

DECENT WORK AND FAIR GLOBALIZATION: A GUIDE TO POLICY DIALOGUE

Building a 'Social Protection Floor' under the Global Economy

Even before the food and financial crises hit in 2008, there were alarming figures showing that the world was much further behind in meeting the MDGs than previously assumed. The conventional measure of poverty used by the World Bank and other donors has been the number of people that live on US\$1/day or US\$2/day, however this does not reflect how people define their basic goals and aspirations in life: their prospect of securing a decent job or livelihood and a future for their children.

There is an urgent need to establish where it does not exist **a basic 'social protection floor' that can prevent people from falling into destitution** and help them move up the social and economic ladder. "Everyone, as a member of society, has the right to social security" states Article 22 of the Universal Declaration on Human Rights. Yet, some 80 percent of the world's working women and men have little or no social protection.

The exact definition of a **social protection floor** will vary from country to country, but it is generally understood that it would include the four following components:

- ◇ Basic health care for all
- ◇ Child benefits conditional on schooling
- ◇ Self-selected targeted social assistance
- ◇ Universal benefits for the elderly, the disabled, and in the event of loss of the household breadwinner

The industrialized countries long ago recognized that providing a basic set of social benefits can make the difference between a liveable and a miserable life, or even the difference between life and premature death. Social protection has proven to be a powerful tool to reduce poverty and mitigate inequality in many of the countries of the Organisation for Economic Co-operation and Development (OECD) by almost 50 percent.

Increasingly, there are good examples of successes with modest universal social benefit systems in Africa, Latin America and Asia, but investing in social security has not yet become a widely accepted development strategy.

Social protection as an economic investment

A common argument against extending social security is that a large welfare State is not compatible with a competitive economy. However, studies show that there is a fairly strong correlation between per hour productivity and per capita expenditure on social protection in OECD countries, and some of the most successful open economies are also the ones with the most extensive welfare States. Therefore **social protection systems could be viewed as a form of economic investment**. Social protection also plays an essential stabilizing (or "counter-cyclical") role during an economic downturn or financial crisis by maintaining some degree of effective demand in the economy, thus helping domestic businesses to stay afloat.

Another common argument against social protection is that its expenditures are too expensive for developing countries. But according to ILO calculations, less than 2 percent of global GDP would be necessary to provide a basic set of social security benefits for all the world's poor. Some estimates suggest the cost of a basic package of social transfers would amount to between 1 and 4 percent of GDP in developing countries. These might be higher in some cases, depending on the measures and assumptions used. The ILO's estimates suggest that a basic social protection package could be affordable in some developing countries, provided there is enough domestic political will to significantly increase the share of public spending attributed to social protection. But for others, donor aid for social protection is needed, but again, should be viewed as an economic investment.

Public pension schemes

The financial crisis underscored the dramatic limitations of private social insurance, especially privatized pension schemes, which recorded substantial losses with the collapse of capital markets. In contrast, well-designed public pension systems have been much less affected. This has motivated a policy shift in the stance of certain international organizations which now advocate greater focus on more stable, security-oriented public pension systems.

Cash transfers

In the wake of the crisis, much attention has focused on the effectiveness of cash transfers and employment guarantee schemes. **Cash transfer schemes** are defined as regular non-contributory payments of money provided by government or non-government organizations to individuals or households, with the objective of decreasing chronic or shock-induced poverty, addressing social risks and reducing economic vulnerability. They can be unconditional, or subject to conditions such as sending children to school. Today, almost 200 million people are covered by such schemes in 25 developing countries. The impact of cash transfer schemes is well illustrated by the success of Mexico's *Oportunidades* and Brazil's *Bolsa Família*, which have reduced poverty substantially. Evaluations find that between the mid-1990s and the mid-2000s, these programmes were responsible for a 21 percent reduction in income inequality in Brazil and Mexico, and constituted 50 and 25 percent of incomes of the poorest households, respectively.

Employment guarantee schemes

When the private sector cannot create enough productive employment opportunities, it is argued that the State should act as an "employer of last resort," to provide

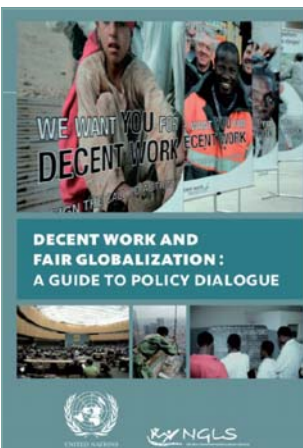
public utility employment at a basic wage. The *Jefas y Jefes de Hogar Desocupados* Plan in Argentina provides an example of an emergency crisis mitigation measure to stabilize demand during an economic downturn. But such schemes should be made permanent as exemplified with India's National Rural Employment Guarantee (NREG) Act, which provides mandatory assurance of at least 100 days of public employment a year, at statutory minimum wage for at least one person in every rural household.

Universal basic income guarantees

The ILO has also raised the question as to whether a basic minimum income – essentially a regular and unconditional cash grant from the State – could become an unconditional right of all citizens. Many civil society movements have been actively campaigning for this right, for example, in Namibia, where a coalition of civil society organizations implemented a pilot Basic Income Grant (BIG). The results of the initiative produced very high social and economic returns in the pilot area in a short period of time, and the coalition argues it is affordable to implement BIG on a national scale.

Expanding social protection to more countries

The ILO with WHO and other development partners developed a manual to provide guidance for a Social Protection Floor Approach at the country level. The manual gives an overview of steps to take and tools to use for country operations of UN agencies and other institutions that might want to join Social Protection Floor initiatives on a local level. The manual offers a checklist for possible country activities rather than a prescription for action. However, it will also take the mobilization of civil society working with national governments to advocate for the creation of social protection, and a change in the mindset of donor organizations.



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