in place with empanelled hospitals.

The company pays 100 percent of the cost of private insurance premiums for workers. The scheme does not cover dependents for the moment. Danone subsidiaries in Mexico conduct a bid every year to select a common insurance provider. All the country business units benefited from the headquarters fund dedicated to kick-start the implementation of the Dan'Cares programme during the two first years of implementation. In the case of Bonafont, it financed a third of the costs during the first year, then 20 percent for the second year.

Since the plan is paid entirely by the company and the Dan'Cares programme was part of a global decision of the Group, it was not integrated as a subject of negotiations with the local unions. Still, in Bonafont for instance, the union (which is affiliated to the UITA) was a key partner in the implementation of the programme, especially regarding awareness-raising efforts and communication with employees regarding their new benefits.

The main challenges faced by the programme in its local implementation were related to communication. Though an important effort was made when the programme started, including the intervention of the insurance provider on site, some workers are still unaware of the extent of their benefits. The HR staff of the company noted that, rather than just incorporate a communication effort at the beginning of the programme, regular communication and updates were necessary.

The main success of the Dan'Cares programme in Bonafont was to demonstrate that there was a business case for such complementary social health protection at the enterprise level, which helped the dissemination of the programme in other Danone entities. Indeed, in the case of Bonafont, the programme has demonstrated that it is a win-win situation for both employers and workers and it reached financial sustainability. When the programme was implemented, staff turnover dropped 30 percent in a year and employees expressed their satisfaction through the regular opinion survey. The drop in staff turnover is an important positive effect of the programme since staff retention is an important issue in Mexico where Danone has to compete with other big enterprises but also with the informal economy to some extent. Since the drop in staff turnover, client service level ¹³ has increased by 1 percent. According to the respondents, the programme also has a positive

¹² A few exclusions on the insurance contract include aesthetic surgeries, aesthetic dental care and optics.

¹³ Average quality of service reported by clients.

impact on productivity and return on training investments made on staff, but no data is available¹⁴.

In the long run, the challenge will be to try to respond to the expectation of employees to have their dependents covered as well. The cost of such an extension was evaluated but it remains the main issue for the extension of the programme to the dependents at this stage. From the point of view of Mexico's social protection system, since the scheme is providing benefits in private facilities, in parallel to the public scheme providing benefits in public facilities, it is unlikely to put pressure on the national health scheme for service improvement.

Indonesia

Danone has seven subsidiaries in its four business units in Indonesia¹⁵ with 20 production sites and 14,000 employees. Following the launch of the Dan'Cares programme, the Indonesian subsidiaries decided to implement Dan'cares in 2011. In 2013 all Danone employees in Indonesia were covered according to Dan'Cares guidelines.

When the stocktaking was done, employees reported paying for healthcare out of their pockets and having poor access to proper healthcare services, including in public facilities. The health insurance package provided in the framework of the Dan'Cares programme was built on the basis of this information. The health insurance package includes inpatient, outpatient and maternity care¹⁶ with no or low (less than 20 percent of the cost) OOP¹⁷ in both public and private medical facilities in the country. It should also be noted that Danone has its own medical facilities providing outpatient care in its factories. For hospitalization and maternity, there is a third party payment mechanism in place. For outpatient care, there is reimbursement method in place.

The programme includes coverage for the dependents to a maximum of four family members. This follows the country's local practice (see figure 5). The number of dependents included in the plan corresponds to the State guidelines and policies on demographics and family planning. Most competitors provide some complementary health insurance and equally cover four family members.

The full cost of the health insurance plan for the workers and their family is borne by Danone. The risk is borne by a private insurer. In order to select a common insurer, the four subsidiaries organized a bid. During the first two years of implementation of the project, Danone subsidiaries in Indonesia benefited from the special fund made available by headquarters before reaching financial sustainability.

¹⁴ This is related to the fact that: (a) not all business units collect this type of indicators, or they often do not do it using the same method; (b) it is difficult to isolate the impact of the new healthcare provisions on this type of indicators.

¹⁵ Aqua PT Indonesia for the water business unit, Danone and PT Dairy Indonesia for the fresh dairy products business unit, PT Sari Husada, PT Sugizindo and PT Nutricia Indonesia Sejahtera for the baby nutrition business unit and PT Nitricia Medical Nutrition for the medical nutrition business unit.

¹⁶ The exclusions of the package are: aesthetic and laser surgeries, unless there is a strong mandate from the doctor to do so for health related issue.

¹⁷ Depending on the pathology, following regular pattern of the higher the risks category, the lower the out-of-pocket payments.

There are trade unions present in some Danone subsidiaries in Indonesia (in Danone fresh dairy products business unit there are workers representatives) who meet with the direction every other month. Workers representatives were not called in to negotiate the design of the health insurance plan but rather to support communication to employees at the implementation stage and to provide feedbacks on implementation. So far, feedbacks were good and employees reported a greater access to quality medical facilities and services.

When the programme was launched, a significant communication plan was put in place. It included meetings at the various plants, announcements through boards and emails and a clear documentation on what was included or excluded by the health insurance plan.

Since the implementation of the programme, no impact study has yet been conducted. Still, the perception of Danone's HR services in Indonesia is that there is an improvement in attendance, productivity and staff turnover, though no data has yet been collected to support this perception. The Dan'Cares plan seems to contribute to the wider retention policy (which is a core part of Danone HR policy worldwide and a common HR practice, especially among MNEs) led by the company in Indonesia. The main perceived success of the programme is its ability to differentiate Danone as a committed employer in Indonesia, since it provides not only Dan'Cares but also survivor's insurance and yearly medical checks. The fact that the health insurance has been set as a global programme was also mentioned as a determinant factor of differentiation in the perception of workers. More information on impact will be available when the Danone People Survey is conducted in October/November 2013 in Indonesia.

2.1.4. Challenges and lessons learned

One of the main challenges faced by Danone in the design of its programme was setting internally a single but locally meaningful minimum protection level. The objective is to end up with comparable health protection across all countries of operation, but one which also respects local practices and the primacy of national legal provisions. The idea is to be able to complement national legal provisions when they do not meet Dan'Cares guidelines. Danone made the choice of implementing a rather comprehensive health insurance package (inpatient, outpatient and maternity care are included as defined at the beginning of the case study) following three criteria (quality of care, access in terms of time and distance and financial accessibility in terms of out-of-pocket expenditure). Though this choice ensures a certain homogeneity of coverage, the local implementation processes of Dan'Cares translate into rather diverse local implementations and interactions with national systems.

A challenge related to the local implementation is the capacity building necessary to capacitate human resources staff in Danone's various subsidiaries. Indeed, the subsidiaries had to assess their situation and performance against the minimum healthcare package and the three accessibility criteria set in Dan'cares guidelines (did the national mandatory schemes and, if applicable, the complementary scheme offered to workers meet Dan'cares guidelines?). This process required specialized technical capacity. In particular, it implied a good knowledge of the main risks and possible exclusions within a health insurance contract, an ability to assess the public and private health insurance schemes from which workers benefited and a common understanding of the various notions of healthcare accessibility. In this process, the various subsidiaries benefited from the support of the compensation and benefits team at headquarters (one person to date) as well as the consulting company hired at the time. The assessment period was also an opportunity to build capacity and prepare the implementation phase (negotiation with an insurer, ability to understand an insurance contract and its exclusions, etc.).

Internal communication and information provided to workers were identified as key factors of success. The persons interviewed at both headquarters and subsidiary levels are unanimous on this point. Some practices seem to work effectively, in particular: the conduct of public meetings with the insurer where the scheme is explained, a regular flow of information on scheme details, evolution, etc. throughout implementation, and the use of various communication tools (intranet, leaflets, meetings). When possible, the contribution of trade unions or representatives of workers to the communication effort was also a factor of success, like in the Bonafont's case in Mexico.

The strong support of the COMEX and the Director General was an important factor in order to engage the process in as many subsidiaries as possible. Local human resources staff seems to now have a good appropriation of the project and demonstrated high motivation for the implementation of the project, including in newly acquired entities. The extension of the Dan'Cares programme remains a challenge in entities that are not owned entirely by the company, for both managerial and legal reasons. Also, it is more difficult to monitor entities that are not entirely controlled by Danone.

A future challenge of Dan'Cares will probably be to switch from a trial project to a routine programme that is a core part of the company's human resources policy everywhere in the world. This may suppose an industrialization of some of the processes and a greater homogenisation of the various healthcare schemes provided by subsidiaries. The impact in terms of monitoring and financial optimisation might in turn need to take up a larger place in the life of the programme than they do today. In other words, although there is currently no automatic insertion in pooling or a global negotiation with an insurance broker, this might be a possibility in the long run.

Monitoring today is limited to the follow up by headquarters of the action plans put in place by subsidiaries and regular collection of some indicators (see "monitoring and evaluation" above). In the future, the company might want to include consolidated indicators such as the coverage rate, the total number of people covered by the schemes that are in line with Dan'Cares guidelines (with the number of dependants included), the total cost, etc. and collect these in a systematic way. Reporting on some of these indicators in annual or CSR reports could be part of that process.

Evaluating the impact of the programme will probably be a challenge in the future (when implementation is complete in all countries of operation). The company may also want to collect monitoring and impact data in order to build a cost-effectiveness ratio, on the basis of some impact indicators (that would have to be determined carefully since, as mentioned before, it can be difficult to isolate the impact of such programme on wider indicators such as productivity for instance). Since the beginning of the programme, the company has been concentrating on programme implementation, and impact evaluation is yet to be conducted at the global level.

2.2. L'Oréal and the Share & Care Programme

In 1909, Eugène Schueller founded L'Oréal, a company based in France which at the time sold one of the first hair dyes that the founder formulated, manufactured and sold to Parisian hairdressers. The company quickly conquered new markets (Italy in 1910, Austria in 1911 and the Netherlands in 1913 and also reaching the United States, Canada, the UK and Brazil) and began an exogenous growth process in the 1930s with several acquisitions in the soap industry. At the same period, the company started to develop an interest for

innovative compensation and benefits mechanisms¹⁸. In 1954, the company began its internationalization with the acquisition of Cosmair Inc. in the United States and it created a subsidiary in Brazil in 1959. L'Oréal was listed on the Paris Stock Exchange in 1963 which brought access to new financial resources. In the 1960s, the company made substantial acquisitions in perfumes and cosmetics. In 1970, François Dalle, the new Chief Executive Officer, looking to reflect on the role of the company within society, co-founded the association *Entreprises et Progrès*¹⁹. In the early 1980s, the company expanded through mass-consumption markets and penetrated the Japanese market. Between 1980 and 2000, the company expanded through new markets and a number of acquisitions, especially in emerging economies²⁰, to become the major²¹ multinational company specialized in cosmetics that it is today. L'Oréal now operates in 65 countries with a 22.46 billion euros turnover and 72,600 employees worldwide in 2012.

2.2.1. Issue and expected outcomes

Upon his arrival as Chief Executive Officer and Chairman in 2008, Jean-Paul Agon launched a new business strategy for the company. The objective was to conquer a billion new customers in the next 10 years. The strategy focuses on universalizing the use of the company's product and, at the same time, adapting them to the diversity of its customers. The company seeks to adapt to the new economic context and in particular take into account the importance of emerging markets (especially in the BRICS²²). A HR strategy accompanied the business strategy. Following the vision and objectives conveyed by the business strategy, the HR strategy is viewed as a reinforcement of L'Oréal's competitive advantages through its human capital. The HR strategy is based on two key pillars: the company's competitiveness through the development of talents and the creation of conditions for success for the community of employees at all hierarchical and geographical levels. In this framework, L'Oréal aims at putting into place social conditions of employment that would guarantee its position as a leader among employers worldwide.

The HR strategy responds to a certain need for common ground as regards conditions of work between the company's various entities that are geographically dispersed. It responds to both the company's competitiveness strategy and workers' expectations of

¹⁸ In 1938: "Eugène Schueller always believed that insufficient purchasing power was the source of economic imbalance between production and consumption. It was this belief that gave rise to his original idea of 'proportional salaries', which made wages proportional to changes in company sales. This meant the true start of an employee profit-sharing scheme, which has since been extended to employees the world over. Its success far exceeded forecasts, with 2,000 companies applying 'proportional salaries' in 1947." (<http://www.loreal.com/group/history/1909-1956.aspx>) [Accessed 23 September 2013].

¹⁹ The objectives are: "Promouvoir par le dialogue la juste place de l'homme dans l'économie de marché, concilier le progrès économique et le progrès social. et réconcilier l'Etat et l'entreprise." (Promote through dialogue humanity in the market economy, reconciling economic development and social progress, and reconciling the State and business). (<http://www.entreprise-progres.com/>).

²⁰ For instance, in 1994, L'Oréal became the first international cosmetic group to which the Indian government grants the status of fully-owned subsidiary; operations of a new company created in China started in 1999. (<http://www.loreal.com/group/history>) [Accessed 23 September 2013].

²¹ L'Oréal is the first cosmetics company worldwide in terms of sales. It owns subsidiaries in 65 countries and its products are distributed in 130 countries. (<http://www.loreal.com/group/our-activities/key-figures.aspx>) [Accessed 23 September 2013].

²² Brazil, Russia, India, China and South Africa.

collected through regular barometers of opinion. The HR strategy includes a new programme called the Share and Care programme that is expected to start in 2014. This new programme includes guidelines that set internally defined minimum social protection benefits that should be provided to each employee in all countries of operation. This project's objective is to establish a "common social platform" in four fields: welfare, health, parenthood and quality of life at work. These different fields integrate elements of social protection, namely: welfare comprises survivor's pension, disability insurance and sickness benefits; health comprises health care insurance and some other healthcare benefits; parenthood comprises maternity and paternity benefits; and, quality of life at work comprises meal subsidies.

"Project Objectives

- Define and set up L'Oréal principles, which are applicable to employees worldwide, by creating a common social platform in four fields: welfare, health, parenthood and quality of life at work in a long-term vision
- Start and develop the process of becoming the leader in social innovation led by entities all around the world"
(Source: L'Oréal internal presentation of the Share and Care programme to all HR directors of the company.)

Building the Share and Care programme, L'Oréal has set clear goals as regards what the expected benefits of the project would be for the company, regarding both its HR strategy and, further, its global business strategy.

Responsible employer conduct and competitiveness

The Share and Care programme is referred to as a "worldwide social performance project" and, as stated in the above excerpt, the objective for L'Oréal is to position itself as the leader in social innovation. This is in line with the company's ambition to integrate its CSR policy to its competitiveness policy. Here, the ambition of the company is to offer social conditions to employees that are "one step ahead" of the current practices of competitors and minimum national legal requirements as a way of building a competitive advantage. It is also a way to invest in their workforce in order to yield, in the long run, economic competitive advantages. Throughout the approach developed by L'Oréal (see below), the element of positioning the social conditions and social protection benefits of employees beyond practices of competitors is a recurrent feature.

"One of the expected benefits of the project is to allow L'Oréal to be recognized as a responsible employer in all countries where it is present".
(Source: L'Oréal internal presentation of the Share and Care programme to all HR directors of the company and L'Oréal Share and Care programme country implementation guide.)

The HR strategy in general and the Share and Care programme in particular also aim at responding to emerging themes raised by social partners. At the global level, L'Oréal does not seem to have yet a global social instance with which it can engage in social dialogue²³. Still, at the local level, but also through its European Group Committee, L'Oréal noted that there was a growing demand from workers representatives to discuss parenthood and social protection topics.

²³ According to the respondents, this is related to the classification of the company in chemicals activities, which creates a discrepancy with other chemical companies in terms of issues to be discussed (companies which work in heavy chemicals and their social partners encounter specific issues that would not necessarily fit with L'Oréal direct concerns).

Attractiveness and retention of talents

As the Share and Care programme is responding to the needs identified through surveys conducted on workers, one of the major objectives of the project is to retain current workers and increase internal satisfaction over working conditions. Additionally, one of the expected outcomes of the Share and Care programme is an increased sense of belonging and loyalty from the part of employees. This approach can have direct implications on cost reduction related to absenteeism and turnover for the company.

Another expected outcome is the enhancement of the company's employer brand. In seeking to recruit and retain the best talents, L'Oréal tries to position itself as the most attractive employer possible. This is identified by the company as a key for success in the globalized economy and it is a challenge in many countries where the brand is not as recognized as in Europe or North America or where the job market is competitive between employers (in emerging countries in particular).

Quality work environment

“One of the expected results of the Share and Care programme is to offer to each employee a qualitative and positive working environment where he/she can express his/her enthusiasm, creativity and sense of innovation”.

“One expected benefit is to allow each employee to enjoy his/her life at work by meeting his/her diverse needs and expectations”.

(Source: L'Oréal internal presentation of the Share and Care programme to all HR directors of the company.)

Through this approach, the Share and Care programme is linked with a wider policy on health and safety at work and improvement of the work environment. As explained below, the project includes elements of social protection but integrates them in a wider spectrum that addresses life at work and the balance between work and personal life.

The approach also aims at offering a comparable quality of life at work among countries of operation and across hierarchical levels. The globalized nature of the company encourages it to develop such global strategy on social protection benefits, which gives more visibility and control to headquarters on how operations are conducted. It can also potentially serve as an opportunity to better monitor subsidiaries and pilot costs. Indeed, the more homogeneous the social protection coverage, the greater the opportunities for pooling mechanisms.

2.2.2. Global approach

When the Share and Care programme started, the decision was taken to prioritize the four above-mentioned fields, in which several social protection guarantees are addressed (namely survivor's and disability benefits, sickness and maternity benefits and medical care benefits). This selection was reinforced by the opinion surveys conducted worldwide among employees as well as by the fact that old age benefits were already more widely addressed than the prioritized benefits²⁴.

²⁴ As mentioned earlier, it is also a choice that corresponds to a pattern highlighted in the exploratory study (Tessier and Schwarzer, 2013).

Stocktaking

L'Oréal conducted a worldwide survey among its subsidiaries directed at HR units in its 65 countries of operation between September and December 2012. A questionnaire containing 106 questions on the four above-mentioned topics was designed so as to document current practices in each subsidiary. The questionnaire received a 100 percent return rate from the part of the subsidiaries. In order to have valuable comparison material, L'Oréal delegated the analysis of the local practices in each of its countries of operation to a consulting firm. By local practice, the company means: a) the mandatory legal provisions and b) the complementary benefits offered by the other companies in the same countries. By the end of the stocktaking phase, L'Oréal obtained a clear picture of what were its own practices in terms of complementary benefits in each country in comparison to national legal obligations, the market median practices and the top performer's practices. It was also an opportunity to take stock of existing subsidiaries' insurance contracts.

This stocktaking phase, which lasted approximately six months (including the analysis of the results), allowed L'Oréal to adjust its original idea and to try and determine internal minimum social protection levels that were adaptable to each local context. In order to delve deeper and test the key proposals of the programme, L'Oréal selected 18 of its countries of operation to produce detailed guidelines²⁵. These countries were chosen so as to represent all geographical zones, a diversity of size of subsidiaries as well as a diversity of markets (in terms of maturity).

Definition of internal minimum levels of protection

Guidelines are set at the corporate level by the Group Steering Committee²⁶ in order to “ensure that a common framework is deployed worldwide”. In practice, L'Oréal chose a two level approach for the programme. In other words, the guidelines include a set of mandatory elements (the “Must Have”) and a set of voluntary elements (the “Nice to Have”).

The objective is to set a number of internal minimum levels of social protection coverage that all subsidiaries have to reach by the end of 2015. It means that the subsidiaries have to: a) assess the level of protection offered to their workers (both through national legal provisions and complementary benefits, if any); b) conduct a gap analysis between the information collected and the Share and Care programme guidelines; and, c) come up with an action plan to fill in the gaps. In the long run, it should ensure a global platform of comparable benefits for each employee across countries. To this end, the guidelines set mandatory targets regarding minimum benefit levels and coverage parameters for various types of benefits, including: survivor's benefit, disability benefit, sickness benefit, medical care, maternity and paternity benefits, as well as child benefit.

Other provisions related to social protection that subsidiaries must implement include: one individual prevention initiative a year (a medical check-up for example) totally or partially paid by the company and the company's participation to the cost of meals.

²⁵ Brazil, Chile, Colombia, Germany, Russia, Poland, Portugal, China, Japan, Indonesia, India, United States, Canada, Dubai, Lebanon, Spain, Italy, United Kingdom.

²⁶ For more details on the governance and management structures of the Share and Care programme, see below the section “implementation mechanisms”.

Implementation mechanisms

L'Oréal decided to implement this programme simultaneously in all its subsidiaries worldwide since no evident geographical priority was identified. The objective for subsidiaries is to reach 100 percent of the mandatory part of the guidelines (the “Must Have”) by 2015. The first implementation phase should last two years (2014 – 2015). Then, the project should be evaluated and new objectives set up, depending on the implementation issues encountered in the first phase. Future new L'Oréal subsidiaries would be entitled to a transitional period for the implementation of the mandatory part of the guidelines over a few years.

Figure 6. Implementation guide's methodology

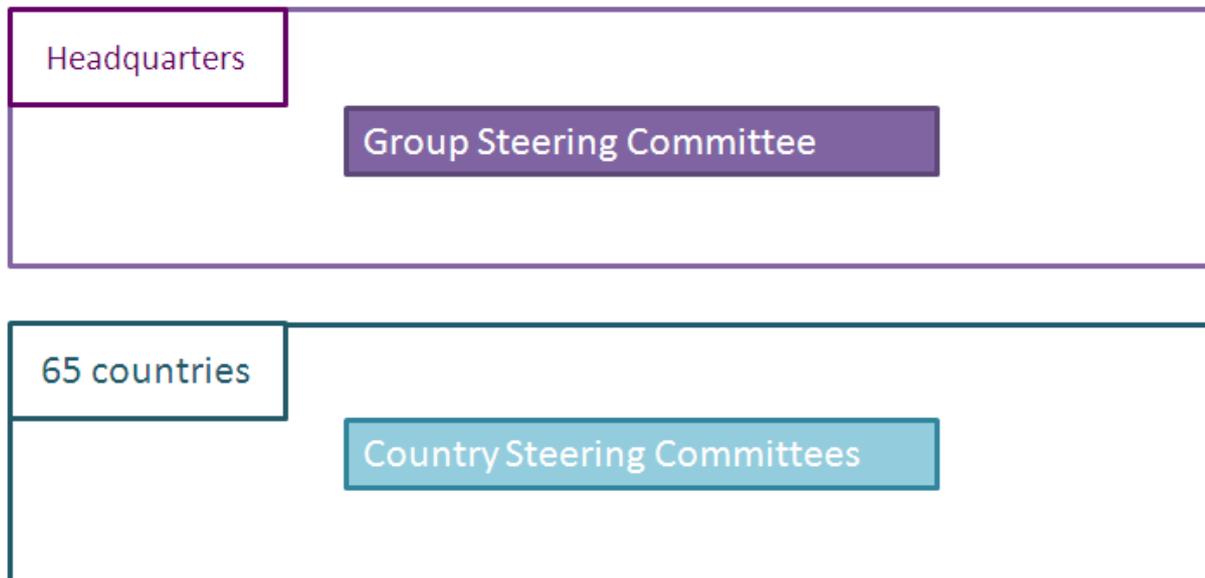


Source: elaborated by the authors on the basis of interviews with L'Oréal and the Share and Care programme country implementation guide.

When L'Oréal elaborated the Share and Care programme, it designed a governance and management structure for the programme, as illustrated in figure 7.

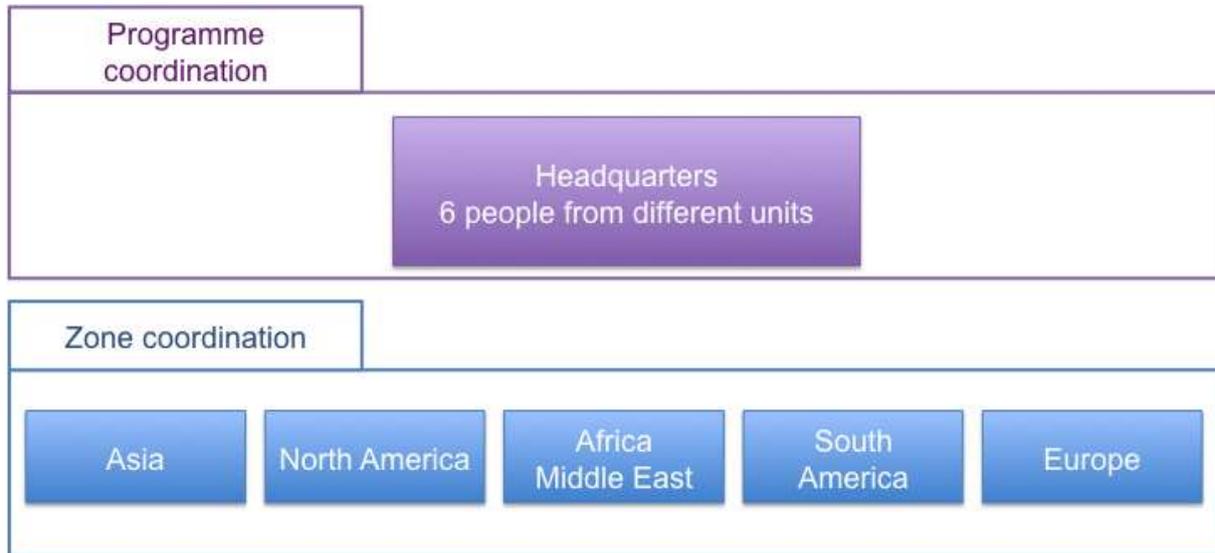
Figure 7. Governance and management structure of the Share and Care programme

Governance ²⁷



²⁷ For the moment, the Committees are not necessarily created yet. Still, the idea is to follow the following: Country Steering Committees should be led by the Human Resources Director and the general management and the Group Steering Committee should include human resources representatives from all geographical zones.

Management



Source: Share and Care programme country implementation guide.

A dedicated team at headquarters is in charge of providing support to the subsidiaries on the programme's various fields. An intranet exchange platform was put in place and is meant to serve as a database of good practices and includes various other tools, including the guidelines themselves and a country implementation guide. Responsibilities are clearly allocated through the guidelines between headquarters, zones and countries. The entities responsible for the project implementation are the subsidiaries country team through the project's Country Steering Committees. They have to submit an action plan based on a gap analysis and they are responsible for prioritizing the implementation of the mandatory part of the guidelines within the two-year period given for compliance. They are also responsible for setting priorities within the non-mandatory parts of the guidelines (the "Nice to Have") and for suggesting new "Nice to Have" that might not be in the guidelines. The action plans are validated by geographical zone, a design that aims at sharing best practices within regions.

The implementation guide mentions clearly the importance of engaging with social partners and / or workers' representatives on this topic at the local level. Nevertheless, regarding the Group's engagement at the international level, as mentioned before, L'Oréal has not yet identified a global interlocutor (such as a global union).

Headquarters guidelines do not impose an implementation mechanism for complementary insurance provision, such as a unique insurance provider or even a type of provider for the different branches of coverage selected. Still, the implementation guide provides guidance on how to select a reliable insurer. As regards healthcare providers (health care facilities that workers can access through their medical care benefits), headquarters provide guidelines on how to assess the access and quality of care as an important element of a healthcare package.

Financing mechanism

At headquarters, a dedicated team as well as various communication and technical resources are made available. The financing of the various action plans of the subsidiaries (and the subsequent insurance costs) is to be borne by the subsidiaries themselves and are to be integrated in their yearly budget from the start. This principle has been set up to ensure the long-term sustainability of the guarantees put in place by the programme.

As regards medical care benefits, workers participation to the costs was set as a principle, either through direct co-payment at the point of service or through a share of the insurance contribution or premium cost.

Monitoring mechanisms

The various levels of steering committees are to monitor the implementation of the Share and Care programme (Country Steering Committees, Group Steering Committee). Ultimately, the subsidiaries are responsible for the monitoring and transmission of information to the higher level. To this end, a follow up tool comprising key indicators is made available by headquarters.

Figure 8. Follow-up tool – example of questions regarding Medical Care

<p>Must Have</p> <p>Are all permanent employees eligible for coverage?</p> <p>Are their dependent children and spouse eligible?</p> <p>Based on a recent benchmark or information you could collect, can you state that your local policy is among the best performing companies on the local market?</p> <p>Are the significant risks covered (hospitalization, pre-natal examinations, natural birth and caesarean, prescription drugs for chronic diseases, surgery other than aesthetic) for at least 75 percent of the customary and reasonable expenses?</p> <p>Nice to Have</p> <p>Are fixed term employees eligible?</p> <p>Are their dependent children and spouse eligible?</p> <p>Are pre-existing diseases like AIDS, cancer, etc. covered by the insurance contract?</p> <p>Do you involve, if appropriate, employees and their representatives in the monitoring/in the management of the contract and the definition of reimbursement level?</p> <p>Source: L'Oréal Share and Care programme internal reporting tool.</p>
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The implementation and the reported indicators are to be audited through internal and external audits at the various levels (world, zone, country). These should focus on “effective implementation, communication and the impact on employees’ regular routine” (L’Oréal Share and Care programme country implementation guide).

2.2.3. Challenges and lessons learned

L’Oréal faced some challenges in the elaboration of the Share and Care programme (as for implementation, it is due to begin early 2014). In particular, three key difficulties at the heart of the programme design were identified.

The main challenge was to internally set minimum standards of protection that would allow for both a comparable level of coverage across countries and an adaptation to each country context and primacy of national legal provisions. It was especially difficult since L’Oréal’s countries of operation are truly diverse and have uneven levels of development as regards their social protection systems. Defining meaningful minimum levels of protection for all employees implied a qualified team and a substantial amount of time spent formulating the programme guidelines.

The team in charge of the project at headquarters also mentioned the challenge of conducting a collaborative and consensual global programme with 65 countries of

operation within a limited period of time. Indeed, the project formulation and design took less than a year and was validated in July 2013. Implementation is due to begin in 2014. During the process, the programme team had to conduct a gap analysis with each subsidiary and analyse and share the results, before co-constructing the programme with HR managers at regional and country levels. Local appropriation was identified early on as a key element for implementation success. The fact that the subsidiaries themselves have to finance the project was also a factor in favour of seeking in-house consensus.

A related challenge is the simultaneous global implementation of the programme in all 65 countries of operation. The fact that implementation is not progressive implied not only a wide internal consensus but also a clear structure of the guidelines. One can anticipate that it will also make adjustments related to implementation more difficult since the learning process linked to the programme will be carried out in all 65 countries at the same time.

As for the future of the programme, some challenges can already be anticipated. The company has to think about how the programme will evolve over time. After all mandatory elements of the programme (the “Must Have”) are put in place (expected by the end of 2015), L’Oréal will have to decide how to make the programme evolve. Several axis could be possible, such as an extension of the mandatory elements or “Must Have” (higher coverage and / or non-mandatory elements becoming mandatory) or of the scope of the programme (discussions with the supply chain, etc.).

At the current stage of elaboration of the Share and Care programme (pre-implementation phase), L’Oréal already learnt several important lessons on the design of such a global programme.

The need for a dedicated, skilled team

Most of the issues related to the programme are truly technical and require specific expertise. L’Oréal created a dedicated team at headquarters and in its four main regions in order to conduct the design of the programme and support local implementation. The team is composed of about ten members (half at Headquarters and half in the regions) each with specific areas of work (health and welfare, parenthood and quality of life at work, measures and audit, communication) within the global human resources team.

The need for an adaptable and consensual approach

Considering the diversity of countries of operation that characterizes L’Oréal, an adaptable approach was necessary. On a number of subjects (four main areas of the programme, not only covering some social protection issues), the company developed an approach with specific guidelines that ensure some comparability between countries while being adaptable to each national context. This allows the programme to “challenge all subsidiaries in all countries”, including where the existing level of protection is already high.

The need to communicate on the programme

The project team anticipated early on the need for internal communication, and in particular towards:

- Human resources and implementation teams within the subsidiaries.
- Workers and workers representatives.

Dedicated communication spaces (intranet) for information sharing and good practice identification have been created. This helps the first target group mentioned above to get familiar with the technical issues related to the programme, especially regarding compensation and benefits. The fact that a space for sharing practices between countries of operation has been created demonstrates that the challenge of global simultaneous implementation is not taken lightly and that the company expects a high level of appropriation by its subsidiaries.

Effective communication to workers and the involvement of workers representatives (when they exist) is identified as a key factor of success. For such purpose, a specific chapter of the country implementation guide is dedicated to this aspect and lists the material elaborated by the Share and Care programme team as well as guidelines on communication practices.

3. Lessons learned and issues at stake

The objective of this section is to illustrate the link between the type of global strategy developed by MNEs that is described in the case studies and the wider context of social security extension. In order to do so, the first subsection will present lessons learned from the case studies in terms of why and how such global strategies are implemented at enterprise level. Then, the second subsection will review the ILO framework in the context of social protection extension and responsible business conduct and its mandate in creating key international legal instruments. Finally, the last subsection will underline some of the possible interactions between the global strategies of MNEs presented in the first subsection and the national strategies for the extension of social protection as defined by ILO instruments described in the second subsection.

3.1. Global strategies of social protection at MNE level: lessons learned from the case studies

It is possible to extract some lessons learned from the above case studies as regards MNEs initiatives to extend social protection through internal minimum levels thereby complementing national legal provisions. Both case studies shed light on some of the positive outcomes of the extension of social protection at company level. After looking in detail at the business case made by the respondent companies, (the answer to the question “why?”) the following paragraphs illustrate the key elements of a global strategy of social protection coverage for all workers at the company level (the answer to the question “how?”).

3.1.1. Rationale for a global strategy at MNE level

Providing social protection benefits to workers has some potential impacts on the competitiveness of companies that allows for a win-win situation in which social protection is viewed by some MNEs as an investment in human capital, and not as a cost (which is usually the first counter-argument when discussing the extension of social protection).

Before going further, it is worth mentioning that there is vast literature on the topic of the economic impact of social protection benefits¹. The literature on the subject provides empirical evidence that the impacts described by the respondents of this study can indeed be identified. Though it is difficult to list the concerned pieces of literature in an

¹ In particular, some of the literature emerges from the press and academic journal specialized on compensation and benefits issues including the current trends, especially in the United States were compensation and benefits issues are of particular importance since national legal provisions are often basic (Olivia S. Mitchell; “Benefits for the Workplace of the Future”, in *Business & Economics* (University of Pennsylvania Press, 2003)). Other pieces of literature analyse the discriminatory practices related to intra-company differentiated levels of benefits across categories of workers (Angela M. O’Rand: “The hidden payroll: Employee benefits and the structure of workplace inequality” in *Sociological Forum* (1986, Vol. 1, Issue 4, Fall) pp. 657-683) and some include wider analysis of the relation between compensation and benefits policies of companies and social security systems (Lawrence S. Root: “Employee Benefits and Social Welfare: Complement and Conflict” in *The ANNALS of the American Academy of Political and Social Science* (1985, Vol. 479, No. 1 101-118, May). The International Labour Organisation also explored the issue of social protection impact on productivity (ILO: *Social protection as a productive factor*, Governing Body, 294th Session, Geneva, November 2005, GB.294/ESP/4).

exhaustive manner, some of them are mentioned along the following paragraphs and available in the bibliography.

Figure 9. Social protection coverage of the workforce and firm competitiveness: example of positive outcomes



Source: elaborated by the authors.

From a human resources perspective, providing additional social protection benefits which further national legal provisions, if any, has an impact on the main objectives of an HR strategy as it addresses some of its key elements, and in particular:

- **Retention:** providing social protection benefits to the worker and her/his family is a key factor for a successful retention strategy. It can be a tool for workforce stabilization and reduction in staff turnover.
- **Motivation:** providing social protection benefits to the worker and her/his family may contribute to the motivation and involvement of workers in his or her tasks and into the company².
- **Employer brand:** providing social protection benefits to the worker and her/his family contributes to the improvement of the internal image of the employer. A positive perception of the employer is known to contribute to a sense of belonging and a greater commitment to the enterprise goals by workers.
- **Attractiveness:** providing social protection benefits to the worker and her/his family has the potential to attract the best performing workers in all professional categories.

From the perspective of operations, several economic outcomes are closely related to providing social coverage to the workforce. In particular, a less vulnerable workforce is potentially a more productive one. Both the above-mentioned HR advantages of providing social protection coverage to workers as well as the anticipated improved health condition

² See, among others: Jon-Chao Hong, Sung-De Yang, Li-Jung Wang, En-Fu Chiou, Fan-Yin Su, sui-Lan Huang: "Impact of employee benefits on work motivation and productivity", in *Emerald* 7 (1995).

of workers (in the case of health care benefits) contribute to reinforce productivity³. Additionally, social protection coverage can result in a reduction in absenteeism, which in turn results in the reduction of related costs. The improvement in productivity and the reduction in absenteeism⁴ are potential direct consequences of providing social protection to workers that have a strong economic impact. Both elements were mentioned by the respondents of the present study (though, as underlined in the case study, they do not systematically collect quantitative evidence) and they are in line with empirical evidence provided by the literature on the topic⁵. Furthermore, some indirect economic effects can also occur, especially as a consequence of staff retention. Indirectly, benefits from greater staff retention (hence the reduction in staff turnover) may include: improved client satisfaction (related to the continuity in client service), reduction in newcomers training costs, improvement of total productivity (newcomers are likely to be less productive than trained workers, so the retention of the workforce should improve total productivity), and reduction in hiring costs. The difficulty to isolate the impact of social protection benefits on these economic indicators, especially the indirect impacts, should be underlined. This can also help explain in part why the respondent companies do not have such empirical evidence.

Considering the competitiveness strategy of companies, and especially MNEs, a commitment to ensure a globally defined internal minimum level of social protection to all workers has the potential to bring about positive effects on various aspects other than HR and operations. First, it can reinforce other strategies that contribute to the competitiveness of the firm, and in particular regarding health and safety at work as well as the improvement of the work environment in general. It is an opportunity to engage positively with social partners and it helps create the conditions for a functional work environment. Second, when looking at competitiveness strategies, there is a potential benefit in terms of image to this type of initiative, including the brand image conveyed to the final consumer. Indeed, as demonstrated in the case studies, it is sometimes even part of a clear strategy to take the lead in social responsibility. Ensuring that all workers benefit from a given level of social protection coverage reinforces the CSR policy of the firm which in turn can reflect positively on the brand image. Finally, providing complementary social protection to a large population in a harmonized manner creates a potential for improvement of cost-effectiveness. Hence, it allows for greater negotiation power with insurers and it opens an opportunity for pooling mechanisms. Considering such elements, it can be affirmed that a global policy that ensures that all workers have a certain level of social protection coverage worldwide contributes both directly and indirectly to the competitiveness of MNEs.

3.1.2. Key elements of a strategy at enterprise level

Some key elements for the design and implementation of a global strategy to ensure an internal minimum level of social protection coverage for all workers at enterprise level

³ On the impact of health care benefits on productivity and other outcomes, see: J. Currie and B.C. Madrian: "Health, health insurance and the labor market", in O. Ashenfelter & D. Card (eds.): *Handbook of Labor Economics*, (North Holland, Elsevier, 1999), Vol. 3, Chapter 50, pps. 3309-3416 and J. Gruber, and B. C. Madrian: *Health Insurance, Labor Supply, and Job Mobility: A Critical Review of the Literature* (Cambridge, National Bureau of Economic Research, 2002), Working Paper 8817.

⁴ Several piece of literature provide empirical evidence on this topic, and in particular: A. B. Schultz and D. W. Edington: "Employee Health and Presenteeism: A Systematic Review" in *Journal of Occupational Rehabilitation* (2007, Volume 17, Issue 3, September) pp. 547-579.

⁵ See the two previous footnotes.

were highlighted by the case studies. Drawing from these experiences (and the ones collected during an earlier study – Tessier and Schwarzer, 2013), it is possible to identify the drives for the adoption and design of such strategy as well as the key steps (see figure 9) and possible challenges related to its implementation.

Adoption of a global strategy

In the case of both Danone and L'Oréal, the decision to develop a policy that will ensure that all workers benefit from some social protection benefits, at least at a level that the company considers being a minimum level, was adopted by the head of the company. In both cases, the direction of the company identified such a global strategy as part of the company's competitiveness strategy at the crossroads between CSR and HR policies and, as such, as a priority. As illustrated in earlier research (Tessier and Schwarzer, 2013), another type of strategy can consist in progressively harmonizing social protection benefits when opportunities arise. This type of strategy does not seem to imply the same level of priority of social protection by top management nor the setting of internal minimum levels of protection guaranteed to all of the company's workers. There appears to be a correlation between the level of priority, the level of structure of a global strategy, and the involvement of top management in the issue.

It seems that in both Danone and L'Oréal cases, the direction of the company already had a plan (led by principles and / or led by a perception of workers' needs) for the design of the programme. In particular, the contingencies to be covered were selected early on in the process. Before starting the detailed design and the implementation, a rough design comprising the benefits to be covered and an idea of the desired internal minimum levels was in place. The detailed design of the programmes appears to have arisen from an iterative process during the stocktaking phase.

When developing such first orientation regarding the internal minimum level of protection, some key guidance arising from international standards can be considered. In this respect, the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), though directed at States and not employers, can be of great help since it provides the internationally recognized definitions of social security benefits and their desired main characteristics. Among many others, the following elements seem especially relevant to the type of global strategy described in the case studies:

- Healthcare package: a clear reference is made to a comprehensive healthcare package, that is to say including coverage for the main risks (inpatient, outpatient and maternity care as well as essential pharmaceutical supplies). Cost-sharing practices should be designed such as to avoid hardship.
- Monetary benefits such as old age pensions, survivor's pension, sickness, and maternity and paternity leave should be periodical payments so as to ensure proper compensation for the loss of income and avoid hardship.
- The social protection coverage can be extended to the dependents, especially the healthcare benefit package.

As regards the definition of an internal minimum healthcare package, the ILO Medical Care and Sickness Benefits Convention, 1969 (No. 130)⁶ can also be used for

⁶ “The medical care referred to in Article 8 shall comprise at least—

- (a) general practitioner care, including domiciliary visiting;
- (b) specialist care at hospitals for in-patients and out-patients, and such specialist care as may be available outside hospitals;

guidance. Other international references on this topic could be consulted, and especially the World Health Organization's resources on prenatal and maternity care ⁷ as well as essential medicines and health products ⁸. Also, some of the elements covered by the United Nations General assembly Resolution on Universal Health Coverage (adopted on 12 December 2012) might be useful, especially as regards special attention on exclusions (the resolution presents the main health challenges today from a public health perspective which might provide insights on what should not be excluded from internally defined minimum healthcare packages at the enterprise level).

The key steps related to the design and implementation of such a global strategy aiming at ensuring an internal minimum level of social protection to all of the company's workers are illustrated by figure 9. The identified process is detailed step by step in the following paragraphs.

Figure 10. Key steps for the design and implementation of a global strategy to ensure social protection coverage for all workers at enterprise level



Source: Elaborated by the authors.

Engage with social partners

At all stages of such private sector initiatives, it is important to engage with social partners inside and outside the company.

- Inside the company, it is important to engage with workers representatives. First, they should have good insights on the social protection needs of workers. Second, it is a necessity to inform them (it is mandatory in many countries since it occasions a modification in employment conditions). Third, it improves the impact of such programmes when workers' representatives actively contribute to the implementation.
- Outside the company, bringing up the subject among employers and workers representatives at local, regional, national and international levels has the potential to greatly contribute to social dialogue on the extension of social protection, an aspect that will be developed in subsection 3.3.

- (c) the necessary pharmaceutical supplies on prescription by medical or other qualified practitioners;
- (d) hospitalisation where necessary;
- (e) dental care, as prescribed; and
- (f) medical rehabilitation, including the supply, maintenance and renewal of prosthetic and orthopaedic appliances, as prescribed.” (International Labour Organisation: Medical Care and Sickness Benefits Convention, 1969 (No. 130), Article 13).

⁷ Many resources available on the World Health Organisation web page dedicated to this issue: http://www.who.int/maternal_child_adolescent/topics/maternal/maternal_perinatal/en/index.html.

⁸ Many resources available on the World Health Organisation web page dedicated to this issue: <http://www.who.int/medicines/en/index.html>.

Take stock of the existing provisions and conduct a gap analysis

The stocktaking relates to the evaluation of the need for social protection and the coverage gaps in comparison with the company's ambition defined at an early stage. In order to be able to assess the need, it is paramount to have a clear picture of the social protection from which workers already benefit in each subsidiary. This implies the collection of the following information:

- social protection legal coverage in each country of operation (i.e. what national social security schemes are in place and what benefits are currently offered to workers?) and assurance of compliance (i.e. workers are affiliated and social security contributions are effectively being paid regularly by the subsidiary);
- social protection complementary schemes offered by the subsidiaries (by category of workers, if applicable);
- quality of service received / feedbacks from beneficiaries, especially when trying to assess the quality of healthcare facilities accessed by workers as well as their OOP expenditure.

The stocktaking phase should allow for a clear vision on key indicators, and in particular the ILO methodology to develop basic indicators can be used ⁹:

- type of benefit covered (the coverage scope);
- coverage rate (the extent of coverage: who is covered for each type of benefit, in percentage of workers); and
- benefit level (measure of the adequacy of benefits in comparison to the impact on the beneficiary should the risk covered occur).

In the case of benefits implying a third party for service delivery (like medical care insurance for instance), information on the quality of services delivered is also necessary. Information on the extent of coverage as regards dependants of workers (family) should also be collected.

During that stocktaking phase, a benchmark can also be conducted in order to provide a picture of local practices on social protection complementary coverage among other companies in the same country, including competitors and sub-contractors. This is in accordance with the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (The MNE Declaration) ¹⁰.

Based on the information collected, the company can make comparisons and identify gaps of social protection coverage that could be filled by its new strategy. Here, the iterative process is fundamental and the company might want to fine-tune its global strategy and the orientations that were defined at an early stage in terms of ambition (content of the internal minimum benefit package, time line for implementation, etc.). Often, the challenge is to prioritize between all identified gaps, taking into account that

⁹ See: International Labour Organisation: *World Social Security Report 2010/2011* (Geneva, 2011).

¹⁰ "Wages, benefits and conditions of work offered by multinational enterprises should be not less favourable to the workers than those offered by comparable employers in the country concerned" (International Labour Organisation Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, Article 33).

coverage gaps may be truly different from one country of operation to the other or even between subsidiaries in the same country. Global guidelines should be designed accordingly.

Design an adapted response at subsidiary level

When implementing the global strategy at subsidiary level: it would be interesting for the company to gather information on the national strategy on social protection (and social policies in general) in order to anticipate probable changes in regulations and to evaluate the coherence of its own approach within the local context. When priorities are established and contingencies to be covered are selected, the company has to set minimum levels of social protection for all workers. The challenge is to set standard levels that can be adapted to each national context and legislation but that are still meaningful for the company at the global level.

Monitor coverage and measure impact

As illustrated by the case studies, there is room for developing tools in order to properly monitor and evaluate such private sector initiatives. When designing monitoring tools, it would be of interest to consider a set of harmonized indicators for which data is regularly collected through existing global monitoring channels. Using a set of harmonized indicators as part of local and global reporting tools would enable a clear, consolidated picture of who is covered by what and how, and would foster transparency.

When looking at impact evaluation, it could go beyond workers' satisfaction level and include impacts on workers' health and finances as well as a standardized economic impact evaluation on the company's business (i.e. productivity, etc.). This last element should help assess and quantify the effects identified in part 3.1.1.

Monitoring, reporting and evaluating such programmes is also a way of ensuring sustainability and quality of benefits by regularly assessing their adequacy and their integration within the business model of the company.

Before the possible interactions between such global strategies developed by MNEs and national strategies for the extension of social protection are presented, it is important to review the ILO framework on this topic, which is the object of the following subsection.

3.2. ILO's framework and instruments

The extension of social protection as well as the promotion of socially responsible economic development from a decent work perspective are at the heart of the ILO's mandate, as outlined further below. Accordingly, ILO constituents (governments, workers and employers) have adopted a number of legal instruments that lay down standards and principles for the provision of social security. These instruments are internationally agreed by the global economy players on how to tackle these issues, and they can provide a useful framework as regards interactions between States and companies on social issues and are therefore succinctly described in the following paragraphs.

A list of tools available to constituents is also provided in appendix and can be useful to expand on this section and to guide projects according to pertinent internationally agreed standards.

It is notable to underline the uniqueness of International Labour Standards (ILS) as these legal instruments lay down the basic minimum labour standards agreed among ILO's three constituents (governments, employers and workers) and thereby among the main

actors in the world of work. Once a year, the tripartite constituents meet at the International Labour Conference (ILC) where they adopt the ILO's broad policies and Conventions and Recommendations. After adoption by the ILC, Conventions can be ratified by member States, thereby creating legally binding obligations. In turn, Recommendations serve as non-binding guidelines. While enterprises may not be direct subjects of international law they are nevertheless bound to the operating conditions prescribed by Governments within their jurisdiction including international standards to which the latter have bound themselves through ratification. What is more, whether or not member States ratify ILO Conventions, the principles that lie therein can still serve to guide governments and enterprises' behaviour. After all, having been adopted by the ILC, ILO legal instruments embody the outcome of international social dialogue and legal consensus between government, trade unions and employers on how a particular labour problem could be tackled at the global level.

When reviewing the role of the ILO in the context of promoting CSR, it is important to recall that ILO standards reflect the knowledge and experience of all players in the global economy. Stakeholders, such as multinationals, can thus benefit from the guidance of these internationally accepted standards and apply them, to the extent possible, to their policies, operational objectives and day-to-day actions. The incorporation of this corpus of international laws by all global actors also allows greater integration of the international community as a whole.

Furthermore, in its function to promote social dialogue between its tripartite constituents and its standard setting mandate, the ILO can serve as a critical player in encouraging and fostering a better understanding of CSR. It should also be noted that the ILO can create a prosper environment for CSR initiatives as part of its role to provide and promote technical assistance, technical cooperation and capacity building to address problems in national legislation and practice in conformity with the ILO standards and by bringing international instruments. In this regard, it is no surprise that most CSR initiatives, including codes of conduct, mention the principles laid out in ILO Conventions and Recommendations and in particular in the ILO's eight fundamental Conventions¹¹, principles which can also be found in the ILO's Declaration on Fundamental Principles and Rights at Work, described in further detail below.

3.2.1. ILO's mandate and standards in social security: *Extending social protection*

From an international legal perspective, the recognition of the right to social security has been developed through universally negotiated and accepted instruments that establish social security as a basic social right to which every human being is entitled. The right to social security has been enshrined in several UN human rights instruments and is expressly included in fundamental human rights instruments, namely the Universal Declaration of

¹¹ Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), Right to Organise and Collective Bargaining Convention, 1949 (No. 98), Forced Labour Convention, 1930 (No. 29), Abolition of Forced Labour Convention, 1957 (No. 105), Minimum Age Convention, 1973 (No. 138), Worst Forms of Child Labour Convention, 1999 (No. 182), Equal Remuneration Convention, 1951 (No. 100), Discrimination (Employment and Occupation) Convention, 1958 (No. 111).

Human Rights ¹² (UDHR), and the International Covenant on Economic, Social and Cultural Rights (ICESCR) ¹³.

The ILO was established as an authority in the field of social security since the foundation of the Organization in 1919 ¹⁴. From 1919 to the end of the Second World War the tripartite members of the ILO adopted 15 Conventions and 11 Recommendations which developed and consolidated the social insurance model. These first generation standards covered principles of the “social insurance era” including: compulsory social insurance systems for specific branches, administrative and financial supervision of the State, and participation of insured persons.

The ILO’s mandate in the promotion of social security was widened in 1944 by the Declaration of Philadelphia, the first international legal instrument to stipulate the right to social security as a right belonging to all, and the first expression of the world community’s commitment to the extension of social security to all ¹⁵. Following this new mission and mandate, the ILO adopted a series of reference Conventions and Recommendations transforming the concept of social security into a statutory institution of the modern State. Commonly referred to as the second generation standards, the three Conventions and four Recommendations adopted between 1944 and 1964 envisaged unified social security systems aiming at universal coverage, comprising a range of recognized social risks, and the provision of benefits compatible with human dignity and social assistance for the uninsured. These standards marked the era of social security of which Convention No. 102, described further below stands as the flagship, embodying the internationally accepted definition of the very principle of social security. All subsequent standards (five Conventions and five accompanying Recommendation) adopted in the third generation (between 1965 and 1988), draw from Convention No. 102 and seek to offer higher levels of protection in terms of the population covered, and the benefits rates and types.

In 2001, more than 50 years after the Declaration of Philadelphia, social security was reaffirmed by the ILC as a fundamental human right and its extension to all in need was restated as an integral part of the ILO’s mandate ¹⁶. It followed that in 2003, the ILO launched the Global Campaign on Social Security and Coverage for All seeking to extend

¹² Universal Declaration of Human Rights, General Assembly Resolution 217 A(III), 1948.

¹³ International Covenant on Economic, Social and Cultural Rights, General Assembly Resolution 2200A(XXI), 1966.

¹⁴ Indeed, the International Labour Organisation’s mandate to promote social security and further this right was already an integral part of the International Labour Organisation Constitution whose Preamble recognized the need to improve conditions of labour in respect of “*prevention of unemployment, ... the protection of the worker against sickness, disease and injury arising out of his employment, ... provision for old age and injury*” (Constitution of the International Labour Organisation, 1 April 1919, Preamble and Art. 1).

¹⁵ “Solemn obligation of the International Labour Organization to further among the nations of the world programmes which will achieve”, among others, “the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care”, as well as “provision for child welfare and maternity protection” . Declaration concerning the aims and purposes of the International Labour Organisation (Declaration of Philadelphia), adopted by the International Labour Conference at its 26th Session, held in Philadelphia, on 10 May 1944, Article III(f) and (h).

¹⁶ International Labour Organisation: *Resolution and Conclusions concerning social security*, International Labour Conference, 89th Session, Geneva, 2001.

social security to those not covered by existing schemes. This mandate was again reaffirmed as part of the ILO Decent Work Agenda strategy through the 2008 ILO Declaration on Social Justice for a Fair Globalization¹⁷. In 2009, the ILC recognized the mitigating role of social protection policies amidst the economic crisis. As a consequence, the tripartite members adopted the Global Jobs Pact; a policy instrument establishing productive recovery mechanisms centred among other things on building social protection floors.

The two-dimensional strategy that grew out of a number of national, regional and international tripartite meetings on social security extension was set out by the ILC in 2011. Looking to strengthen the normative basis of the extension of social security, the ILC also concluded that there was a need for a new international labour standard in the form of an autonomous Recommendation on this subject that would be able to provide flexible but meaningful guidance to member States in building national social protection floors within comprehensive social security systems. Accordingly, the Social Protection Floors Recommendation, 2012 (No. 202) was discussed and adopted by the 185 tripartite members of the ILC in June 2012.

Social Security (Minimum Standards) Convention 1952, (No. 102)

Convention No. 102 stands alone for exemplifying the internationally agreed definition of the very principle of social security. It does so by bringing together under one legally binding instrument the nine classical benefits of social security, namely: medical care, sickness benefits, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors' benefit. For each benefit, it provides the definition and the minimum set of qualitative and quantitative parameters which need to be achieved by the schemes in order to comply with the minimum standards of protection. It also contains provisions regarding the equal treatment of non-national residents, the suspension of benefits, the right of appeal, and the financing and administration of social security systems.

While the Convention was drawn up to provide member States with a lot of flexibility to organize their social security schemes, it nevertheless sets underlining principles which should belong to all scheme designs. Some principles include the following:

Examples of common principles on the organization and administration of social security schemes:

- The state has the general responsibility for the proper administration of the institutions and services in charge of providing social protection and due benefits.
- Where the administration of the social security systems is not entrusted to public authorities, representatives of people protected must participate in the management or be associated with consultative capacity. In this regard the participation of employers' representatives of could be envisaged.
- Benefits and benefit levels should be clearly defined by legislation.

¹⁷ “Developing and enhancing measures of social protection – social security and labour protection – which are sustainable and adapted to national circumstances, including (...) the extension of social security to all, including measures to provide basic income to all in need of such protection, and adapting its scope and coverage to meet the new needs and uncertainties generated by the rapidity of technological, societal, demographic and economic changes”. International Labour Organisation Declaration on Social Justice for a Fair Globalization adopted by the International Labour Conference at its 97th Session, Geneva, 10 June 2008, Part I(B).

Examples of principles under specific branches:

- Under medical care, the Convention can be seen as providing comprehensive medical care where it calls for any morbid condition and maternity, whatever its cause, to be covered (Article 8).
- Benefits in cash should be provided through periodical payments to ensure that beneficiaries are compensated for the loss of income and that the benefit will be properly utilized (Articles 16, 22, 36, 42, and 56).
- As regards long term benefits, the Convention requires that these be adjusted according to changes in the cost of living to ensure their purchasing power (Articles 28, 36, 56, 62, 65(10) and 66(10)).
- In the case of pregnancy and confinement and its consequences, the Convention envisages both the provision of maternity medical care, which should not incur a participation in the cost, and the provision of cash benefits for at least 12 weeks (Article 47, 49, 50 and 52).
- The coverage of dependents is also prescribed, particularly in the case of medical care, maternity medical care and survivors benefits (Articles 9, 31, 48, 60).

Like all international instruments, Convention No. 102 was adopted to guide member States; however the objectives and principles of the Convention and in particular the definitions and technical parameters established therein can be taken into consideration by anyone developing a scheme design, including MNEs.

Social Protection Floors Recommendation, 2012 (No. 202)

Carrying on its mandate, the ILO's Recommendation No. 202 provides member States with guidance to establish national social protection floors accessible to all in need through a two-dimensional strategy to extend social security¹⁸.

Under the horizontal dimension of the two-dimensional strategy, Recommendation No. 202 calls for the rapid implementation of national social protection floors comprising, at least four basic social security guarantees defined as:

- (a) access to essential health care, including maternity care;
- (b) basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
- (c) basic income security for people in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and
- (d) basic income security for older persons.

¹⁸ As mentioned in introduction, effective national strategies should ensure at least minimum levels of income security and access to essential health care to the full population throughout their life cycle (horizontal dimension) and progressively ensure higher levels of protection guided by up-to-date International Labour Organisation social security standards (vertical dimension). Such strategies should thereby aim at building and maintaining comprehensive and adequate social security systems in line with national priorities, resources and circumstances and closing coverage gaps.

Such guarantees should be provided to all residents and all children, as defined in national laws and regulations, and subject to existing international obligations.

In the same way that Convention No. 102 can be useful to those designing social security schemes, Recommendation No. 202 can help guide all those involved in designing schemes which seek the extension of social protection. The main guidance elements as regards the principles that should preside to the scheme design, the design process and the monitoring and evaluation strategy are presented in the following paragraphs.

- Recommendation No. 202 provides a set of principles to guide the extension of social protection along both the horizontal and vertical dimensions. Of great importance, the Recommendation specifies that the overall and primary responsibility of any strategy to extend social security coverage lies on the State (Article 3 in fine). Among the principles which guide the design of benefits, Recommendation no. 202 calls for benefits based on the principles of non-discrimination, gender equality and responsiveness to special needs as well as benefits that are adequate and predictable (Article 3 (c) and (d)). With respect to the implementation of social security schemes, members are encouraged to seek a diversity of methods and approaches but the measures should ensure financial, fiscal and economic sustainability with due regard to social justice and equity as well as transparent, accountable and sound financial management and administration (Article 3 (i),(j) and (k)). The objective of closing coverage gaps and ensuring the universal extension of social protection should be done progressively (Article 3 (g)). What is more, basic social security guarantees, such as those listed above, should be established and delineated by law (Article 7).
- Recommendation No. 202 also provides a course of action for the formulation and implementation of social security extension strategies in line with national circumstances. From the onset, objectives should reflect national priorities and gaps and barriers to social protection should be identified (Article 14 (a) and (b)). In order to close such gaps, appropriate and effective coordinated schemes, whether contributory or non-contributory, should be sought and the financial requirements, resources and time frames for the implementation of such strategies should be specified (Article 14 (c) and (e)). Finally, intrinsic to this process is the role of social dialogue in, among other things, raising awareness about social protection floors and extension strategies (Article 14 (f)).
- The importance of incorporating a national monitoring mechanism to evaluate the progress in the implementation of social protection floors and extension strategies can also be highlighted (Articles 19-24). In particular, such mechanisms should be nationally defined and include tripartite participation as well as consultation with other pertinent stakeholders (Article 19). Data systems should be secure and legal frameworks should ensure the protection of private individual information (Article 23). Members are also encouraged to share information, experiences and expertise among themselves and with the ILO (Article 24).

3.2.2. ILO's mandate and standards in promoting responsible business conduct

Responsible business conduct has been an integral part of ILO's mandate since its foundation, as illustrated by its quest to promote social justice and internationally recognized human and labour rights, and to ensure decent employment, particularly in the context of globalization, by providing guidance on social policy and responsible labour

practices¹⁹. The mandate on CSR in particular has its starting point in the 1970s. Although CSR is not a novel concept, the rising importance of MNEs in the 1960s and 1970s and their social impact brought the ILO to focus on this topic and eventually adopt an international legal instrument in this direction. In 1977, the ILO adopted the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration), the main guiding instrument regarding the labour dimension of CSR.

The ILO MNE Declaration provides comprehensive guidance on social policy for governments and enterprises on labour issues. In fact, it is the only ILO instrument that contains recommendations for enterprises, governments, and employers' and workers' organizations. The MNE Declaration is also unique as it is tripartite, having been adopted by governments and representatives of employers' and workers' organizations. A key aspect of the MNE Declaration is the promotion of dialogue, both between home and host countries and between the tripartite constituents and enterprises. The objective of this is to ensure that the activities of MNEs are in harmony with the development priorities and social aims of the countries in which they operate.

With a view to "encourage the positive contribution which multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise" (MNE Declaration, Article 2, page 2), the MNE Declaration provides guidance on how enterprises can apply the principles enshrined in ILO standards. In so doing, it reflects the good practices that all enterprises (public, mixed, private, multinational or domestic) should adopt. More specifically, the MNE Declaration sets out principles in the fields of general policies, employment, training, conditions of work and life and industrial relations which governments, employers' and workers' organizations and multinational enterprises are recommended to observe on a voluntary basis.

Of particular relevance to the place of social protection in responsible business conduct, the section entitled "Conditions of Work and Life" includes recommendations regarding wages and benefits, minimum age and occupational safety and health. The subsection referring to wages and benefits calls on MNEs to provide, among other things, "wages, benefits and conditions of work offered by multinational enterprises should be not less favourable to the workers than those offered by comparable employers in the country concerned" (Article 33). Moreover,

"When multinational enterprises operate in developing countries, where comparable employers may not exist, they should provide the best possible wages, benefits and conditions of work, within the framework of government policies. These should be related to the economic position of the enterprise, but should be at least adequate to satisfy basic needs of the workers and their families. Where they provide workers with basic amenities such as housing, medical care or food, these amenities should be of a good standard" (Article 34).

Governments are in turn requested to adopt suitable measures to enable such objectives and in particular ensure that lower income groups and less developed areas benefit as much as possible from the MNEs activities (Article 35). In other words, it could be said that the MNE Declaration calls on MNEs and governments to take into consideration workers' social protection. In so doing, it incorporates social protection as an

¹⁹ In 1919, the Constitution had already recognized the need to tackle problems in respect of the acknowledgement that "conditions of labour exist involving such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled." (International Labour Organisation: Constitution of the International Labour Organisation 1 April 1919, Preamble).

integral part of the concept of CSR. In fact, it is the only instrument among the range of international documents on CSR to do so.

It should be noted that the 1976 Guidelines developed by the Organization for Economic Co-operation and Development (OECD) on multinational enterprises, a comprehensive collection of recommendations on responsible business conduct, echo the principles established under the MNE Declaration including those of Articles 33 and 34. The OECD Guidelines, unlike the Declaration, create legally binding obligations for States including the obligation to promote such enclosed principles among MNEs operating within or from their territory²⁰.

The MNE Declaration also references to key human rights instruments, including the UDHR and the ICESCR, which, as previously discussed, enshrine the right to social security. Furthermore, the Declaration calls on governments, employers and workers' organizations and MNEs to consider the principles laid down in the ILO Constitution and relevant Conventions and Recommendations when taking measures and actions and adopting social policies. In particular it refers directly to the social security Convention concerning Medical Care and Sickness Benefits, 1969 (No. 130), and its accompanying Recommendation No. 134 and also Recommendation concerning Medical Care, 1944 (No. 69) which lay down the minimum standards in respect of the medical care required as a result of a morbid condition and the benefits that should be granted where an incapacity for work resulting from a morbid condition involves a suspension of earnings²¹.

Since its adoption in 1977, the MNE Declaration has been amended both in 2000 and 2006. These recent amendments demonstrate the continued and growing relevance of the issues covered therein but also serve to bring the pertinence of the Declaration up to date.

In 2008, in its Declaration on social justice for a fair globalization, the ILO reaffirmed the relevance of the MNE Declaration, particularly in the expanding context of the globalized economy. Under the ILO's Decent Work Agenda, member States are encouraged to seek new partnerships, including with MNEs, in the implementation of policies to promote employment, social dialogue and tripartism, in realizing the fundamental principles and rights at work; and in developing and extending social protection.

As the ILC continues to encourage and provide guidance for enterprises to contribute and promote sustainable development, it has underlined that adequate social protection is an essential condition to enable sustainable enterprise development²². The ILC

²⁰ The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises include a periodic reporting mechanism for member States and governments adhering to the guidelines are obliged to set up National Contact Points (NCPs) whose main role is to further the effectiveness of the Guidelines by undertaking promotional activities, handling enquiries, and contributing to the resolution of issues that arise from the alleged non-observance of the Guidelines in specific instances., for more details, see <http://www.oecd.org/corporate/mne/> and <http://mneguidelines.oecd.org/>.

²¹ It is also notable that subsequent to the adoption of the Multinational Enterprises Declaration, the social security Convention concerning Employment promotion and Protection against Unemployment, 1988 (No. 168) and its accompanying Recommendation No. 176 also contain provisions relevant to the Declaration in relation to a suspension or loss of earnings due to inability to obtain suitable employment by a person who is capable of and available for work.

²² International Labour Organisation: *Conclusions concerning the promotion of sustainable enterprise*, International Labour Conference, June 2007, Geneva, Paragraph 9,: "Sustainable tax-

reemphasized the role of social protection in fostering sustainable development in 2013 while also pointing out the critical place it holds in the transition towards a green economy²³.

The following subsection will address the issue of how the global strategies developed by MNEs on social protection as part of their responsible social policies can interact with national strategies for the extension of social protection as the ILO frames it. The above presentation of the ILO conceptual and normative framework on this issue was seemed a necessary step for the understanding of the following subsection.

3.3. Issue at stake: What are the possible interactions with national strategies aiming at building a complete social protection system for all?

3.3.1. Building national strategies for the extension of social protection

The ILO's strategy to extend social security recognizes gaps in social security coverage and seeks to close such gaps through nationally-defined comprehensive social security systems so that all those in need have access to essential health care and basic income security.

Since 2012, the strategy to extend social security is guided by the Recommendation No. 202 which, through a two-dimensional framework for the extension of social protection, provides guidelines for carrying out this objective. As described in further detail above, the strategy calls on governments, who have the primary responsibility of ensuring effective access to social security, to aim at achieving universal protection of the population with respect to minimum levels of income security and access to essential health (horizontal dimension), and to progressively provide higher levels of protection (vertical dimension). The Recommendation acknowledges that the implementation of strategies to extend social security towards universal protection should follow the principle of progressive realization including by setting targets and time frames. Furthermore, the design and implementation of social protection floors and social security extension strategies should take into account a diversity of methods and approaches, including of financing mechanisms and delivery systems. Both these elements infer the involvement of a variety of stakeholders, including actors emerging from the private sector.

The ILO's strategy is centred on the concept of a rights-based approach. In this regard, strategies for the extension of social protection follow up on the United Nations conceptual framework for the mainstreaming of human rights within UN programmes and practice. A human rights-based approach calls for development plans, policies and processes to be anchored in international human rights standards. States, as duty-bearers, are accountable for the realization of such human rights and all people, as rights-bearers, are entitled to have such human rights upheld and promoted and when denied, have a legally enforceable claim which they can use to advocate for change. Furthermore, it is

based or other national models of universal social security that provide citizens with access to key services such as quality health care, unemployment benefits, maternity protection and a basic pension, are key to improving productivity and fostering transitions to the formal economy. Protecting workers' health and safety at the workplace is also vital for sustainable enterprise development".

²³ International Labour Organisation: *Report V Sustainable development, decent work and green job*, International Labour Conference, 102nd Session, Geneva, 2013, Paragraphs 290 – 293.

gradually recognized on both the national and international levels that non state actors, such as private companies, have a moral duty to safeguard and ensure the rights of individuals and communities or at the very least not interfere with human rights ²⁴.

Therefore, in seeking to guarantee the human right to social security, as enshrined in the UDHR and the ICESCR, strategies to extend social protection should take on a rights-based approach to link such development initiatives to rights legislation based on internationally accepted norms and instruments. In this regard, the State has the prima facie responsibility to ensure that social security rights are respected, protected and fulfilled by legislation, policies and practices. In particular, when applying a rights-based approach to labour policies, States should seek to ensure coherence between responsible business conduct, decent work, employment and social protection policies by rooting the formulation and implementation of policies in international labour standards and other relevant documents, in this case the MNE Declaration. The MNE Declaration and the OECD Guidelines for multinationals are clear examples of the integration of non-state actors within the rights based approach.

Also central to the strategies on the extension of social security developed by the ILO is that these should be nationally defined and adapted to national circumstances. In this regard, the contributions of national dialogue in the formulation and implementation of such strategies are critical to ensure that comprehensive and adequate social security systems are coherent with national policy objectives. National dialogue should involve all key stakeholders, that is to say representatives of government, workers and employers as well as any other relevant parties. Such all-inclusive national dialogue allows for the development of a commonly agreed roadmap for the extension of social protection which draws from the experiences and acknowledges the different interests of all stakeholders.

In this regard, it is essential that the development of any two-dimensional strategy extends from social dialogue and the practice of tripartism between governments and the representative workers' and employers' organizations. Social dialogue between tripartite members is central to the ILO's work and is what gives strength to the ILO's policies and standards ²⁵. In effect, encouraging such transactions through negotiation, consultations and information-sharing leads to consensual and sound labour policies since the perspectives, knowledge and experiences of all parties can be taken into account. This can also allow the business community to get across their experiences on a public-private level and provide employers and workers with the opportunity to advocate for the respect, protection and fulfilment of labour rights by the State.

Through social dialogue and collective bargaining at national, sectoral and enterprise levels, enterprises can play an important role in promoting good social practice and in particular use this space to share ideas and experiences on the promotion of social protection. This forum would allow MNEs to describe and promote their own initiatives, such as the ones described here above. Social dialogue is also central to the conclusion of collective labour agreements, i.e. agreements between employers and trade unions which

²⁴ Office of the High Commissioner for Human Rights (OHCHR): *Claiming the Millennium Goals: A rights based approach* (New York, Geneva, 2008).

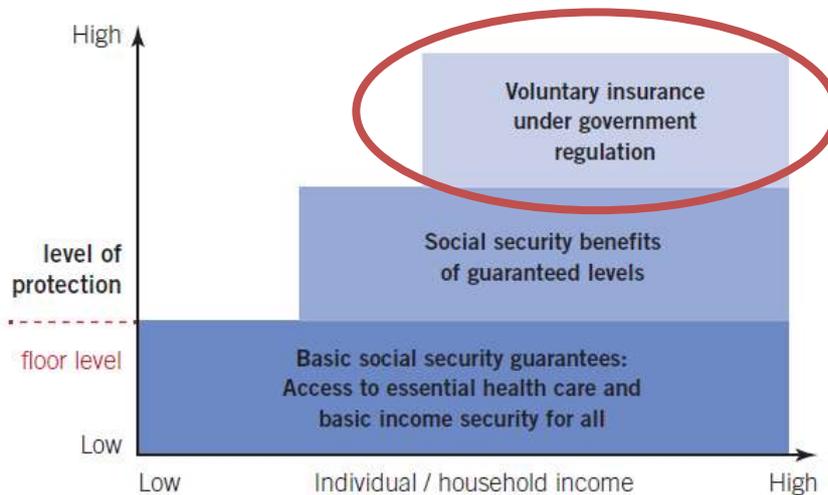
²⁵ The International Labour Organisation has worked extensively on the theme of social dialogue and social protection. Among other topics, the issue of social dialogue and social security reforms, including pension reforms, emerges in the recent literature, see for instance: I. Guardiancich: *ILO survey on social dialogue and pension reform in times of crisis and beyond: Slovenia* (ILO, Geneva, 2012), Dialogue Working Paper No. 39. and H. Sarfati and Y. Ghellab: "The political economy of pension reforms in times of global crisis: State unilateralism or social dialogue?" (ILO, Geneva, 2012), Dialogue Working Paper no. 37.

set forth the terms and condition of employment including but not limited to pay rates, work hours, vacations and social benefits. In this regard, collective bargaining can ensure that concerns regarding responsible business conduct, and in particular, the extension of social protection, are negotiated and included in sectoral, national or even multinational agreements. In this regard, transnational negotiations between MNEs and global union federations can lead to collective agreements in the form of IFAs which can enable the promotion of sustainable development, or in particular social protection, across worldwide operations of MNEs.

3.3.2. Integrating private sector initiatives in a national strategy for the extension of social protection: Challenges and issues at stake

The types of initiatives depicted in the case studies above can have various interactions with national strategies of social protection extension. They can be coordinated with basic public schemes (and thereby complement existing schemes) in a coherent manner, they can also work in silo and create a parallel system, depending on the national policy and its ability to acknowledge and capture such initiatives. Indeed, companies' global strategies that aim at providing an internally defined minimum level of social protection to all their workers can be integrated within national strategies of social protection extension as complementary benefits. In the framework of the ILO bi-dimensional strategy for the extension of social security, it could be represented by the last step of the following staircase, as illustrated by the staircase below. Coordinating a complete system of social protection which integrates private sector initiatives might also create new challenges for the State in terms of regulation (regulation of the insurance sector, establishment of the ground rules for voluntary complementary insurance schemes, etc.).

Figure 11. Private sector initiatives and the social security extension staircase



Source: elaborated by the authors.

In the case of some branches of social protection, and depending on the national context, such initiatives could also work in silo and contribute to the reinforcement of a parallel system, which would not be complementing but rather mitigating the shortcomings of the public system. For example, having several employers providing complementary (assuming legal provisions already exist) health insurance to their workers in a given country can have a different impact depending on the national context and policies. In a country where healthcare facilities are coordinated and managed in accordance with a national strategy of coverage extension, it has the potential to reinforce the solvable

demand for healthcare and to push for an increase in quality of care that would eventually benefit all. Alternatively, in other contexts, it might only nurture a parallel system of private care reserved to an elite.

In other words, as illustrated by the above diagram, the third and last step of the staircase is connected with the two other steps if and when those two exist and are effective. Willingness to actively structure and coordinate these three steps through the participation of all concerned parties is also necessary. The latter should translate into the active participation of employers' representatives within national dialogues on social protection. To be efficient, this active participation supposes that employers who developed social protection initiatives for their workers will inform their representatives and affirm their willingness to discuss the subject at higher levels.

Bringing the reflexion further, some pending issues emerge from the present document, and in particular two important ones regarding the potential effects at the macro-level of such private sector social protection initiatives. Indeed, both the business case for social protection at enterprise level and the example or domino effect described in introduction can be questioned.

The business case for social protection that is valid for multinational enterprises might not be replicable as such when talking about national or local businesses (especially medium or small businesses). In this regard, it would be of interest to detail the points of contact between health and safety policies and social protection of workers in order to assess what can be done regarding the extension of complementary social protection in small and medium businesses. In order to promote the access to complementary benefits by workers in smaller enterprises, State regulations can also promote and allow for the establishment of facilities providing social protection complementary benefits, as is the case for multi-employer complementary pension funds in some countries for example.

The effect of example or domino effect on competitors and contractors seems to depend greatly on the characteristics of the labour market and the state of the national economy in each country of operation. Competition can be related to the company's image (as it is increasingly the case in developed countries where company image has in turn a strong influence on consumption and stock markets), to labour market conditions (if skilled labour supply is weak and labour demand high, as in many emerging economies). If competition on image or for the best talents is fierce, then the domino effect on competitors might be strong (i.e. they may align their social protection benefits for their employees). Likewise, if the supply chain is truly integrated and workers from one company, which has a global social protection benefit strategy, work on the same site as workers from supplier companies, the domino effect on sub-contractors / suppliers is more likely to happen.

A correlated issue concerns the assurance by MNEs that their suppliers comply with mandatory social security obligations. This is a first step for integrating the issue of social protection in social dialogue across the supply chain (i.e. assurance of compliance with legal obligations first with a view to move progressively forward with complementary social protection issues). In practice, it seems that social protection is yet to be integrated in responsible supply chain management policies within MNEs. Meanwhile, some State interventions can facilitate such a responsible supply chain management integrating social protection issues by providing tools to check compliance with social protection regulations. For example, such as in Brazil, social security institutions can deliver certificates of compliance with social security (i.e. affiliation of workers is effective and contributions are paid regularly) so that suppliers can prove that they comply and MNEs can make sure their suppliers are in compliance with social security obligations.

These topics seem truly important in order to evaluate the potential of MNEs global strategies on social protection benefits for contributing to national social protection strategies and thus create room for further investigation. It also seems that countries aiming at developing national social protection extension policies to create complete social protection systems through national dialogue should take stock of such private sector global strategies and address the issue of how to capture their potential in line with national development priorities.

4. Conclusion

The present study completes the first exploratory study on the extension of social protection and the possible voluntary contribution of MNEs. It documents two examples of social protection global strategies at the company level and looks at the possible interactions with national strategies for the extension of social protection as promoted by the ILO. As regards this last issue, there is still room for more research on this emerging topic.

Both the cases of Danone's Dan'Cares programme and L'Oréal Share and Care programme illustrated the growing interest of MNEs to provide social protection to all their workers and homogenise this protection. The theme is at the crossroads of HR and CSR policies and, in both cases, relates to the vision of the highest levels of direction of the group. Though their level of development is truly different, both programmes provide evidence of the advantages of the extension of social protection at enterprise level. Indeed, providing social protection benefits to all workers has a potential impact on HR and operations, and reinforces other corporate policies. As regards HR, it has an impact on employee retention and motivation, employer brand and attractiveness, as illustrated by the case studies and explained in the relevant literature. Concerning operations, they benefit from a potential reinforcement of productivity and reduction of absenteeism. It also reinforces other corporate policies such as health and safety at work strategies or corporate social responsibility strategies. All above-mentioned elements contribute to the competitiveness of the company both at national and international levels. These findings confirm that social protection is a win-win investment, including at the company level.

From an ILO perspective, it is crucial to consider not only the enterprise level but also how this type of initiative relates to broader policy issues and, in this case, to national strategies for the extension of social protection as promoted by ILO instruments. As underlined above, the State bears the primary and overall responsibility for guaranteeing the realization of the right to social protection. Within the ILO bi-dimensional strategy for the extension of social protection, the initiatives presented in the case studies relate to the voluntary insurance under government regulation component. The findings of the present study further reinforce the belief that, in order to be effectively coordinated with other components of a comprehensive social security system, such initiatives have to be acknowledged and captured by national dialogues on social protection. This issue relates to the wider problematic encountered by many member States when trying to channel private sector engagement in a way that actively contributes to national development priorities.

The present study also sheds light on the necessity for more research, including the following topics:

- appropriate tools and good practices documentation that can contribute to the private sector and national strategies of extension of social protection. Specifically, the awareness of constituents (governments, workers and employers representatives) on such issues should be raised and they should have access to appropriate tools and practical experiences to ensure that such initiatives form part of the framework of national social protection extension policies. These may include State regulations, national dialogue, specific tools for small and medium businesses, etc. An in-depth methodology, in order to include social protection as an element of supply chain responsible management policies could also be valuable;
- empirical evidence of the impact of MNEs global policies, setting internal minimum levels of protection for all workers on company's economic performance, as well as on workers' well-being and risk mitigation strategies;

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- macro-analysis of the conditions that allow for the validity of the business case for social protection at enterprise level (for all sizes of enterprises), focusing on national policies that foster those conditions;
 - macro-analysis of the conditions that allow for the example effect or domino effect on competitors and sub-contractors, in terms of promoting a “race to the top” in the extension of social protection schemes.

Finally, the above-mentioned research topics would fit in a more substantive analysis in terms of how companies can maximize their contribution to national development. This work could link global company policies with national public policies and frameworks by looking systematically at the local implementation of MNEs global policies by their subsidiaries.

Appendices

1. Tools for constituents on social protection and private sector engagement.
2. Glossary.
3. List of research material and interviews.
4. Mexico and Indonesia: overview of social security legal provisions.
5. Overview of the provisions of the ILO Social Security (Minimum Standards) Convention 1952, (No. 102).
6. ILO Social Protection Floors Recommendation, 2012 (No. 202).
7. Overview of the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, 1977.

Appendix 1

Tools for constituents on social protection and private sector engagement

The ILO and other institutions provide constituents with a number of tools and resources which among other things can help companies ensure that their operations and principles are aligned with the principles laid out in ILO standards. These include various tools that can be of use at the various stages of the type of strategy presented in the case studies:

- *At the CSR policy design level and on private sector engagement in general:*

ILO Helpdesk for Business

www.ilo.org/business

One-stop shop for company managers and workers interested in better aligning business operations with international labour standards, using the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the ILO Declaration on Fundamental Principles and Rights at Work. The Helpdesk consists of a website information service and an assistance service responding to specific inquiries.

The Helpdesk website provides information, resources specially designed for business, Q&As, trainings, and links to background reports. The website is available in English, French and Spanish

Guide to the MNE Declaration for workers

Drawing from the need to ensure that enterprises respect international labour standards, this guide was designed to assist trade unions to advocate for the policies and principles enclosed in the MNE Declaration and to encourage a wider commitment to its use by the ILO and its constituents.

The Labour Principles of the United Nations Global Compact: A Guide for Business, ILO, 2008

This guide was developed to enable businesses of all sizes to become familiar with the Global Compact labour principles and in particular assist them in understanding what is expected of them and what they can do to uphold these principles.

The Enabling Environment for Sustainable Enterprise (EASE) Toolkit

<http://eese-toolkit.itcilo.org/>

This toolkit is designed to help employer's organizations and other business membership organizations to guide and support their work on sustainable development promotion. It can help identify constraints in the development of sustainable enterprises and formulate advocacy and proposals for reform that can be used to make dialogue with government more effective.

The IOE CSR working group has guided the CSR debate by provided an employer's position.

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- ***When setting internal minimum levels of social protection at MNE level:***

NORMLEX

www.ilo.org/dyn/normlex/

This ILO information system provides information on International Labour Standards including the texts of ILO Conventions and Recommendations and information on ratification, reporting requirements and comments of the ILO supervisory bodies.

ILO Maternity Protection Resource Package

http://mprp.itcilo.org

Provides governments, trade unions, employers' organizations, ILO and UN officials, NGOs, researchers and practitioners with guidance and tools to strengthen and extend maternity protection to all women in all types of economic activity.

HIV/AIDS + WORK: Using the ILO Code of Practice and training manual - Guidelines for employers, 2004

http://www.ilo.org/aids

Acknowledging that employers and their organizations are well placed to respond to the threat that HIV/AIDS can pose to enterprises and public sector workplaces, this brochure aims to guide employers in creating and developing proactive and constructive responses to HIV.

Guide to International Labour Standards, International Training Centre of the International Labour Organization 2008

Provides summaries of the contents of ILO Conventions and Recommendations by subject matter.

- ***When undertaking the stocktaking:***

NATLEX

www.ilo.org/dyn/natlex

An ILO database maintained by the International Labour Standards Department containing national labour, social security and related human rights legislation.

ILO Social Security Inquiry

http://www.ilo.org/dyn/ilossi

The objective of the ILO Social Security Inquiry (SSI) is to collect, store and disseminate comparable statistical data on social security worldwide. Statistical information is provided on country or regional levels regarding employment-related social security schemes, public health, welfare and anti-poverty programmes and non-public schemes of different types transferring goods, services or cash to poor and vulnerable households.

The Global Extension of Social Security (GESS)

www.social-protection.org

GESS is a global knowledge sharing platform on the extension of social security and aims to facilitate the exchange of information and ideas, capture and document experiences, identify knowledge gaps, create new knowledge and promote innovation.

International Social Security Association (ISSA) country profiles

www.issa.int/Observatory/Country-Profiles

ISSA's country profiles provide an overview of social security programmes in the Americas, Africa, Asia and the Pacific and Europe. For each scheme (old age, disability or survivorship; sickness and maternity; work injury or occupational disease; unemployment; and child rearing) information is provided regarding the regulatory framework, coverage, source of funds, qualifying conditions, benefits, and administrative organization.

KILM

http://kilm.ilo.org/kilmnet/

This multifunctional research tool on labour market information contains country-level data on 18 indicators including indicators on employment by occupation or sector and indicators on poverty and income distribution. Information since 1980 is available in an interactive online database.

■ ***Engaging with social partner:***

EC Database of Transnational Company Agreements

http://ec.europa.eu/social/main.jsp?catId=978&langId=en

The database, which is catalogued by the European Commission in collaboration with the ILO contains all transnational company agreements and texts. The search engine allows information to be accessed according to sector, type of text, main topic or company name, among other criteria.

International Organisation of Employers (IOE) Corporate Social Responsibility (CSR) Working Group

http://www.ioe-emp.org

The IOE's role is to represent worldwide business community in international labour and social policy forums to ensure the promotion of the viability of business. In meetings of the International Labour Organization (ILO), including its Governing Body and International Labour Conference, the IOE acts as the Secretariat to the Employers' Group.

Appendix 2

Glossary

Wherever possible, existing ILO definitions were chosen for this glossary. Where they did not exist, definitions were sought from other international organizations, or failing that, in relevant academic writings. If none of these sources proposed definitions, these were selected from websites providing information on specific topics or from corporate websites.

Corporate social responsibility (CSR)

A way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors.

[ILO Helpdesk, Multinational Enterprises Programme]

Corporate social responsibility (CSR) may also be understood as defined in ISO Standard 26000, or under the European Commission's definition:

The Commission puts forward a new definition of CSR as “the responsibility of enterprises for their impacts on society”. Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of:

- maximizing the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;
- identifying, preventing and mitigating their possible adverse impacts.

[European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *A renewed EU strategy 2011–14 for Corporate Social Responsibility*, COM (2011) 681 25 October 2011 (Brussels), section 3.1, p.6.]

Employer brand

“Employer brand” is a term used to describe the range of issues involved in corporate image targeting employees or potential employees.

Employer branding is normally under the responsibility of the human resources management and communication services. The objective is to make the brand attractive as a potential employer.

[From <http://www.definitions-marketing.com/Definition-Marque-employeur>]

Group insurance

An insurance contract concluded between private insurer and a group of beneficiaries, such as the employees of an enterprise or the members of an association, cooperative, trade

union, etc. Such contracts usually provide insurance coverage in the following areas: health care, retirement pensions, temporary or permanent disability, and death of the breadwinner.

[ILO: *Health micro-insurance schemes: Feasibility study guide*. Volume 2: Tools (Geneva, STEP Programme, 2005)]

Healthcare provider

A person or a health facility that provides health care to a patient. Examples include doctors, pharmacists, surgeons, midwives, nurses, health centres, hospitals, etc.

[ILO: *Health micro-insurance schemes: Feasibility study guide*. Volume 2: Tools (Geneva, STEP Programme, 2005)]

Inpatient Care

In-patient care refers to care for a patient who is formally admitted (or 'hospitalised') to an institution for treatment and/or care and stays for a minimum of one night in the hospital or other institution providing in-patient care.

In-patient care is delivered in hospitals, other nursing homes and residential care facilities or in establishments which are classified according to their focus of care under the ambulatory care industry but perform in-patient care as a secondary activity.

Included are services delivered to in-patients in prison and army hospitals, tuberculosis hospitals and sanatoriums. In-patient care includes accommodation provided in combination with medical treatment when the latter is the predominant activity provided during the stay as an in-patient

[OECD Health Data 2001: A Comparative Analysis of 30 Countries, OECD, Paris, 2001, data sources, definitions and methods.]

Insurance

A mechanism intended to provide coverage against the financial consequences of prescribed uncertain events, by spreading the anticipated costs resulting from the occurrence of those events – also known as risks – among several persons. (...) The premiums paid by insured persons are pooled together and used to cover the expenses of exclusively those persons affected by the occurrence of a certain number of clearly defined risks. In exchange for the payment of premiums, insured persons obtain the insurer's guarantee to provide this financial compensation.

[ILO: *Health micro-insurance schemes: Feasibility study guide*. Volume 2: Tools (Geneva, STEP Programme, 2005)]

Median wage

The wage level at which half of the population concerned earns less and half earns more. This differs from the average wage, which is an average of the total wages earned by the population concerned.

[Translated from the website of the French National Institute of Statistics and Economic Studies (*Institut national de la statistique et des études économiques*), at <http://www.insee.fr/fr/methodes/default.asp?page=definitions/salaire-median.htm>.]

Outpatient care

Outpatient care comprises medical and ancillary services delivered to a patient who is not formally admitted to a facility (private medical practice, hospital outpatient service or ambulatory care centre) and does not stay overnight. An outpatient is thus a person who goes to a healthcare facility for a consultation or treatment, and who leaves the facility within hours of the start of the consultation without being admitted to the facility as a patient.

[OECD: *A system of health accounts* (Paris, 2000), p. 125]

Out-of-pocket payments

Out of pocket expenditure is any direct outlay by households, including gratuities and in-kind payments, to health practitioners and suppliers of pharmaceuticals, therapeutic appliances, and other goods and services whose primary intent is to contribute to the restoration or enhancement of the health status of individuals or population groups. It is a part of private health expenditure.

Out-of-pocket payments for health can cause households to incur catastrophic expenditures, which in turn can push them into poverty. The need to pay out-of-pocket can also mean that households do not seek care when they need it. An analysis of 108 surveys in 86 countries has revealed that catastrophic payments are incurred by less than 1 percent of households in some countries and up to 13 percent in others. Up to 5 percent of households are pushed into poverty. Designing health financing systems to reduce catastrophic health expenditure

[Technical brief for policy-makers by Xu K, Evans DB, Carrin G, Aguilar-Rivera AM, WHO, 2005 and World Health Organization National Health Account database (see <http://apps.who.int/nha/database/DataExplorerRegime.aspx>).]

Pooling

A method for international sharing of insurance risk. The insurance companies that are members of a pooling network offer their clients (companies) the opportunity to consolidate their social protection contracts for health, retirement and pension benefits in a single financial account through a multinational programme linking each company to the network.

[Translated from Gan Eurocourtage: *Projets courtage*, No. 85 (April 2011), pp. 20, 22]

Site facilities

Site facilities include all services necessary for the community life of people gathered for professional reasons on an inaccessible site. They are limited in time, related to a specific project and must be located near the workplace or integrated in it in the case of offshore platforms. These sites are often characterized by extreme conditions: high seas, deserts, mountains, polar regions or tropical forests.

[Translated from <http://www.melchior.fr/Les-bases-vie.5357.0.html>]

Social protection

The term social protection is often interpreted as having a broader character than social security (including, in particular, protection provided between members of the family or members of a local community), but it is also used in some contexts with a narrower meaning (understood as comprising only measures addressed to the poorest, most vulnerable or excluded members of society). Thus, in many contexts the terminology “social security” and “social protection” may be largely interchangeable ... “social protection” [may be seen] as “protection” provided by social security in case of social risks and needs.

[ILO: *World Social Security Report 2010/11* (Geneva, 2010) p.13]

Social protection coverage

In each category of social protection benefits, coverage is a multidimensional concept with at least three elements:

Scope. This is measured here by the range (number) and type of social security branches (...) to which the population of the country has access. (...)

Extent. This usually refers to the percentage of persons covered (by gender, age, labour market status) within the whole population or the target group, by social security measures in each specific branch.

Level. This refers to the adequacy of coverage by a specific branch of social security (...) The level of coverage can also be measured by the quality of services provided.

[ILO: *World Social Security Report 2010/11* (Geneva, 2010) p. 22]

Appendix 3

List of research material and interviews

■ *Interviews with Danone*

Interlocutors:

Marc Gosser, Vice President Human Resources, Danone Waters Worldwide (formerly Director of CSR and social affairs)

Sandra Foucart, Benefits and LTI Director

Sergio Coco, Human Resources Director, Danone Mexico

Poerbaningrat, Human Resources Director, Danone Dairy Indonesia

Dates of interviews:

September 25th, 2012

April 26th, 2013

September 11th, 2013

September 13th, 2013

September 19th, 2013 (meeting at the ILO Paris office)

October 1st, 2013

■ *Interviews with L'Oréal*

Interlocutors:

Françoise SCHOENBERGER, Directrice des Relations Sociales

Emmanuelle Livremont, Directrice Diversité & Santé au Travail, Direction des Relations Sociales

Hugues de Beaugrenier, Directeur Frais de Santé – Prévoyance – Sécurité sociale, Direction des Relations Sociales

Bertrand de SENNEVILLE, Directeur Général des Relations Sociales du Groupe

Dates of interviews:

February 6th, 2013

April 5th, 2013

June 28th, 2013

August 20th, 2013

September 19th, 2013 (meeting at the ILO Paris office)

October 2nd, 2013

■ ***Internal documents from L'Oréal***

Share and Care programme presentation to HR directors.

Share and Care programme country implementation guide.

Share and Care programme reporting tool.

■ ***Other resources***

Websites

www.danone.com

www.loreal.com

Press releases

- Protection sociale: Danone assure!, Le Nouvel Observateur, October 2011.
- Une couverture santé pour les salariés Danone dans le monde, Le Figaro, November 4th, 2011.
- Social protection for all: a growing challenge, Down To Earth, Danone, May 29th, 2013, accessible on line: <http://downtoearth.danone.com/2013/05/29/social-protection-for-all-a-growing-challenge/>

Annual reports 2010, 2011 and 2012 of both companies (available on their websites).

Appendix 4

Mexico and Indonesia: overview of social security legal provisions

The following tables are simplified and should only be meant to provide a general idea of the existing schemes, more information is available through the various resources given in the toolkit as well as the ones mentioned throughout the tables.

Mexican Social Security System¹

Mexico's social security system is based on the 1917 Constitution. The first Social Security Law was adopted in 1943 and led to the creation of the Instituto Mexicano del Seguro Social (IMSS) for workers in the formal economy, and the Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (ISSSTE) for civil servants. Alongside these two main institutions are a number of smaller social security systems which usually cover persons working in specific industries or state-owned enterprises. IMSS covers roughly 70 percent of workers in the formal economy; 50 million people in 2010. ISSSTE covered approximately 11,6 million people in 2009. Private insurance coexists with public social security arrangements and there is a growing trend towards more private sector presence. In addition, there are federal social assistance programmes looking to extend social protection and reduce poverty as part of the *Vivir Mejor* human development strategy, including *Oportunidades*, a conditional cash programme. (For more information see www.social-protection.org and *ILO Social Security Inquiry*).

Contingency	Scope of coverage	Benefit package	Payment of Benefits	Entitlement Conditions
Medical Care	<p>1. <i>Social Insurance</i>: All private sector employees; members of cooperatives. Pensioners and eligible dependents as well.</p> <p>2. <i>Social assistance</i>: provides medical services to needy persons who do not have access to social security services, especially in rural and marginalized urban areas.</p>	<p>1. <i>Social Insurance</i>:</p> <ul style="list-style-type: none"> ■ Outpatient care: <ul style="list-style-type: none"> - General care - Specialist care - Dental - Laboratory services ■ Inpatient care: <ul style="list-style-type: none"> - Surgery - Hospitalization - Care in convalescent home ■ Maternity care ■ Medicine 	<p>1. <i>Social Insurance</i>: No co-payment (service is free in all empanelled facilities).</p>	<p>Medical services are normally provided directly to patients through the health facilities of the Social Security Institute; the Institute reimburses the costs of services when it cannot provide them directly. Medical benefits for dependents are the same as those for the insured.</p>

¹ Excluding information on Employment Injury, Unemployment and Family Benefits.

Contingency	Scope of coverage	Benefit package	Payment of Benefits	Entitlement Conditions
Maternity	<ol style="list-style-type: none"> <i>Social Insurance</i>: All private sector employees; members of cooperatives and dependents for medical benefits <i>Social assistance</i>: <i>Oportunidades</i> program provides medical services to needy persons who do not have access to social security services, especially in rural and marginalized urban areas 	<ol style="list-style-type: none"> Cash benefit: 100 percent of the insured's covered monthly earnings Medical benefits: maternity care provided through the health facilities of the Social Security Institute 	<ol style="list-style-type: none"> Cash Benefits: 42 days before and 42 days after childbirth 	<ol style="list-style-type: none"> Cash benefits: at least 30 weeks of contributions in the 12 months before the benefit is first paid. Insurer must not work for 42 days before and 42 days after childbirth Medical benefits: must be currently insured, a pensioner or eligible dependent
Sickness	All private sector employees; members of cooperatives	60 percent of the insured's covered monthly earnings at the onset of the illness is paid after a three-day waiting period	Up to 52 weeks, may be extended to 78 weeks	At least 4 weeks of contributions immediately before the incapacity begins
Old Age	<ol style="list-style-type: none"> <i>Mandatory individual account</i>: All private-sector employees and cooperative members <i>Social insurance</i>: Employees and members of certain cooperatives <i>Social assistance</i>: Legal residents aged 70 or more living in rural areas with less than 30,000 persons 	<ol style="list-style-type: none"> <i>Mandatory individual account</i>: monthly benefit depends on the value of the accumulated capital plus accrued interest. Guaranteed minimum pension of 2,095.99 pesos <i>Social insurance</i>: monthly benefit is a variable percentage of the insured average earnings in the last 250 weeks of contributions (plus an increment for each year of contributions exceeding 600 weeks) <i>Social assistance</i>: 1,000 pesos bimonthly 	Throughout the contingency	<ol style="list-style-type: none"> <i>Mandatory individual account</i>: Age 65 with at least 1,250 weeks of contributions <i>Social insurance</i>: Age 65 with at least 500 weeks of contributions <i>Social assistance</i>: Aged 70, live in rural area with less than 30,000
Invalidity	<ol style="list-style-type: none"> <i>Mandatory individual account</i>: All private-sector employees and cooperative members <i>Social insurance</i>: Employees and members of certain cooperatives 	<ol style="list-style-type: none"> <i>Mandatory individual account and Social insurance</i>: monthly benefit is 35 percent of insured average adjusted earnings in the last 250 weeks of contribution. Possibility of a dependent's supplement and constant attendance allowance. Guaranteed minimum pension of 1,819.53 pesos 		<ol style="list-style-type: none"> <i>Mandatory individual account</i>: at least 150 weeks of contributions with an assessed loss of at least 75 percent of normal earning capacity; at least 250 weeks of contributions and an assessed loss of 50 percent to 74 percent of normal earnings capacity <i>Social insurance</i>: assessed 50 percent reduction in normal earning capacity and have 150 weeks of contributions

Contingency	Scope of coverage	Benefit package	Payment of Benefits	Entitlement Conditions
Survivors	<ol style="list-style-type: none"> <i>Mandatory individual account:</i> All private-sector employees and cooperative members. Survivors are widow(er) or cohabiting partner and children up to age 16 (unless disabled) or 25 if student <i>Social insurance:</i> Employees and members of certain cooperatives. Survivors are widow(er) or cohabiting partner and children up to age 16 (unless disabled) or 25 if student <i>Social assistance:</i> Legal residents aged 70 or more living in rural areas with less than 30,000 persons. Survivors named by the deceased 	<ol style="list-style-type: none"> <i>Mandatory individual account and Social insurance:</i> 90 percent if the pension the deceased received or was eligible to receive. Possibility of a constant attendance allowance. Orphan's pension is equal to 20 percent of the deceased pension. Accumulated benefits must not exceed 1000 percent of the disability pension the deceased received or was eligible to receive <i>Social assistance:</i> lump sum of 1,000 pesos 		<ol style="list-style-type: none"> <i>Mandatory individual account:</i> pensioner had at least 150 weeks of contributions <i>Social insurance:</i> pensioner had at least 150 weeks of contributions <i>Social assistance:</i> survivors of a beneficiary of old-age social assistance grant

Source: ISSA, Social Security Programs Throughout the World, The Americas, 2011.

Indonesian Social Security System²

The Indonesian Constitution recognized the right to social security since 2002 however existing social protection schemes tend to be fragmented. The 2004 National Social Security Law seeks to establish non-contributory schemes for the poor, contributory schemes for the self-employed and statutory schemes for workers in the formal economy. The tax-finance social assistance system seeks to provide access to education, health care, food security, social infrastructure and employment opportunities for the poorest and most vulnerable population. Social Security schemes are primarily financed by four state-owned limited liability companies (Perseroan Terbatas, or PTs) including Jamsotek for private sector employees that provides employment injury, death, health insurance and an old age provident fund. The other PTs include Taspen for civil servants' old age pensions, Askes for health insurance coverage of civil servants and retired military personal and Asabri for retirement, death and occupational injury benefits for the armed forces and police. (for more information see www.social-protection.org and *ILO Social Security Inquiry*).

² Excluding information on Employment Injury, Unemployment and Family Benefits.

Contingency	Scope of coverage	Benefit package	Payment of Benefits	Entitlement Conditions
Medical Care	<p>Social insurance (Jamsostek) for: Employees of firms with 10 or more employees or a monthly payroll of at least 1 million rupiah Employees with labour contracts of less than 3 months are excluded. Medical benefits are paid to dependents (dependent spouse and up to 3 dependent children who are unmarried and unemployed and younger than 21) Employees with employer-provided benefits that are more comprehensive than those provided by the Jamsostek program are exempt.</p>	<ul style="list-style-type: none"> ■ Primary and specialist consultations ■ Hospitalization ■ Medicine ■ Emergency ■ Dental and Eye Care ■ Medical maternity care for up to 3 children, up to 500,000 for each ■ Cost of eyeglasses, hearing aids, and prostheses are reimbursed up to a maximum 	Inpatient care is provided for up to 60 days a year	<p>Must register with a primary care provider who is under contract with Jamsostek. Referrals are necessary to access specialist and inpatient care (except for emergencies). Medical benefits for dependents are the same as those for the insured.</p>
Sickness		No cash benefits are provided		
Maternity		No cash benefits are provided		
Old Age	Employees of firms with 10 or more employees or a monthly payroll of at least 1 million rupiah	Lump sum of total employee and employer provident fund contributions plus interest. Members with more than 50 million rupiah may opt for a periodic payment. Or drawdown payments are also possible.		Age 55, retired is not required and the benefit may be deferred
Invalidity	Employees of firms with 10 or more employees or a monthly payroll of at least 1 million rupiah	Lump sum of total employee and employer provident fund contributions plus interest. Members with more than 50 million rupiah may opt for a periodic payment.		Younger than age 55 with a total permanent incapacity for work as a result of a work injury. A medical doctor must certify the incapacity.
Survivors	Employees of firms with 10 or more employees or a monthly payroll of at least 1 million rupiah. The benefit is paid to the spouse, or if there is no spouse to the children	<p>Lump sum of total employee and employer provident fund contributions plus interest. Members with more than 50 million rupiah may opt for a periodic payment.</p> <p>If the deceased was receiving a periodic pension, the survivors benefit is the total employee and employer provident fund contributions plus interest minus the amount already paid</p>		The deceased was younger than age 55 at the time of death or older than 55 and receiving a periodic pension at the time of death.

Source: ISSA, Social Security Programs Throughout the World, Asia and the Pacific, 2012.

Appendix 5

Overview of the provisions of the ILO Social Security (Minimum Standards) Convention 1952, (No. 102)

Legal Requirements of Convention No. 102 - Cash Benefits

Convention No 102 Social Security Branches	Minimum Standards			
	Coverage	Minimum Benefit	Duration of Payment of Benefits	Entitlement Conditions
Sickness benefit	<ul style="list-style-type: none"> ■ At least 50 per cent of all employees; or ■ Economically active population constituting at least 20 per cent of all residents; or ■ All residents with limited means 	45 percent of reference wage	Benefit has to be granted for at least 26 weeks in each case of sickness	Possibility to prescribe qualifying period; but no longer than to preclude abuse; Possibility to establish waiting period of 3 days
Unemployment Benefit	<ul style="list-style-type: none"> ■ At least 50 per cent of all employees; or ■ All residents with limited means 	45 percent of reference wage	Benefit has to be granted for at least 13/26 weeks, within period of 12 months	Possibility to prescribe qualifying period; but no longer than to preclude abuse. Possibility to establish waiting period of 7 days
Old-age benefit	<ul style="list-style-type: none"> ■ At least 50 per cent of all employees or ■ Economically active population constituting at least 20 per cent of all residents, or ■ All residents with limited means 	40 percent of reference wage	Pension has to be paid until death	Prescribed age: not more than 65 years; possibility of fixing higher age with due regard to working ability of elderly persons in country; pension of 40 percent has to be paid after qualifying period of 30 years of contributions/employment or 20 years of residence; reduced pension to be paid after 15 years of contributions/employment
Employment injury benefit	<ul style="list-style-type: none"> ■ At least 50 per cent of all employees and their wives and children 	50 percent 50 percent 40 percent of reference wage	Possibility of converting pension into a lump sum where (1) the degree of incapacity is slight or where (2) the competent authority is satisfied that the lump sum will be properly utilized	Benefit has to be granted from first day of the occurrence of the employment injury; Benefit must be granted at least to a person having been employed in the territory at the time of the accident
<ul style="list-style-type: none"> ■ Temporary invalidity ■ Permanent invalidity ■ Survivors 				
Family benefit	<ul style="list-style-type: none"> ■ At least 50 per cent of all employees; or ■ Economically active population constituting at least 20 per cent of all residents; or ■ All residents with limited means 	3 percent or 1.5 percent of reference wage	In case of periodical payment it shall be granted at least until child reaches school-leaving age or age 15	Possibility of prescribing a qualifying period, either not more than 3 months of contribution or employment, or 1 year of residence

Convention No 102 Social Security Branches	Minimum Standards			
	Coverage	Minimum Benefit	Duration of Payment of Benefits	Entitlement Conditions
Maternity benefit	<ul style="list-style-type: none"> ■ At least <i>all women</i> in prescribed classes, constituting <i>not less than 50 per cent of all employees</i>; or ■ <i>All women</i> in prescribed classes of the economically active population, constituting <i>not less than 20 per cent</i> of all residents 	45 percent of reference wage	Cash benefit has to be granted for at least 12 weeks, unless a longer period of absence from work is required/ authorized by national legislation	Possibility to prescribe qualifying period; but no longer than to preclude abuse
Invalidity benefit	<ul style="list-style-type: none"> ■ At least <i>50 per cent of all employees</i>; or ■ Economically active population constituting <i>at least 20 per cent of all residents</i>; or ■ <i>All residents</i> with limited means 	40 percent of reference wage	Benefit is to be granted throughout the contingency or until old-age benefits become payable	Pension of 40 percent of reference wage has to be paid at least after completion of a qualifying period of 15 years of contribution/ employment or 10 years of residence; reduced benefit to be paid after 5 years of contributions/ employment
Survivors' benefit	<ul style="list-style-type: none"> ■ At least <i>Wives and children</i> of employees constituting <i>not less than 50 per cent of all employees</i>; or ■ <i>Wives and children of breadwinners</i> in prescribed classes of the <i>economically active population</i>, constituting <i>not less than 20 per cent of all residents</i>; or ■ All resident widows and resident ■ <i>children</i> with means below certain limit 	40 percent of reference wage	Benefit has to be granted throughout contingency	Pension of at least 40 percent of reference wage has to be paid at least after a qualifying period of 15 years of contribution/ employment or 10 years of residence; reduced benefit to be paid after 5 years of contributions/ employment; In case of a widow, the right to benefit may be <i>made conditional</i> on her being presumed to be <i>incapable of self-support</i> (due to e.g. advanced age, invalidity or caring for child of deceased)

Legal Requirements of Convention No. 102 – health benefits

Convention No 102 Social Security Branches	Minimum Standards		
	Coverage	Minimum Benefit	Duration of Payment of Benefits
Medical Care	<ul style="list-style-type: none"> ■ At least <i>Wives and children</i> of employees constituting <i>not less than 50 per cent of all employees</i>; or ■ <i>Wives and children of breadwinners</i> in prescribed classes of the <i>economically active population</i>, constituting not less than <i>20 per cent of all residents</i>; or ■ All residents subject to a means-test 	<p>(a) in case of a morbid condition –</p> <ul style="list-style-type: none"> (i) general practitioner care, including domiciliary visiting; (ii) specialist care at hospitals for in-patients and out-patients, and such specialist care as may be available outside hospitals; (iii) the essential pharmaceutical supplies as prescribed by medical or other qualified practitioners; and (iv) hospitalisation where necessary; and <p>(b) in case of pregnancy and confinement and their consequences –</p> <ul style="list-style-type: none"> (i) pre-natal, confinement and post-natal care either by medical practitioners or by qualified midwives; and (ii) hospitalisation where necessary. 	<p>Throughout the contingency covered.</p> <p>In the case of a morbid condition, the duration may be limited to 26 weeks in each case</p> <p>Medical care shall not be suspended while a sickness benefit continues to be paid</p>
Employment injury – medical care	<ul style="list-style-type: none"> ■ At least <i>50 per cent of all employees and their wives and children</i> 	<p>The medical care shall comprise –</p> <ul style="list-style-type: none"> (a) general practitioner and specialist in-patient care and out-patient care, including domiciliary visiting; (b) dental care; (c) nursing care at home or in hospital or other medical institutions; (d) maintenance in hospitals, convalescent homes, sanatoria or other medical institutions; (e) dental, pharmaceutical and other medical or surgical supplies, including prosthetic appliances, kept in repair, and eyeglasses; and (f) the care furnished by members of such other professions as may at any time be legally recognised as allied to the medical profession, under the supervision of a medical or dental practitioner. 	<p>Throughout the contingency</p>
Maternity medical care	<ul style="list-style-type: none"> ■ At least <i>all women</i> in prescribed classes, constituting <i>not less than 50 per cent of all employees</i>; or ■ <i>All women</i> in prescribed classes of the <i>economically active population</i>, constituting <i>not less than 20 per cent of all residents</i> 	<p>The medical care shall include at least--</p> <ul style="list-style-type: none"> (a) pre-natal, confinement and post-natal care either by medical practitioners or by qualified midwives; and (b) hospitalization where necessary 	<p>Throughout the contingency</p>

Appendix 6

ILO Social Protection Floors Recommendation, 2012 (No. 202)

Preamble

The General Conference of the International Labour Organization,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its 101st Session on 30 May 2012, and

Reaffirming that the right to social security is a human right, and

Acknowledging that the right to social security is, along with promoting employment, an economic and social necessity for development and progress, and

Recognizing that social security is an important tool to prevent and reduce poverty, inequality, social exclusion and social insecurity, to promote equal opportunity and gender and racial equality, and to support the transition from informal to formal employment, and

Considering that social security is an investment in people that empowers them to adjust to changes in the economy and in the labour market, and that social security systems act as automatic social and economic stabilizers, help stimulate aggregate demand in times of crisis and beyond, and help support a transition to a more sustainable economy, and

Considering that the prioritization of policies aimed at sustainable long-term growth associated with social inclusion helps overcome extreme poverty and reduces social inequalities and differences within and among regions, and

Recognizing that the transition to formal employment and the establishment of sustainable social security systems are mutually supportive, and

Recalling that the Declaration of Philadelphia recognizes the solemn obligation of the International Labour Organization to contribute to "achiev[ing] ... the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care", and

Considering the Universal Declaration of Human Rights, in particular Articles 22 and 25, and the International Covenant on Economic, Social and Cultural Rights, in particular Articles 9, 11 and 12, and

Considering also ILO social security standards, in particular the Social Security (Minimum Standards) Convention, 1952 (No. 102), the Income Security Recommendation, 1944 (No. 67), and the Medical Care Recommendation, 1944 (No. 69), and noting that these standards are of continuing relevance and continue to be important references for social security systems, and

Recalling that the ILO Declaration on Social Justice for a Fair Globalization recognizes that "the commitments and efforts of Members and the Organization to implement the ILO's constitutional mandate, including through international labour standards, and to place full and productive employment and decent work at the centre of economic and social policies, should be based on ... (ii) developing and enhancing measures of social protection ... which are sustainable and adapted to national circumstances, including ... the extension of social security to all", and

Considering the resolution and Conclusions concerning the recurrent discussion on social protection (social security) adopted by the International Labour Conference at its 100th Session (2011), which recognize the need for a Recommendation complementing existing ILO social security standards and providing guidance to Members in building social protection floors tailored to national circumstances and levels of development, as part of comprehensive social security systems, and

Having decided upon the adoption of certain proposals with regard to social protection floors, which are the subject of the fourth item on the agenda of the session, and

Having determined that these proposals shall take the form of a Recommendation;

adopts this fourteenth day of June of the year two thousand and twelve the following Recommendation, which may be cited as the Social Protection Floors Recommendation, 2012.

I. OBJECTIVES, SCOPE AND PRINCIPLES

1. This Recommendation provides guidance to Members to:

- (a) establish and maintain, as applicable, social protection floors as a fundamental element of their national social security systems; and
- (b) implement social protection floors within strategies for the extension of social security that progressively ensure higher levels of social security to as many people as possible, guided by ILO social security standards.

2. For the purpose of this Recommendation, social protection floors are nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion.

3. Recognizing the overall and primary responsibility of the State in giving effect to this Recommendation, Members should apply the following principles:

- (a) universality of protection, based on social solidarity;
- (b) entitlement to benefits prescribed by national law;
- (c) adequacy and predictability of benefits;
- (d) non-discrimination, gender equality and responsiveness to special needs;
- (e) social inclusion, including of persons in the informal economy;
- (f) respect for the rights and dignity of people covered by the social security guarantees;
- (g) progressive realization, including by setting targets and time frames;
- (h) solidarity in financing while seeking to achieve an optimal balance between the responsibilities and interests among those who finance and benefit from social security schemes;
- (i) consideration of diversity of methods and approaches, including of financing mechanisms and delivery systems;
- (j) transparent, accountable and sound financial management and administration;

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- (k) financial, fiscal and economic sustainability with due regard to social justice and equity;
 - (l) coherence with social, economic and employment policies;
 - (m) coherence across institutions responsible for delivery of social protection;
 - (n) high-quality public services that enhance the delivery of social security systems;
 - (o) efficiency and accessibility of complaint and appeal procedures;
 - (p) regular monitoring of implementation, and periodic evaluation;
 - (q) full respect for collective bargaining and freedom of association for all workers; and
 - (r) tripartite participation with representative organizations of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned.

II. NATIONAL SOCIAL PROTECTION FLOORS

4. Members should, in accordance with national circumstances, establish as quickly as possible and maintain their social protection floors comprising basic social security guarantees. The guarantees should ensure at a minimum that, over the life cycle, all in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level.

5. The social protection floors referred to in Paragraph 4 should comprise at least the following basic social security guarantees:

- (a) access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality;
- (b) basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services;
- (c) basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and
- (d) basic income security, at least at a nationally defined minimum level, for older persons.

6. Subject to their existing international obligations, Members should provide the basic social security guarantees referred to in this Recommendation to at least all residents and children, as defined in national laws and regulations.

7. Basic social security guarantees should be established by law. National laws and regulations should specify the range, qualifying conditions and levels of the benefits giving effect to these guarantees. Impartial, transparent, effective, simple, rapid, accessible and inexpensive complaint and appeal procedures should also be specified. Access to complaint and appeal procedures should be free of charge to the applicant. Systems should be in place that enhance compliance with national legal frameworks.

8. When defining the basic social security guarantees, Members should give due consideration to the following:

- (a) persons in need of health care should not face hardship and an increased risk of poverty due to the financial consequences of accessing essential health care. Free prenatal and postnatal medical care for the most vulnerable should also be considered;
- (b) basic income security should allow life in dignity. Nationally defined minimum levels of income may correspond to the monetary value of a set of necessary goods and services, national poverty lines, income thresholds for social assistance or other comparable thresholds established by national law or practice, and may take into account regional differences;
- (c) the levels of basic social security guarantees should be regularly reviewed through a transparent procedure that is established by national laws, regulations or practice, as appropriate; and
- (d) in regard to the establishment and review of the levels of these guarantees, tripartite participation with representative organizations of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned, should be ensured.

9.

- (1) In providing the basic social security guarantees, Members should consider different approaches with a view to implementing the most effective and efficient combination of benefits and schemes in the national context.
- (2) Benefits may include child and family benefits, sickness and health-care benefits, maternity benefits, disability benefits, old-age benefits, survivors' benefits, unemployment benefits and employment guarantees, and employment injury benefits as well as any other social benefits in cash or in kind.
- (3) Schemes providing such benefits may include universal benefit schemes, social insurance schemes, social assistance schemes, negative income tax schemes, public employment schemes and employment support schemes.

10. In designing and implementing national social protection floors, Members should:

- (a) combine preventive, promotional and active measures, benefits and social services;
- (b) promote productive economic activity and formal employment through considering policies that include public procurement, government credit provisions, labour inspection, labour market policies and tax incentives, and that promote education, vocational training, productive skills and employability; and
- (c) ensure coordination with other policies that enhance formal employment, income generation, education, literacy, vocational training, skills and employability, that reduce precariousness, and that promote secure work, entrepreneurship and sustainable enterprises within a decent work framework.

11.

- (1) Members should consider using a variety of different methods to mobilize the necessary resources to ensure financial, fiscal and economic sustainability of national social protection floors, taking into account the contributory capacities of different

population groups. Such methods may include, individually or in combination, effective enforcement of tax and contribution obligations, reprioritizing expenditure, or a broader and sufficiently progressive revenue base.

- (2) In applying such methods, Members should consider the need to implement measures to prevent fraud, tax evasion and non-payment of contributions.

12. National social protection floors should be financed by national resources. Members whose economic and fiscal capacities are insufficient to implement the guarantees may seek international cooperation and support that complement their own efforts.

III. NATIONAL STRATEGIES FOR THE EXTENSION OF SOCIAL SECURITY

13.

- (1) Members should formulate and implement national social security extension strategies, based on national consultations through effective social dialogue and social participation. National strategies should:

- (a) prioritize the implementation of social protection floors as a starting point for countries that do not have a minimum level of social security guarantees, and as a fundamental element of their national social security systems; and
- (b) seek to provide higher levels of protection to as many people as possible, reflecting economic and fiscal capacities of Members, and as soon as possible.

- (2) For this purpose, Members should progressively build and maintain comprehensive and adequate social security systems coherent with national policy objectives and seek to coordinate social security policies with other public policies.

14. When formulating and implementing national social security extension strategies, Members should:

- (a) set objectives reflecting national priorities;
- (b) identify gaps in, and barriers to, protection;
- (c) seek to close gaps in protection through appropriate and effectively coordinated schemes, whether contributory or non-contributory, or both, including through the extension of existing contributory schemes to all concerned persons with contributory capacity;
- (d) complement social security with active labour market policies, including vocational training or other measures, as appropriate;
- (e) specify financial requirements and resources as well as the time frame and sequencing for the progressive achievement of the objectives; and
- (f) raise awareness about their social protection floors and their extension strategies, and undertake information programmes, including through social dialogue.

15. Social security extension strategies should apply to persons both in the formal and informal economy and support the growth of formal employment and the reduction of informality, and should be consistent with, and conducive to, the implementation of the social, economic and environmental development plans of Members.

16. Social security extension strategies should ensure support for disadvantaged groups and people with special needs.

17. When building comprehensive social security systems reflecting national objectives, priorities and economic and fiscal capacities, Members should aim to achieve the range and levels of benefits set out in the Social Security (Minimum Standards) Convention, 1952 (No. 102), or in other ILO social security Conventions and Recommendations setting out more advanced standards.

18. Members should consider ratifying, as early as national circumstances allow, the Social Security (Minimum Standards) Convention, 1952 (No. 102). Furthermore, Members should consider ratifying, or giving effect to, as applicable, other ILO social security Conventions and Recommendations setting out more advanced standards.

IV. MONITORING

19. Members should monitor progress in implementing social protection floors and achieving other objectives of national social security extension strategies through appropriate nationally defined mechanisms, including tripartite participation with representative organizations of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned.

20. Members should regularly convene national consultations to assess progress and discuss policies for the further horizontal and vertical extension of social security.

21. For the purpose of Paragraph 19, Members should regularly collect, compile, analyse and publish an appropriate range of social security data, statistics and indicators, disaggregated, in particular, by gender.

22. In developing or revising the concepts, definitions and methodology used in the production of social security data, statistics and indicators, Members should take into consideration relevant guidance provided by the International Labour Organization, in particular, as appropriate, the resolution concerning the development of social security statistics adopted by the Ninth International Conference of Labour Statisticians.

23. Members should establish a legal framework to secure and protect private individual information contained in their social security data systems.

24.

- (1) Members are encouraged to exchange information, experiences and expertise on social security strategies, policies and practices among themselves and with the International Labour Office.
- (2) In implementing this Recommendation, Members may seek technical assistance from the International Labour Organization and other relevant international organizations in accordance with their respective mandates.

Appendix 7

Overview of the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, 1977

The MNE Declaration provides recommendations in five areas to governments and enterprises:

	Governments	Enterprises
General Policies	Ratify all the Fundamental Conventions and apply to the greatest extent possible, through their national policies, the principles embodied therein; Promote good social practice in accordance with the MNE Declaration and be prepared to have consultations with other governments whenever the need arises.	Obey national laws and respect international standards; Contribute to the realization of the fundamental principles and rights at work; Consult with government, employers' and workers' organizations to ensure that operations are consistent with national development priorities.
Employment	Declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment; Pursue policies designed to promote equality of opportunity and treatment in employment, with a view to eliminating any discrimination based on race, colour, sex, religion, political opinion, national extraction or social origin; Never require or encourage multinational enterprises to discriminate and provide guidance, where appropriate, on the avoidance of discrimination; Study the impact of multinational enterprises on employment in different industrial sectors; In cooperation with multinational and national enterprises, provide income protection for workers whose employment has been terminated.	Endeavour to increase employment opportunities and standards, taking the employment policies and objectives of governments into account; Give priority to the employment, occupational development, promotion and advancement of nationals of the host country; Use technologies which generate employment, both directly and indirectly; Build linkages with local enterprises by sourcing local inputs, promoting the local processing of raw materials and local manufacturing of parts and equipment; Extend equality of opportunity and treatment in employment; Assume a leading role in promoting security of employment, providing reasonable notice of intended changes in operations and avoiding arbitrary dismissal.
Training	Develop national policies for vocational training and guidance, closely linked with employment in cooperation with all the parties concerned.	Provide training for all levels of employees to meet needs of enterprises as well as development policies of the country; Participate in programs to encourage skill formation and development; Afford opportunities within MNE for local management to broaden their experience.
Conditions of work and life	Endeavour to adopt suitable measures to ensure that lower income groups and less developed areas benefit as much as possible from the activities of multinational enterprises; Ensure that both multinational and national enterprises provide adequate safety and health standards for their employees.	Provide wages, benefits and conditions of work not less favorable than those offered by comparable employers in the country concerned; Provide the best possible wages, benefits and conditions of work, within the framework of government policies, to meet basic needs of employees and their families; Respect the minimum age for admission to employment; Maintain highest standards of safety and health at work; Examine the causes of industrial safety and health hazards, provide information on good practice observed in other countries, and effect necessary improvements.
Industrial Relations	Apply the principles of Convention No. 87, Article 5, in view of the importance, in relation to multinational enterprises, of permitting organizations representing such enterprises or the workers in their employment to affiliate with international organizations of employers and workers of their own choosing; Not include in their incentives to attract foreign investment any limitation of the workers' freedom of association or the right to organize and bargain collectively.	Observe industrial relations no less favorable than those observed by comparable employers; Respect freedom of association and the right to collective bargaining, providing the facilities and information required for meaningful negotiations; Support representative employers' organizations; Provide for regular consultation on matters of mutual concern; Examine the grievances of worker(s), pursuant to an appropriate procedure.

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