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Developing sustainable, country-specific social protection schemes: Towards social protection for all

1. Introduction and Background

Social security is one of the major facets of the United Nations Declaration of Human Rights¹. However, at the beginning of the twenty-first century, access to any form of social security and social protection remains a distant hope for 80 per cent of the world's population. Indeed this situation has been further aggravated by the recent financial and economic crisis as governments in both the developed and developing world have sought to retrench social security and social protection systems due to shrinking social welfare budgets and austerity measures.

The role of social security and protection in the achievement of the Millennium Development Goals (MDGs) has not been fully explored or evaluated. In addition the impact of the financial crisis on achieving the targets is still also largely unknown. It is widely recognized, however, that pre-economic crisis progress on the MDGs was uneven across and within countries with much of the progress in reducing income poverty concentrated in certain countries such as China and India where pre-crisis growth patterns also fuelled domestic inequalities. Across the developing world, evidence shows how economic progress has left behind large groups of disadvantaged children, women and families who are in need of basic social protection.

Despite this, empirical evidence shows that social security and social protection can act as powerful tools for alleviating poverty and inequality². There are numerous examples demonstrating how social transfers can successfully help to combat poverty in Africa, Latin America and Asia, delivering much more equitable outcomes than those generated by the neo-classical trickle-down economic policies. For low-income countries, even a minimum social security or basic package can help to improve the chances of achieving certain MDGs such as that of halving poverty by 2015.

Evidence shows that basic social security guarantees are affordable in even the poorest countries, as shown by recent work of the ILO on the costs of a minimum package of social security in sub-Saharan Africa and Asia, shows."³. For example, the introduction of basic social security guarantees consisting of modest pensions and child benefits in Senegal and the United Republic of Tanzania could reduce the poverty head count (as measured against the food poverty line) by approximately 40 per cent which equates to four per cent of GDP.

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The Chief Executive Board of the United Nations has developed a common “One UN” concept of a social protection floor. The ILO and the WHO, with the support of UNICEF, are leading the effort by building a coalition of international agencies and donors, enabling countries to plan and implement sustainable social transfer schemes on the basis of the social protection floor concept.

2. Defining social security and social protection

Social protection is often interpreted as having a broader character than social security (such as protection provided between members of the family or members of a local community). It is also used in some contexts with a narrower meaning than social security (understood as comprising only measures addressed to the poorest, most vulnerable or excluded members of society). Thus in many contexts the terms “social security” and “social protection” are used interchangeably. In this report the term “social protection” is used to mean protection provided by social security systems in the case of economic and social risks and needs.

The notion of social security adopted here in this text covers all measures providing benefits, whether in cash or in kind, to secure protection, *inter alia*, from:

- lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member;
- lack of access or unaffordable access to health care;
- insufficient family support, particularly for children and adult dependents;
- general poverty and social exclusion.

Social security schemes can be of a contributory (social insurance) or non-contributory (e.g. social assistance schemes, cash transfer schemes) nature.

3. Social security: a social and economic necessity

The need for social security

- **Social security benefits/transfers are a powerful tool to combat poverty and insecurity.**
- **Everyone needs protection from external social risks and insecurity.**
- **Some vulnerable groups such as children, chronically ill and elderly need special attention**
- **Social security is an economic necessity to unlock the full economic potential of a country.**
- **Social security systems can act as economic stabilizers in times of crisis.**

a. A social necessity

About 80% of the global population live do not have any form of social protection from external events and shocks; approximately 1.4 billion people live on less than 2 US dollars a day (in 2011), most of them are women and children, working in the informal economy, or are people living with disabilities or HIV/AIDS or migrant workers. National social protection floors are powerful instruments to addressing these inequalities and imbalances.

For example, a minimum of income security and access to services is the material basis for the functioning of families and households. This in turn provides the basis for social and community cohesion which is a pivotal aspect of well functioning societies and states. There is ample evidence that national social protection systems can reduce poverty and inequality. Evidence originates from the experiences of European countries, but also developing countries such as Brazil, Mexico and South Africa who have already introduced elements of the SPF. In Mexico, the poverty gap was reduced by 30 percent and absolute poverty rate by 17 percent between 1997 and 1999 via the *Progresa/Oportunidades* programme. In Brazil the *Bolsa Familia* programme was found to account for 16% of the recent fall in extreme poverty. Evidence from studies on the impacts of basic social transfers in 30 developing countries has demonstrated not only substantial effects on poverty reduction and inequality, but also the improvement of social development indicators such as school enrolment and health and nutritional status. In some countries, cash transfers have also helped to promote gender equality by strengthening the social status of women in households and communities.

b. An economic necessity

Without investment in a basic social protection floor countries will not be able to fully develop or enhance the labour market productivity of their populations. People who are vulnerable to poverty, ill-health, lack of education, social exclusion struggle to make investments in their future or their children's future and are therefore at constant risk of being stuck in a self reinforcing cycle of deprivation and poverty with negative impacts on social mobility

Evidence from developing countries demonstrates that social protection supports people to invest in productive economic and labour market activities , stimulating local economies (including important counter-cyclical effects), and has positive human capital impacts with long-term productivity gains. For example, through social transfers, health insurance and family support policies, social protection has been shown to encourage labour market participation in low and middle-income countries by guaranteeing public work opportunities, covering the costs of job-search and supporting childcare responsibilities – which has particularly positive effects on female labour market participation.

Only if individuals are able move out of low productivity and subsistence level activities can the wider national economy grow. Higher incomes can also help generate tax revenues for the financing of a state and a social protection system enabling infrastructure

and services to be enhanced – creating a virtuous cycle that can help to achieve higher levels of welfare and growth. A Social Protection Floor is hence a necessary condition for a successful fight against persistent levels of low productivity and poverty.

The recent global financial crisis has added a sense of urgency for countries to implement national social protection floors although many have claimed that they do not possess the required finances to introduce such as packages often stating that social protection and social security will face cuts within austerity packages. However, as evidence shows the rapid extension or introduction of social transfers is one of the most powerful tools to effectively cushion the impacts of economic downturns, through limiting the negative social effects of the crisis and helping to stabilize aggregate domestic demand^{4, 5}. It is widely recognized that labour market and social effects are lagged in comparison to the economic / financial impacts and will continue to be felt in years to come. The United Nations system as a whole and many of its agencies have devised coping mechanisms in this regard⁶.

4. Social security: a basic human right and fundamental pillar of ILO's Decent Work Agenda

As previously noted the right to social security is recognized as a human right in fundamental human rights instruments, namely the *Universal Declaration of Human Rights*,¹ and the *International Covenant on Economic, Social and Cultural Rights (ICESCR)*,⁷ and enshrined as such in other international⁷⁻¹⁴ and regional legal instruments.⁸

While the *Universal Declaration of Human Rights* constitutes an authoritative recognition of fundamental human rights, the *ICESCR* is a treaty, open for signature and ratification – and therefore a key instrument for making human rights reality. The obligation of each State Party in the implementation of these rights is progressive taking steps towards the full realization of the relevant rights “to the maximum of its available resources”, while ensuring immediate protection against discrimination.⁶ To date, 160 United Nations Member States have ratified or acceded to Article 9 of the *ICESCR* and have thus committed themselves to guarantee for the right to social security within their national boundaries.

The achievement of social security has consistently been at the core of the ILO mandate. The Organization's approach to social security reflects both the status of social security in international law and its own constitution. The approach is rights-based, i.e., in order to achieve the right to social security, the ILO utilizes international legal instruments as the basis for the recognition of the existence of this right, and seeks to anchor all assistance and policy advice within international social security standards.

Already the aims and purposes set out in the Preamble to the *ILO Constitution (1919)*, refer to the extension of social security as one of the main objectives of the ILO. This mandate, restated in 1944 in the *Declaration of Philadelphia* as part of the ILO Constitution, recognizes the ‘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', thereby extending the protection from workers to all those in need.

In 1999 the strengthening of social protection and social security was established as one of the four strategic objectives of the *Decent Work Agenda*. This aims to promote decent and productive work for all men and women supporting conditions of freedom, equity, security and human dignity. In addition the increased need for social security in volatile economic situations is recognized as well as the pressure generated exercised on existing social security systems. The *Decent Work Agenda* underlines the necessity of adjusting to social changes, extending social security, improving governance of social security, and linking labour market and employment policies with social security.

At the 2001, International Labour Conference social security was reiterated as a basic human right and extension to all in need was restated as a fundamental part of the ILO's mandate, a challenge that required the immediate and urgent attention of all member States. In 2003, the Global Campaign on Social Security and Coverage for All was launched.

The four strategic objective of the ILO were emphasized as "inseparable, interrelated and mutually supportive", through the *ILO Declaration on Social Justice for a Fair Globalization*,¹⁵ adopted in 2008. Constituents reconfirmed their joint efforts in:

"...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".

In response to the global financial and economic crisis, ILO constituents adopted the *Global Jobs Pact* in June 2009, which recognized the role of social security as an automatic economic and social stabilizer and an essential component of integrated crisis response strategies. It called upon countries to reinforce and extend their social protection systems through the establishment of a Social Protection Floor.¹⁶ The *Global Jobs Pact* was subsequently endorsed by the United Nations Economic and Social Council (ECOSOC), and the Social Protection Floor was identified as one of nine United Nations-wide joint crisis response initiatives.⁸ The Social Protection Floor has also become an integral part of the ILO's emerging two-dimensional strategy for the extension of social security.

An essential means of action available to the ILO for the realization of its mandate to extend social security to all is the setting of international labour standards. Since 1919, the ILO has adopted 31 Conventions and 23 Recommendations in this area, which have greatly contributed to the development of social security as a universal human right,

notably by laying down specific obligations and guidelines for member States. Most prominent among these Conventions is the *Social Security (Minimum Standards) Convention, 1952 (No. 102)**. It is the only international Convention that defines the nine branches of social security, sets minimum standards for each of these branches, and lays down principles for the sustainability and good governance of those schemes. It has been ratified by 48 member States, most recently by Brazil, Bulgaria, Romania and Uruguay, and some Governments have indicated that the ratification process had been initiated at the national level, and others have recently requested assistance from ILO for ratification of Convention No. 102.

5. ILO’s social security policy

a. *The two dimensional strategy and the social security “staircase”*

The basic principles underlying the ILO approach to social security coverage can be thought of as two-dimensional in nature, namely the horizontal and the vertical dimensions (Figure 1).

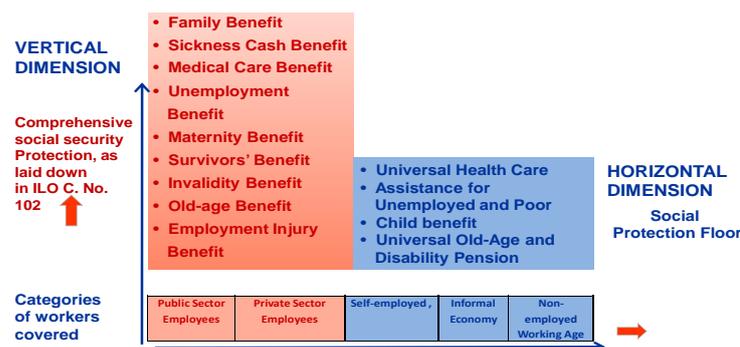


Figure 1: Social protection – two dimensional strategy

aa. **The horizontal dimension: Four essential guarantees – social transfer component of the Social Protection Floor**¹⁷

The horizontal dimension, includes the extension of some income security and access to health care (basic social security guarantees), even if at a modest basic level, to the whole population. The horizontal dimension aims at providing minimum income security to all, including protection against catastrophic health expenditure. Thus, the set of basic social security guarantees aim at a situation in which:

- all residents have the necessary financial protection to afford and have access to a nationally defined set of essential health-care services, in relation to which the State

* Cited as Convention No. 102.

accepts the general responsibility for ensuring the adequacy of the (usually) pluralistic financing and delivery systems;

- all children have income security, at least at the level of the nationally defined poverty line level, through family/child benefits aimed at facilitating access to nutrition, education and care;
- all those in active age groups who are unable to earn sufficient income on the labour markets should enjoy a minimum income security through social assistance or social transfer schemes (such as a minimum income guarantee for women during the last weeks of pregnancy and the first weeks after delivery) or through employment guarantee schemes; and
- all residents in old age and with disabilities[†] have income security at least at the level of the nationally defined poverty line through pensions for old age and disability.

The four social security guarantees, together with essential services, constitute the social transfer component of the Social Protection Floor, promoted by the United Nations as one of the nine initiatives to confront the recent financial and economic crisis, accelerate recovery and pave the way for fairer and more sustainable globalization.

bb. The vertical dimension: Social security benefits protecting people's standard of living across the life cycle

The second dimension, the vertical one, seeks to provide higher levels of income security and access to higher quality health care at a level that protects the standard of living of people across the life course when faced with problems such as unemployment, ill health, invalidity, becoming a widow and old age. It should provide range and level of benefits at a level that is described in Convention No. 102. Policies can be introduced along the vertical axis as a country acquires more fiscal space and is able to provide higher levels of protection. However, policies and principals of social security should be pursued along both axis and adapted to fit national circumstances/contexts.

cc. The social security “staircase”

The two dimensional view of social security can be depicted as the staircase of social protection as shown below in Figure 2. The floor level comprises a set of basic social security guarantees for all. For people with tax-paying or contributory capacity, a second level of benefits as a right (defined and protected regarding the minimum levels by law) can be introduced. For those with need or wish for high levels of protection, a “top floor” of voluntary private insurance arrangements can be organized (but should be subject to regulation and public supervision in the same way as all private insurance schemes). The ‘staircase’ approach is valid for all countries. Of course the number of people whose only protection consists of basic social guarantees is naturally larger in countries at lower income levels or with limited fiscal space.

[†] This means a degree of disability that excludes them from labour market participation.

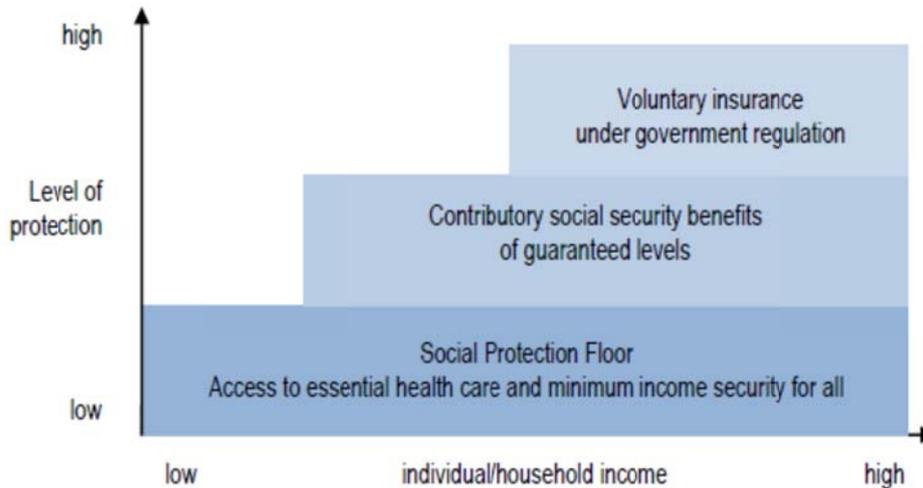


Figure 2: Social security staircase¹⁷

b. Social security principles

According to ILO’s constituents, a number of essential elements and principles should guide national social security policies, strategic decisions and social security implementation¹⁷. They include: installing universal coverage and progressive realization of this coverage while providing immediate protection against discrimination; adequacy – comprising benefit equivalence; rights-based benefits; pluralism; financial sustainability; good governance; and outcome focused.

- **Universal coverage** – this refers to the policy objective that all people should have access to at least an adequate minimum level of formal social security. Countries should first focus on the implementation of a “basic package” of benefits, i.e. transfers that belong to a “social protection floor”.
- **Progressive implementation of universal coverage – the staircase approach**
The delivery of universal access to an essential set of benefits must appreciate realistic time frames involved. This inevitably requires decisions on priorities and sequencing of benefit schemes, while ensuring immediate protection against discrimination. Attention should be initially focused on strengthening aspects of social protection systems that reduce and provide benefits with the strongest potential for reducing poverty in the short-term and ensuring an increasing productive capacity of the population.

The provision of a basic package represents just the first step of an upward staircase, the objective being to provide higher levels of security to as many people as possible. When fiscal space becomes available the scale and depth of coverage should be extended. When deciding upon the volume of contributions and taxes allocated to social security priorities must be determined on the basis of national consensus.

➤ **Adequacy and benefit equivalence**

Adequacy has two dimensions. First, benefits have to enable all residents to meet their basic needs. This is the minimum level of adequacy applying to all residents which will all recipients to live a socially meaningful life.

A uniform and comprehensive definition appears impractical and is driven by contextual country-specific factors. However, benefits may be considered inadequate, if they do not permit recipients to purchase or access a set of goods and services ensuring them to live a life without hunger and in a state of health that is not worse than the average earner in the society.

The second dimension of adequacy is described by the notion of benefit equivalence, i.e. people need to be guaranteed an adequate return for the taxes or contributions they have paid over their careers. The ILO Convention No. 102 sets adequacy levels that relate the minimum levels of replacement rates to the number of years of contributions.

➤ **Benefit provision as a legal entitlement**

This principle has two dimensions: the fundamental human rights element; and the acquired rights of contributors to benefits that are equivalent or commensurate to their contributions. Benefits should protect all residents, as a clearly defined right, against poverty.

➤ **Pluralism**

Neither adequacy nor universalism implies a uniformity of means to achieve the full social security coverage. There are many ways in which a set of basic social security guarantees can be designed and delivered. Empirical evidence from the international context shows there is no single model for providing social security and health protection, or one single pathway towards achieving universal coverage.

➤ **Financial, fiscal and economic sustainability**

Social security systems should be financed to ensure their long-term financial, fiscal and economic viability and sustainability. No comprehensive social security system can be maintained without a stable revenue basis. Just as there is no “single right system of social security”, so there is no single right level of social expenditure.

Financial, fiscal and economic sustainability has to ascertain that the promises made are matched by the willingness to pay – requiring absolute transparency about expected long-term expenditure levels and the likely fiscal space that will be needed to finance such benefits.

➤ **Responsibility for governance**

The State should be the ultimate guarantor of social security rights, while the financiers/contributors and beneficiaries should participate in the governance of schemes and programmes. Full responsibility for the social security of all people living on its territory has to lie with the State.

➤ **Outcome focused**

Outcomes of national social security strategies matter, not the mechanisms through which countries set out to achieve outcomes. Outcomes should be measured against the above-listed principles that reflect the values enshrined in the body of legal instruments, from which the ILO derives its legitimacy. In assessing national systems, the ILO must ascertain whether the social outcomes as defined by the above principles are met.

The socio-economic development and crisis management concept that creates a solid foundation for economic growth, provides societal insurance against poverty and mitigates the effects of economic shocks and crisis. The Social Protection Floor was established by the Chief Executive Board of the United Nations in April 2009 as one of the nine responses to the recent economic and financial crisis, and is promoted by all relevant United Nations Agencies, with the ILO and WHO as the lead.

6. The Social Protection Floor, the Social Protection Floor-Initiative and the Advisory Group

Recognizing the importance and need for adequate social protection systems, the Secretariat of the Council of Heads of Agencies of the United Nations has adopted in April 2009 the Social Protection Floor as one of nine joint initiatives to confront the recent financial and economic crisis, accelerate recovery and pave the way for a fairer and more sustainable globalization.

The Social Protection Floor Initiative aims at joint global and local United Nations action lead by the ILO and the WHO, with support of UNICEF to promote access to essential services and social transfers for the poor and vulnerable in order to ensure the realization of the human rights enshrined in international treaties.

Social Protection Floor

1. **Basic services:** Ensure availability, continuity and geographic and financial access to essential services such as water and sanitation services, food and nutrition, health, education, housing, information centres and life insurance, and other social services.
2. **Social transfers (four social security guarantees):** Ensure that poor and vulnerable people receive a basic set of social transfers in cash or kind, in order to guarantee them a minimum income and livelihood, and facilitate their access to basic social services. The floor includes social transfers (but also information and political rights) granted to children, people of working age who have low income and elderly people.

There is no single recipe for implementing the Social Protection Floor. Each country has different social needs, their own development objectives, different fiscal capacity to fulfil them, and they will therefore choose a specific set of measures that fits their situation.

Thanks to a coordinated response at the national level, the Social Protection Floor facilitates and accelerates the creation and strengthening of social protection systems over time.

While working simultaneously at the level of supply and demand, the Social Protection Floor adopts a holistic view of social protection. The initiative supports countries in their efforts to build, improve, expand or redirect their social protection systems through high quality and low cost technical assistance from various United Nations agencies. There is an ongoing process of close collaboration with development partners, including bilateral donors, development banks and NGOs involved in the area of social protection. So far the Initiative has developed a country implementation manual, raised public awareness in the UN and elsewhere, started a South-South dialogue on best practices, trained a number of national planners and has constituted a high-level advisory group lead by the former President of Chile, Ms. Michelle Bachelet.

A number of country projects have started in Burkina Faso, Cambodia, and Thailand. The National Working Groups support the development of national definitions of Social Protection Floors, which are integrated into existing frameworks of national development planning. Upon request, the partners behind the Social Protection Floor Initiative also provide technical assistance in support of all other activities related to implementation of the Social Protection Floor, including awareness and advocacy at the national level, identification of viable policy options and concrete proposals, development of country-specific measures, evaluation of cost and long-term financial sustainability, analysis of fiscal space, support for implementation of identified policy decisions, etc. This global network of technical assistance provides support to country teams and is an awareness-raising effort in favour of implementing Social Protection Floors at regional and global levels.

7. The Social Protection Floor: A major tool for achieving the Millennium Development Goals

The three crises of the recent past – food prices, fuel, and financial and economic – have underscored the need for focused policies to protect the poorest and most vulnerable in society. A lesson from previous economic crises such as the Great Depression, the Mexican peso crisis and Asian crisis is that social impacts of a crisis can very quickly be felt a few months into the crisis.

However, the global financial and economic crisis has restricted government funds available for social protection programmes, while its impact on individuals has led to an increase in the number of people reliant on them. The financial and economic crisis has had and will continue to have a significant impact upon poverty and economic growth and as a result there exist concerns about the appropriateness of the social protection response, and - due to a decline in funds - donor and government capacity and willingness to implement social protection interventions.

Due to these circumstances there has been considerable concern in continents and regions such as Africa and the Middle East and North Africa (MENA) about the social impacts as

they have exposed the vulnerability of economies in many areas. In 2008, riots broke out in several African countries including Egypt, Senegal, Somalia, Cote d'Ivoire due to the deficiency or absence of social protection schemes (safety nets, conditional cash transfers etc) to protect the poor from rising food prices. Prior to the crisis, an estimated 73% of Africa's workers were in vulnerable employment¹⁸. Redundancies especially in export-oriented industries put many of these vulnerable workers and contributed to an increase in unemployment and poverty.

There have been arguments, based on past experience, that the crisis would have a negative impact on key MDGs such as education and health. However, the direction of the short-run impact of the crises depends, in the absence of policy interventions, on income and substitution effects. A slow down of growth may have an income effect which would negatively affect health and education and the environment. But it may also have a substitution effect – a contraction in output could lead to an increase in school enrolment because of the lower opportunity cost of schooling. Similarly, at the household level the income effect could lead to an increase in the use fuel wood for energy as households substitute out of more expensive energy sources like kerosene and gas. Households may also substitute out of luxuries like clothing, cars, and consume more food. The aggregate impact of the crises will also depend on the nature and timing of policy responses to them, in particular whether governments increased or decreased budget allocations to MDGs-critical sectors. Overall, the aggregate impact of the crises on some of the key MDGs will only become known with time².

The Millennium Development Goal (MDG) agenda renewed attention on poverty alleviation. However half way through to MDG deadline of 2015, divergent patterns of being able to achieve these goals are becoming increasingly apparent. Thus, a case is being made for reaching the MDGs 'with equity'. Perhaps the most fundamental changes are, however, the move to a multidimensional understanding of poverty; and the new awareness of age-specific vulnerabilities, notably child poverty. Moreover, poverty is no longer understood simply as an absence of well being, but rather as violation of a fundamental human right, so that the right to social security and other social rights becomes part of an overarching agenda for human dignity².

Social protection coverage does not actually feature in the original MDG agenda. In the context of the slow progress on the MDGs and the acknowledged role of social protection in reducing poverty and facilitating and multiplying the returns from social investments, social protection is increasingly seen as a mechanism that can underpin the objectives of MDG 1 on poverty, employment and hunger, and facilitate achieving the objectives of MDGs 2-7 by enabling and empowering families to use their rights to education, health, water and sanitation, and shelter. Particular forms of social protection have become popular: the (conditional) cash transfers pioneered in Latin America and Africa are seen to have improved outcomes in the health and education MDG indicators, along with contributing to reductions in poverty rates and gaps, and have led to increased policymaker interest in various forms of social transfers and social protection².

To address the shortcomings in MDG progress, social protection interventions need to become systemic, organized and predictable, and to address socioeconomic disparities and inequalities.

Key issues on the nature and future of social protection¹⁹

- Social protection discourse has been dominated by efforts to demonstrate and measure its poverty-reduction impacts, and to deflect criticisms from the right and left. Social protection is not only about installing safety nets and contributing to the millennium development goals, it also has implications for governance and social relations. Insufficient attention has been paid to the politics of social protection, and its relationship to social justice.
- Social protection is much more than a service-delivery sector: the decisions a society makes about how and whether to guarantee basic subsistence for all citizens reveals the vision that society has about itself – is it based on solidarity and interdependence, or individualism and self-reliance?
- What are the implications of the social protection agenda for the evolving social contract between governments and citizens? If there is no direct line of accountability between the providers and beneficiaries of social protection, the potential for mobilising civil society is limited. This question is particularly pertinent in countries where poverty and aid dependence mean that international donor agencies dominate the design and financing of these interventions.
- Social protection must be delivered in ways that do not stigmatise people: social protection programmes need to respect the dignity of claimants and empower them to become active citizens rather than passive beneficiaries. In India, "social audits" are innovative participatory tools that empower marginalised villagers to claim their right to social protection, and to hold local administrations accountable for their delivery.
- Social protection should be linked to other dimensions of social policy, such as tackling discrimination and social exclusion, which are often the root causes of poverty: eradicating social injustice can eliminate a need for welfare transfers. For instance, is it better to deny an HIV-positive person work and compel them to depend on social protection, or to outlaw discrimination in the labour market based on HIV status, as South Africa has done?

The Social Protection Floor can make major contributions to achieving the targets of the Millennium Development Goals (MDGs). It is recognized that progress on the MDGs has been uneven across and within countries. Social protection has proven effective in helping to achieve MDG results, and in generating greater equity in outcomes by channelling resources to disadvantaged areas and expanding access to services for all. The components of the Social Protection Floor help to:

a. “Eradicate extreme poverty and hunger” (MDG 1)

Social protection is a crucial instrument to reduce income poverty. Cash transfer schemes have successfully reduced poverty in Africa, Asia, Central and Eastern Europe and Latin America, potentially delivering much faster results than those expected from the trickle-down effects of economic policies. Although in practice benefits have tended to be lower than needed, a cash transfer at an adequate benefit level can bring a person or household above the income poverty line. Equally important, cash transfers have had even larger effects on reducing the depth of poverty and inequality.

- For example, the Oportunidades programme in Mexico reduced the poverty headcount ratio by 10%, the poverty gap by 30%, and the poverty severity index by 45% (UNICEF 2010).²
- Social pensions and transfers have reduced South Africa’s poverty gap by 47% (Economic Policy Research Institute 2004). In countries such as Senegal and Tanzania, the International Labour Organization (ILO) estimates that poverty could be reduced by 35% to 40%.³
- In Brazil the combination of the Continuous Cash Benefit (BPC) —a means-tested pension and disability grant— and the Bolsa Família contributed an estimated 28% of the fall in the Gini coefficient (income inequality) between 1995 and 2004.²⁰
- A WHO cross-country study showed how poor households can be protected from poverty resulting from catastrophic health expenditures by reducing the health system’s reliance on out-of-pocket payments and providing more financial risk protection.²¹
- EUROSTAT data show how social protection reduces poverty in most European countries by 50%; for lower income countries, a basic social security system can make the difference between achieving or not achieving MDG 1 of halving poverty.
- Social protection has a major role in achieving full and productive employment and decent work for all, including women and young people, through cash transfers, active labour market, health insurance and family support policies. These have been shown to encourage labour market participation in low- and middle-income countries through guaranteeing public work opportunities, covering the costs of job-seeking and supporting family childcare responsibilities – with strong effects for women in particular.
- In South Africa, labour market participation among those receiving cash transfers increased by 13 - 17% compared to similar non-recipient households with strongest effects for women.

b. “Achieve universal primary education” (MDG2)

In order to achieve the goal of achieving education for all, the Social Protection Floor places a strong emphasis on both creating effective demand for education services, e.g. through transfers that cover direct and indirect costs of school attendance as well as by ensuring an adequate supply in terms of geographical access and minimum quality of the

educational services delivered. Findings show the importance of working on both the supply and demand side.

Social protection programmes can lead to higher school enrolment rates, less school drop-outs and child labour by removing demand-side barriers to education, reducing the need for families to rely on harmful coping strategies, and addressing barriers to gender equality and empowerment of women (MDG 2, 3 and 5). Social protection policies can also support inclusive education by introducing changes in the supply side to address the specific needs of children who are marginalized or excluded (such as children with disabilities and learning difficulties or girls who may not go to school if families consider it unsafe for them) to ensure they can access and benefit from education.

Cash transfers, removal of user fees, and school feeding programmes have been shown to lead to higher enrolment and attendance, and lower incidence of child labour. In addition, there is some evidence of better cognitive and language skills and fewer behavioural problems. With few exceptions, the increases as a result of these programmes are as strong, or stronger, for girls[‡].

- Transfer programmes in Ethiopia, South Africa, Malawi, Mexico, Nicaragua, Brazil, Ecuador, Cambodia, Pakistan and Turkey have all demonstrated significant percentage point increases in enrolment and/or attendance²²
- Between 2002 and 2005, the gross enrollment rate in Kenya increased from 88% to 112%, linked to the abolition of school fees²³.
- Between 1996 and 2002/3, girls' net primary enrolment in Bangladesh increased from 48% to 86%. Many researchers attribute this increase in part to the stipend program for girls' education (Raynor 2006).
- In the Malawi cash transfer scheme, new enrolment was twice as high in participating households (8.3% vs. 3.4%) within a one year period²⁴.
- Oportunidades in Mexico had little impact at primary level (where enrolment was already high), but at increased secondary school enrolment of girls increased by 11-14%, compared to 5-8% for boys. It also resulted in a reduction in probability of working for children aged 8-17²⁵.
- In Brazil, the Programme for the Eradication of Child Labour (PETI) reduced both the probability of children working and their likelihood to be engaged in higher-risk activities²⁶.

c. “Reduce child mortality” (MDG4); “Improve maternal health” (MDG5); and “Combat HIV/AIDS, malaria and other diseases” (MDG6)

Like for education and other social services, working on both the supply and demand side of providing and utilizing health services, the SPF has a double impact on the health

[‡] Following points adapted from UNICEF (2010) Social Protection: Accelerating the MDGs with Equity. UNICEF policy and practice which gives a comprehensive account of the use of social protection measures in achieving MDGs.

related MDGs 4; 5 and 6. On the one hand, the initiative emphasizes the importance of ensuring an adequate supply of a basic level of quality health services throughout a country. On the other hand, it promotes effective access through services that are affordable, geographically accessible, good quality and known about in terms of their importance, availability and affordability^{27, 28}

d. .. and it does this by “Develop[ing] a global partnership for development” (MDG8)

Since this comprehensive approach of the SPF initiative transcends the mandate of any single development organization or UN agency, the initiative by necessity needs to build strong coalitions at national, regional and global levels between all stakeholders to achieve progress in building social protection floors for all.

8. How can the Social Protection Floor be financed?

According to ILO costing studies relating to low-income countries in Africa and Asia, the cost of a basic set of income support benefits is estimated to be in the range of 2.3 to 5.7 per cent of GDP in 2010[§] (Figure 3). Individual elements are even more affordable. The cost of modest universal basic pensions, for example, is estimated at between 1.0 and 1.5 per cent of GDP in Burkina Faso, Ethiopia, Kenya, Nepal, Senegal and Tanzania.

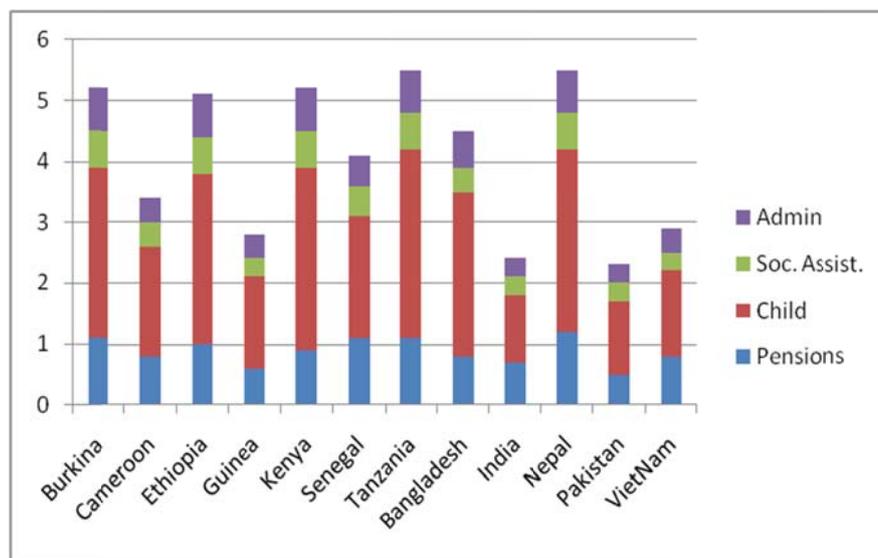


Figure 3: Affordability of social/cash transfers of the Social Protection Floor - Cost in % of GDP, ILO 2008

It should be noted in this context that domestic revenues in Africa alone increased by 4 GDP percentage points between 2002 and 2007. At the same time ILO studies show that

[§] Excluding health services that could be financed by the re-allocation of some of the present budgetary allocation to health care.

an investment of around 4% of GDP in old-age, disability and child benefits could reduce poverty rates in countries like Tanzania or Senegal by about 40% (Figure 4).

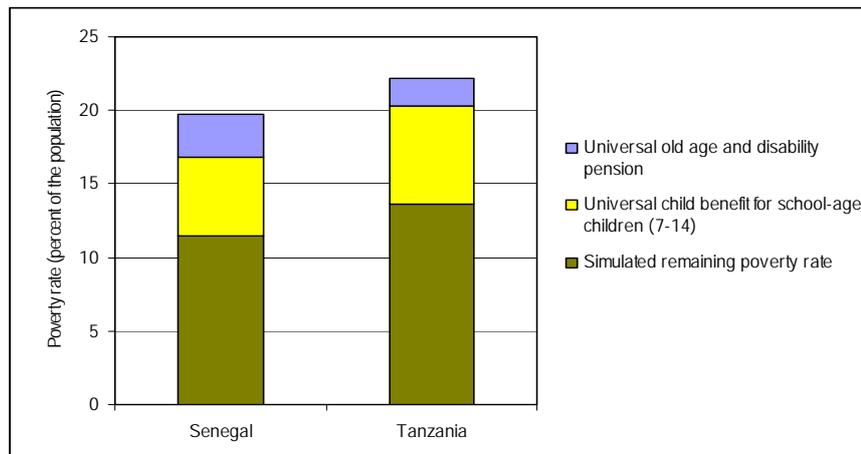


Figure 4: Estimated effect of cash transfers on reduction of poverty (headcount), ILO, 2008

There is a growing body of country evidence from the developing world that some components of the SPF are already being implemented and are proving financially affordable. For example, in Brazil this is being done through the “*Bolsa Família*” programme, in Mexico through the “*Oportunidades*” programme and in South Africa via the child grants and social pensions, while in Namibia and Nepal, it is being achieved through tax-financed basic pensions. The *Bolsa Família* programme is the biggest social transfer scheme in the world, presently covering 46 million people at a cost of about 0.4 per cent of GDP. South Africa has also extended the coverage of its child grants system substantially, by more than 4 million beneficiaries over the last decade. In India the 100-day National Rural Employment Guarantee scheme (NREGA) has been rolled out nationwide, and a new act mandates the extension of basic social security coverage to about 300 million people hitherto not covered.

Currently countries at the same level of national income per capita as Brazil and Mexico allocate very different shares of their budgets to social protection. The difference in social spending between countries at the same level of economic development amounts to up to 15% of their national incomes. Thus there can be a fiscal space created for social protection, even at low levels of GDP, assuming there is political will to do it. The appropriate measures necessary to increase fiscal space vary by country, ranging from increasing the effectiveness of a country’s tax and contribution collection mechanism to broadening the tax base or modifying taxation design.

9. Conclusion and next steps

Today social security is seen as a crucial investment in social and economic development, helping individuals and communities to be resilient against economic crisis and constrained fiscal budgets. It is widely understood that without a Social Protection Floor,

no society can fully develop its full productive potential and hence achieve desired and 'healthy' levels of welfare for all its members. Unless there are higher levels of social security, the potential benefits of globalization cannot be realized. Instead faster economic change will be associated with increasing social and economic insecurity across the developed and developing world. Individuals and communities need a minimum level of security and protection to cope with and benefit from the risks imbued by social and economic growth. Pragmatic policies are required to open the fiscal space for a Social Protection Floor, making higher levels of security more affordable, while maintaining the overall level of redistribution in synergy with social and economic development.

Given political and policy will and encouragement, progressive implementation of a basic social protection floor package is possible. Evidence shows that countries which clearly set human development goals and champion the principle of solidarity consistently find successful policy options to protect the most vulnerable in their society even when confronted with economic crises and limited fiscal space. –With exceptional political leadership crisis can be turned into an opportunity of reform and social progress.

The ILO, its member States and the secretariat of the ILO, the International Labour Office, have contributed to a change in the perception of social security. They have developed strategies that hold promise for the successful and consensual implementation and long-term sustainability of national social security systems. The Office effectively contribute to socially beneficial national country policy design and implementation through the dissemination of knowledge, the development of policy paradigms and effective tools for governance and planning.

10. Examples of good practice

- **Brazil's** "Bolsa Familia" programme, granting family benefits, is the largest conditional cash transfer programme in the world covering around 11.35 million families (47 million people), corresponding to a quarter of Brazil's population in 2008. The budget for 2008 was US\$ 5.5 billion which represents 0.3 percent of the GDP.. The positive impact of family grants on children and families are being felt in numerous ways. Among others, it was observed that the impact on attendance, dropout rates and school progression indicators are better for children assisted by the programme compared to children living in similar households that do not receive the benefit. It also seems that beneficiaries are spending more of their *Bolsa Família* on food and child health, education (school books and stationery) and child clothing. Overall, the programme has had a significant impact on reducing poverty and inequality. Brazil also has a rural pension programme, *Previdencia Rural*, the specific aim of which is to reduce poverty and vulnerability among older people engaged in rural employment and who are excluded from social insurance schemes. The rural pension scheme reaches 7.5 million people at a cost of 1.5 percent of GDP, is largely tax-financed and comprises old-age survival, disability, maternity, sickness and work injury pensions. The benefit is linked to the minimum wage. Research has shown that the

rural pension scheme plays a key role in poverty alleviation at the rural level. Unlike other non-contributory programmes, the rural pension does not have inactivity or means tests as a condition for eligibility, thus it has been shown to strengthen small scale economic activity. In terms of income equality, the pension seems to have had an effect on regional income redistribution. In addition, the social pension appears to have increased opportunities for democratic participation in other areas of civic life.

- **Mexico** first launched *Progresa (Programa de Educacion, Salud y Alimentacion)* in 1997, as a conditional cash transfer programme for poor rural households aimed at poverty reduction and prevention. In 2002 the programme was renamed *Oportunidades* and extended to urban areas with some additional training and micro enterprise support components. Today, *Oportunidades* is the principal anti-poverty program of the Mexican government. It is a conditional cash transfer programme that covers 5 million poor families in Mexico, with an authorised budget of US\$ 3.6 billion representing approximately 0.32 percent of Mexican GDP; its administrative costs are 4 per cent. Successful receipt of payment is dependent on parents (usually the mother) ensuring their children make regular clinic visits and receive key vaccinations and that children maintain a certain level of school attendance. Benefits levels are increased as children grow older and enter higher grade groups; the intention being to keep older children in school and out of work, and therefore preserve the goal of human development. It is targeted at the poorest communities, and eligibility is determined through proxy means testing and community reviews. *Oportunidades* has improved child and adult health, had a significant impact on increasing child growth and has reduced the probability of child stunting for children in the critical age range of 12–36 months. In addition, the programme has had many positive educational effects: school enrolment and educational attainment have increased. The programme has furthermore reduced the probability of working among those aged 8 to 17 by 10 to 14 percent in relation to the level observed prior its implementation. At the same time, *Oportunidades* does not seem to have created work disincentives for men nor women.
- **South Africa**, through its Child Support Grant Programme (CSG) and through its non-contributory pension programmes has also extended its coverage of the most vulnerable through the provision of basic non-contributory benefits. The CSG, which is financed by the South African Government, is intended to reduce poverty among children in poor households. Introduced in 1998 as a means tested and conditional grant, it was subsequently transformed from a conditional to an unconditional grant, which resulted in an improvement of its operational effectiveness. Today, the grant covers 7.5 million children aged 0-14. Around R190 per month (i.e. US\$19) is paid to carers of children or guardians at a cost of 0.7 percent of GDP. Eligibility is determined by performing individual assessment of the primary care provider (income and assets test), as well as on the basis of geographical area and type of household. Without the CSG it seems that more

children would be in poverty. In 2002 the CSG was associated with an increase in school enrolment amongst 6 and 7 years old children. The CSG has also been shown to have a positive impact on nutrition, growth and the reduction of hunger. As for the non-contributory pension programme, it reaches around 2.2 million beneficiaries and provides a monthly benefit of around US\$70 to women of 60 and over and men 65 and over in poverty; it is means tested and tax-financed and accounts for 1.4 percent of GDP. The pension's positive impact is notable in that it seems to have been quite pivotal in attenuating the intensity of poverty and preventing the slide into that condition, and in reintegrating the elderly into socially significant roles.

- **Namibia's** non-contributory pension aims to reduce poverty among the elderly population. It is a universal pension, provided to all resident citizens above sixty years of age regardless of any assets and income, including pensions. In 2001 there were close to 100,000 beneficiaries. Among the positive results, the programme has been credited with inducing small enterprises and stimulating micro-economic trade and infrastructure; beneficiaries are also able to use their cash to invest in agriculture and livestock for their families. In terms of social bonds, it seems that the social pension has improved the social status of elderly persons while appearing to have led to significant intra-household empowerment for some women in socially conservative rural areas. Furthermore, the social pension is known to have affected household composition. Children have been sent to grandparents in that hope that the pension income will support them; there is substantial evidence that the grandparents in receiving households spend a considerable amount of their pension on their grandchildren in ways that are good for the well-being of children.
- **India** adopted in 2005 the National Rural Employment Guarantee Act (NREGA), as the successor of the Maharashtra Rural Employment Guarantee Scheme (MEGS). It is one of the largest rights-based social protection initiatives in the world reaching around 40 million households living below the poverty line. The national budget for the financial year 2006-7 was approximately US\$2.5bn or 0.3 percent of GDP; once fully operational, the scheme's budget could peak at 1-5 percent of GDP. The NREGA makes available up to 100 days of employment per rural household per year on public works, i.e. land and water resource management and infrastructure development projects, paid at the minimum wage for agricultural labourers in the area. If work is not provided within the stipulated time, the applicant is entitled to receive an unemployment allowance. The programme is self-targeted, i.e. people enter into it on a voluntary basis, assuming that only the poorest households will want to do manual work for minimum wages. Owing to its relative newness, evaluations of the NREGA are few. However, because of their similarity insights into the possible effects of the NREGA can be gleaned from evaluations of the MEGS. Among others, the MEGS programme seems to have contributed to a decline in income variability which may have had a significant impact on seasonal malnutrition; it has been

instrumental in employment creation and appears to have reduced the intensity of poverty. Research further shows that the programme has contributed to higher market wages for agricultural workers, improved economic power and solidarity.

- In **Bangladesh**, an important multi-dimensional social assistance programme called *Challenging the Frontiers of Poverty Reduction - Targeting the Ultra Poor* (TUP) was launched in 2002 and is jointly overseen by the Government and BRAC, a non-for-profit organisation and covered by 2006 around 70,000 households. TUP aims at reducing poverty among the poorest and support income generating activities through a combination of asset transfers (grants) linked to livelihood skills training, health promotion, access to rights and other social programmes with potentially transformative aspects. Research shows that TUP has had good nutritional effects. In addition, the programme has been linked with improved access to credit. It has also consolidated democratic practise and a sense of fair-play through a local governance structure. Overall, this governance structure appears to have improved the quality of life of the ultra poor, amongst other through: the widening of their social networks, and reported improvements in the extent of their inclusion within the village community social life. The TUP programme also seems to have resulted in the empowerment and facilitation of greater voice representation for women. Overall, progress has been observed in several key areas related to vulnerability (notably livelihood assets, savings and health).

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