

Social protection floor for a fair  
and inclusive globalization



# Social protection floor for a fair and inclusive globalization

Report of the Advisory Group chaired by Michelle Bachelet  
Convened by the ILO with the collaboration of the WHO

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*First published 2011*

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*Social protection floor for a fair and inclusive globalization.  
Report of the Social Protection Floor Advisory Group*

Geneva, International Labour Office, 2011

ISBN 978-92-2-125337-2 (print)

ISBN 978-92-2-125338-9 (web pdf)

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# Social Protection Floor Advisory Group

This Advisory Group was convened in August 2010 by the ILO, with the collaboration of the WHO, under the framework of the United Nations System Chief Executives Board for Coordination (CEB) Social Protection Floor Initiative,\* to enhance global advocacy and provide guidance on the conceptual and policy aspects of the social protection floor. This report outlines the main conclusions and recommendations of the Group.

## Composition of the Social Protection Floor Advisory Group:

Chair	Michelle Bachelet
Members	Aurelio Fernández López Ebrahim Patel Eveline Herfkens Kemal Derviş Margaret Wilson Martin Hirsch Sudha Pillai Zheng Silin
Ex officio members	Juan Somavia Margaret Chan
Executive Secretary	Vinícius Pinheiro

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\* The Social Protection Floor Initiative is co-led by the ILO and the WHO and formally involves a group of cooperating agencies including FAO, IMF, OHCHR, UN Regional Commissions, UNAIDS, UNDESA, UNDP, UNESCO, UNFPA, UN-HABITAT, UNHCR, UNICEF, UNODC, UNRWA, WFP, WMO and the World Bank. See CEB (2009a).



# Preface

The United Nations Secretary-General, Ban Ki-moon, in his message on the occasion of the World Day of Social Justice, 20 February 2011, reminded us that the multilateral system should work together under a common policy approach – the social protection floor – to promote a very clear outcome: “No one should live below a certain income level, and everyone should have access to essential public services such as water and sanitation, health and education.”

His message was anchored politically in the conclusions of the Millennium Development Goals Summit (September 2010) and technically grounded in the work done under the United Nations System Chief Executives Board for Coordination (CEB) Social Protection Floor Initiative.

This Advisory Group was convened in August 2010 by the ILO with the collaboration of the WHO, as co-leaders of the CEB Social Protection Floor Initiative, to enhance global advocacy and provide guidance to the development and implementation of the social protection floor concept. This report summarizes our main conclusions and makes concrete recommendations to advance the extension of social protection coverage.

The distinguished members of the Advisory Group, drawn from different regions, brought to the exercise a great wealth and depth of experience on employment and labour issues, social and economic development, social security, health, planning, finance and international development cooperation. They have been engaged in policy formulation and decision-making at national, regional and global levels in both developing and developed countries. Their diverse cultural, technical and political backgrounds added significant value to the discussions.

We benefited from the excellent preparatory work done by the ILO and UNDP. This included the collection of 18 case studies of successful social protection floor experiences from 15 countries of the global South that served as the

basis for illustrating various issues related to design and implementation of social protection floors.

The preliminary results of collaborative work between the ILO and the IMF in assessing the fiscal cost and fiscal space available for the implementation of social protection floor policies provided fundamental ground for the arguments developed in this report.

The Advisory Group had the opportunity to exchange views and collect inputs on several occasions, in particular at: the ILO–IMF conference in cooperation with the Office of the Prime Minister of Norway on the Challenges of Growth, Employment and Cohesion (Oslo, 13 September 2010); the Realizing Rights Forum on Accelerating the Achievement of the MDGs through Decent Work (New York, 20 September 2010); the Poverty Reduction and Development Forum in China (Beijing, 17 October 2010); the Second African Decent Work Symposium on Building a Social Protection Floor with the Global Jobs Pact (Yaoundé, 19 October 2010); the UNDP–ILO South–South Global Development Expo (Geneva, 22 November 2010); the celebrations of the World Day of Social Justice – Achieving Social Protection for All (New York, 17 February 2011); and the Consultative Workshop of the Social Protection Floor Advisory Group (Geneva, 17 March 2011).

Visits to China and Viet Nam (14–19 October 2010) were particularly important to observe directly the two countries' efforts to implement innovative approaches and to share views on how the social floor concept could be adopted at the national level.

We would also like to acknowledge the important inputs received from the UN agencies and international financial institutions with whom we had the opportunity to interact at various stages. I am deeply grateful for their contribution, in particular for the substantive inputs and comments provided by the IMF, UNDP and UNICEF.

Our special thanks to the global team of distinguished peer reviewers Armando Barrientos (University of Manchester), Jayati Ghosh (Jawaharlal Nehru University), José Antonio Ocampo (Columbia University), Leila Patel (University of Johannesburg) and Louka Katseli (University of Athens) for their meaningful insights and constructive suggestions.

Additionally, I had the opportunity to undertake high-level consultations with the French authorities, under the G20 French presidency, in Paris (24–25 March 2011), to exchange ideas and suggest recommendations on how the G20 could play a pivotal role in committing to implement nationally defined social protection floors in their own countries, in supporting low-income countries to do so and in calling for international policy coherence and coordination in this area.



I would like to express my gratitude for the overall support from the G20 French presidency and, in particular, acknowledge the important written contribution made by the Social Affairs Committee of the French Senate to the preparation of this report. An advance version of this report containing specific recommendations for the G20 served as an input for the deliberations of the G20 Ministers of Labour and Employment (Paris, 26–27 September 2011).

Consultations with the International Trade Union Confederation (ITUC) and the International Organisation of Employers (IOE) on several occasions were fundamental to bring the views from the main actors of the real economy into the report. We also appreciated the discussions and the activism of the NGO Committee for Social Development at the UN to promote the social protection floor.

Finally, the report benefited significantly from the discussions, conclusions and recommendations of the 100th International Labour Conference in Geneva (1–17 June 2011). I had the honour of participating in the closing ceremony of the Committee on Social Protection. The Conference's decision to discuss an international standard in the form of a Recommendation in 2012 opens an important avenue for taking forward the recommendations of this report.

The Advisory Group had full and independent responsibility for this report and members of the Group served in their individual capacity. While members might not subscribe to every statement in the text, all of them endorse the report as a whole.

It was a great pleasure to work with this outstanding group of global citizens. I would like to thank them for their dedication and cooperation. I would also like to thank the very capable secretariat, which served us so effectively. Finally, I commend the ILO and the WHO for the decision to form the Advisory Group, and I thank them for honouring me with the responsibility of chairing it.

We hope that this report will stimulate and inspire the design and implementation of social protection policies, drawing on social floors, as part of coherent and balanced approaches to improving the lives of people, and contributing to a fairer and inclusive globalization.

MICHELLE BACHELET

*UN Under-Secretary-General, Executive Director of UN Women and  
Chair of the Social Protection Floor Advisory Group*



# Foreword

We welcome this excellent and significant report prepared by the Social Protection Floor Advisory Group, led by the former President of Chile, Ms Michelle Bachelet.

In 2004, the World Commission on the Social Dimension of Globalization, established by the ILO, concluded, *inter alia*, that a “minimum level of social protection needs to be accepted and undisputed as part of the socio-economic floor of the global economy” (ILO, 2004, p. 110). Notwithstanding the technological and other benefits of globalization, the Commission warned that the prevailing model of globalization was morally unacceptable and politically and economically unsustainable and examined the severely unbalanced outcomes of the globalization process. It affirmed that a global commitment to effectively address growing inequality and human insecurity was critical if globalization was to gain widespread legitimacy. The world financial, economic and jobs crisis that ensued some years later and is still with us confirmed many aspects of this stark assessment.

The Commission’s call for a “socio-economic floor” informed the new policy concept of a social protection floor developed by the ILO on the basis of recent experience, principally of developing countries. This initiative is grounded in the framework of the ILO’s Decent Work Agenda in which social protection for all is one of the four interrelated strategic objectives along with the promotion of rights at work, employment creation by sustainable enterprises and social dialogue.

The concept has been developed in the framework of the two-dimensional strategy of the global campaign *Social Security for All*, aiming at achieving universal coverage of the population with at least minimum levels of protection (horizontal dimension) and progressively ensuring higher levels of protection according to ILO standards (vertical dimension).

The recent economic crisis has demonstrated the importance of structural progress towards extending social protection in a coherent and coordinated manner at national and local levels. Social protection measures have cushioned the impact of the crisis among the vulnerable population, served as a macroeconomic stabilizer fuelling demand and enabled people to better overcome poverty and social exclusion in developing and developed countries.

In 2009, the heads of the UN agencies agreed to the ILO proposal to launch the Social Protection Floor Initiative (SPF-I), co-chaired by the ILO and WHO, as one of nine UN joint initiatives to cope with the effects of the economic crisis. It includes 19 multilateral organizations. Resulting discussions indicated strong support for the need for a global understanding on the key components of the concept, while recognizing that it would be applied according to the needs and possibilities of individual countries, thus giving rise to the notion that there would be different specific floors, all pursuing the same basic objectives.

The Social Protection Floor Advisory Group was established to enhance global advocacy activities and to elaborate further the conceptual policy aspects of the approach. As Chair of the Group, Ms Michelle Bachelet brought her achievements in successfully extending social protection in Chile where significant investments were made to enhance access to health, pensions, education, housing, water and sanitation and especially to promote child development and improve gender equality.

Members of the Advisory Group were drawn from all regions of the globe. They brought remarkable experience in the various areas involved in the formulation and implementation of different national social protection floors. The exercise benefited tremendously from their different perspectives along with their capacity to combine expertise in national policy-making with global visions.

The report of the Advisory Group will provide valuable inputs for the discussions of the 2012 International Labour Conference regarding the creation of an autonomous Recommendation on social protection floors, to the United Nations Chief Executives Board deliberations, to the G20 process as well as other international, regional and national forums.

More broadly, we hope that the concept of a social protection floor will serve as inspiration and motivation for political leaders, policy-makers, social actors and other stakeholders everywhere to see social protection and its linkage to decent work in a new light and as a key tool to achieve development objectives in all countries.

JUAN SOMAVIA  
*ILO Director-General*

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# Acknowledgements

This report was produced by the Advisory Group chaired by Michelle Bachelet, with the assistance of the secretariat provided by the ILO in collaboration with the WHO. The Executive Secretary of the Advisory Group, Vinicius Pinheiro, led a drafting team, which included Fabio Bertranou and Ian Orton, in consolidating the outcomes of the Advisory Group discussions and the written contributions made by the members into the draft report, as well as in incorporating the comments received by international organizations and peer reviewers. Armando Barrientos, Chloé Morin, Evelyn Vezza, John Woodall and Veronika Woodsak provided substantial inputs to the text. The document received substantive comments from Andrew Cassels, Assane Diop, David Evans, María Angélica Ducci, Michael Cichon, Peter Mertens as members of the joint ILO–WHO secretariat, as well as from Alberto Arenas de Mesa, Aurelio Parisoto, Clarisa Hardy, Deborah France, Florence Bonnet, Frank Hoffer, Philippe Marcadent and Uma Amara. Christian Jacquier and Christine Bockstal in collaboration with experts of the ILO Social Security Department coordinated the compilation of social protection floor country experiences.

The preliminary version of the report was reviewed by IMF staff under coordination of Elliot Harris, who consolidated comments coming from regional and country offices in particular concerning the discussions on fiscal space and affordability. Deolinda Martins, Isabel Ortiz, Jennifer Yablonski, Matthew Cummins and Richard Morgan from UNICEF made substantial contributions to improve the text and provided further country evidences to illustrate the arguments developed in the report. Claudia Vinay, Shantanu Mukherjee and Shivani Nayyar from the UNDP Poverty Group contributed with meaningful inputs in the context of

the joint ILO-UNDP social protection work for the G20 Development Working Group. Rob Vos from the UN Development and Policy Analysis Division provided further inputs on the results of social protection costing exercises. A preliminary version of this report received significant comments from the participants of the Social Security Summer School 2011, organized by the ILO International Training Centre.

The report was peer reviewed by Armando Barrientos (University of Manchester), Jayati Ghosh (Jawaharlal Nehru University), José Antonio Ocampo (Columbia University), Leila Patel (University of Johannesburg) and Louka T. Katseli (University of Athens) who assessed the quality and coherence of the technical contents and political messages elaborated in the report.

The draft report was edited by Julie Wolf. The final version was edited, designed and produced by the Document and Publications Production, Printing and Distribution Branch (PRODOC) of the ILO.

# Abbreviations

ASEM	Asia–Europe Meeting
ATM	automated teller machine
CEB	United Nations System Chief Executives Board for Coordination
DFID	Department for International Development (United Kingdom)
ECLAC	Economic Commission for Latin America and the Caribbean
ECOSOC	Economic and Social Council
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
G20	Group of Twenty
GDP	gross domestic product
HIV/AIDS	Human immunodeficiency virus/acquired immunodeficiency syndrome
IBSA	India–Brazil–South Africa Dialogue Forum
IHDI	inequality-adjusted human development index
IILS	International Institute for Labour Studies
ILO	International Labour Organization/Office
IMF	International Monetary Fund
IOE	International Organisation of Employers
IPC-IG	International Policy Centre for Inclusive Growth
IPEA	Institute of Applied Economic Research (Brazil)
ISSA	International Social Security Association
ITUC	International Trade Union Confederation
LEAP	Livelihood Empowerment Against Poverty (Ghana)

## Social protection floor for a fair and inclusive globalization

MDGs	Millennium Development Goals
NGO	non-governmental organization
NREGS	National Rural Employment Generation Scheme (India)
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the High Commissioner for Human Rights
POS	point of sale
PSNP	Productive Safety Net Programme (Ethiopia)
SPF-I	Social Protection Floor Initiative
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDAF	United Nations Development Assistance Framework
UN/DESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNODC	United Nations Office on Drugs and Crime
UNPOP	United Nations Population Division
UNRCO	United Nations Resident Coordinator's Office
UNRISD	United Nations Research Institute for Social Development
UNRWA	United Nations Relief and Works Agency for Palestinian Refugees in the Middle East
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization

# Executive summary

## The challenge

It is hard to understate the social challenges the world faces. In 2010, global GDP was ten times larger than in 1950 in real terms – an increase of 260 per cent per capita. Yet despite the six decades of strong economic growth that followed the adoption of the Universal Declaration of Human Rights, access to adequate social protection benefits and services remains a privilege, afforded to relatively few people.

Current statistics speak eloquently of widespread poverty and deprivation. About 5.1 billion people, 75 per cent of the world population, are not covered by adequate social security (ILO) and 1.4 billion people live on less than US\$1.25 a day (World Bank). Thirty-eight per cent of the global population, 2.6 billion people, do not have access to adequate sanitation and 884 million people lack access to adequate sources of drinking water (UN-HABITAT); 925 million suffer from chronic hunger (FAO); nearly 9 million children under the age of five die every year from largely preventable diseases (UNICEF/WHO); 150 million people suffer financial catastrophe annually and 100 million people are pushed below the poverty line when compelled to pay for health care (WHO).

While globalization has been a source of opportunities for those able to seize them, as the evidence above shows it has left many unprotected against new global challenges and transformations that are having deep repercussions at national and local levels. The persistence of such large numbers of excluded persons represents tremendous squandered human and economic potential. This is particularly important in a context of accelerated demographic ageing in countries with low coverage of pension and health systems.

Where does social protection fit into this picture? This report shows how social protection can play a pivotal role in relieving people of the fear of poverty and deprivation, delivering on the promises of the Universal Declaration of Human Rights. The extension of social protection, drawing on basic social floors, is a missing piece in a fairer and inclusive globalization.

In addition, it can help people adapt their skills to overcome the constraints that block their full participation in a changing economic and social environment, contributing to improved human capital development in both the short and longer term, and in turn stimulating greater productive activity. The report also shows how social protection has helped to stabilize aggregate demand in times of crisis and to increase resilience against economic shocks, contributing to accelerate recovery and more inclusive and sustainable development paths. 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.

Recent developments on the social protection landscape show remarkable progress in extending coverage, but this report contends that much more should – and can – be done. It also outlines how policies and programmes adopted within the social protection floor framework can have the greatest impact.

### The social protection floor

The social protection floor approach has been developed by the ILO, drawing on the recent experiences of extending protection, mostly in developing countries. It was endorsed by the United Nations Chief Executives Board and by the Heads of State and Government in the 2010 Millennium Development Summit as an integrated set of social policies designed to guarantee income security and access to essential social services for all, paying particular attention to vulnerable groups and protecting and empowering people across the life cycle.

It includes guarantees of:

- basic income security, in the form of various social transfers (in cash or in kind), such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees and services for the unemployed and working poor;
- universal access to essential affordable social services in the areas of health, water and sanitation, education, food security, housing, and others defined according to national priorities.

The concept is part of a two-dimensional strategy for the extension of social security, comprising a basic set of social guarantees for all (horizontal dimension), and the gradual implementation of higher standards (vertical dimension), in line with the ILO's Social Security (Minimum Standards) Convention, 1952 (No. 102), and others, as countries develop fiscal and policy space.

The 2011 International Labour Conference undertook an extensive discussion of social protection, and in the process of defining its view of the social protection floor concurred with a unified approach to income security and access to essential goods and services set out as follows:

... social protection floors, containing basic social security guarantees that ensure that over the life cycle all in need can afford and have access to essential health care and have income security at least at a nationally defined minimum level. Social protection floor policies should aim at facilitating effective access to essential goods and services, promote productive economic activity and be implemented in close coordination with other policies enhancing employability, reducing informality and precariousness, creating decent jobs and promoting entrepreneurship. (ILO, 2011a, para. 9)

Therefore, in addition to the elements mentioned in the CEB and Global Jobs Pact definition, the Conference listed as core social protection floor objectives the need to promote productive economic activity and entrepreneurship, with sustainable enterprises and access to decent employment opportunities. While the above definition is multidimensional and indicative, countries have the flexibility of adopting different components in a sequential manner considering their respective needs and capabilities. Employment and entrepreneurship support policies could either complement the social protection floors or be fully integrated into their design, according to countries' institutional features.

The term "social protection floors", in the plural, refers to national adaptations of the global approach to country-specific circumstances. Certainly, the social protection floor cannot be considered the magic solution to the world's social problems, but a wide range of experiences from all over the world suggests that countries can move faster in reducing poverty and social exclusion if these issues are addressed in a coherent and consistent way, starting by extending horizontally access to essential social services and income security.

## Why we need a social protection floor

The notion of the social protection floor is anchored in the fundamental principle of social justice, and in the specific universal right of everyone to social security and to a standard of living adequate for the health and well-being of themselves and their families. Provisions made within the framework of the floor relate to a range of rights listed in the Universal Declaration of Human Rights. The core idea is that no one should live below a certain income level and everyone should at least have access to basic social services.

The social protection floor relates strongly to the Decent Work Agenda; to succeed in combating poverty, deprivation and inequality, it cannot operate in isolation. In order to realize poverty reduction effectively, its strategies must be accompanied by others, such as strengthening labour and social institutions and promoting pro-employment macroeconomic environments.

A number of countries have already incorporated the main elements and practical aspects of the floor into their social protection systems. In middle- and low-income countries, there are strong indications that access to social security programmes is closely linked to a reduction in poverty and inequality, along with other social transformations. Studies have shown that modest cash transfer programmes for older people and children have the potential to close the poverty gap significantly.

The effectiveness of social protection floor-type measures in reducing poverty, containing inequality and sustaining equitable economic growth is already well acknowledged in developed countries. In OECD countries, it is estimated that levels of poverty and inequality are approximately half of those that might be expected in the absence of such social protection provision. That said, this significant poverty reduction in such countries reflects the combination of both social protection floor measures and more comprehensive forms of social security. This signals the need for each country, having put in place measures representing a solid floor, to then take the next step of developing the vertical dimension of social protection.

Social protection floor provisions can lead to greater empowerment and autonomy for women, who are disproportionately represented in low-income groups. Women can become their own agents of change through the labour market and education opportunities likely to become available once they gain income security and access to essential services of the kind provided by the floor. Moreover, experience shows that benefits paid in the form of social transfers directly to women result in enhancement of their status and their capacity to exert increasing control over how household income is spent.



The social protection floor can contribute to addressing challenges linked to transformations such as demographic change, global health risks and food price volatility. Social safeguards provided through the floor can help to maximize the associated opportunities and minimize risks.

Recent years have provided potent proof of the value of social protection interventions in a time of crisis. Throughout the economic and financial crisis many floor-type social protection measures acted as effective countercyclical stabilizers. They helped attenuate the adverse impact on labour markets, contributed to maintaining social cohesion and stimulated aggregate demand. The combined effect of this effort ultimately aided and spurred economic recovery in a range of countries. More broadly, the floor's income-led approach can contribute to combating imbalances in the global economy by inducing reductions in precautionary savings and increases in the purchasing power of emerging consumer classes in developing countries, thereby strengthening the national markets.

Contrary to “received wisdom”, social protection measures at a basic level, of the kind comprising the floor, can be kept within a relatively modest percentage of national income, even in severely resource-constrained countries. Several studies, notably by the ILO, UN/DESA, UNICEF, WHO and ECLAC, attest to this affordability. To what extent resources should be devoted to such measures remains a country-specific choice. In other words, levels of social provision are driven much more by a country's political and policy environment than its level of economic development. The cost of a well-designed social protection floor is small compared to the tax revenues often forgone by not effectively collecting revenue from the wealthy and by not tackling inefficiencies that exist in many expenditure programmes.

Effective country-specific social protection floors, which can gradually expand, are not only affordable but can, in the long run, pay for themselves by enhancing the productiveness of the labour force, the resilience of society and the stability of the political process.

The report shows that the implementation of nationally defined social protection floors can be feasible, but not necessarily easy. Political will, fiscal space and effective institutions are preconditions for successful phasing-in of the floor. Clear strategies to minimize risks should be in place to guarantee effective delivery of benefits and services under adequate governance rules and respecting fiscal sustainability in an environment conducive to the generation of decent employment and sustainable enterprises.

## Implementation

The social protection floor is neither a prescription nor a universal standard. It is an adaptable policy approach that should be country-led and responsive to national needs, priorities and resources. It facilitates a comprehensive approach to social protection, focusing on basic benefits first, having been conceived and developed on the basis of recent innovative experiences. These benefits can be introduced gradually and in a pluralistic way, according to national aspirations, to fit specific circumstances and prevailing institutional and financial capacities. The floor can help promote coherence and coordination in social protection and employment policies, so as to ensure that individuals may benefit from services and social transfers across the entire life cycle. The concept promotes a “whole government” approach that links social protection with other policy objectives.

Recent years have been marked by significant progress towards the implementation of social protection floor components in many developing countries. This process has moved faster in middle-income countries, especially through policies and programmes focusing on income security accompanied by the extension of essential services. As a result, reductions already seen in the social protection coverage gap have been further improved. In the developing world, however, a range of design and implementation issues have emerged, presenting challenges to the effective completion of a social protection floor.

Experience within and across countries offers a number of lessons. The most important are that national social protection floor policies benefit from long-term policy development, and that implementation plans should be based on national consensus. Such plans should define the ultimate shape of the national social protection floor as well as priorities and key steps on the way to getting there. In addition, it is necessary to have a clear fiscal framework that establishes the approximate cost of each floor component on an ongoing basis, together with a detailed mapping of the fiscal resources that need to be generated. This is not an easy task. Indeed, successfully designing and setting priorities for elements of the floor depends on clearly understanding the objectives of benefit programmes and the effects of conditions attached to benefit payments. The definition of targeting criteria should be accompanied by reliable identification and monitoring technologies to combat fraud, minimize errors and ensure delivery to those who are entitled to the benefits and services. The choice of efficient institutional arrangements, especially delivery technologies, is also crucial. Mistakes can be costly, and may undermine public confidence and the credibility of the entire social protection floor development process. It is therefore important to learn from the experience of other countries and programmes.

Social protection floor components can be maintained on a long-term basis only if sufficient financial resources are made available, in competition with other claims on a government's spending capacity. Accordingly, it is necessary to consider in some detail the question of how to make available sufficient fiscal space for national programmes. In the past decade, the improvement in macroeconomic conditions, most notably in several middle-income countries, has enabled public institutions to begin to address social deficits and social exclusion. In many low-income countries, debt cancellation and revenues from natural resources have combined with economic growth to give governments more fiscal room for manoeuvre. While international solidarity in the form of aid can help to kick-start and consolidate the process of creating a floor in low-income countries, over the long run its implementation has to be financially sustainable at national level. Studies by the ILO, in consultation with the IMF, show that in countries such as Benin, El Salvador, Mozambique and Viet Nam, major social protection floor programmes would cost between 1 and 2 per cent of GDP.

Economic growth provides the easiest way to create fiscal space, which can then be claimed for social protection. But even in the absence of high growth, reallocating expenditure can generate fiscal space, provided there is political will. The fact that some countries spend much more than others on social protection even though their GDP per capita is similar bears witness to the role of political will in influencing national priorities. In some countries, fiscal reform centred on tax reorganization has provided important new opportunities for financing social protection.

Advances in poverty analysis have been important in shaping programmes. The increased availability of household survey data, together with associated methods to identify and classify households and individuals in poverty, has improved the measurement and understanding of poverty. Multidimensional perspectives on poverty have helped promote the coordination of anti-poverty interventions, notably transfers and basic services. Specific evaluation techniques have generated information and knowledge on the impact of programmes, and of their design features and reach.

The challenge of extending the scope of existing poverty reduction programmes to strengthen pathways to work and employment is beginning to be addressed in developing countries. A stronger policy focus is needed to develop and integrate interventions, including active labour market policies and micro-enterprise development, which can open up work and employment opportunities for beneficiaries of transfer programmes. It is also important to align work incentives with poverty reduction programme objectives. In some middle-income countries with well-developed social insurance programmes,

the interaction of social insurance and social assistance requires attention from policy-makers.

The social protection floor should not be viewed as an alternative, but as a complement to social insurance institutions where these exist, and hence as a component of a comprehensive and pluralistic social protection system. In low-income countries lacking well-established social insurance institutions, the social protection floor should provide a foundation to the process of building social insurance institutions and facilitating the movement of people from social assistance into comprehensive forms of insurance. The perception of a binary division, wherein social insurance applies exclusively to those whose employment is “formal”, or at least undertaken in the formal economy, while social assistance relates only to those lacking formal employment, does not correspond to the situation of many developing countries where mixed financing and institutional frameworks prevail.

Findings across countries and regions show that a variety and combination of methods have been adopted to identify intended beneficiaries. Methods for selecting people eligible to receive benefits include defining certain categories of the population or geographical areas and means-testing based on income or wealth indicators. In practice, most programmes use a combination of methods, in some instances adopting procedures to enrol initially the poorest or most vulnerable, before proceeding towards upper limit thresholds that separate the eligible from the non-eligible. Combining methods is expected to improve the accuracy and efficiency of delivery systems while strengthening the effectiveness of combating extreme and chronic poverty. In addition to selection methods, the scale of a programme is important. Many experiences, particularly in less developed countries, concern pilots or small-scale programmes that cover only a limited share of those who need coverage and whose impacts cannot be measured with statistical significance at the national level. In such instances the next step must be to establish a coordinated set of social protection interventions – indeed a social protection floor.

Integrating and consolidating fragmented and underperforming social protection programmes into the social protection floor can bring important gains. Public agencies have a leading role in the development of social protection floor institutions. Government leadership helps to ensure accountability, especially regarding the rights and entitlements of people supported by the floor, and that programmes and policies fit in with development objectives. In strategies addressing multidimensional poverty, coordination between different sectors is essential, but often hard to secure. Institutional arrangements, such as for example the development of social protection sector coordinating agencies, are crucial for this. Despite significant growth of impact evaluation in the last decade, as noted

below, there is still a need to deepen understanding on how to maximize the effectiveness of social policy interventions.

Monitoring, together with evaluation, is an essential management tool to provide regular information about how well a programme is working. This allows managers to act to improve programme implementation and should be viewed as a continuous process throughout the life of a programme. It should be an integral component, and must be adapted to the country and programme context. Although appropriate information technology is a key element of monitoring, it is by no means sufficient for success. Political support for the development of monitoring and evaluation capacity is vital.

## Recommendations

The implementation of nationally defined social protection floors should follow some common principles. While adopted as a global concept, it is the responsibility of each country to design and implement social floors shaped within a framework of nationally specific institutional structures, economic constraints, political dynamics and social aspirations. In other words, there are no one-size-fits-all solutions. In some countries, the social protection floor approach can serve to strengthen weaker levels of protection, fill coverage gaps and enhance coherence among social policies; in others it can serve as a tool to extend coverage in the horizontal dimension, as a first step to building fully comprehensive social protection systems.

While the design and implementation of nationally defined social protection floors should follow country-specific dynamics, we recommend that a number of principles and modalities be taken into account. These include:

- Combining the objectives of preventing poverty and protecting against social risks, thus empowering individuals to seize opportunities for decent employment and entrepreneurship.
- A gradual and progressive phasing-in process, building on already existing schemes, according to national priorities and fiscal constraints.
- Coordination and coherence between social programmes. In particular, and within a perspective treating human development on a life cycle basis, the floor should address vulnerabilities affecting people of different ages and socio-economic conditions, and should be regarded as a framework for coordinated interventions at the household level, addressing multidimensional causes of poverty and social exclusion and aiming to unlock productive capacity.

## Social protection floor for a fair and inclusive globalization

- Combining income transfers with educational, nutritional and health objectives, to promote human development.
- Combining income replacement functions with active labour market policies as well as assistance and incentives that promote participation in the formal labour market.
- Minimizing disincentives to labour market participation.
- Ensuring economic affordability and long-term fiscal sustainability, which should be anchored in predictable and sustainable domestic funding sources; while noting that international solidarity in the form of cost-sharing may be needed to help to start the process in some low-income countries.
- Coherence between social, employment, environmental and macroeconomic policies as part of a long-term sustainable development strategy.
- Maintaining an effective legal and normative framework, so as to establish clear rights and responsibilities for all parties involved.
- An adequate institutional framework with sufficient budgetary resources, well-trained professionals and effective governance rules with participation of the social partners and other stakeholders.
- Ensuring mechanisms to promote gender equality and support the empowerment of women.
- Effective health-financing systems to ensure access to needed health services of good quality.

To promote policy coherence and coordination among international organizations, we recommend the establishment of a mechanism for collaboration and coordination, which, while it may be developed on an ad hoc basis, should ensure the inclusion of experts from the relevant UN agencies, programmes, funds, regional commissions and international financial institutions concerned with issues related to social protection. The aim of such an inter-agency mechanism would be to ensure comprehensive, coordinated and collaborative action in responding to immediate and longer-term social protection challenges, placing a particular emphasis on the social protection floor at global, regional and national levels.

We recommend that international organizations join forces at national level to support, initially on a pilot basis, a group of self-selected countries. For these countries, we recommend that the social protection floor approach be considered part of the United Nations Development Assistance Framework (UNDAF) and integrated into national development plans.

With the deadline for the achievement of the Millennium Development Goals fast approaching, it is important to intensify efforts to achieve existing commitments and to start discussing a new framework for the coming decades. The social protection floor can be of help in this endeavour. By addressing multi-dimensional vulnerabilities in an integrated and interconnected way, it complements the MDGs perspective and provides a coherent and consistent social policy tool. We recommend that the floor approach be taken into consideration in the framework for the design of and commitments to future development approaches.

We welcome the conclusions of the 100th Session of the International Labour Conference and the discussions on a possible non-binding international recommendation on social protection floors to complement already existing social security standards, in particular ILO Convention No. 102. We recommend that the process of elaboration and adoption of such recommendation be given a clear priority in ILO activities to speed up its adoption. We encourage countries to include information on the implementation of social protection floors when reporting regularly under UN treaty obligations. We also invite the relevant treaty bodies and committees to consider preparing a general recommendation on the contribution of national social protection floors to the realization of the social rights set out in various conventions.

We acknowledge that some low-income countries need external international support to build social protection and recommend an intensification of South–South, triangular and North–South cooperation in this area. We recommend that donors provide predictable multi-year financial support for the strengthening of nationally defined social protection floors in low-income countries within their own budgetary frameworks and respecting their ownership. We suggest that traditional donors, such as the OECD member countries, and emerging donors, agree on triangular cooperation mechanisms to enable building social protection in partner low-income countries. We recommend that such mechanisms be agreed in the high-level forums on aid effectiveness and other international forums on development cooperation.

We recommend the application where appropriate of experimental approaches to social protection, but that such programmes be subject to rigorous evaluation to assess their effectiveness and impact of social protection programmes. Technical and financial assistance and knowledge sharing should be encouraged to overcome the barriers to implementing experimental programmes in countries lacking the required financial resources. We encourage regional organizations to engage in international cooperation to promote knowledge sharing and support to low-income countries to implement social protection floors.

## Social protection floor for a fair and inclusive globalization

We welcome the explicit commitment from G20 countries to extend their own social protection coverage through expanding social protection floors according to each country-specific situation and internationally agreed principles. Likewise, we welcome the G20 action in encouraging international donors to devote some Official Development Aid to strengthening social protection floors in low-income countries, while respecting the individual approaches these countries wish to take with regard to implementation. We strongly support the development and implementation of innovative financing mechanisms to raise additional funds to support the implementation of social floors. These could include a financial transaction tax, including on currency transactions; debt swap mechanisms; solidarity levies on airline tickets; and measures to facilitate remittances. Finally, we view as fundamental the G20 initiative calling for further policy coherence, coordination and collaboration in the multilateral system through the social protection floor framework. We recommend that the G20 prepare an action plan to implement its conclusions and establish periodical monitoring and reporting mechanisms regarding global progress towards the establishment of social protection floors.



# Introduction

## A missing link in a fair and inclusive globalization

In 2004, the ILO World Commission on the Social Dimension of Globalization concluded that “a certain minimum level of social protection needs to be accepted and undisputed as part of the socio-economic floor of the global economy” (ILO, 2004, p. 110). The Commission called for a global commitment to deal with social and economic insecurity as a necessary condition to provide legitimacy to the globalization process.<sup>1</sup>

The rationale behind this plea to strengthen the social dimension of globalization remains pertinent. This rationale lies in the fact that current growth patterns and an asymmetrical globalization process have produced uneven impacts and opportunities, widening income gaps within countries and development gaps across countries and increasing the exposure of already vulnerable groups to greater economic volatility and insecurity associated with globalization. In spite of the enormous amount of wealth generated over the past decades thanks to globalization, and the impressive economic performance of many emerging market economies, world poverty rates remain very high, inequalities have increased and informality, underemployment and lack of social protection have persisted.<sup>2</sup>

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<sup>1</sup> The World Commission on the Social Dimension of Globalization was an independent body established by the ILO in February 2002 to analyse the development of the globalization process and its implications for economic and social progress. Further information is available at: <http://www.ilo.org/fair-globalization/lang-en/index.htm>.

<sup>2</sup> A study conducted by the ILO in 83 countries (representing 70 per cent of the world's population) has shown that during 1995–2007, inequality between the highest and lowest wages increased in over two-thirds of the countries (ILO, 2010a). UNDP has also shown that in many countries the current Gini coefficient is higher than it was in the 1980s (UNDP, 2010a).

Inequality is widening and continues to do so at unacceptable and unsustainable levels. High inequality combined with a lack of adequate social protection mechanisms threaten social cohesion and political stability worldwide. It is increasingly acknowledged that where there is income inequality and insecurity there is greater social and political antagonism. Inequality and insecurity go hand in hand with social instability. An economic growth pattern based on income and asset concentration and social exclusion is neither economically viable nor socially desirable.<sup>3</sup>

The recent economic crisis and the political turmoil in Arab States and other countries have underscored the necessity of structurally improving income distribution and life conditions through decent work and comprehensive social protection policies, along with freedom and democracy. The impact of shocks such as the economic crisis is mediated through household coping mechanisms and can result in long-lasting human development impacts, even if the deprivations themselves are of relatively shorter duration. Strong international and national actions are needed to redistribute income and share the benefits of growth. The World Commission's call for a "socio-economic floor", which evolved into the term "social protection floor", remains as pertinent and as urgent as ever.

Social protection and income distribution are not only pillars of social justice and peace, but are also what Joseph Stiglitz has called core automatic stabilizers (Stiglitz, 2009), cushioning the impact of crises on people while maintaining aggregate demand and enabling workers and their families to overcome poverty and social exclusion, as well as to find decent jobs. In the long term, as suggested by a recent IMF study, reduced inequality and sustained growth have proven to be two sides of the same coin. Countries with fairer income distribution are more likely to increase growth resilience and the duration of growth spells (Berg and Ostry, 2011).

While globalization has been a source of opportunities for those able to seize them, it has left many others unprotected against economic volatilities and new global challenges and transformations that have deep repercussions at national and local levels. Social protection plays a pivotal role in relieving people of the fear of poverty and insecurity and helping them to adapt their skills to overcome the constraints that block their full participation in a changing economic and social

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<sup>3</sup> Chapter 1 of the Stiglitz Commission's report addresses extensively the relationship between inequality and crisis (UN, 2009). In addition, Rajan (2010) shows how increasing inequality was a key factor explaining the recent economic crisis in the United States. It encouraged low-income people to maintain consumption through unsustainable borrowing and high-income individuals to fuel speculative financial markets.

environment. The consequent increases in their productive activity release previously untapped potential and thereby contribute to enhanced labour productivity. This bodes well for overall macroeconomic performance. Social protection is a win–win investment.

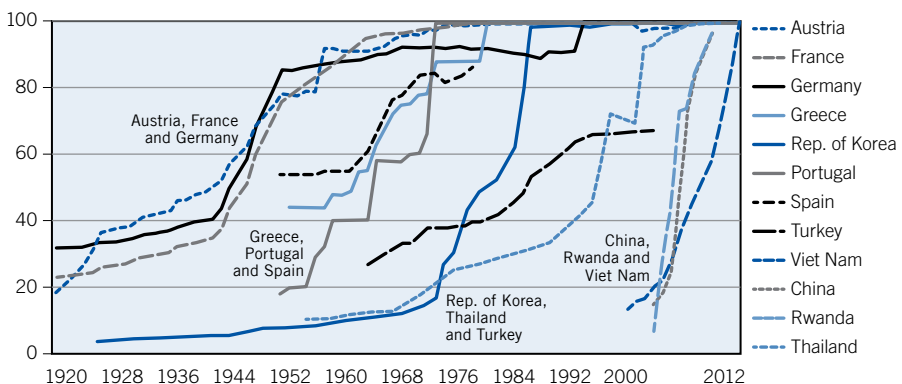
Social protection should be seen as part of social policy, and can be conceived as a key instrument that works in tandem with economic policy to ensure equitable and socially sustainable development (Mkandawire, 2007a).

The last decade has witnessed unprecedented progress in social protection coverage in some countries. Large numbers of people have been included in basic social protection systems, providing income security and health care, over a very short timeframe, particularly in some emerging economies.

Historically, European and other countries, such as Australia, Canada or Japan, have built their comprehensive social protection systems over decades, expanding coverage gradually in line with increases in their per capita income. Now, in a new and historically unique phenomenon, countries such as China, Rwanda and Viet Nam, among others, have built their health protection systems almost from scratch, achieving large-scale and near-universal basic coverage in a very short period of time (figure 1). Although these new schemes are not as comprehensive as in most higher-income economies, they signal a remarkable effort to provide at least minimum protection to large groups of people that have been historically excluded from the benefits of economic growth.

Thanks to these developments in many emerging countries, in the space of a decade or so social protection has become one of the main elements of national

Figure 1. Evolution of health protection coverage as a percentage of total population, selected countries



Source: OECD Health Data 2010 and national country sources.

development strategies, along with economic growth and human development. Its conceptual basis has been clarified and extended, from a single focus on risk to a broader focus on a mechanism to help people meet basic needs and develop individual capabilities. This is also reflected in practice, with a rapid scaling-up of programmes and policies that combine income transfers with basic services, employment guarantees or asset building. The swift increase in coverage promises to make a significant contribution to reducing global poverty and vulnerability (Barrientos and Hulme, 2008).

These experiences were taken into consideration by the ILO to elaborate the social protection floor as a new and innovative social policy approach to extend social protection coverage as part of the global campaign *Social Security for All* and as one of the strategic objectives of the Decent Work Agenda.

In 2009, the heads of the UN agencies agreed on the ILO proposal to launch the Social Protection Floor Initiative (SPF-I) as one of the nine UN joint initiatives to cope with the effects of the economic crisis. In 2010, the Social Protection Floor Advisory Group was created within the SPF-I to enhance global advocacy activities and to elaborate further the conceptual policy aspects of the approach.

In many ways the force of the social protection floor lies in its simplicity. The floor is based on the idea that everyone should enjoy a basic income security sufficient to live, guaranteed through transfers in cash or in kind, such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees and services for the unemployed and working poor. Together, cash and in-kind transfers should ensure that everyone has access to essential goods and services, including essential health services, adequate nutrition, primary education, housing, water and sanitation. Moreover, the floor's emphasis on policy coherence and coordination means that it can protect and empower individuals throughout the life cycle. A successful floor also needs to have strong links with employment policies. This will enable people to access productive and decent employment and exit from poverty.

The social protection floor concept focuses particularly on the use of income transfers as a means of ensuring access to basic services. In many countries this will enable people who would otherwise be excluded to benefit from primary education, better health care and other services that enhance life and livelihood. In many countries, however, measures to improve access will need to be complemented by measures on the supply side to reduce financial barriers (e.g. through removing school attendance fees or reducing cost of health care at the point of delivery). Moreover, in the poorest circumstances, increasing access alone will be insufficient if services are simply not available. In these cases the

implementation of the social protection floor needs to work in coordination with the sectoral authorities responsible for extending the coverage of the education or health system.

It is important to emphasize that the social protection floor is neither a prescription nor a universal standard, but rather an adaptable policy approach that should be country-led and responsive to national needs, priorities and resources. It is a new and comprehensive approach to social protection focusing on basic benefits first, conceived and developed on the basis of recent innovative experiences. These benefits can be introduced gradually and in a pluralistic way according to national aspirations to fit specific circumstances and current institutional and financial capacities.

Certainly, the social protection floor must be financially feasible and sustainable given the circumstances prevailing in a particular country. It can only be country specific, reflecting these circumstances, although every country can build on international experience. The debt problems in a number of advanced economies, which are currently posing so many policy dilemmas, show how carefully fiscal space needs to be nurtured. This report is fully aware of the need for fiscal responsibility. The social protection floor must be financed, therefore, with sustainable resources, including in the case of some low-income countries concessional aid, and in an adequate macroeconomic and fiscal framework.

It is also important to highlight that the social protection floor can by no means be considered the magic solution to the world's social problems. However, a wide range of experiences from all over the world, as described in Chapter 1, suggest that countries can move faster in reducing poverty, inequality and social exclusion if these issues are addressed in a coherent and consistent way, starting by extending horizontally access to essential social services and income security.

This report argues that the social protection floor is: *necessary, feasible and effective*.

## The social protection floor is necessary

As mentioned earlier, despite impressive technological progress and often rapid GDP growth, today some 1.4 billion people live below the poverty line (World Bank, 2011a). These individuals experience multiple forms of deprivation and poverty and are often compelled to forgo basic necessities. The persistence of such large numbers of excluded persons represents tremendous squandered human and economic potential. This must be changed.

A social protection floor approach represents a powerful intervention that can offer an adaptable set of coherent policies that could begin to reverse this exclusion and promote human dignity. The floor can make a significant contribution to social cohesion, peace and stability, which in turn help to minimize social unrest.

It also promotes macroeconomic stability, as countries can rely on social protection to act as an automatic stabilizer. This lays a solid foundation for resilient forms of growth and sustainable prosperity that are less vulnerable to volatility in the world economy and to the impact of periodic economic and financial shocks. The floor can also foster macroeconomic stability and prosperity because it increases the productive capacity of vulnerable groups by unlocking their untapped potential, allowing them to contribute more fully to the economic and social life of their societies.

### Feasible

The fact that many countries already have some or many elements of the floor in place bears testimony to its feasibility. Many of these countries are also gradually moving beyond the floor towards a more comprehensive social protection system (ILO–UNDP, 2011). Many societies already possess the technical know-how and fiscal space to begin to construct their floors (ILO, 2008). Steps to build the floor have already been taken in a number of low-income countries in Africa and elsewhere and there are signs that the process will accelerate in the near future.

The ILO has shown that all countries, including low-income countries, not only should but also can adopt the policy of building a social protection floor. Even if a complete basic floor cannot be implemented at once, a sequential and gradual approach can generate immediate benefits in terms of poverty reduction, pro-poor growth and social development. A national forward-looking social protection strategy can help to sequence the implementation of various social programmes and policy instruments and ensure that these are integrated in broader development frameworks.

The report shows that the implementation of nationally defined social protection floors<sup>4</sup> is feasible, but not necessarily easy. Political will, fiscal space and effective institutions are preconditions for its successful gradual implementation.

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<sup>4</sup> The term “social protection floor” is a global approach and, as such, it is designated in the singular throughout the report. As this global concept has to be adapted to national circumstances, the reference to the social protection floor concept turns into national social protection floors, in the plural, to underline the country-specific set of national realizations of the global approach.

Effective country-specific social protection floors, which can gradually expand, are not only affordable but can, in the long run, pay for themselves by enhancing the productivity of the labour force, the resilience of society and the stability of the political process. The latter, more indirect effects may not always be easy to measure by classical statistical measures, which points to the need to develop an improved set of indicators. The cost of a well-designed social protection floor is small compared to the tax revenues often forgone by not effectively collecting revenue from the wealthy and by not tackling inefficiencies that exist in many expenditure programmes. Progressive and effective taxation structures are fundamental to enhance fiscal space.

## Effective

It has been recognized that the social protection floor can be effective because in those countries where significant progress has been made towards such a floor, impressive results have been observed (ILO–UNDP, 2011). Chapter 3 of this report illustrates in comprehensive fashion how social protection programmes have had a range of positive effects. These include significantly reducing poverty and the Gini coefficient measure of inequality; accelerating and carrying forward the achievement of MDG targets; and improving education outcomes, such as higher enrolment rates and better levels of educational attainment. Existing floor approaches have also displayed positive results regarding human empowerment and improving the status of excluded groups, particularly women. They have raised both microeconomic and macroeconomic performance and increased labour market participation and entrepreneurial activity, unlocking the productive potential of individuals. Furthermore, lifting household income increases consumption and domestic demand, and, in turn, encourages growth by expanding domestic markets.

## The structure of this report

Recent developments have shown remarkable progress in extending coverage, but this report advocates that much more should and can be done. It addresses three pivotal questions: What is the social protection floor? Why is it important? How can it be implemented? The following chapters are organized around these

questions. The first chapter outlines what the floor is, its genesis and how it has emerged and grown in esteem as a major new development idea and policy tool. The second chapter depicts the current socio-economic situation and demonstrates the need for the floor. Chapter 3 presents key reasons for introducing national social protection floors. Chapter 4 seeks to show how the social protection floor can be built. Chapter 5 provides specific recommendations on how the international community can move forward in supporting the implementation of social floors.



# The social protection floor – A policy coherence approach

# 1

## The concept

The notion of the social protection floor is anchored in shared principles of social justice and in the universal right of everyone to social security and to a standard of living adequate for the health and well-being of themselves and their families, including food, clothing, housing, medical care and necessary social services. It is a rights-based approach and its core idea is that no one should live below a certain income level and everyone should at least be able to have access to basic social services to enhance decent work opportunities.

The social protection floor, as defined by the United Nations Chief Executives Board (CEB), is an integrated set of social policies designed to guarantee income security and access to social services for all, paying particular attention to vulnerable groups, and protecting and empowering people across the life cycle. It includes guarantees of:

- basic income security, in the form of various social transfers (in cash or in kind), such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees and services for the unemployed and working poor;
- universal access to essential and affordable social services in the areas of health, water and sanitation, education, food security, housing, and others defined according to national priorities (CEB, 2009a; ILO–WHO, 2009).

The ILO Global Jobs Pact specified as core components of the social protection floor “access to health care, income security for the elderly and persons with

disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor” (ILO, 2009a, p. 6). The concept is consistent with a two-dimensional strategy for extending social security, comprising a basic set of social guarantees for all (horizontal dimension) and the gradual implementation of higher standards (vertical dimension), in line with the ILO’s Social Security (Minimum Standards) Convention, 1952 (No. 102), and others, as countries develop fiscal and policy space (ILO, 2009b).

The 2011 International Labour Conference demonstrated resounding support for the floor and has further fine-tuned the above definitions of the concept. This refinement unified the relationship between income security and access to essential goods and services in the form of basic social security guarantees. The Conference agreed upon the following definition:

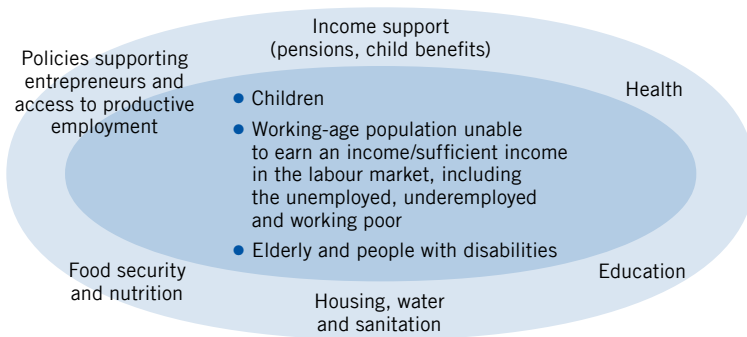
... social protection floors, containing basic social security guarantees that ensure that over the life cycle all in need can afford and have access to essential health care and have income security at least at a nationally defined minimum level. Social protection floor policies should aim at facilitating effective access to essential goods and services, promote productive economic activity and be implemented in close coordination with other policies enhancing employability, reducing informality and precariousness, creating decent jobs and promoting entrepreneurship. (ILO, 2011a, para. 9)

Therefore, in addition to the elements mentioned in the CEB and Global Jobs Pact definitions, the Conference listed as core social protection floor objectives the need to promote productive economic activity and entrepreneurship, with sustainable enterprises and access to decent employment opportunities. While the above definition is multidimensional and indicative, countries have the flexibility of adopting different components in a sequential manner considering their respective needs and capabilities. Employment and entrepreneurship support policies could either complement social protection floors or be fully integrated into their design, according to the countries’ institutional features.

The social protection floor calls for policy coherence and coordination among different social policies to prevent individuals and their families from falling into poverty and deprivation and remaining stuck there. It also aims to protect those who are unable to earn a decent income through employment and to empower workers to seize economic opportunities and work their way out of poverty.

It combines the traditional life cycle approach comprising human development integrated programmes for children and their families, the underemployed

Figure 2. The social protection floor: Integrated social policies to protect and empower people across the life cycle



and working poor (including those with disabilities) and the elderly (see figure 2), with new developments in poverty and vulnerability analysis. These take into account insecure employment and diversity of family arrangements and underpin most new social protection programmes in developing countries.

It is a framework for coordinated public support at the household level, addressing several causes of poverty and social exclusion and aiming at unlocking the productive capacity of those able to work. Particular attention is given to gender empowerment, as indicated by the role ascribed to women within the household in income transfer and social service schemes.

In developing the social floor, the link between social protection and employment policies is fundamental to enable people to find productive and decent jobs, avoiding long-term dependency and encouraging labour market participation.

While adopted as a global concept, existing social protection floors have been nationally shaped within a framework of country-specific institutional structures, economic constraints, political dynamics and social aspirations. Their implementation process will usually be progressive and gradual according to national priorities and capacities, building on existing social protection schemes and based on sustainable funding sources.

In the construction of a social protection system, the social protection floor approach should be understood as the first step towards higher levels of protection. As economies grow and financial and fiscal space widens, further expansion in the levels of protection should be envisaged. In countries with already existing comprehensive but segmented social protection systems, the floor approach should not be seen as a way to weaken levels of protection, but as part of the process of filling any coverage gaps and promoting policy coherence across social policies.

Figure 3. The floor can stimulate emergence of a virtuous circle



Source: Social Protection Floor Advisory Group discussion notes, by Kemal Derviş.

As shown in figure 3, once a floor is in place it can also be understood to kick-start a virtuous circle of development that provides an exit route from poverty and inequality, and towards long-term economic resilience and inclusive growth. The virtuous circle created by social protection can become a self-propelling mechanism anchoring forms of human development progress that are sustainable, and which can be reproduced, leading to more and better development.

The social protection floor approach differs substantially from the notion of social safety nets, as promoted by international financial institutions in the late 1980s and early 1990s in the context of market-based structural reform programmes.

In 1993, the 47th joint World Bank–IMF Development Committee meeting recognized the importance of social safety nets for “mitigating major transitory adverse effects of economic reform on vulnerable groups and to enhance the political viability of reforms” (Independent Evaluation Group, 2011, p. 85). This reference acknowledged programmes such as the Emergency Social Fund (ESF) implemented by Bolivia with the support of the World Bank in 1987, to provide emergency and temporary relief to the poor by creating temporary employment and income transfers. Similar social funds spread to more than 60 countries in the following years (*ibid.*)<sup>5</sup>

In the social safety net approach, social policies were considered as residual to economic development. The implementation of such measures was driven by the need to provide relief to the poor and vulnerable during structural reform by

<sup>5</sup> The World Bank’s definition of social safety nets has evolved throughout the past decade. For a history and timeline of the Bank’s approach, see Independent Evaluation Group (2011), Appendix A.

cushioning the effects of the structural adjustments and facilitating political support to them. These measures were generally temporary, fragmented and targeted to the poor and vulnerable in a needs-based framework.

Over the decade 2000–10, such an approach was called into question in many countries. In Chile, for instance, the post-2000 democratization process helped increase awareness about the desirability of shifting from a needs-based to a rights-based approach to social protection, with guaranteed basic social rights as a precondition for citizenship. Gradually, access to benefits was universalized, including in the areas of health, pension, unemployment, childcare and primary education. The residual and temporary approach was turned into a social protection floor perspective, which makes social protection a full and permanent component of the development strategy for inclusive growth. There were similar developments in many other countries.

### Social protection floors in practice

In the Americas, one of the main components of Argentina's social protection floor is the universal child allowance (*Asignación Universal por Hijo*, AUH) for families. Launched in November 2009, this programme combines cash transfers with access to essential services for children and adolescents of unemployed and informal economy workers, as well as of parents who were previously beneficiaries of other non-contributory programmes. For the elderly, a pension plan was modified in 2005 to create the *Plan de Inclusión Previsional*. This programme allowed the inclusion in the pension system of people unable to meet the minimum contributory requirements for a pension. Under this scheme, about 2.5 million people, mostly women who performed domestic labour, gained access to contributory benefits. In addition, Argentina's pension floor includes a non-contributory pension for elderly people living in poverty. By 2009, 75 per cent of children and adolescents were receiving family allowances and 90 per cent of the elderly received a pension (ILO, forthcoming (a)).

Brazil's social protection floor comprises, among other programmes, the rural pension scheme, the *Bolsa Família* conditional cash transfer, the universal Unified Health System (*Sistema Único de Saúde*, or SUS), and the non-contributory social assistance pension for the elderly and disabled. *Bolsa Família* currently covers about 13 million families. Launched in 2003, the programme provides income support to poor families, subject to their fulfilling certain human development requirements such as child school attendance and participation in

supplementary socio-educational activities, including vaccinations, nutritional monitoring, and prenatal and postnatal tests. Further efforts have been made to include the beneficiaries in the labour market through skills development and other employment policies. The budget in 2009 was 11.8 billion reais (BRL), equivalent to 0.4 per cent of GDP (ILO, forthcoming (b)). In 2011, the government launched the *Brasil Sem Miséria* (Brazil without poverty) programme, which aims to reach about 16 million people living on less than US\$45 a month and eradicate extreme poverty by 2014. The programme combines broadening the scope of *Bolsa Família* with improved access to public services, particularly education, basic health, water and sanitation, electricity and sewerage for those most in need. It also includes measures to facilitate productive inclusiveness, such as employment services, vocational training and micro-credit.<sup>6</sup>

In Africa, there are notable experiences with implementation of elements of the social protection floor in Cape Verde and South Africa. The main components of Cape Verde's social protection floor focus on income security for the elderly and children, as well as access to education and essential health care. In 2006, the country established a social pension by merging two non-contributory pension schemes. It is means-tested and directed at people who are 60 years old or more and the disabled. The scheme's cost is estimated at about 0.4 per cent of GDP. The pension currently covers more than 90 per cent of the target population.

Cape Verde has started to extend social insurance to various groups in the informal economy, such as independent workers, domestic workers and workers in micro- and small enterprises. The measures to extend social protection coverage have contributed significantly to the reduction of the poverty rate from 36.7 per cent of the population in 2001 to 26.6 per cent in 2007 (ILO, forthcoming (c)).

In South Africa, the main elements of the social protection floor are the Child Support Grant and the Old Persons Grant. The Child Support Grant is a means-tested cash transfer programme that now covers about 90 per cent of eligible poor families with children, or 7.5 million children, and costs about 1 per cent of GDP. The Old Persons Grant covers almost 2.6 million people. It is means-tested and tax-financed and equates to about 1.4 per cent of GDP. Non-contributory social transfers and services have significantly improved the living standards of the most vulnerable households in South Africa, and their impact has strengthened public support for the extension of social security. During 2011–12, the government plans to spend 97.6 billion rand (ZAR), about US\$14.2 billion, on social assistance, representing about 3.5 per cent of GDP and 12 per cent of total government expenditure. In addition, a consolidated policy paper with

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<sup>6</sup> For more information, see <http://www.brasilsemmiseria.gov.br/conheca-o-plano>

a view to establishing comprehensive mandatory social insurance, including a broad-based pension system, was due for release in 2011. As contributions would be partially subsidized by the government, this pension system would be accessible to high- and low-income workers (ILO, forthcoming (d)).

In Asia, China and India have made significant advances towards a social protection floor for their citizens. China, for instance, increased basic health coverage from 15 per cent to 85 per cent of the population from 2003 to 2008, including about 800 million people in the basic health rural cooperative medical scheme. In December 2009, it launched a pilot rural pension scheme that aims to cover 700 million people living in rural areas by 2020.<sup>7</sup> This is the world's fastest and largest social inclusion process ever, and is expected to have substantial impact in boosting Chinese domestic demand and rebalancing growth towards the internal market. India's Mahatma Gandhi National Rural Employment Guarantee Scheme provides 100 days of employment per rural household per year. It has become one of the largest rights-based social protection initiatives in the world, reaching around 52.5 million households. Additionally, India recently launched the social insurance scheme *Rastriya Swasthya Bima Yojana* (RSBY). It provides for smart-card-based cashless health insurance cover of 30,000 rupees (INR) per annum (about US\$640) in case of hospitalization, including maternity, to families below the poverty line in the informal economy. In operation since April 2008, more than 24 million smart cards had been issued by August 2011. Each card covers five persons. The programme has been extended to building and construction workers, street vendors, domestic workers and beneficiaries of the Mahatma Gandhi National Rural Employment Guarantee Scheme who have worked for more than 15 days during the preceding financial year. There is a proposal to extend the scheme to mine workers, rag pickers, railway porters and cab drivers.<sup>8</sup>

Most countries in the European Union (EU) have already established almost complete national social protection floors, including minimum income programmes and basic social services. However, there are gaps, coordination and consistency problems and overlaps between some social schemes. About 80 million people in the EU are still living at risk of poverty, 25 per cent of them children

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<sup>7</sup> "Expanding social security in China", presentation by Ambassador He Yafei, Permanent Representative of the Permanent Mission of the People's Republic of China to the United Nations Office at Geneva and other International Organizations in Switzerland, at the Consultative Workshop of the Social Protection Floor Advisory Group, Geneva, 17 March 2011.

<sup>8</sup> "Road to Universal Health Coverage in India", presentation by Ms Sudha Pillai, Member Secretary of the Indian Planning Commission at the Consultative Workshop of the Social Protection Floor Advisory Group, Geneva, 17 March 2011.

(European Commission, 2011a). Paving the floor in the EU means cementing the joints between the paving stones, promoting integration between social policies, particularly between minimum income and active labour market policies. In this context, the French *Revenu de Solidarité Active*, which combines work incentives with protection for the unemployed and working poor, can be considered as a way to blend social protection and employment policies in shaping the social protection floor in Europe.

### International recognition

The Global Jobs Pact, adopted by the International Labour Conference at its 98th Session in 2009, reiterated the call to build adequate social protection for all, drawing on a basic social protection floor to “implement sustainable social protection systems to assist the vulnerable [and thereby] prevent increased poverty, address social hardship, while also helping to stabilize the economy and maintain and promote employability” (ILO, 2009a, p. 6).

The outcome document of the Millennium Development Goals (MDGs) Summit adopted by the General Assembly by consensus on 22 September 2010 considers the social protection floor concept to be among successful policies and approaches. It states that “promoting universal access to social services and providing [a] social protection floor can make an important contribution to consolidating and achieving further development gains” (United Nations General Assembly, 2010a, p. 5). The MDG Summit conclusions placed the floor approach at the top of the development agenda and provided ground for strengthening inter-agency coordination efforts.

Similar endorsements were made worldwide. The Second World Congress of the International Trade Union Confederation (ITUC), held in Vancouver on 21–25 June 2010, adopted a resolution supporting the “establishment and implementation of a minimum benefit package for all those in need ... A universal social floor would be financed mainly from public funds and would cover all men and women regardless of their employment situation” (ITUC, 2010, p. 3).

In an address to the Monetary Authority of Singapore on 1 February 2011, the IMF Managing Director argued that “adequate social protection, drawing on a basic social protection floor as proposed by the ILO, can protect the most vulnerable from the brunt of the crisis” (IMF, 2011a). In an historic conference held in Oslo on 13 September 2010, the IMF and the ILO agreed to carry out joint studies on the feasibility of social protection floors for people living in



poverty and in vulnerable situations, within the context of a medium- to long-term framework of sustainable macroeconomic policies and strategies for development (ILO–IMF, 2010).

The Chair's conclusions of the 8th Asia–Europe Meeting (ASEM), held on 4–5 October 2010 in Brussels, state: “Leaders also noted with interest the gradual development of a global social protection floor, one of the nine joint initiatives of the UN Chief Executives Board for Coordination, led by the International Labour Organization (ILO) and the World Health Organization (WHO),” and called for “further sharing of experiences and for technical assistance in implementing social welfare policies” (ASEM, 2010, p. 6). The final communiqué of the European Union, Latin America and the Caribbean meeting of Social Security Ministers, held in Alcalá de Henares on 13–14 May 2010, also highlighted the importance of the CEB Social Protection Floor Initiative.

In South Asia, the UNESCO Forum of Ministers in Charge of the Social Development in the region met in Colombo, Sri Lanka on 20–22 February 2011 and issued the Colombo Declaration. This stated that “social protection measures and schemes, taken within a holistic developmental perspective are an investment in overall social and economic development, contributing to poverty reduction, reduction of inequalities, social inclusion and cohesion as well as economic growth”. Consequently, the ministers went on to acknowledge the UN's Social Protection Floor Initiative as one of the means that could help achieve this goal (UNESCO, 2011).

In Africa, ILO tripartite constituents adopted, on 8 October 2010, the Yaoundé Tripartite Declaration on the implementation of the social protection floor, committing African member States and social partners to adopt the principles, main elements and practical aspects of the social protection floor. It also encouraged the ILO to enhance technical cooperation activities in this area (ILO, 2010b).

Exchange of experiences and promotion of the social protection floor have been especially intensive through South–South and triangular cooperation. The floor was also one of the core topics of the Global South–South Development Expo 2010, organized by the ILO and UNDP in Geneva from 22 to 26 November 2010. Further cooperation activities are foreseen as a follow-up to the South–South Declaration of Intent signed between the ILO and the governments of India, Brazil and South Africa in the framework of the IBSA development initiative.<sup>9</sup>

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<sup>9</sup> See <http://www.ibsa-trilateral.org> and <http://www.insouth.org>

The OECD Social Policy Ministers, together with their counterparts from the Russian Federation, Brazil, Indonesia and South Africa, met in Paris on 2–3 May 2011 and reaffirmed “their commitment to combating unemployment and poverty as well as providing adequate and financially sustainable social protection, including a basic social protection floor in emerging and developing economies”.<sup>10</sup>

During discussions at the 2011 International Labour Conference, the floor received widespread support from tripartite delegations from 160 countries that called for a discussion of a new international labour standard in the form of a Recommendation on the social protection floor at the 2012 International Labour Conference (ILO, 2011a).

In its latest session in July, the UN Economic and Social Council approved a resolution that “recognizes the need to promote and realize at least basic social protection in order to achieve decent work, and nationally designed social protection floors, in all countries, in line with national priorities and circumstance” (ECOSOC, 2011, p. 2).

Finally, the social protection floor approach gained full support from the G20. The declaration adopted by Ministers of Employment and Labour on 27 September 2011 recommends the development of nationally defined social protection floors with a view to achieving strong, sustainable and balanced growth, and encourages international organizations to coordinate their actions more effectively to help countries develop their social floors. It further calls for ensuring effective sources of financing for the implementation of nationally determined social floors, including through international solidarity. The G20 Development Working Group also includes the social protection floor as a major issue for international cooperation with low-income countries.

Given such extensive international recognition and support, the social protection floor approach looks likely to continue gaining prominence in global and national policy agendas over coming years.

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<sup>10</sup> Final communiqué of the Ministerial Meeting on OECD Social Policy: *Building a fairer future: The role of social policy*, Paris, 3 May; available at <http://www.oecd.org>

It is hard to understate the social challenges the world faces. In 2010, global GDP was ten times larger than in 1950 in real terms (OECD, 2003), an increase of 260 per cent per capita. Yet despite the six decades of strong economic growth that followed the adoption of the Universal Declaration of Human Rights, access to adequate social protection benefits and services remains confined to a small minority of the world's population (box 1).

The Millennium Development Goals 2011 report shows that despite substantial progress in reducing poverty, preventing maternal deaths and increasing access to clean water and nutrition, gains tend to bypass those who are lowest on the economic ladder or are disadvantaged because of their sex, age, disability or ethnicity. Disparities between urban and rural areas are also pronounced and daunting (United Nations, 2011a).

## **Pervasive poverty and income inequality**

The World Bank estimates that about 1.4 billion people lived below the international poverty line of US\$1.25 a day in 2005, equivalent to more than a quarter of the developing world's population (Khanna, Newhouse and Paci, 2010). Strong economic growth in the first half of the decade helped reduce the global poverty rate from 46 per cent in 1990 to 27 per cent in 2005 (United Nations, 2011a).

The recent financial and economic crisis has slowed the pace of poverty reduction. Estimates suggest the economic crisis pushed an additional 64 million people into extreme poverty at the end of 2010 (World Bank, 2011a).

### Box 1 The extent of the global social challenge

- 1.4 billion people are still living on less than US\$1.25 a day (World Bank, 2010a).
- 1.75 billion people experience multidimensional poverty with deprivations in health, economic opportunities, education and living standards (UNDP, 2010a).
- 925 million suffer from chronic hunger (FAO, 2010).
- 2.6 billion people do not have access to improved sanitation and 884 million people do not have access to improved sources of drinking water (UN-HABITAT, 2010).
- 828 million people in developing countries live in slums with no or inadequate basic infrastructure such as all-weather roads, drains, piped water supplies and electricity or sewers (UN-HABITAT, 2010).
- 796 million adults are illiterate (UNESCO, 2011).
- 8.8 million children under the age of five die every year from largely preventable health problems (UNICEF, 2010a; WHO, 2010a).
- About 75 per cent of the population is not covered by adequate social security (ILO, 2010c).
- 150 million people suffer financial catastrophe annually, and 100 million are pushed below the poverty line when compelled to pay for health care (WHO, 2010a).

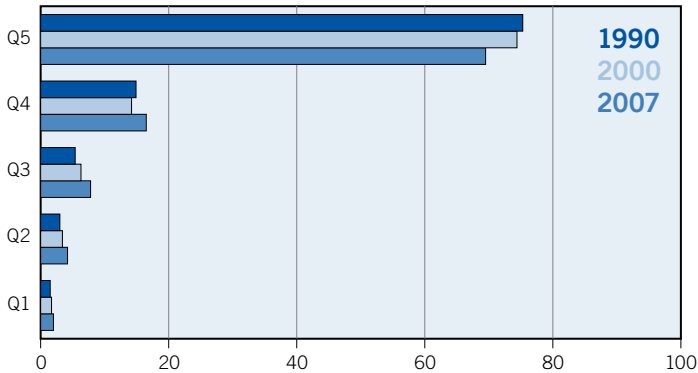
Poverty is not simply about having a low income. Its dimensions go far beyond inadequate income to encompass poor health and nutrition, low education and skills and fragile livelihoods, bad housing conditions and social exclusion. Multidimensional measures of poverty and inequality show similar trends to the World Bank poverty estimates given above. The Multidimensional Poverty Index<sup>11</sup> developed by the UNDP indicates that about a third of the population in 104 countries experiences multidimensional poverty. Regional rates range from about 3 per cent in Europe and Central Asia to 65 per cent in sub-Saharan Africa (UNDP, 2010a).

The other major concern is inequality, which has remained very high in many countries worldwide. The experience of the past decades of accelerated economic growth in many countries shows that good economic performance is necessary, but insufficient, to reduce inequalities. Moreover, the fallout from the global financial crisis could exacerbate current inequalities and their long-term

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<sup>11</sup> The Multidimensional Poverty Index is the product of the multidimensional poverty headcount and the average number of deprivations each poor household experiences.

Figure 4. Global income distribution by population quintiles, 1990–2007 or latest available year (in PPP constant 2005 international dollars), %



Source: Ortiz and Cummins (2011).

effects, posing risks to social cohesion and development. The UNDP inequality-adjusted human development index (IHDI) – which captures the losses in human development due to multidimensional inequalities in health, education and income – indicates that the average loss in the HDI due to inequality is 22 per cent, with 80 per cent of countries losing more than 10 per cent and 40 per cent of countries losing more than 25 per cent. People in sub-Saharan Africa suffer the largest losses because of substantial inequality across all three dimensions, followed by South Asia and the Arab States (UNDP, 2010a).

Globally, although the recent evolution in income distribution suggests small improvements, polarization remains striking. The richest 20 per cent of the world population received more than 70 per cent of the world's income in the last two decades, while the poorest 20 per cent received about 2 per cent (figure 4) (Ortiz and Cummins, 2011). While there is sign of progress, it is too slow; at the current sluggish pace of change, it would take about three centuries for the bottom billion to have 10 per cent of global income. In Europe, evidence from the OECD also gives cause for concern. This shows that income inequalities have actually increased in most EU countries since the mid-1980s.

Latin America and the Caribbean and sub-Saharan Africa are still the most unequal regions in the world despite achieving a reduction in the Gini index<sup>12</sup> of

<sup>12</sup> The Gini coefficient summarizes the extent of inequality in a single number that can theoretically take any value between zero (perfect equality, everybody has the same income) and 100 (perfect inequality, all income goes to a single person). The coefficient can also be expressed in decimal points from 0 to 1.

## Social protection floor for a fair and inclusive globalization

Table 1. Gini index by region, 1990, 2000 and 2008 or latest available year (unweighted average values)

Region	1990	2000	2008	2008–1990 change	2008–2000 change
Asia	36.4	40.0	40.4	4.0	0.6
Eastern Europe and Central Asia	26.7	33.2	35.4	8.7	2.2
Latin America and the Caribbean	46.9	49.2	48.3	1.5	–1.3
Middle East and North Africa	39.2	39.2	39.2	0.0	0.0
Sub-Saharan Africa	49.1	46.1	44.2	–4.8	–1.8
High-income countries	27.4	30.8	30.9	3.5	0.0
Number of observations	137	140	141	132	132

Source: Ortiz and Cummins (2011).

inequality during the past decade. A main factor in reduced inequality in Latin America is the combination of expansive macroeconomic and social protection policies (Lopes-Calva and Lustig, 2010). In contrast, Eastern Europe and Central Asia was the second most equal region, after high-income countries (table 1). The increase in inequalities in Eastern European and Central Asian countries between 1990 and 2008 can be explained by their transition from centrally planned to more market-oriented economies characterized by tax/transfer systems reforms, financial and labour market liberalization and reliance on commodity exports (Cornia, 2010).

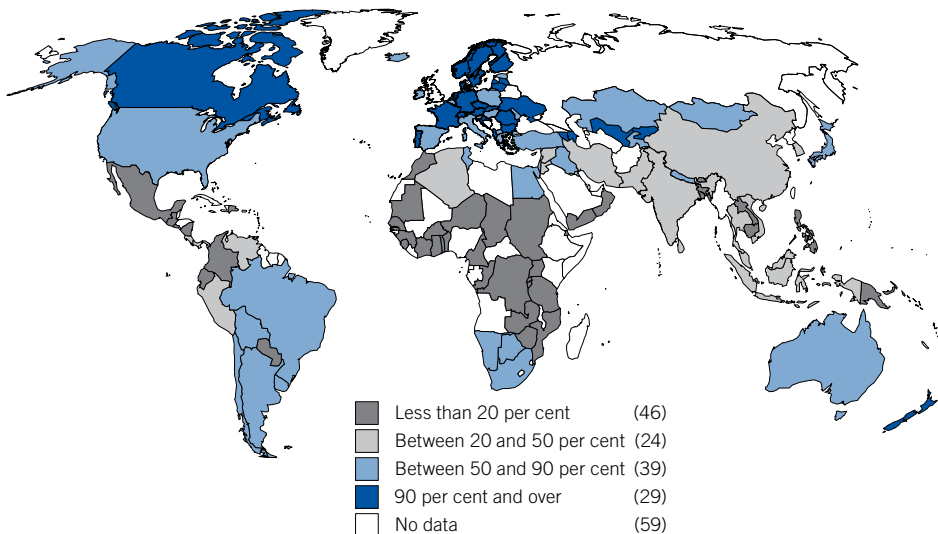
Higher levels of income inequality mean that some people experience greater deprivation and enjoy fewer opportunities for development. The polarization and segregation patterns that ensue from such a context have profound and negative impacts on society and political stability. As demonstrated by the World Bank, “high inequality threatens a country’s political stability because more people are dissatisfied with their economic status, which makes it harder to reach political consensus among population groups with higher and lower incomes. Political instability increases the risks of investing in a country and so significantly undermines its development potential” (World Bank, 2011d, p. 30).

## Social security is still a privilege

Among the mechanisms to reduce poverty and contain inequality, social security systems have proven to be effective (ILO, 2010c). Old-age pensions have had strong impact on reducing poverty but they still have not achieved substantial coverage in most countries and in some countries the value of the benefits is far from adequate (figure 5).

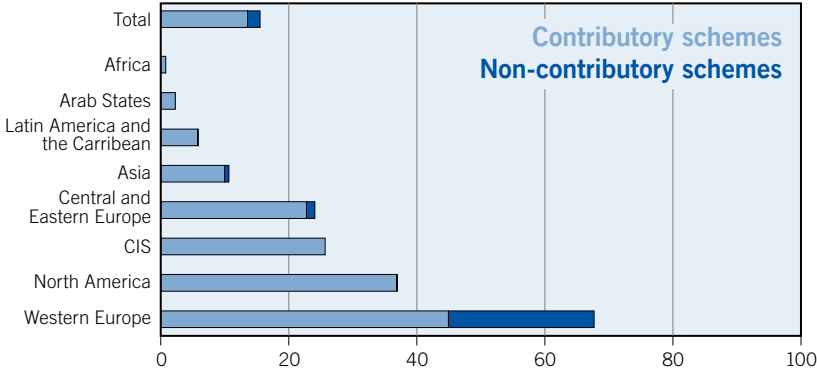
Regarding income security for jobless people, unemployment benefits are usually based on contributions and therefore available only to those in formal employment. Worldwide, just over 15 per cent of the total unemployed receive unemployment benefits. In other words, 33 million out of the 212 million people unemployed in 2009 were receiving unemployment benefits. Beyond the high-income OECD countries, where less than 40 per cent of the jobless receive unemployment benefits, effective coverage is dramatically lower, with a ratio of slightly over 10 per cent in upper-middle-income countries, and 4 and 2 per cent in lower-middle-income and lower-income countries, respectively (ILO, 2010c).

Figure 5. Old-age pension beneficiaries as a percentage of the population above retirement age, latest available year



Source: Based on ILO, UN and other data; see ILO (2010c), fig. 4.3.

Figure 6. Unemployment: Effective coverage worldwide (unemployed who actually receive benefits, latest available year, %)



Source: ILO (2010b).

### Lack of essential health services

Despite the significant progress in life expectancy around the world over the past centuries, huge disparities between countries and regions persist. While in most countries life expectancy at birth is above 60, and as high as 77 years in high-income countries, life expectancy in low-income countries is still only 55 years (WHO, 2011a). The mean life expectancy in African countries is 52 years, mainly due to high child mortality and HIV/AIDS (figure 7).

Child mortality rates are falling worldwide, but in 2009 there were still 8.1 million deaths among children under the age of five. Immunization to prevent common childhood infections is still not universal. Measles immunization coverage among one-year-olds is 82 per cent. The coverage of critical interventions such as oral rehydration therapy for diarrhoea and case management with antibiotics for acute respiratory infections remains inadequate. As a result, diarrhoea and pneumonia still kill almost 3 million children under five years of age each year, especially in low-income countries. Malaria remains a major killer in sub-Saharan Africa, in spite of rapid increase in interventions, such as insecticide-treated bed nets (ibid.).

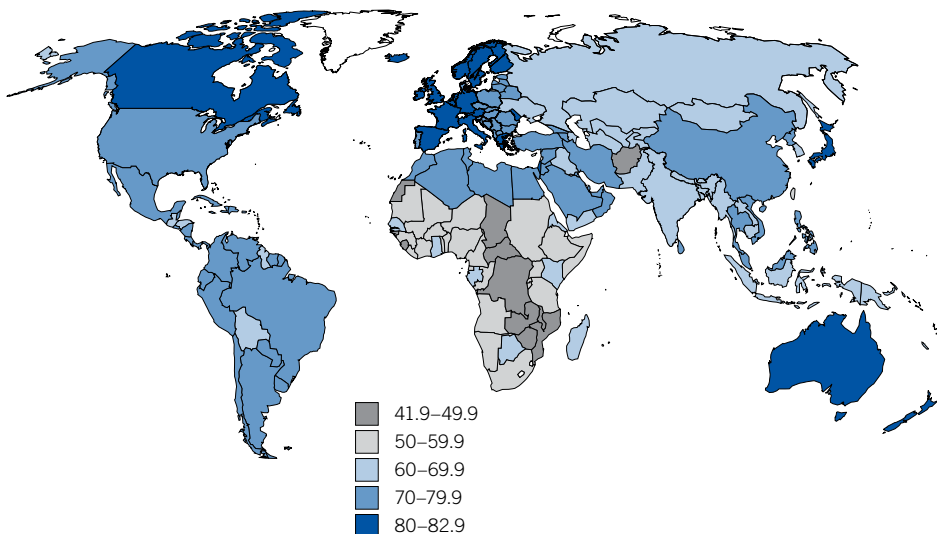
Although maternal mortality throughout the world dropped by one-third between 1990 and 2008, 358,000 women still died from pregnancy or childbirth-related complications in 2008 worldwide (WHO, 2010b). Almost all of these deaths (due to severe bleeding, infections, high blood pressure during pregnancy) occurred in developing countries and most could have been avoided through



appropriate antenatal controls, adequate nutrition and skilled care during and in the weeks after childbirth (WHO, 2010c).

The progress in reducing maternal and child mortality rates, as well as the positive trends in coverage of interventions against major diseases such as HIV/AIDS and tuberculosis, are encouraging, but faster and more equitable progress is needed to achieve the MDGs. Globally, the number of maternal deaths has decreased by less than 2 per cent a year since 1990, far short of the 5.5 per cent annual reductions needed to meet the MDG target of reducing maternal mortality by three-quarters (UNIFEM, 2010). Women die for lack of family planning, inadequate nutrition, inability to negotiate the number and spacing of their children, lack of money to pay for transport to skilled birth attendance or emergency obstetric care, and from violence. As much as 60 per cent of the women in low-income countries and 36 per cent in lower-middle-income countries have not had access to skilled care during childbirth (WHO, 2011a). Further, evidence shows that in societies where men traditionally control household finances, women's health expenses are often not a priority. Women's empowerment is a prerequisite to making progress towards this goal (UNIFEM, 2011). Social protection can empower women, including vis-à-vis their reproductive health.

Figure 7. Life expectancy at birth, 2009 (years)



Source: WHO (2011); Global Health Observatory.

Many people across the world also face severe consequences from communicable and non-communicable diseases without having access to the health services that could promote their health and prevent illness or provide treatment in the event of illness (WHO, 2010a). Populations in high-income countries are ageing mainly due to dramatic reductions in fertility but also to successful interventions against infectious diseases, and focus on dealing with chronic health problems associated with lack of physical activity, over-consumption of food, poor diet, tobacco and excessive alcohol consumption. In addition, low- and middle-income countries face a double burden of increasing chronic, non-communicable conditions, as well as the communicable diseases that traditionally affect the poor (WHO, 2009).

A significant proportion of the world's 1.3 billion poor have little or no access to health services simply because they cannot afford to pay at the time of need (Preker et al., 2004). Many of them do not receive timely treatment, when the chances of recovery are greatest. They risk being pushed into poverty because they are too ill to work.

The other side of the coin to lack of access is that many of the people who do seek treatment have to pay for it at the point of delivery and suffer severe financial difficulties as a consequence (Su, Kouyaté and Flessa, 2006). Around 150 million people each year suffer severe financial hardship and 100 million are pushed below the poverty line because they use health services but have to pay for them on the spot (American Academy of Actuaries, 2006). Addressing the problem of health service coverage requires addressing not just availability but also affordability.

### **Inadequate access to water, sanitation and housing**

According to the Water Supply and Sanitation Collaborative Council, “some 2.6 billion people or 40 per cent of the world's population do not have access to basic sanitation. Inadequate sanitation and hygiene have huge consequences on human health, while the impacts on the environment, education and economic activities are enormous” (UN-HABITAT, 2011).

People living in precarious conditions are more prone to preventable diseases and health problems. Unsafe water supply, poor sanitation and hygiene together constitute the third most significant risk factor for poor health in developing countries with high mortality rates. Diarrhoea alone is responsible for the deaths of 1.8 million people every year, 90 per cent of whom are children under five (ibid.).

In low-income countries access to improved drinking water sources and sanitation is low, especially in rural areas. People using improved drinking water sources reached 60 per cent in rural areas and 86 per cent in urban areas; and those using adequate sanitation reached 37 and 52 per cent in rural and urban areas respectively (WHO, 2010c).

The aforementioned lack of services is also linked to additional precarious living conditions that characterize urban poverty, such as illegal and inadequate building structures, high-density, informal settlements and overcrowding, atmospheric pollution, unhealthy living conditions and hazardous locations. About 32.7 per cent of the urban population lived in slums worldwide in 2010, mostly concentrated in developing countries. Among slum dwellers, about 50 per cent were in South, Central and Eastern Asia, 17 per cent in sub-Saharan Africa and 14 per cent in Latin America. In regions where populations are increasing and there are urban housing shortages, further growth of slums is expected (UN-HABITAT, 2011).

Nonetheless, overall progress to improve access to clean drinking water has been strong. Globally, coverage increased from 77 per cent in 1990 to 87 per cent in 2008. If this trend continues, the MDG drinking water target of 89 per cent coverage will be met – and likely surpassed – by 2015. But, in all regions, coverage in rural areas lags behind that of cities and towns. In 2008, an estimated 141 million urbanites and 743 million rural dwellers continued to rely on unimproved sources for their daily drinking water needs. In sub-Saharan Africa, an urban dweller is 1.8 times more likely to use an improved drinking water source than a person living in a rural area. Poor, rural populations remain at a disadvantage in accessing clean drinking water (United Nations, 2011a).

### Food insecurity and nutritional deficits

In 2010, 16 per cent of the population in developing countries was undernourished and the proportion of people in the developing world who went hungry in 2005–07 remained stable despite significant reductions in extreme poverty (United Nations, 2011a). Most of the world's 925 million hungry people live in Asia and the Pacific (62 per cent of the total), followed by sub-Saharan Africa (26 per cent) and Latin America (16 per cent) (FAO, 2010). The triple crisis (financial, climate change and food prices) increased the number of undernourished people during 2008 and 2009 (Addison, Arndt and Tarp, 2010). Women and children account for the highest proportion of the chronically hungry. High food

prices and lower incomes put poor households at an additional risk of not providing expectant mothers, infants and children with adequate nutrition (FAO, 2011). The rise in food prices has also increased the burden on the poor in most developing countries, who spend more than half of their household incomes on staple food (Ivanic and Martin, 2008). High food prices also have negative effects on real incomes and may reduce other household expenditure on health and education, especially of girls (Holmes, Jones and Wiggins, 2008). During the 2008 food crisis, the response of poor households to higher food prices was “eating cheaper foods with lower nutritional value, consuming less food in meals (usually mothers and elder sisters among adults, but also infants and young children) and skipping meals ...” (Ortiz, Chai and Cummins, 2011, p. 11).

The fact that nearly a billion people remain hungry indicates a deeper structural problem, one that needs to be addressed as it gravely threatens the ability to achieve internationally agreed goals on hunger reduction. There is no doubt that action regarding the current and future food deficit is crucial, given that most of the marginal income of the poor is spent on food. This could involve both long- and short-term interventions – increased investment in agriculture and expanded social assistance programmes. An option for mitigating both the poverty and nutritional effects of food price increases and shocks in general in the short run could be providing cash transfers or food subsidies along with micronutrient supplementation – targeted to poor women and young children (Glassman, 2011). The social transfers synonymous with the floor could thus play an important role in combating the impact of food insecurity.

The food crisis that had an impact on many economically less secure countries before the economic crisis emerged in full force, has not been resolved, and global food prices remain high, partly reflecting high fuel prices. The poor are most affected, as they spend a large proportion of their income on meeting immediate nutritional needs. According to the World Bank, since June 2010 higher food prices have pushed an additional 44 million people below the poverty line of US\$1.25 per day (World Bank, 2011c).

Policy responses to rising food prices in a number of developing countries have related to the need to support consumption, boost agricultural production and manage and regulate food markets (Ortiz, Chai and Cummins, 2011). In many developing countries the major policy response to support consumption included food assistance programmes, such as direct food transfers, food stamps/ vouchers and food for work. During a crisis, the social protection floor can play a very important role in providing income security to vulnerable individuals and families, and reduce their risk of selling productive assets, reducing consumption or taking their children out of school to send them to work.

## Demographic challenges

The world is currently confronted by challenges such as demographic ageing, migration and urbanization that require an adaptive response from policy-makers, particularly through appropriate social protection interventions.

Demographic ageing represents a considerable challenge for both developing and developed countries (ISSA, 2010). The share of the population aged 65 years and more will increase from 8 per cent in 2010 to 16 per cent by 2050 (UNPOP, 2010). Over 60 per cent of the elderly now live in countries classified by the United Nations as “less developed”. In 2050 the elderly in these countries – which it is hoped will have become more developed by then – will constitute nearly 80 per cent of the world’s elderly population. Sixty per cent of them will be in Asia. Developing and ageing societies have to act to ensure that their elderly members have the right to retirement in dignity and social security (ILO, 2010c). The acceleration of the ageing process over the coming decades will certainly substantially affect poverty levels in countries without adequate and sustainable pension and health schemes. The demographic transition is altering intergenerational relationships and will also require countries and individuals to find adequate ways to reorganize time and social protection resources over the life cycle, adjusting working time, education and lifelong learning, family and personal lives and care responsibilities.

Governments will need to ensure that social protection systems deliver for present and future generations in a context of much greater longevity. Contributory social security schemes need to find the right balance between sustainability and adequacy. At the same time, other appropriate social security mechanisms, such as those included in the floor, can help societies deal with this challenge, by allowing for the reorganization of intergenerational solidarity mechanisms. At one end of the age scale, studies have stressed the strong correlation that exists between old age and poverty and vulnerability, and shown that non-contributory pension schemes can help substantially in reducing poverty and vulnerability among older people and their households. At the other end of the scale, income security for children linked with access to health and education represents a significant investment in human capital formation, from which society will benefit in terms of better educated, skilled and more productive individuals (Hirsch, 2011a).

Concerning migration, the United Nations Population Division estimates that the number of international migrants worldwide totals at least 214 million (UNPOP, 2008). The access of migrant workers to formal social protection, and hence their ability to adequately manage their risks, is very limited (Avato,

Koettl and Sabates-Wheeler, 2009). There is a pressing need to enhance their social protection, as well as ease the strains between sending and host countries (ILO, 2011d). While incorporating migrants into formal social security systems is already under way in some countries, there remains much progress to be made.<sup>13</sup> Nonetheless, provided that migrants are legally registered in the host country, they should be able to access the elements of social protection making up the floor. The situation for undocumented migrants is more complicated and special efforts are needed to reach these groups, who are particularly vulnerable. Migration between countries remains a natural response to poverty, environmental disasters, political oppression and war, even though it can be fraught with dangers. Social protection systems need to adapt so that these particularly vulnerable groups can be protected and accommodated in their host countries and upon return home.

In addition, there is the rural–urban population shift, reflecting the steady flow of migrants from rural areas in search of socio-economic opportunities. At the global level, the population living in urban areas will shortly, if it does not already, exceed the rural population.<sup>14</sup> This shift brings with it considerable challenges for social protection systems. In part these reflect issues of a society divided both within the urban areas themselves – where large numbers live in slums or shanty towns or *favelas* with little or no prospect for escape – and between rural and urban residents, as noted for example, by UN-HABITAT (2008). These phenomena may threaten the traditional mechanisms of solidarity, not only family-based, but which also underpin the social insurance model of social security. Thus the floor has a role to play in easing the rural-to-urban transition, both in its direct function of providing income security and through its potential influence in developing basic infrastructure, services and jobs.

The challenges presented by these changes are substantial but they are not insurmountable. The social protection floor can play a key role in smoothing transitions by permitting both individuals and societies to adapt better.

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<sup>13</sup> A recent development in ensuring the maintenance of migrant workers' social security rights is the coming into force of the Multilateral Iberoamerican Convention on social security (1 May 2011). The Convention established clear rules of coordination among social security systems in order to ensure that migrant workers, moving around various Iberoamerican countries during their working life can build their future pension rights. Further information is available at <http://www.oiss.org/spip.php?rubrique572>.

<sup>14</sup> According to UN-HABITAT (2011), by 2030 all developing regions, including Asia and Africa, will have more people living in urban than rural areas.

## Fragile and conflict-affected countries

In many countries, inadequate progress towards achieving the MDGs is associated with lack of political and social stability related to conflicts and natural disasters. Limited institutional capacity is also a major factor explaining underperformance. According to the OECD, 35 countries that were considered fragile in 1979 remained categorized as fragile in 2009, and the gap with other developing countries has been widening since the 1970s. This group of countries accounts for a sixth of the world's population and half of the world's infant deaths, and a third of all people surviving on under US\$1 a day. In 2007 per capita GDP grew by only 2.6 per cent in fragile States, compared with 4.6 per cent in other low-income countries. The regional and international spillover effects from these countries – conflicts, political instability, organized crime, migration, human trafficking and deteriorating public health – have considerable repercussions for the rest of the world (OECD, 2008a).

Fragile States recovering from conflict or on the verge of a return to conflict pose significant challenges for developing adequate social protection. However, it is a challenge that must be met, as the poor in these societies are especially vulnerable. Fragile States therefore require special attention. The Overseas Development Institute suggests that “there is a need for principled engagement with States to find flexible ways of utilizing a wider range of instruments, financing and actors to deliver social protection in contexts where it is desperately needed” (ODI, 2007, p. 38). The Institute goes on to say that the international community can “find numerous points of entry for working with governments on pro-poor service delivery policies and strategies. Even very weak governments can help set the policy environment and work through other agencies in a contractual arrangement to ensure adequate service delivery” (ibid.).

There is evidence of progress in social protection development in fragile States. For example, Nepal developed a social pension (Kyloh, 2008), and in Ethiopia the Productive Safety Net Programme combines public works activity and social cash transfers (Lieuw-kie-Song, forthcoming). Haiti and Liberia are meaningful cases of action combining short-term relief measures with long-term social protection floor policies (box 2).

These examples illustrate a burgeoning social protection floor approach in such countries. The floor can act as an instrument to restore the social contract in fragile States, kick-start nation building and develop confidence between government and people, while at the same time promoting sustainable and positive social change.

## **Box 2**

### **Implementing social protection in fragile contexts: Haiti and Liberia**

There is ongoing progress in the use of social protection in fragile States as well as evidence on the positive role that social protection can play in these contexts.

Recognizing the political and social instability that has accompanied the post-disaster environment in Haiti, the government has begun planning for the implementation of a social protection floor. To this end, it asked for the assistance of UNICEF, ILO, World Bank and other members of the SPF-I coalition in mapping and assessing the country's existing resources and relevant initiatives across all sectors, as well as its administrative capacity at national, regional and local levels. At the request of the government of Haiti, SPF-I coalition members have also worked together to provide advice on a social protection strategy that would address internally displaced camp populations in the short term and reach the most vulnerable regions in the long term. This two-pronged approach reflects the need to focus on short-term interventions while taking care to lay down a solid base for transition and recovery. Next steps include a nationwide consultation process to discuss this strategy, social protection policies and objectives, and the available costing and financing options.

Despite only emerging from 14 years of civil war in 2003 and being classified both as an ultra-poor and fragile country, Liberia has begun implementing a social protection programme. The Social Cash Transfer pilot programme in Bomi County, which began in 2009, provides monthly benefits to households that are both extremely poor and labour-constrained. As of June 2011, a total of 3,463 individuals, 54 per cent of whom were children, benefited directly from the programme, and a September 2010 assessment shows that results have been positive. Scaling up this pilot remains a challenge due to financing as well as lack of infrastructure and services in the country. Nonetheless, gradual roll-out of the programme is under way and design is being assessed and modified to fit the nationwide context of fragility.



# The case for the social protection floor

## 3

This chapter presents a series of perspectives of the potential impact of the social protection floor. The objective is to outline how that potential may be channelled in different ways, illustrating the scope for tailoring approaches to countries' specific needs and priorities, and showing how social protection floors can be effective in addressing a range of current global challenges.

### Realizing human rights and social justice

The social protection floor may be seen in the broad perspective of a drive to realize key human rights, reflecting principles of social justice and providing an institutional framework for embedding fair development. The right of individuals to provision by way of social protection is articulated specifically in a number of international instruments, notably the Universal Declaration of Human Rights and the International Covenant on Economic, Cultural and Social Rights (box 3).

These provisions under international law regarding human rights and social justice, and also more specifically regarding the right to social protection and social security, are translated into constitutions and national legislation of most States. Many States find it difficult to provide effectively the social protection and human rights guaranteed in their constitutions, but by enshrining them as objectives and principles in their legal framework, countries set a clear path for the future.

### Box 3

## The right to social security and social protection in international instruments

#### **Universal Declaration of Human Rights:**

“Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international cooperation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.” (Article 22)

“Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.” (Article 25)

#### **International Covenant on Economic, Social and Cultural Rights:**

“The States Parties to the present Covenant recognize the right of everyone to social security, including social insurance.” (Article 9)

The Covenant also emphasizes other important features pertinent to the social protection floor such as “the continuous improvement of living conditions” (Article 11), the development of essential services such as medical services (Article 12) and the right to education (Article 13).

#### **Convention on the Rights of the Child:**

“States Parties shall recognize for every child the right to benefit from social security, including social insurance, and shall take the necessary measures to achieve the full realization of this right in accordance with their national law.” (Article 26)

#### **Convention on the Elimination of All Forms of Discrimination against Women:**

“The right to social security, particularly in cases of retirement, unemployment, sickness, invalidity and old age and other incapacity to work, as well as the right to paid leave... and the right to protection of health and to safety in working conditions, including the safeguarding of the function of reproduction.” (Article 11)

Note: The Universal Declaration of Human Rights represents an unchallenged statement, to which nations subscribe by virtue of their membership in the United Nations; the International Covenant, on the other hand, has the quality of a treaty, open for ratification by States. The Convention on the Rights of the Child has been signed and ratified by 194 countries and the Convention on the Elimination of All Forms of Discrimination against Women by 186 countries.

Historically, the recognition that realizing social justice is dependent on the extension of economic and social rights came about in the aftermath of the two world wars and the subsequent desire to seek long-lasting peace and prosperity worldwide. This perspective is clearly seen in the Declaration of Philadelphia,

which set a path for the ILO to follow, and subsequently in the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights and a number of other international instruments. The ILO Conventions concerning social security adopted within this framework provide the basis for economic and social rights in which the social protection floor is embedded. In that perspective, core economic and social rights are intended to promote gradual realization of social justice.

The idea of social justice, in the broadest sense, was fundamental to the environment in which these international instruments came to be adopted. The floor offers a tangible strategy for realizing these goals. The capacity of the social protection floor framework to facilitate the realization of specific human rights reflects to a great extent its holistic approach, combining social transfers with access to essential services.

The Human Rights Council is undertaking consultations to develop guiding principles on the implementation of existing human rights norms and standards in the context of the fight against extreme poverty. The recent report of the independent expert on the question of human rights and extreme poverty suggests that the draft guiding principles should include a recommendation on “creating a basic set of essential social transfers, in cash and in kind, to be paid to the most vulnerable to provide minimum income security and access to essential health care.” (United Nations General Assembly, 2010b). In addressing the need for a human rights-based approach to recovery from the global economic and financial crises, the independent expert argues that “(...) the recovery from the crises presents an opportunity for States to ensure a social protection floor for everyone under their jurisdiction. (...) The term social floor can correspond to the existing notion of core obligations, to ensure the realization of, at the very least, minimum essential levels of economic, social and cultural rights” (United Nations General Assembly, 2011).

### **An effective tool for combating poverty and inequality**

Social protection has risen to a prominent place in the political agenda of many countries, reflecting the global economic turmoil of the last few years and the growing recognition of the demands of social justice. The need to put in place adequate arrangements by way of social security and other social provisions is vital to a sustained effort to eradicate absolute poverty and to address rising income inequality.

The implementation of nationally defined social protection floors should be envisaged within this framework. The floor represents in itself an important tool to combat poverty and inequality. For it to perform such a function with full effect, however, it must not operate in isolation. Rather, the floor's poverty reduction properties are most likely to be realized if it is accompanied by other strategies by way of strengthened labour and social institutions and the promotion of pro-employment macroeconomic environments, progressive tax systems and decent work.

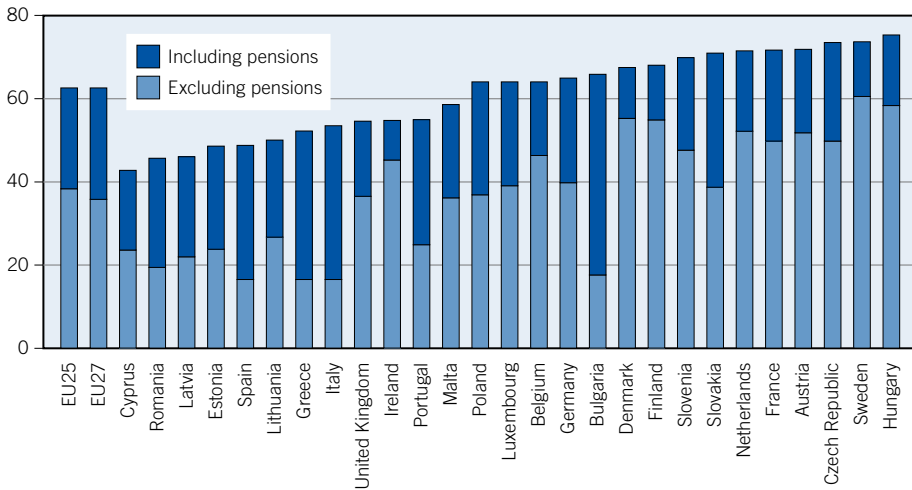
Improved growth performance together with a global policy focus on poverty have contributed to a large decline in absolute poverty and, more specifically, extreme poverty as measured by, for example, the income criterion of US\$1 a day. Large reductions in income poverty in China, India and in the southern cone of Latin America have had an impact on the global poverty head count, leading to improved expectations that the MDG poverty reduction target may be met in many countries. Despite the global downward trend in poverty head count rates, 1.4 billion people remain below the international poverty line (World Bank, 2011a). The global economic and financial crisis has interrupted this progress, and underscored the need to support existing social protection institutions as well as establish new ones. This is necessary to safeguard recently achieved social gains from the fallout from the global crisis and empower workers and their families to overcome its impacts.

A number of countries have already incorporated the main elements and practical aspects of the floor into their social protection systems. These initiatives have proven effective in reducing poverty and inequality. In middle- and low-income countries, there are strong indications that access to social security programmes is closely linked to a reduction in poverty and inequality. Studies made for Senegal and the United Republic of Tanzania have shown that modest cash transfer programmes for older people and children have the potential to close the poverty gap significantly (Gassmann and Behrendt, 2006). Evaluations of national social transfer programmes demonstrate that even modest cash transfer programmes can have a sizeable impact on the reduction of poverty and inequality – not only in the short term, but also over time (ILO, 2010c).

The effectiveness of social protection floor-type measures in reducing poverty, containing inequality and sustaining equitable economic growth is already well acknowledged in developed countries (IILS, 2008).

In OECD countries, it is estimated that levels of poverty and inequality are approximately half of those that might be expected in the absence of such social provision. That said, poverty reduction in such countries reflects the combination of both social protection floor measures and more comprehensive forms of social

Figure 8. European Union: Impact of social transfers (including and excluding pensions) on the at-risk-of-poverty rate for the total population (percentage reduction), 2007



Source: EUROSTAT database.

security, as part of social protection systems. This gives impetus to the need for any country, having put in place measures representing a solid floor, to take the next step of developing the vertical dimension of extension.

Social security – both its horizontal dimension (the social protection floor) and its vertical, higher-level dimension – also plays an important role in containing inequality and supporting equitable growth. Evidence indicates that there is much less income inequality in countries with high social expenditure than in countries with lower levels of social expenditure, as measured by Gini coefficients of between 0.225 and 0.261 in the former, compared with figures above 0.3 in the latter (Cantillon, 2009, pp. 220–242).

A large share of the poverty-reducing impact of social security systems is provided by old-age pensions. As stressed in a recent study, in Europe pensions are crucial for preventing vulnerable older people from falling into poverty, for lifting individuals out of poverty and for mitigating material deprivation affecting older people by ensuring adequate income (European Commission, 2011a).

In assessing these figures, it is necessary to keep in mind the aggregate impact of the taxation and social transfers system as a whole on poverty reduction. Whether a country's taxation is progressive or regressive has big influence on the redistribution effects of social protection. It is conceivable that in a regressive

taxation system, the poor could end up paying more in tax than they receive in income support. Such a scenario would do little to address income inequality and poverty.<sup>15</sup>

Moreover, non-monetary elements (for instance, housing ownership and in-kind services), which are very significant in certain countries, are excluded from such poverty rate calculations but are nevertheless highly relevant to an integrated approach to poverty and inclusion, such as that characterizing the social protection floor, and should accordingly be taken into account when assessing its efficiency and effectiveness.

Such considerations are part of the recent EU 2020 process for improving further the measurement of poverty and social inclusion, in particular regarding the redistributive impact of tax and benefit systems, including the provision of in-kind benefits and pensions (European Commission, 2011b).

EU countries generally have high labour force participation rates; hence these gaps do not originate from differences in the proportion of economically active people. Poverty rates are lower in countries with lower Gini coefficients, not only on the whole, but also within particular groups such as the elderly. The conclusion is that, while not necessarily uniform across countries, social security, when sufficiently endowed with resources, is effective in reducing poverty and income inequality.

The correlation between higher social expenditure and lower poverty and income inequality applies globally, although within groupings such as the OECD countries and in some EU countries, factors such as widening inequality among full-time workers and labour market segmentation seem to have driven some increase in inequality between the mid-1980s and the mid-2000s (Förster and d'Ercole, 2005; ILO, 2011b; OECD, 2008a).

Elsewhere, significant inroads have been made in reducing poverty and inequality. The *Bolsa Familia* programme of cash transfers in Brazil is estimated to have accounted for 15 per cent of the improvement in the Gini coefficient for that country between 1999 and 2009 (Soares et al., 2010) and for a reduction of the poverty gap by 12 per cent between 2001 and 2005 (ILO–UNDP, 2011). This is a remarkable achievement given that only 0.4 per cent of GDP was assigned to the programme in 2010 (Antigo et al., forthcoming). Similarly, social transfers of the type comprising the floor operating in Mexico and Chile have been associated with falls of 21 per cent and 15 per cent in the respective Gini

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<sup>15</sup> Furthermore, when assessing the nature of net incomes, it is also important to consider the contribution of income from labour, transfers, capital (interests, profits, rents and others) after deduction of taxes and contributions.

coefficients (Soares et al., 2007) and a 30 per cent reduction in the poverty gap in the case of Mexico's *Progresa* two years after introduction of the scheme (Skoufias, 2005). In Argentina, simulations demonstrated that the *Asignación Universal por Hijo* potentially reduced the number of poor households by 22 per cent, from 8.7 per cent to 6.8 per cent of the total population in 2009. In absolute terms, about 1.3 million people were taken out of poverty (ILO–UNDP, 2011, p. 35).

The system of grants in South Africa, such as the old-age pension, disability grant and child support grant, seems also to have a striking impact. It is estimated that the combined effect of the grants (when extended to all those that are eligible) may reduce the number of individuals in poverty from 40 per cent to 24 per cent (Woolard, 2003) and lower the Gini coefficient by 3 per cent (Samson et al., 2004). In Cape Verde, the tax-financed old-age and disability pension scheme has contributed to the substantial reduction in the poverty rate from 36.7 per cent in 2001 to 26.6 per cent in 2007 (Samson, 2009).

Not only have these benefits been effective in addressing inequality and poverty, they have also been credited with a number of other positive outcomes. These include: promoting income stability and smoothing consumption; improving intra-household relations, gender equality and the social status of vulnerable groups; lifting numerous human development indicators, such as nutrition levels and school attendance; improving access to labour markets; and reducing child labour (ILO, 2010d).

These programmes can also spur local development processes, not only through the direct impact on wage incomes, but also as a result of multiplier effects resulting from the accrual of valuable assets (Tankha, Pankaj and Sharma, forthcoming).

### **Accelerating progress towards achieving the MDGs and beyond**

While significant advances towards achieving MDG targets have been made over recent years, progress has not been uniform and more needs to be done. Not all gains have reached those who need them most. The social protection floor represents an effective tool to accelerate the achievement of MDGs, helping to chart a more sustainable development path.

To the extent that assessments of progress towards the respective MDGs have been based on global averages, growing inequalities have been concealed in many countries (UNICEF, 2010a). Herfkens argues that the floor approach

## Box 4

### Accelerating the MDGs through the social protection floor. Explicit linkages and ways in which social protection accelerates MDGs

#### **MDG 1: Eradicate extreme poverty and hunger**

- Reducing poverty and inequality.
- Stimulating people to participate more actively in the economy (see figure 9).
- Supporting the full utilization of productive entrepreneurial capacity and increasing labour market participation.
- Improving food consumption and nutritional level of beneficiaries' households, including children (ILO, 2010d).

#### **MDG 2: Achieve universal primary education**

- Improving educational attainment, raising school enrolment rates and reducing school drop-out rates by removing demand-side barriers to education. Reduces the intensity of child labour (Galasso, 2006; Adato and Bassett, 2008; Schady and Araujo, 2006).
- Supporting children who are marginalized or excluded (such as girls) to ensure they can access education and benefit from it (UNICEF, 2010a).

#### **MDG 3: Promote gender equality and empower women**

- Addressing barriers to gender equality and empowerment of women.
- Encouraging increased participation of women in the economy and greater labour market participation (Veras, Ribas and Osorio, 2007).
- Enhancing through social transfers women's position in the household and intra-household resource allocation and reducing their domestic burden (Herfkens, 2011).

#### **MDG 4: Reduce child mortality**

- Removing financial barriers that hinder people from accessing health services, and preventing deeper impoverishment caused by medical expenses.

#### **MDG 5: Improve maternal health**

- Improving access to quality preventive and curative care for child and maternal health (Attanasio et al., 2005; Galasso, 2006; Jones, Vargas and Villar, 2007; Skoufias, 2005).
- Reducing risk factors for diseases among disadvantaged populations.

#### **MDG 6: Combat HIV/AIDS, malaria and other diseases**

- Social transfers can directly mitigate the impact of illness, and have helped mothers and children affected by HIV and AIDS (Nolan, 2009; Adato and Bassett, 2008).
- Cash transfers might prevent new infections, as they reduce the need for female and child household heads to resort to transactional sex to survive (Schubert and Huijbrechts, 2006; World Bank, 2010a).
- Social pensions enable grandparents in "missing-middle generation" families to care more adequately for orphaned and vulnerable children under their guardianship.
- There is evidence that social pensions also contribute to preventive health care for children (DFID, 2005).

#### **MDG 7: improved access to safe water, sanitation**

- Improving access to safe water sources and basic sanitation facilities.



would advance the MDGs in a complementary fashion by overcoming their limitations (Herfkens, 2011). Several key strengths can be identified in the concept of the social protection floor that would enable this.

First, the floor can ensure a renewed and comprehensive focus of the MDG and post-MDG debate on poverty and income distribution. Second, its emphasis on addressing the needs of the poor would lead to a sharper focus in the MDG debates on social inclusion. Third, the floor provides a framework to develop coherent and coordinated approaches to social protection and employment policies. This would help guarantee services and social transfers across the life cycle. Fourth, the concept can promote an overarching “joined-up government” approach in which the social protection floor is conceptualized in such a way as to avoid its dilution in the “silo” of social affairs (*ibid.*).

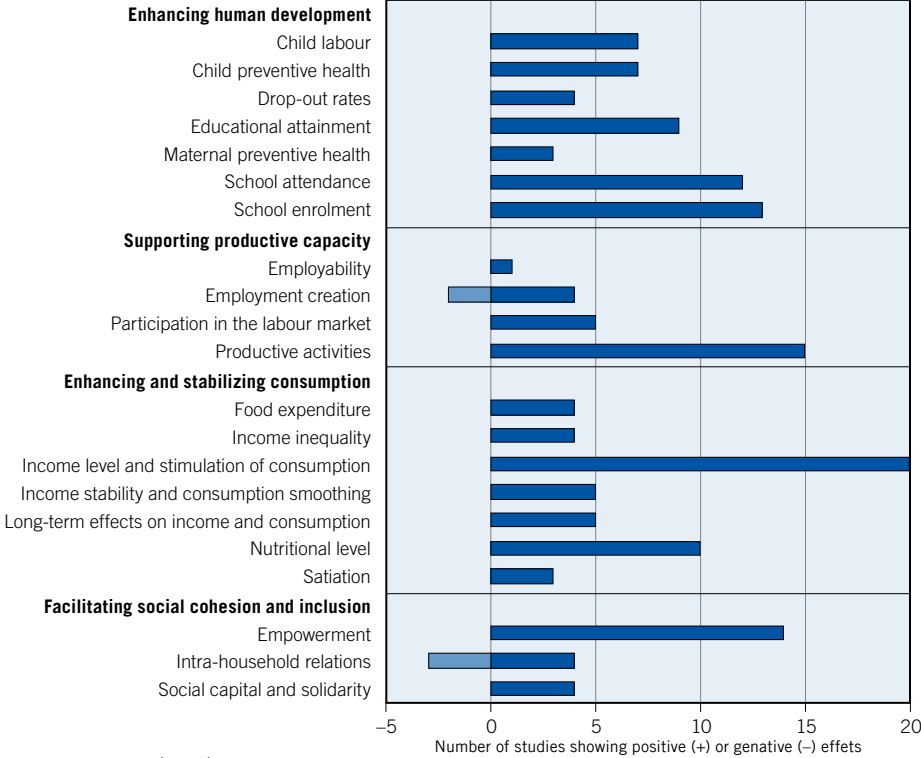
Integrating the social protection floor concept into the mainstream of development policy as a broad-based systemic approach offers a means to deal effectively with the constraints and fragmentation that have hitherto limited the scope of at least some components of the MDG framework (*ibid.*). More importantly, it should promote the development of a broader framework for progress beyond 2015.

An important aspect of the floor’s relevance to the MDGs lies in its capacity to strengthen policy coherence, and thus to help realize the potential efficiencies and synergies from links between policies aimed at different goals. Opportunities to improve development outcomes should be maximized. In this context, and in the light of fiscal consolidation policies introduced in the wake of the global economic crisis, the role of systems of social protection as social and economic stabilizers is of considerable value.

There is evidence showing that social protection floor policies have already proven their capacity to address specific MDGs and accelerate progress in a coherent and concerted fashion. Social protection measures – of the kind advocated by the floor – are found to contribute to all of the MDGs, at least to some extent, as noted in box 4, which lists the means by which social protection could accelerate the MDGs explicitly.

Further evidence is provided by a compilation of studies made by the ILO, which combines the results from about 80 individual studies on social transfer programmes that have sprung up in some 30, mostly developing, countries during the past ten years and are already providing elements of a floor (ILO, 2011b). Figure 9 summarizes the results, showing that the assessed impacts of social transfer schemes in those 30 countries have clearly and positively contributed to enhancing human development, supporting the full utilization of productive capacities, promoting and stabilizing consumption and facilitating social cohesion and inclusion. Many of these outcomes correspond directly to the agenda of the MDGs.

Figure 9. Summary of impact assessments of existing social transfer schemes in 30 countries

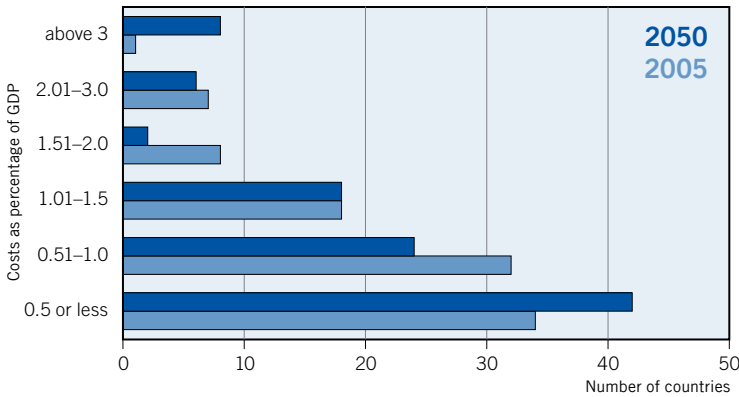


Source: ILO (2011b).

### Affordable even in low-income countries

The development of social protection systems, including a social floor, implies a wide range of resource needs, especially in poorer countries. From a macro-economic perspective, the first critical question is whether sufficient fiscal space exists, or can be developed, in competition with other national objectives, for the ongoing financial needs of a floor package. The second critical question is long-term fiscal sustainability. The answer depends not only on the available sources of financing (domestic and external) but also, importantly, on the level of political will and commitment to the objective of adequate and effective social protection. Equally important is the level of efficiency with which a scheme can be implemented and administered, as well as ensuring public support through a societal consensus on the desirability and value added of such schemes. Expansion of the fiscal space should be based on progressive taxation.

Figure 10. Simulated costs for developing countries of universal social pensions designed to keep older persons out of extreme poverty, 2005 and 2050



Source: United Nations (2007).

The studies that have been undertaken, notably by the ILO in cooperation with the IMF, UN/DESA, UNICEF and ECLAC, as well as by HelpAge International offer valuable indications that contrary to “received wisdom”, the cost of specific social security measures at a basic level, of the kind comprising the floor, can be kept within a relatively modest percentage of national income, even in low-income countries.

Several existing studies assert that a basic social protection package that extends income security and scales up essential health services is affordable even in the poorest countries. The *UN World Economic and Social Survey 2007* shows that in most contexts, basic non-contributory pensions seem affordable in developing countries, and specially in low-income countries. An assessment prepared for a group of 100 developing countries suggests that the cost of abolishing extreme poverty in old age by providing a basic universal pension equivalent to US\$1 per day to all people over the age of 60 would amount to less than 1 per cent of gross domestic product (GDP) per annum in 66 out of 100 developing countries. These costs of a basic pension scheme for such countries, despite rapidly ageing populations, are projected to remain modest by 2050 (United Nations, 2007).

A recent costing study prepared by HelpAge International for 50 low- and middle-income countries found that a universal old-age pension for everyone over 65 would cost between 0.4 to 1.5 per cent of GDP in at least 41 countries. In most countries of sub-Saharan Africa such benefit would cost around 1 per cent of GDP or less (table 2).

## Social protection floor for a fair and inclusive globalization

Table 2. Estimated annual cost of a universal old-age pension as a percentage of GDP, selected low- and middle- income countries, 2010

Less than 0.5 per cent of GDP	From 0.5 to 1 per cent of GDP	From 1 to 1.5 per cent of GDP
Afghanistan, Burkina Faso, Mali, Niger, Senegal, Sierra Leone	Bangladesh, Cambodia, Cameroon, Chad, Rep. of the Congo, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Guatemala, Kenya, Lao People's Dem. Rep., Malawi, Mongolia, Mozambique, Nigeria, Pakistan, Papua New Guinea, Philippines, Rwanda, Tajikistan, United Rep. of Tanzania, Uganda, Zambia	Ecuador, El Salvador, Grenada, Kazakhstan, Kyrgyzstan, Malaysia, Morocco, Paraguay, Peru, Trinidad and Tobago, Viet Nam

Source: HelpAge International (2011a).

The ILO costing studies on a basic package of social protection for a selected set of low- and low-middle-income countries in sub-Saharan Africa and Asia regions show that the cost of the cash benefit package, including old-age, disability pensions and family allowances, but excluding health care, would be between 2.2 per cent and 5.7 per cent of GDP (ILO, 2008). WHO studies show that the cost of ensuring access to key health services in 2015 would be about US\$60 per capita for the low-income countries on average. In low-income countries in East Asia and the Pacific, for example, the costs of scaling up health coverage would average about 0.8 per cent of GDP (WHO, 2010d).

ECLAC has estimated the cost of extending cash transfers to impoverished groups in 16 Latin American countries. Projected costs range from 3.2 per cent to 5.7 per cent of GDP for transfers to children, 0.3 per cent to 1.6 per cent for transfers to the elderly and from 0.8 per cent to 6.4 per cent for transfers to the unemployed, depending on the country (ECLAC, 2010).

A study carried out by the Overseas Development Institute for UNICEF looked at the possible costs of selected programmes of social protection in five West African countries, in the context of fiscal space that was assessed to be increasing, albeit at differing rates among the countries (UNICEF-ODI, 2009). Simulations for the cost of universal and selective child benefits and social pensions as a percentage of GDP and government revenues are presented in table 3.

The UNICEF study looked in detail into the various ways in which fiscal space may be increased, specifically with a view to implementing enhanced schemes of social protection. The analysis showed that circumstances vary greatly across countries. However, countries such as the Democratic Republic of the Congo and Equatorial Guinea, which both have access to oil revenues, were able to extend social protection much more easily than the others. The study also

Table 3. Annual programme expenditure cost estimates of child benefit and social pension options, simulations for selected West African countries

Costs	Congo, Dem. Rep.			Mali		Senegal		Equatorial Guinea		Ghana	
	UCB	SCB	Soc Pen	UCB	SCB	UCB	SCB	UCB	Soc Pen	UCB	Soc Pen
% of GDP	2.0	1.2	1.0	5.9	3.2	6.4	3.7	0.9	0.2	8.7	2.6

UCB = Universal Child Benefit, SCB = Selective Child Benefit, Soc Pen = Social Pension.

Source: UNICEF (2009).

found that in all five countries, revenues had increased rapidly over the period, indicating that even in poorer countries there is fiscal space that could be targeted for social protection purposes.

Moreover, the ILO's most recent studies, conducted in consultation with the IMF, for a group of selected countries suggest that at least some components of a national social protection floor can be implemented within cost envelopes that seem feasible over the short- and mid-term fiscal prospects.

In Viet Nam, a package including social pensions for the elderly, child benefits and employment guarantee programmes would cost about 3.6 per cent of GDP per year. For the elderly, the study suggested increasing the benefit from the current level of 270,000 dong (VND), or about US\$13, to the national poverty line of VND 400,000 (US\$19.40) in rural areas and to VND 500,000 (US\$24.20) in urban areas. Furthermore, it suggested reducing the threshold age from 80 to 65 years. A gradual implementation of this social pension for those not covered by the formal scheme would cost about 0.8 per cent of GDP and would reduce the poverty rate among the elderly population from 14.4 per cent to 3.9 per cent. Furthermore, a package for children under 16 years old, composed of a family allowance per child equivalent to 50 per cent of the minimum wage, additional education services and one meal per day would cost 0.8 per cent of GDP and would reduce the child poverty rate from 20.8 per cent to 2.2 per cent. Finally, for the working-age population, the study proposed to implement gradually over four years an employment guarantee of 100 days, combined with social assistance for the disabled and training services to facilitate return to employment and creation of micro-enterprises. This would reduce the working-age population poverty rate from 12.1 per cent to 5.3 per cent and the disabled poverty rate from 25.8 per cent to 9.4 per cent, at a cost of 1 per cent of GDP (ILO, forthcoming (e)). According to the IMF, whether there is sufficient fiscal space to accommodate additional social protection floor spending in Viet Nam will depend on whether the country continues to make progress in increasing efficiency in public spending, liberating resources from other areas.

In the case of El Salvador, a number of public programmes providing some social protection floor guarantees are already in place under the *Plan Quinquenal de Desarrollo 2010–14* (Five-year Development Plan), including a conditional cash transfer programme to families with children and pregnant women; a non-contributory old-age pension for the rural poor; a public basic health-care scheme; and a cash transfer to unemployed persons linked to training or community service. In the latest review of the IMF's Stand-By Agreement (SBA) with El Salvador, referring to the 2011 programme, the government reported using savings from the removal of untargeted energy subsidies to increase social spending to help protect the most vulnerable against the impact of higher fuel and food prices (IMF, 2011c).

ILO simulations, prepared in consultation with the IMF, show that the extension of these programmes to all persons in extreme poverty in El Salvador would cost between 1.1 per cent and 1.5 per cent of GDP annually (ILO, forthcoming (f)). To generate the fiscal space necessary to scale up the implementation of a broader social protection floor, the government will need to continue reorienting current spending and/or strengthening tax collections beyond the effort contemplated in the current version of the development plan.

In Mozambique, the approval in 2010 of the National Strategy for Basic Social Security for 2011–14, set the ground for a comprehensive model that could be viewed as a step towards building a national social protection floor. The United Nations, in collaboration with the IMF, supported the government to estimate the costs and design two major programmes: a monthly cash transfer oriented to poor households with no members able to work, and a seasonal cash transfer associated with participation in public works.

The government established the target of covering all households without members able to work by 2014 at a cost of 0.3 per cent of GDP. For the public works component, 15 per cent of eligible households are expected to be included by 2014, at a cost of 0.41 per cent of GDP. Additional supporting programmes would account for 0.1 per cent of GDP, totalling an increase of 0.81 per cent of GDP in social spending. According to the IMF, the government could raise social spending in 2012 between 1 per cent and 1.5 per cent of GDP over the medium term, without posing risks to the country's fiscal stability, assuming continued gains in revenue mobilization and the elimination of existing subsidies on fuel, bread and other less progressive measures (ILO, forthcoming (g)). On the basis of this analysis, the Council of Ministers already approved expanding basic social protection to the equivalent of up to 0.6 per cent of GDP, to be reflected in the 2012 draft budget law. This could rise to the envisaged 0.81 per cent over the medium term in tandem with removal of existing regressive subsidies, especially the fuel subsidy.

In Benin, the cost of introducing a child benefit and basic health-care benefit would amount to just above 2 per cent of GDP. In the case of Benin and Togo, a transition period during which external financial support is gradually replaced by financing from domestic sources is the most likely scenario for the establishment of a full floor over the long term. However, progress on certain priority elements of the floor is certainly within immediate reach using domestic resources (ILO, forthcoming (h) and (i)).

Given that countries would typically be expected to adopt social protection floor strategies on a gradual basis, the cost estimates for maximum expenditure in the studies noted above would not need to be met straight away. It seems realistic to envisage a development process that aims at achieving a substantial part of these “ultimate” levels of provision over a planning horizon of one or two decades. The process to determine the sequencing of the introduction of the floor’s elements should be governed by a regular national dialogue, with active participation of social partners, and be based on rational analyses regarding potential costs and benefits (i.e. in terms of capacity to reduce poverty) of the various elements.

Thailand, for example, was able to put in place a nearly complete social protection floor between the early 1990s, when it introduced social insurance, and 2010, when a universal basic pension was put in place. The *Bolsa Família* programme in Brazil shows, too, that a meaningful scheme, covering 26 per cent of the population, can start at a cost equivalent to less than 0.5 per cent of GDP. As countries generate additional fiscal space, there is no doubt that the extension and scaling up of social protection floor provisions will become possible. At the same time, many low-income countries will continue to need long-term international solidarity mechanisms to sustain their efforts towards social protection.

The cost of a well-designed floor is small compared to the cost of failing to provide social protection in terms of widespread poverty and vulnerability, social disintegration, low educational achievement, widespread stunting, loss of assets and related affects on productive capacities (European Commission, 2010, p. 32).

International experience shows that effective country-specific floors, which can gradually expand, are not only affordable, but can pay for themselves in the long run by enhancing the productiveness of the labour force, the resilience of society and the tax revenues often forgone because of ineffective collection. In the short term, reducing widespread tax evasion and inefficiencies in tax collection will help to mobilize resources for the phasing-in of social protection floors.

## Ensuring adequate opportunities for decent work

A fundamental objective of the Decent Work Agenda is to offer pathways to economic opportunity and inclusion, and a permanent exit route for those in poverty. Well-designed policies and schemes within the framework of the social protection floor have the scope to support and advance this objective. Accordingly, it is important that national policies designed to build and extend the social protection floor be linked to employment policies and institutions.

To address the effects of the recent economic and financial crisis on employment, many countries have in fact taken steps to strengthen such linkages (ILO, 2010a). In particular, many have focused on improving the efficiency of social protection systems and on adjusting benefits and policies in such a way as to maximize the prospects for individuals to participate in the labour market. Nevertheless, social exclusion among vulnerable persons and groups remains widespread, and policy responses tend to be poorly integrated, leaving much to be done in this regard.

For those who are unable to earn sufficiently to meet basic needs, social protection is needed to fill the gap. While the fear is sometimes expressed that social income transfers can become a substitute for decent employment, the evidence available indicates that this is not the case in practice; social protection has little or no negative effect on labour supply and productivity.<sup>16</sup> On the contrary, social protection benefits can improve access to labour markets. Impact evaluations in Brazil and South Africa have shown that households receiving cash transfers looked for work significantly more extensively and intensively and found employment more successfully, resulting in higher labour force participation among recipient households than households that did not receive support (Samson, 2009, p. 134).

The link between the social protection floor and employment policies can take different forms. In many low-income countries, where self-employment and informality prevail, ways to implement measures of basic social protection are urgently sought, while in middle- and high-income countries, where salaried work is more typical, the linkages are often implemented through formal schemes of social security, coupled with essential employment services, aimed at improving employability. The economic crisis has simply increased the urgency with which most countries are seeking to strengthen these linkages (ILO, 2010a).

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<sup>16</sup> It is important to note that social protection does not reduce the labour supply of working-age population, but it does reduce the labour supply of children, the disabled and the elderly. From a developmental perspective, such an outcome is desirable (ILO, 2010d).



It is useful to view social protection as productive investment, both from the point of view of individuals who can develop their own skills and productive capacities as well as those of their families, and from the perspective of entrepreneurs, who benefit from the good health and commitment of a well-protected workforce.

For individuals and families, low levels of education or health status among heads of household and lack of access to land or credit are among the characteristics of impoverished households. They also explain persistent poverty, as the lack of local schools and health centres, remoteness or lack of assets able to serve as collateral cause these households to remain stranded in poverty. In some cases, poverty is a consequence of the difficulties faced by households in deploying their productive assets. Shortage of cash for seed or fertilizer may prevent farmers from achieving full or steady yields. Care responsibilities may prevent mothers with infants from undertaking better-paid employment or enhancing their education and skills. A lack of social protection and related high levels of risk exposure, vulnerability and sense of insecurity lead to poor households adopting low-risk livelihood strategies and thereby forgoing high-return opportunities (Dercon and Christiaensen, 2011).

Regular and reliable income transfers can facilitate improvements in the productive capacity of households in poverty, through investment in productive assets, especially human and physical. Social assistance programmes providing transfers to poor households in Brazil, South Africa and Bangladesh have led to marked improvements in schooling and health status, especially among children (ILO, 2010d). Programmes focused on facilitating financial and physical asset accumulation among beneficiaries, as in Bangladesh's TUP (Hashemi and Montesquiou, 2011) and Ethiopia's Productive Safety Net Programme (Lieuw-kie-Song, forthcoming), aim to improve productive capacity among the poorest households. The same applies to programmes that emphasize investment in community assets, such as the Mahatma Gandhi National Rural Employment Guarantee Scheme in India. The social protection floor can encourage and facilitate investment and asset accumulation among the poorest, and it is likely that the gains will be sustained and will carry over into longer-term benefits.

More broadly, the social protection floor's power to unlock productive entrepreneurial capacity facilitates self-sustaining economic progress. A compilation of studies (Barrientos and Nino-Zarazua, 2010) on social cash transfers show that regular transfers enable households affected by credit and liquidity constraints to reallocate their productive resources, and to accumulate and protect their assets. This reduces job-search costs and helps free up individuals to perform more active job searches and participate more thoroughly in productive activity. Moreover, in

### Box 5 Positive effects of existing social transfers on productive activity

- In Brazil, evidence shows that recipients are more likely to work than non-recipients (*Bolsa Família*), and in Mexico there was no evidence of a reduction in labour supply (*Oportunidades*).
- In South Africa, labour market participation increased by 13–17 per cent compared to similar non-recipient households, with the strongest effects among women.
- Improved job search motivation and increased incidence of labour reinsertion and participation (*Chile Solidario*).
- Improved access to credit by lifting constraints (Social Pension, Namibia).
- Provision of the initial start-up capital for investment in productive assets (*Previdência Rural*, Brazil; *Oportunidades*, Mexico).
- Transfers such as the NREGS actively link the social transfer with the provision of work. Encouraging risk-taking and thus enabling individuals to engage more fully in productive activities and to promote their own livelihoods (NREGS, India).

Sources: Hanlon, Barrientos and Hulme (2010); ILO (2010d); ILO (2010c).

Namibia, for example, universal old-age and disability pensions have stimulated markets for locally produced goods and services (ILO, 2011b). This situation is improved when transfers are regular. Their effects can be greater as households can plan and budget better.

At the level of business and entrepreneurship, the floor enables individuals to feel more secure by providing basic income security, access to health and education and other basic services. It generates more predictable, secure and smooth income flows and therefore produces not only more confident, less risk-averse and enterprising citizens (box 5), but also enhances opportunities for individuals to become better skilled and educated, and ultimately results in more productive individuals making up a settled and productive workforce. Unlocking previously untapped productive capacity improves macroeconomic performance (ILO, 2010d).

One crucial factor is the lack of paid employment, which highlights the need to develop active labour market policies and to provide effective employment services to beneficiaries of social transfer programmes. It is necessary to put in place an integrated and coordinated array of essential services and policies, with tailor-made strategies for those most exposed to poverty and exclusion (Bertranou,

Marinakakis and Velázquez, 2010). To develop skills and qualifications, the essential employment services that can be associated with national social protection floor policies include the following:

- *Job search assistance and guidance:* Defining an employment profile and working skills, and counselling beneficiaries about the labour market.
- *Creating labour market exposure with public and private sectors:* Facilitating apprenticeships and opportunities to gain experience in the working field.
- *Technical and financial assistance for individuals looking to start new business ventures and independent activities:* Provision of inputs and management tools for developing micro-enterprises, including activities for learning to trade.
- *Development of skills:* Development of basic and specific technical qualifications and skills that are recognized by the labour market but not provided by formal education.
- *Assistance for completing and furthering formal education:* Completion of formal education for young people and adults.
- *Subsidies providing labour inclusion incentives:* This encourages wage-earning opportunities in the private sector and creates opportunities for beneficiaries to apply their skills.

The resulting challenges are beginning to be addressed in many countries. A stronger policy focus is needed to develop and integrate interventions – including active labour market policies and micro-enterprise development – which can open up work and employment opportunities for beneficiaries of transfer programmes. It is also necessary to align work incentives with poverty reduction programme objectives.

In developed countries, particularly in Europe, activation policies often involve supportive services such as job search assistance, on-the-job training, employment incentives, and direct job creation schemes. Cash transfer schemes are designed to include incentives for compliance, and to get back into paid employment. A recent trend has been to strengthen the association between job-search services and insurance benefits. In France, for example, since 2008 *Pôle emploi* has become the unique contact point for jobseekers, providing them with guidance and counselling as well as unemployment and welfare benefits (Hirsch, 2011).

Middle-income countries have also sought ways to develop links with education, vocational training and employment services. For instance, the Republic of Korea has established an innovative set of mechanisms aiming at early intervention

and minimizing the need for unemployment benefits. These include early re-employment allowances, vocational skills development allowances, jobseeking and moving allowances (ILO, 2011f, p. 36). Argentina, based on experience in its own economic crisis in 2001, has developed employment policies that include programmes to create opportunities for the young and long-term unemployed with low skills (Bertranou and Mazorra, 2009). For the young, *Jóvenes con Más y Mejor Trabajo* (Youth with More and Better Work) was created to encourage beneficiaries to develop vocational or professional ambitions, while at the same time completing their compulsory schooling, or other skill-development activities. The non-contributory programme *Seguro de Capacitación y Empleo* (Training and Employment Insurance Programme), directed at the unemployed with low skills levels, provides a monthly cash transfer along with access to a broad range of employment services, including job guidance and support in finding employment. Similar experiences can be observed in other Latin American countries, for example in Chile for beneficiaries of *Chile Solidario*<sup>17</sup> and in Uruguay for the *Plan de Equidad*, the main objective of which is to provide vulnerable households with access to a range of employment services and other government support.

### Helping to address the social and economic impact of crises and global economic imbalances

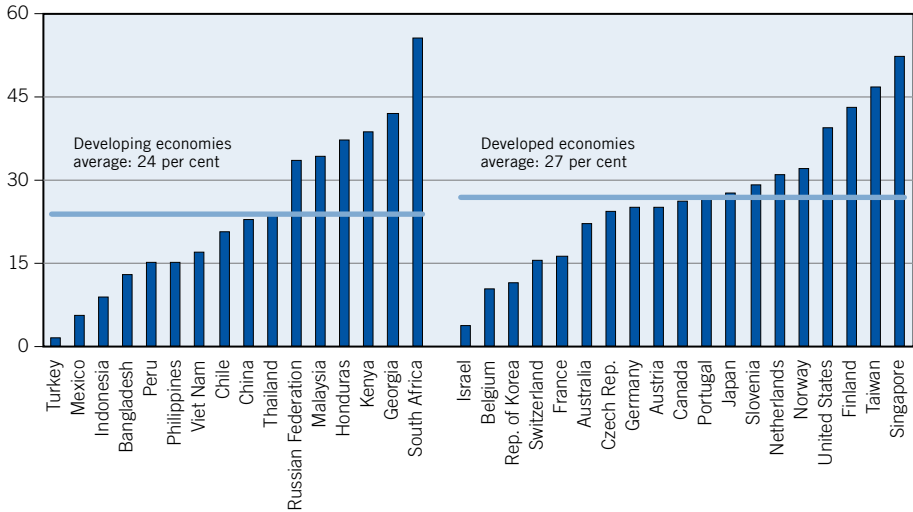
The financial and economic crisis of recent years has highlighted the role of social protection, and in particular the type of interventions comprising the social protection floor. Throughout the crisis period, such measures have proved their value not only in softening its impact on individuals, but also in acting as effective countercyclical stabilizers – they helped attenuate the adverse impact on labour markets, contributed to maintaining social cohesion and stimulated aggregate demand, thus also facilitating a speedier recovery.

To maximize their impact in this regard, social protection measures must be linked appropriately to a wider macroeconomic framework, including fiscal and monetary policies. It is important that the links between various social protection measures (i.e. between activating policies for the unemployed and automatic stabilizers, such as cash transfers, for those outside the labour market) are mutually reinforcing and complementary; separately and in isolation these policies are likely to be much less effective.

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<sup>17</sup> *Chile Solidario*, [www.chilesolidario.gov.cl](http://www.chilesolidario.gov.cl)

Figure 11. Size of the social protection component of stimulus packages (per cent of total announced amount)



Source: Ortiz, Chai and Cummins (2011).

In rich and poor countries alike, social protection has comprised a significant part of fiscal stimulus packages. In middle and higher income countries, it is estimated that on average about 25 per cent of fiscal stimulus spending represented some form of social protection (figure 11) (UNICEF, 2010a).

The main impact of social protection measures has been to maintain the consumption capacity of lower-income households, and the domestic goods they consume typically have high employment multipliers. Programmes such as Brazil's *Bolsa Família* can reduce economic volatility resulting from a shock. Social transfers in Brazil were increased as part of the stimulus package introduced in response to the crisis, leading to an estimated injection of US\$30 billion in the economy, an increase in demand for domestic goods and the rescue or creation of 1.3 million jobs (box 6). The benefit has been found to be greatest through programmes that were well established at the onset of crisis, as these could be easily scaled up and tended to be more efficient and cost-effective than facing start-up expenses involve in introducing new programmes (ILO, 2011c).

Properly designed schemes can take effect with considerably less delay than other, discretionary, fiscal measures. This inbuilt countercyclical impact is a source of the floor's power as an automatic stabilizer of individual incomes and aggregate demand. In the United States, the Congressional Budget Office estimated that social transfers played a particularly important role in attenuating the

## Box 6

### A response to the crisis: Brazil's extension of benefits under the *Bolsa Família* programme

Brazil experienced a sharp, but relatively short-lived, recession. As part of an overall national stimulus package, the Brazilian government reiterated its commitment to the *Bolsa Família* programme and announced an expansion that comprised two main measures: an update of the poverty and extreme poverty lines and of the benefit value; and an expansion of the programme's coverage. The cost of these measures was estimated at BRL410 million (US\$206 million), or approximately 0.014 per cent of GDP, bringing the total cost to BRL11.8 billion. The programme received 1.5 per cent of Brazil's stimulus package.

The extended eligibility helped 1.4 million additional families to benefit from the programme. As a result, the number of household beneficiaries rose significantly from 11 million in 2008 to 12.4 million in 2009, and it is estimated that this number had increased to 14 million households by the end of 2010.

#### Impact

- Given that low-income households have a high propensity to consume, a large portion of the money received through *Bolsa Família* is spent on goods and basic necessities. According to an IPEA study, the income multiplier is greatest when public transfers are directed to low-income families: for example, an increase of 1 per cent of GDP in *Bolsa Família* results in a positive change of 1.44 per cent in GDP and of 2.25 per cent in household income, while the same increase in interest payment raises GDP by only 0.71 per cent and household income by 1.34 per cent.
- *Bolsa Família* enhances the dynamism of local economies, as the money is spent in local markets, generating demand for domestic goods and services. In many instances this favours small and micro-enterprises important in rural areas, and the programme thus plays an important role in boosting job creation.

According to a study by the International Policy Centre, the transfer softened the impact of crisis in a number of ways, demonstrating how social security can fulfil its role as an economic and social buffer at times of crisis. These effects include:

- Generating reliable income flows, sustained household consumption levels and avoiding a decline in overall economic activity;
- Reducing negative impacts of the crisis on the nutritional intake of children;
- Maintaining school attendance and keeping children out of the workforce; and
- Potentially reducing the risks of increased levels of informal employment.

The existence of this important programme in Brazil prior to the crisis, and its subsequent expansion during the crisis, may help explain why Brazil is thought to have coped particularly well. Clearly, having the institutional framework and capacity to ratchet up coverage facilitates effective crisis responses when and where required.

Source: Berg and Tobin (2011); Veras (2009); ISSA (2011b).

impact of the crisis. It was calculated that they had an output multiplier effect of 0.8 to 2.1 (Congressional Budget Office, 2010). This was considerably more significant than the impact of other measures, such as tax reductions for higher income earners or the extension of credit to first-time homebuyers.

Major social transfer schemes operating in Latin America exhibited a range of outcomes, but in general were able to soften the worst impact of crises, particularly for low-income groups (Veras, 2009). This was also the case in Indonesia, which boosted its social protection systems during the crisis. The government of Indonesia targeted 7 per cent of the stimulus package directly to low-income households. In 2009, spending on the existing range of social protection floor programmes – through the regular budget process – increased by more than 34 per cent or 20 trillion rupiah (US\$2.3 billion). Box 7 lists some of the ways in which these programmes have had a positive impact.

It is important for countries to build up their social protection floor during prosperous periods to be better prepared for times when adversity strikes. Past

### Box 7 Impact of social protection programmes in Indonesia

#### Measure

**Unconditional cash transfer programme (BLT)** was temporarily reactivated.

**Indonesia's pilot conditional cash transfer programme (PKH)** was expanded twice during the financial crisis.

**The National Programme for Community Empowerment (PNPM).** Programmes under the PNPM umbrella serve to generate local employment opportunities and give out grants for infrastructure, social or economic activities.

**Raskin** (a food subsidy) is given to the poorest two categories of households to reduce the burden of food expenditures, notably for rice.

Source: ILO (2011g).

#### Impact

- Beneficiaries used the funds for children's education and health needs, food purchases and other basic necessities.
- Increases in immunization rates and school enrolment, as compared to control groups.
- Stimulated future economic development through improvement in the quality of local physical infrastructure (roads, bridges, marketplace, health and education facilities and water supply).
- Decreased transport time and improved productivity, as well as accessibility to health services and clean water.
- The programme has had positive effects on cutting the cost of living, especially during food shortages or price hikes.

experience has shown that countries that already had comprehensive social protection systems in place were best able to defuse the impact of crises. In well-prepared countries, schemes that were already operating provided policy-makers with possibilities to respond immediately to help sustain aggregate demand and to offer protection to those affected. These countries will likely be the ones best able to cope with possible future crises (ISSA, 2011b).

The recent crisis thus demonstrated that social protection should be seen not as an additional cost to society, but as an integral element of its smooth and successful functioning, also contributing to maintaining social cohesion and social peace. Whether in times of crisis or not, societies that place a focus on human development through social protection and other means not only benefit from the direct impact but are also better able to sustain economic development over the long term (Boozer, Ranis and Suri, 2011).

The automatic stabilizer effect has helped advance the case for the floor. In the wake of the crisis, the social and economic role of social protection has come to be viewed much more positively; its role has been recognized as a solidarity-based means of pooling risk in the face of economic adversity and thus as a collective tool to mitigate the effects of growing social and economic inequality.

Following the global financial and economic crisis and in light of high public debt levels, pressure has increased for austerity and fiscal consolidation, to a degree that seriously threatens the resources devoted to social protection. As noted by Stiglitz (2009), some countries have started to dismantle their social protection systems, undermining the efficacy of automatic stabilizers.

The weakening of stabilizers underscores the need to build up the floor with renewed vigour (*ibid.*). A recent study by UNICEF shows that many developing countries, including low-income ones, are reducing social expenditures by cutting or capping the wage bill of health and education staff, removing food subsidies and targeting social protection measures as a way to achieve fiscal savings (Ortiz, Chai and Cummins, 2011). In these conditions, it is important to reiterate the need for coherence in short- and long-term policy strategies relating to economic, fiscal, developmental, employment and social protection objectives.

Logically, during a time of economic recovery, social protection must be reinforced, not weakened. Social protection systems that have been weakened financially by events since 2008 will still be expected to respond to future crises, but without continued investment they will be less able to cope with the higher demand for benefits and services that a future recession would create. There is thus a compelling case for continuing investment in social protection, which in many countries can be approached through the progressive development of the social protection floor.



In addition to its function as automatic stabilizer, some experts have also highlighted the role that extension of social protection systems can play in contributing to reduce global imbalances provoked by high level of domestic savings in some developing countries (Padoan, 2010).

Recent studies have pointed out that in many emerging economies households often save – at a level which may be greater than the optimum from a macroeconomic perspective – because they cannot rely on adequate social protection, such as health care and unemployment insurance, which would help cover their needs when confronted with illness, job loss or other shocks. They also need to save for retirement, because pension provision in such countries is generally underdeveloped. This trend is especially evident in several Asian countries. In a similar way, high levels of savings are observed on the part of some governments in Asia. By accumulating reserves, they create a large cushion against possible international shocks. However, such high levels of precautionary savings can reduce consumption and therefore aggregate demand, which in turn affects not only domestic but also global economic activity.

The current account surpluses generated in such countries are accompanied by deficits in other parts of the world. From this perspective, the expansion of social protection, through social protection floor measures and by progressively ensuring access to higher levels of social security, can contribute to reducing both private precautionary savings<sup>18</sup> and public account surpluses, thereby helping to reduce imbalances in the global economy (Padoan, 2010).

In this context, the Chinese 12th Five-year Plan approved in March 2010 proposes a range of measures that will contribute to the development of the country's social protection floor. The Plan envisages a structural change in the country's economic model, moving from the export- and investment-led structure towards a pattern of growth driven increasingly by domestic consumption. While the Plan focuses on major income-led pro-consumption initiatives, including incentives for the development of labour-intensive sectors and wage increases, it includes measures to extend health, pensions and unemployment protection coverage. These are expected to reduce precautionary savings, and thus lower the country's surplus saving, with consequent effects for the deficits of other countries (Roach, 2011).

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<sup>18</sup> A survey has shown that education, health and saving for old age or in case of loss of employment are the main reasons why Chinese households tend to save a large share of their income rather than consume or invest it. Between 1995 and 2007, the precautionary savings rate of Chinese households rose by 10 per cent. This was coupled with a doubling of private expenditure on insurance and social protection needs between 1992 and 2001 (17 per cent in 1992 to 34 per cent in 2001). Among these costs, health expenditure now represents on average 10 per cent of Chinese households' income, and could exceed 14 per cent by 2025 (McKinsey Global Institute, 2009).

More broadly, the floor's income-led approach can contribute to combating imbalances in the global economy by raising the purchasing power of emerging consumer classes in certain parts of the world. In this way, the floor would contribute directly to more sustainable growth through the expansion of effective demand.

The Asian Development Bank supports this view. It suggests that encouraging consumption by raising the level of household disposable income is likely to have the highest pay-off in terms of reducing imbalances in growth. The Bank goes on to say that increased spending on social protection, including health insurance, unemployment insurance and pensions, as well as investments in education, are seen as keys ways to reduce household demand for precautionary savings (Morgan, 2011). Various commentators note, moreover, that such a course has the added virtue of opening the way to improved human development (Boozer, Ranis and Suri, 2011).

### A tool for gender empowerment

There are a number of issues linked to women's participation in the labour market and the extent to which they have access to social protection. Women are disproportionately represented among the poor, and the chronic and extreme poor (DFID, 2005). There are multiple reasons for this. Women continue to face a number of constraints (such as legal, cultural and social norms and practices) that limit their access not only to the labour market but also to productive assets and better-remunerated work. Furthermore, women tend to be confined to more casual, insecure and hazardous forms of wage work and self-employment, particularly in the informal economy, without access to social protection (Commonwealth Secretariat, 2009) and also tend to have more limited voice and representation in terms of social dialogue. The focus of the floor to extend basic social protection to those currently excluded and the informal economy has great potential to redress some of the existing gender imbalances. The emphasis on a rights-based approach of the social protection floor plays a further key role in guaranteeing equal access to benefits and protection for women and on unlocking the productive capacity and enabling women to participate in the labour market.

For many women, the lack of public and private support for family responsibilities means that the informal economy may offer the only paid work that provides enough flexibility, autonomy and geographic proximity to home to allow

them to combine paid economic activity with unpaid household responsibilities (ILO, 2009c).

Women suffer multiple disadvantages in terms of access to labour markets, and often do not have the same level of freedom as men to choose the work they wish to perform. Gender differences in labour force participation rates and unemployment rates are a persistent feature of global labour markets. Worldwide, 77.9 per cent of all men are recognized as employed, but only 52.7 per cent of all women, a striking difference (ILO, 2009d).

Women are also over-represented in low-paid and precarious jobs (such as those in the informal agricultural and domestic sectors). As many as 90 per cent of domestic workers are women, for instance, and most lack regulated contracts or access to social insurance and other rights that standard wage workers benefit from (ILO, 2009g). Even when they are able to secure comparable waged and salaried employment, women often do not receive the same remuneration as their male counterparts (ILO, 2009d).

Crises have a disproportionate and damaging effect on vulnerable and disadvantaged groups, including women. Women are often excluded from social protection during crises because protection is usually provided through employment-based social security schemes that do not cover those in informal or casual work. It is likely, moreover, that female job-losers will find it more difficult to return to work if and when economic recovery begins (ILO, 2010h). There is also a risk of increased marginalization of female labour as women often take up part-time and flexible jobs, resulting in underemployment or unemployment during times of crisis, and in many cases exclusion from unemployment protection (ILO, 2010i). In addition, women are most affected by coping measures taken by households, such as the dismissal of paid domestic workers and the selling of time-saving (productive) assets (Elson, 2009).

Some of the measures taken by various countries in response to the economic crisis have had a disproportionate impact on women. Examples cited in UNIFEM studies show that previous and current stimulus packages in several countries have tended to favour men over women, despite the fact that in developing countries women have been more severely affected by the crisis (McCarty, Corner and Guy, 2009). If the gender dimension is not actively considered when developing crisis response policies, there is a serious risk that the recovery will exclude women.

The social protection floor provides an opportunity for a comprehensive review of the basic social protection systems in any country, and hence new means of addressing the spectrum of problems outlined above, many of which reflect the traditional power imbalances that have characterized gender relations throughout history.

### Box 8 Gender-positive effects of social transfers

- **Education:** Family allowances, social pensions and other cash transfers linked to school attendance tend to have positive gender effects as more girls attend school. In Bangladesh, the school stipend programme has helped achieve gender parity in primary education. There is evidence from rural Brazil that old-age pensions have helped increase school attendance, especially among 12–14-year-old girls.
- **Health:** In Peru, the *Juntos* conditional cash transfer programme reduced the number of women giving birth at home, in geographical areas with high levels of maternal mortality. Moreover, newborns whose mothers participated in the Colombian *Familias en Acción* in urban areas increased in average weight by 0.58 kilograms in one year, which is attributed to improved maternal nutrition.
- **Nutrition:** Providing cash transfers directly to mothers and grandmothers is an effective strategy to improve child nutrition. South Africa's old-age pension has had particularly positive effects on girls' nutritional status, with girls in recipient households being an average of 3–4 centimetres taller than their same-age counterparts in non-recipient households.
- **Labour market participation:** In India, the Mahatma Gandhi National Rural Employment Guarantee Scheme's emphasis on equal wages has resulted in a male–female wage differential that is almost negligible. Women's participation in the scheme has been reasonably good. By 2008–09 the share of women in total person days of employment under the scheme and for the country as a whole was 47.88 per cent. State-wide, participation of women in the scheme is much higher than rural female workforce participation rates.

Sources: de Carvalho Filho (2000); Jones, Vargas and Villar (2007); La Garde, Haines and Palmer (2007); Samson, van Niekerk and Macquene (2006); UNICEF (2010a).

Social transfers are particularly important for women, and where appropriate girls, particularly when such transfers can be disbursed directly to households and to the women themselves. This can be “freedom enhancing”, or gender empowering, as it elevates women's social status and allows them to exert more control over how household income is spent. Social programmes can contribute in seizing the untapped or under-tapped productive potential of women, and scaling up and mainstreaming women's participation in the economy.

However, conditional cash transfers have been found in some cases to be problematic, as the attached conditions may reinforce gender-biased caring responsibilities within households, anchoring women in their social roles. Such issues demand that caution and special care be taken in the design and implementation

of transfers, which also may be difficult to implement in countries with low administrative capacity. The integrated approach inherent in the concept of the social protection floor should provide some safeguard, as a tool for implementing the Decent Work Agenda.

In addition to reducing poverty and income inequality, social transfers can offer a number of additional, beneficial impacts for women, examples of which are listed in box 8.

### Enhancing social cohesion

It is increasingly acknowledged and documented that where there is income inequality and poverty, there is a greater likelihood of social stress and conflict, and hence instability (Picket and Wilkinson, 2010). Most developed countries have typically invested heavily in social security – at levels that now generally amount to more than 20 per cent of GDP – as part of their long-term growth and poverty reduction strategies (ILO, 2011b). And, perhaps more importantly, they started to do so when they were poor. At some stage, these countries all embarked on strategies promoting growth with equity.

The objective of achieving social cohesion is today seen to demand an integrated policy approach, formulated for example by the Council of Europe in terms of “an active, fair and socially cohesive society in which policies for economic and social development work in tandem” (Council of Europe, 2008). There is also a need for strengthening representation and democratic decision-making and expanding social dialogue and civic engagement, with active participation of the social partner in order to enhance political legitimacy and institutional sustainability of the social protection systems.

It is increasingly recognized that societies that are relatively unequal in terms of income tend also to perform poorly in a number of key areas of economic and social life, and that this contributes to political instability. There is evidence that income inequality adversely affects levels of social trust, life expectancy, infant mortality, levels of mental illness, education, performance, homicides, imprisonment rate and social mobility, among other social development indicators (Picket and Wilkinson, 2010).

A study by the International Food Policy Research Institute concluded that sustained inequality could give rise to political instability, conflict, rent seeking, and low levels of investment and cooperation in the provision of public goods (Ferroni, Mateo and Payne, 2008). Alesina and Perotti, in a study of 71 countries

in the period 1960–85, have shown that income inequality, by fuelling social discontent, increases socio-political instability, which in turn decreases investment, further undermining economic prosperity (Alesina and Perotti, 1995).

The dangers of income inequality, social exclusion and inadequate income security and labour market opportunities were brought into sharp focus by the financial crisis. According to an ILO–IILS macro-study of the state of the world’s “social climate”, the crisis appears to have induced an unprecedented global decline in life satisfaction. This has translated into greater pessimism about the quality of life, increased perception of unfairness, significant outrage over public bank bail-outs, and diminished confidence in the ability of governments to shape brighter and fairer futures (IILS, 2010). A further illustration of what can happen when there is absence of effective social protection, insufficient labour market and life opportunities (especially for the young) and widespread poverty is seen in the unrest that has developed in several countries of North Africa and the Middle East. In general, providing the material conditions for liberty and autonomy is a precondition for promoting more active citizenship (Van Parijs, 1997).

The social protection floor has a role to play in reducing the stress arising from poverty and inequality. In many countries, the mechanisms by which the floor is implemented may also have a beneficial by-product – giving “voice” to disadvantaged and vulnerable groups. In some countries, beneficiaries have, for example, found time and been encouraged to participate in community organizations and various forms of deliberative democracy (ILO, 2010d). Transfers have also been found to increase social capital and social cooperation, and hence contribute to social cohesion. According to Skoufias (2005), the *Progresa* transfer in Mexico strengthened social relationships between beneficiary women, potentially building new forms of social capital. Likewise, the *Familias en Acción* programme operating in Colombia displayed evidence of improved social capital, social trust and willingness to cooperate among its beneficiaries (Attanasio, Pellerano and Polania, 2008).

In this context, it is important that the guarantees of a certain level of income security provided through the social protection floor be conceived as a *right* and not a form of charity. It is crucial that there be no sense of shame or stigma in receiving benefits from any scheme within this conceptual framework; beneficiaries simply exercise their rights as citizens.

# Implementing the social protection floor

## 4

### The picture at present

The new century has been marked by significant progress towards the implementation of social protection floor components in many developing countries. This process has moved faster in middle-income countries, especially in the context of policies and programmes focusing on income security, where innovative administrative, design and institutional arrangements have been developed. Similarly, the extension of essential services has contributed substantially to closing coverage gaps. A variety of design and implementation issues have emerged from experiences across developing regions and countries; they will be discussed in more detail in this chapter.

Design choices have to be made regarding a wide range of aspects for each element of the floor in a way that ensures the political, financial, technical and administrative feasibility of the programmes to be introduced. Administrative and institutional arrangements for implementing social protection floor elements vary by their degree of centralization or decentralization and their integration with the overall social protection system. This includes initial decisions, as well as subsequent adjustments or changes regarding the target population, eligibility criteria and conditionality, benefits design, delivery mechanisms, and administrative and financing arrangements. Choices might be guided by prevailing needs, political preferences, social, cultural and economic circumstances, national capacities and pre-existing institutional structures.

Diversity in programme design often also reflects a variety of underlying objectives adopted by policy-makers, including participation of beneficiaries,

social partners, community-based arrangements and civil society organizations in devising and managing benefits, regulatory and supervisory arrangements ensuring compliance, provision of mechanisms for complaint and appeal, and overall efficiency and capacity. The engagement of social actors in the formulation and implementation of social protection policies contributes to enhance political legitimacy and institutional sustainability.

The most visible recent change has been the introduction of large-scale social floor programmes in populous middle-income countries, which have proved effective in contributing to poverty reduction. China's Minimum Living Standards Scheme grew from just over 2 million beneficiaries in 1999 to over 22 million beneficiaries in 2002 in response to the unemployment generated by the restructuring of state-owned enterprises. The scheme was initially restricted to urban areas, but has now been extended to rural areas, covering a further 46 million beneficiaries. The government aims to reach nationwide provision of social assistance and primary health care by 2015 and full rural pension coverage by 2020 (ILO–UNDP, 2011).

Similarly, Indonesia has introduced large-scale income transfer programmes and reformed its health insurance scheme, Thailand's universal health-care coverage scheme has been fully implemented and covers more than 80 per cent of the population, and India's Mahatma Gandhi National Rural Employment Guarantee Scheme reaches over 50 million households affected by unemployment and underemployment, alongside other initiatives to extend basic health insurance to the majority of the labour force in informal employment (*ibid.*). The expansion of social assistance grants in South Africa ensures that half of all households have a member receiving assistance.

In Brazil, Ecuador and Mexico, large-scale human development cash transfer programmes reach over a quarter of all households (ILO–UNDP, 2011). Argentina and Uruguay expanded substantially their family allowance programmes to reach families with children in the informal economy. Argentina, Brazil and Chile have increased substantially the coverage of noncontributory pension schemes. Mexico combines, conditional cash transfers, non-contributory pensions and basic health insurance (box 9).

The implementation of such schemes has required large-scale logistics operations to identify and deliver benefits and services to people living in areas that are remote or difficult to access. In many countries the use of modern information and communication technology has been combined with traditional community-based identification and delivery mechanisms. In Brazil's Amazon region, for instance, social security for rural works and indigenous populations is delivered by boats equipped with all necessary facilities to identify beneficiaries and assess



### Box 9 Paving a social protection floor in Mexico

The Mexican government has boosted social spending and integrated social programmes under a comprehensive social development strategy named *Vivir Mejor*. Its flagship programmes include the *Oportunidades* human development programme for poor families and the *70 y Más* social pension scheme for the elderly. Recently, the *Seguro Popular* health insurance scheme extended health access to previously uninsured families. These schemes combine access to essential services with the provision of cash and in-kind social transfers, creating the basis for the Mexican social protection floor.

*Oportunidades* provides cash transfers, training and other services to support the human development of poor families. In 2010, 5.8 million families, about 30 per cent of all Mexicans, received these benefits. The programme has a budget of 65.7 billion pesos (MXN), equivalent to about US\$5.7 billion, and has had a considerable impact on the quality of life of poor families. For instance, the consumption of beneficiary families has risen by 16–22 per cent and school enrolment and attendance rates have grown. This illustrates the way in which social protection helps address central mechanisms causing poverty.

The *70 y Más* non-contributory pension scheme addresses old-age poverty by offering a monthly transfer of MXN 500 (US\$41.65) to poor persons aged over 70 living in small towns. Beneficiaries also have access to activities and services geared to improving their physical and mental health. In January 2011, there were 2.1 million beneficiaries.

The popular health insurance *Seguro Popular* allows uninsured families to obtain health insurance. The scheme is offered for free to the poorest and at a low cost for others. By 2011, 44 million people had become affiliated. The programme budget tripled from MXN 18 billion (US\$1.56 million) in 2006 to MXN 52 billion (US\$4.5 billion) in 2010. The long-term aim is to provide health coverage for a total of 51 million people.

These programmes and their coordination under *Vivir Mejor* have contributed to social development in Mexico. According to the Social Development Secretariat, 2.8 million more people would have been in extreme poverty between 2006 and 2008 without social programmes.

Source: ILO (forthcoming (j)).

qualifying conditions. The boats are connected via satellite to the databases at headquarters (Alvarez and Pinheiro, 2001).

In low-income countries, progress towards a coherent and coordinated system of entitlements introduced through the framework of the social protection floor has been slower, although there have been some significant developments regarding certain elements of the floor. A growing number of countries in sub-Saharan Africa and Asia have introduced transfer programmes on a pilot basis, including Ghana, Kenya, Rwanda, United Republic of Tanzania, Uganda and Zambia. Mozambique has expanded its own Food Security Subsidy. Ethiopia's Productive Safety Net Programme reaches about one in ten households.

In Namibia, the introduction of a universal social pension raised the share of the population above legal retirement age receiving a pension to over 86 per cent as of 2008 (ILO, 2010c). Social assistance programmes in South Asia are also expanding their coverage of older people, as in Bangladesh and Nepal.

While essential basic services are intended to address the needs of the poor, inequalities in provision and access tend to limit their potentially positive impact on poor households and increase costs related to the implementation and maintenance of social infrastructure and services.

Research at the Centre for Social Development in Africa found that social grant beneficiaries tend to use cash where public services fail, e.g. for payment of school fees, transport, health services and basic services such as electricity and water. These failures in public services erode the value of the grant. This indicates that income support by itself may have limited impact unless it operates in concert with other public services. This could strengthen the link between promoting income security and access to free basic services such as health, education and social services including childcare provision (Patel and Hochfeld, 2011).

Innovative approaches have tested the effectiveness of combining transfer programmes with preferential access to services, usually health and/or education. Human development conditional transfer programmes in Latin America, such as Mexico's *Oportunidades* and Brazil's *Bolsa Familia*, are prime examples of this approach. Meanwhile, Chile's *Chile Solidario*, family allowances in Argentina and Uruguay and Bangladesh's "Challenging the Frontiers of Poverty Reduction – Targeting the Ultra Poor" provide alternative programme design options. For low-income countries, complex designs (for example, with multiple conditionalities) have proved to be difficult to implement due to lower administrative capacity, and unconditional schemes directed to vulnerable populations are likely to be more feasible (World Bank–UNICEF, 2009).

The extension of social protection drawing on social floors is of course a progressive and gradual undertaking. Different contexts and conditions will determine how rapidly aspects of the floor can be implemented. However, it is important that there be a phased extension of coverage, with the eventual aim of full coverage.

Similar patterns can be found for other types of social protection, where countries have been gradually including different population groups in their social protection floor approach and elements of their social insurance. For instance, Uruguay, a country with a long history of social security, started a contributory child–family allowance programme in 1943. In the 1980s and 1990s, legislative changes allowed for expansion to people not originally included in the contributory scheme. After the severe economic crisis between 1999 and 2002, there was

further expansion in 2004 and 2008, when the scheme was redesigned to reach vulnerable children and adolescents independently of the formal or informal employment of the head of household (ISSA, 2009b).

## Fiscal space and financial sustainability

Chapter 3 presents evidence, based on observations and studies carried out in recent years, indicating that the cost of the package of benefits comprising the floor should be affordable to most countries. Nevertheless, schemes can be maintained on a long-term basis only if sufficient financial resources are made available, in competition with other claims on the government's spending capacity. In addition, it is important to keep in mind that schemes will not be judged as "affordable" if they provide benefits that are inadequate in the long term. As a result, it is necessary to consider in more detail the question of how to make available sufficient fiscal space for national programmes and ensure long-term, predictable and sustainable funding.

The improvement in macroeconomic conditions in developing and middle-income countries in the last decade has enabled public institutions to increase efforts to address social deficits and social exclusion, most notably in middle-income countries. In many low-income countries, debt cancellation and revenues from natural resources have combined with economic growth to improve national finances, allowing governments more room for manoeuvre. Indeed, recent improvements in growth performance and in the efficiency of the tax collection systems in developing countries help to ensure the fiscal space for the progressive construction of sustainable social protection floors. International solidarity in the form of aid can help to kick-start and consolidate the process in low-income countries, but over the long run implementation has to be financially sustainable at the national level.

Economic growth provides the easiest way to create fiscal space, which can then be claimed for social protection. Before the 2008 financial crisis, there was sustained economic growth in developing countries, which allowed the fiscal room for manoeuvre to make possible a rapid expansion of social protection in a number of countries. But even in the absence of high growth, improving revenue collection, reallocating expenditure and increasing spending efficiency can create the fiscal space to increase social expenditure, provided there is political will. Countries at similar levels of GDP display considerable differences in their level of expenditure, illustrating the role of political choices in the process.

Countries showing progress towards establishing a social protection floor have often made innovative use of a variety of sources of finance, both domestic and external. In upper middle-income countries, domestically generated revenue has provided the bulk of funding for the expansion of social protection floor components. The extension of social assistance programmes in Brazil, China, India and South Africa has been financed mainly through general tax revenues. In China and India, this was facilitated by rapid economic growth. Tax-based financing has the advantage of ensuring the sustainability and legitimacy of social protection floor institutions, linking budgetary processes to societal policy priorities.

In South Africa and, until recently, Brazil, tax-to-GDP ratios have risen in spite of moderate growth over the medium term. This trend also occurred in other Latin American countries. According to the Economic Commission for Latin America and the Caribbean, Latin America's national average level of tax resources (including social security contributions) was 12.9 per cent of GDP in 1990, 16.3 per cent in 2000 and 18.7 per cent in 2008 (ECLAC, 2010). The 2000–08 average increase hides quite different performances across countries. For example, over that period the tax-to-GDP ratio rose from 21.5 per cent to 30.6 per cent in Argentina, from 30.4 to 35.5 per cent in Brazil and from 11.6 to 16.5 per cent in Ecuador (*ibid.*, p. 248).

The 2008 financial crisis adversely affected global economic conditions, with implications for developing countries that have included cuts in social protection budgets (UNICEF, 2010c). Recovery, however, has been swift in many countries, suggesting that growth conditions and possibilities for investing in social protection systems will improve. This should allow countries to move from emergency responses to development strategies, and from short term aid “projects” to more effective aid modalities, including general budget support.

In addition to generating the resources needed to support the social protection floor, modalities of financing have implications for the pattern of economic incentives operating in the economy (Heller, 2005; UNDP, 2010a; Ribe, Robalino and Walker, 2010) as well as the sustainability and legitimacy of social protection floor institutions (ILO, 2011b; Roy and Heuty, 2009). Thus, resource mobilization has come from different sources in some countries, such as the decision to give renewed priority to social expenditure. In addition, tax reform has become an important financing source for social protection. Nevertheless, in low-income countries, especially in sub-Saharan Africa, international aid has been crucial in starting the process.

In lower-middle-income countries, additional fiscal space has come from a variety of sources. Indonesia's introduction of a human development programme

focused on chronically poor households has been largely financed through a gradual reprioritization of social expenditure (Wening and Burkley, 2009). In Mexico, *Progresa* was initially financed through a renewed priority given to the poverty reduction budget (Levy, 2006).

In South Africa, the government decided to fund social programmes in full from public revenue. This was made possible by shifting priorities in budget allocations, which included a 48 per cent decrease in defence spending (Lund et al., 2009, p. 6). In Lesotho, the introduction of a non-contributory pension programme in 2004 was financed from revenues from SACU, the Southern Africa Customs Union (Barrientos, 2008).

In Bolivia, in 1997, the government introduced a universal social pension paid annually to everyone over 65. The benefit was partially financed by a fund set up with resources coming from the privatization of public enterprises. In 2007, the age limit was lowered to 60 years, and the government shifted the financing source to a tax on hydrocarbon sales.

In low-income countries, especially in sub-Saharan Africa, international aid and debt cancellation programmes have until now provided the main sources for enhancing fiscal space. Ethiopia's Productive Safety Net Programme, one of the largest among low-income countries in the region, has been financed through a donor cooperation group providing long-term funding (Ashley, Brown and Gibson, 2007). The absence of donor coordination on the ground has led other sub-Saharan countries to adopt smaller-scale pilot programmes, often funded bilaterally. In Kenya and Ghana, governments have committed to funding partially new income transfer programmes. Government support and engagement has led to a rapid scaling up of the Orphans and Vulnerable Children Program in Kenya.

In Ghana, debt cancellation enabled the initial financing of the Livelihoods Empowerment Against Poverty Programme, and discussions are under way to scale this programme up (ILO, 2010f). Through the Multilateral Debt Relief Initiative (MDRI), managed by the IMF, the World Bank, and the African Development Fund (AfDF), some low-income countries can access debt relief to support the achievement of the Millennium Development Goals. Experience from Uganda and Zambia shows that the success of the process depends on whether the debt relief savings are earmarked to poverty reduction and other MDGs-related actions (HelpAge International, 2011b).

A recent analysis of experience in eight countries (Bolivia, Botswana, Brazil, Costa Rica, Lesotho, Namibia, South Africa and Thailand) shows that it is feasible to find and increase the fiscal space required to finance social protection, although there is no single recipe for doing so. The study shows that the expansion of social

programmes in the last two decades was feasible even in countries with moderate economic growth or limited tax-revenue expansion (ILO, forthcoming (k)).

Table 4 shows a range of policy options to enhance fiscal space for social protection. In countries where the scope for increasing revenue levels has been limited, some have reallocated or set new priorities for expenditure. In several such cases, including Costa Rica, Lesotho, South Africa and Thailand, the government has cut expenditure in areas considered to be of low priority. In Costa Rica and Thailand, the governments were able to reduce or eliminate, respectively, military expenditure, freeing up resources for social protection.

In some countries, corruption is, or is perceived to be, responsible for leakage of considerable resources from social protection systems. In sub-Saharan Africa, the African Union estimated that in 2002 total losses due to corruption were US\$148 billion, equivalent to about 50 per cent of total tax revenues. It is clear that efforts to combat corruption are important in ensuring fiscal space for financing and extending social protection.

In a number of countries, active management of declining debt and debt service can extend the fiscal space available for social protection. Almost all of the countries studied have experienced significant reductions in their debt burdens, especially of public debt, and their corresponding debt service. As a result, they have been able to allocate more resources to social purposes. In Thailand, for example, almost one third of the freed resources have been used to finance social programmes.

The “constitutional channel” refers to countries in which social expenditure is specifically mandated (either fully or partially) at constitutional level, so that the governments concerned must consider the relevant programmes as key national initiatives and, consequently, address their budgetary needs. In countries such as Brazil, Costa Rica, South Africa and Thailand, the constitution explicitly refers to the provision of education, health and social security. In the case of Costa Rica, for instance, education spending cannot be lower than 6 per cent of GDP, and in Brazil, South Africa and Thailand, the constitution recognizes health and social security as citizens’ rights. This means that a certain priority is attached to social provision in the development of overall national policies.

Reliance on a degree of international assistance to generate fiscal space appears to be unavoidable in the short term in some low-income countries, but this carries with it important implications for incentives, sustainability and the legitimacy of the social protection floor in the medium and longer term. There is a danger that such funding may contribute to limiting policy space, hampering the development of more long-term social protection policies. The majority of existing pilot social protection floor programmes in sub-Saharan Africa suffer from weak

Table 4. Fiscal space for social protection, policy options by country

	Bolivia	Botswana	Brazil	Costa Rica	Lesotho	Namibia	South Africa	Thailand
Mineral-based taxation or similar single taxes for specific purposes (earmarked taxation)	×	×	×					
Increasing general taxation			×		×			×
Social contributions			×	×	×	×	×	×
Budget surpluses		×	×			×		
Budget redefinition. Reduction of non-priority spending or decline of military expenditures				×	×		×	×
Debt and debt service reduction	×	×	×	×	×		×	×
Official development assistance						×		
Sales of State assets	×							
Efficiency channel			×					
Constitutional channel			×	×			×	×

Source: ILO (forthcoming (k)).

institutions and lack domestic policy ownership and support. The recent growth performance of countries in sub-Saharan Africa, and improvements to their fiscal space, suggest there is an opportunity to diversify and strengthen the financing of the social protection floor there.

### Committing donors and promoting innovative financing

There is a crucial need for a revived and reinvigorated internationalism to advance further the adoption of nationally defined social protection floors. The supportive role that must be played by donors in this process cannot be overstated. Many poor countries, particularly those in sub-Saharan Africa, need external support to help build their social protection floor.

Renewed support implies that donors provide adequate, predictable and multi-year funding. This would involve high-income countries providing development aid funds for direct sectoral social protection spending within the budgetary frameworks of low-income countries, and respecting the particular path individual



countries take to construct or strengthen their social protection floor, through their own priorities and leadership.

So far, in the short period during which there has been international assistance for such efforts, aid financing for the social protection floor has tended to adopt a “project” approach. This implies transient initiatives that do not necessarily serve populations in a sustainable manner over the long term. As acknowledged in the 2010 European Report on Development:

Donor-funded transfers rarely, if ever, graduate from donor-led small-scale evidence building pilots with an expiry date to sustainable government-led national social provisioning schemes (...) Externally driven pilots are quite problematic, as they tend to create temporary islands of access to internationally financed social welfare, at the cost of both ownership and sustainability. (European Commission, 2010, p. 94)

In sub-Saharan Africa, for example, some new social protection initiatives are small-scale pilots often wholly financed and directed by international partners, with limited longer-term dimensions and capacity to move to scale. A more promising approach would be for concerted international aid to focus on direct budgetary support, capacity building of national officials for sound policy development, awareness raising, financial and fiscal analyses and poverty impact assessments, creating the prerequisites for the establishment of a country-owned, sound and sustainable national social protection floor.

As agreed by the OECD donors and their partner countries in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (2005–08), there is also a need to simplify the international aid architecture and coordinate donor aid. Overlaps and lack of coordination in the field have led to smaller-scale pilot programmes in poorer regions, posing a twofold challenge for donors. As agreed, donors must overcome institutional fragmentation by harmonizing and simplifying of their procedures. Further, they need to coordinate to enhance synergies and reduce the wide diversity of their respective programmes and financing mechanisms in place in the same partner country by improving their division of labour, while respecting ownership.

To be effective, international development aid from advanced countries should fund programmes owned by the recipient, use the recipient’s systems and processes, be integrated in the recipient’s overall budget and planning, and be accountable to recipient’s parliament and people. This approach, agreed in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, favours delivering aid in the form of sectoral budgetary support rather than the traditional project approach.



This would make explicit the link between poverty reduction and foreign assistance, while remaining faithful to the key internationally agreed principle of country ownership, and should help garner the necessary sustained public support from voters in donor countries for such long-term efforts. This support is especially important given the cuts to social expenditure occurring in some advanced economies. It is also critical that taxpayers in more developed countries are assured that aid will not be captured by rich elites in low-income countries, but will be effective in improving the lives of poor people.

In addition, emerging economy donors have an important role to play. According to Herfkens:

The concept of many effective social protection programmes was developed in developing countries themselves, pioneered by the new generation of G20 leaders – South Africa, Brazil, China, India, Mexico and Indonesia, and they are in many cases the product of, or modified by, intense South–South cooperation, making ownership automatic in a way no donor-led initiative possibly can (Herfkens, 2011, p. 18).

Along the same lines, some view the concept of cash transfers as a “genuinely Southern revolution”, in response to past failed aid efforts (Hanlon, Barrientos and Hulme, 2010).

The added value of new donors is particularly relevant for capacity building, since their strongest comparative advantage lies in the fact that they can share their own unique development experiences and transfer their know-how on implementation of social protection programmes.

Therefore, South–South cooperation on the floor should continue and be expanded. A good example of this was the ILO–UNDP South–South exchange held in Geneva in November 2010 and the ILO–UNDP study on successful social protection floor experiences. In both instances, good practice and lessons learned from floor experiences were shared between middle-income countries with successful social protection programmes that have a potentially large and influential role to play in assisting poorer countries through capacity building.<sup>19</sup>

Another example of South–South learning and cooperation involves Brazil and Timor-Leste. Timor-Leste’s *Bolsa Mae* programme is being revised largely on the basis of Brazil’s experience with cash transfer programmes and long-term

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<sup>19</sup> There is now a website devoted to South–South learning on social protection: <http://south-south.ipc-undp.org/>, inspired by the Africa–Brazil Cooperation Programme on Social Protection.

## Box 10

### Innovative sources of financing applied to social protection

**Financial transaction tax:** Many countries – including Brazil, the Republic of Korea, India and the United Kingdom – have implemented some sort of financial transaction tax, most commonly an ad valorem tax on share trades of 10–50 basis points. On average, these taxes raise less than 0.5 per cent of GDP (Matheson, 2011). In Brazil, the provisional contribution on financial transactions helped to consolidate the universalization of the health system. The Bill Gates report to the G20 Cannes Summit estimates that a small tax of 10 basis points on equities and 2 basis points on bonds would yield about US\$48 billion a year in the G20 (Lamb, 2011). If introduced, part of these resources could be allocated towards the development of social protection in low-income countries.

**Global currency transaction tax:** The Leading Group on Innovative Financing for Development estimated that a tax of 0.005 per cent on foreign exchange transactions in all major currency markets at the point of settlement would raise about US\$25 billion to US\$36 billion for the four major currencies (dollar, euro, yen and sterling). The group suggests the resources be used to set up a Global Solidarity Fund, which could be dedicated to international development cooperation, including the implementation of social floors.

**Solidarity levy on airline tickets:** In 2006, Brazil, Chile, France, Norway and the United Kingdom, in collaboration with the UN, agreed to tax airline tickets and invest the funds raised in basic health protection, in particular by facilitating the purchase of drugs and medicines to fight AIDS, tuberculosis and malaria in low-income countries. Benin, Burkina Faso, Cameroon, Republic of the Congo, Côte d'Ivoire, Guinea, Republic of Korea, Madagascar, Mali, Mauritius and Niger later joined the scheme. The cost to passengers ranges from US\$1 (economy class tickets) to US\$40 (business class). Since its creation, the airline levy has helped UNITAID to collect about US\$2 billion to fund programmes benefiting people in 94 countries (UNITAID, 2010).

**Remittances:** Labour migration has always been a source of informal social protection for households left behind. Remittance flows to developing countries are projected to reach US\$346 billion in 2011, accounting for about 2 per cent of the GDP of developing countries and 6 per cent of GDP in low-income countries (World Bank, 2010c). They have proven to help increase consumption and reduce poverty in the countries of origin of migrants. Decisive action to reduce transaction costs, which are estimated to average 9 per cent, can increase the net income transferred. A recent study in rural areas of Mozambique shows that migration associated with remittances is positively related to stimulating solidarity in communities (Mendola, 2010). Risk pooling and financial inclusion mechanisms among remittance recipients could also be stimulated to enhance the impact of remittance flows on community well-being and convert informal arrangements into formal social floor schemes.

**Debt-base instruments:** Since 2007, under the Debt2health swap scheme, Australia and Germany have converted about US\$160 million in bilateral debt owed by Côte d'Ivoire, Egypt, Ethiopia, Indonesia and Pakistan into investments in basic health in these countries. Under this scheme, the creditor cancels bilateral debt and the debtor commits to invest in basic health. Debt swap and debt cancellation facilities could be enhanced to increase investment in social protection (The Global Fund, 2011).

social protection programmes, facilitated by the UNDP through its International Policy Centre for Inclusive Growth (IPC-IG) in Brasilia.

The regular forums on aid effectiveness represent opportunities for in-depth discussions of trilateral international cooperation on social protection between new and traditional donors and partner countries, which could lead eventually to international agreements. The time is right to reconfigure the role played by donors and how they operate and interact with low-income countries. Traditional donors could commit to providing adequate and predictable multi-year support to strengthen social protection floors in low-income countries within the budgetary frameworks of the recipients and respecting the form these countries give their floors. Emerging-economy donor countries, meanwhile, could commit to continuing to promote South–South knowledge sharing and capacity building.

New development cooperation architecture should also consider new sources of financing. Box 10 provides some specific examples of alternative sources that could be used to fund the expansion of social protection.

## International coherence and coordination

Another key factor in implementing social protection floors is improved coordination among all actors in the development community to eliminate overlaps, reduce inefficiencies and develop synergies. Coordination is often lacking, for example between ministries, NGOs and UN agencies, between international financial institutions and UN agencies, and even between UN agencies themselves. Since its launch in 2009, however, the Social Protection Floor Initiative has made significant progress in this regard, forming a coalition of 19 UN bodies, international financial institutions and 14 development partners, including bilateral donors, development banks and international NGOs that cooperate and coordinate their activities at national, regional and global levels.<sup>20</sup>

Since the definition of the social protection floor transcends the mandate of any individual agency or development partner, the initiative was established

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<sup>20</sup> Members of the coalition include: ILO, WHO, UNICEF, IMF, World Bank, UN-HABITAT, UNDP, UNDESA, UNAIDS, UNODC, WFP, UNESCO, UNHCR, ECLAC, ESCAP, UNFPA, UNRWA, UNWOMEN, OHCHR, FAO, WMO, Asian Development Bank, OECD, European Commission, France, German Development Cooperation, Finnish Ministry of Foreign Affairs, the Netherlands, Concern, HelpAge International, International Council of Social Welfare, Save the Children, Education Solidarity Network.

as a framework to coordinate activities of all actors working on social protection, ensuring coherence of different approaches and policy advice across sectors. Social protection floor activities at country level are coordinated and executed through a national social protection floor task force led by governments and composed of social partners, social security institutions, NGOs, donors, bilateral agencies as well as the UN Social Protection Floor country team, that draws on country, regional and headquarters staff of the cooperating UN agencies and Bretton Woods institutions.

The Social Protection Floor Initiative has developed a *Manual and strategic framework for joint UN country operations* (ILO–WHO, 2009) to facilitate coordination and coherence at country level. The manual outlines the process, roles and responsibilities to support countries in building their social protection floor, as well as relevant tools that have been developed by UN agencies or development partners to implement the elements of the social protection floor.

UN Resident Coordinators play a key role in launching the floor process in countries, organizing the UN social protection floor country team and seeking the creation of the national task force. Depending on the presence and engagement of different UN agencies in the country, there are differences in the UN country team composition and lead agency.

For example, in Thailand, the ILO facilitates the work of the Social Protection Floor Joint Team, which includes UNRCO, UNICEF, UNFPA, UNESCO, WHO and the World Bank. The team supports the government in realizing its policy to implement social protection for all by 2017. In Mozambique, ILO, UNICEF, WFP, IMF and the World Bank collaborate closely to support activities in the four priority areas of the government to provide basic social security: Direct Social Action, Health Social Action, Education Social Action and Productive Social Action. In Argentina, social protection floor inter-agency action began in May 2010. Following a participatory process, in which United Nations resident agencies and the World Bank took part, activities carried out included the development of conceptual notes and a proposed work agenda to be presented and discussed with high-level government counterparts.

Policy coherence and coordination needs to be ensured across the UN system but more importantly between UN actions and national policy. Social protection floor activities do not build parallel structures but take into account processes already under way in countries, positioning social protection within the existing development and policy agenda. As such, floor activities are integrated into country-owned development planning processes and existing regional and UN planning frameworks. Depending on the country context and existing national social protection policies, the social protection floor is included, for

example, in National Social Protection Strategies, National Development Plans, Poverty Reduction Strategies and Accelerated Growth Strategies.

One benefit of the social protection floor is to bring together in one framework the disparate and often uncoordinated planning processes of different sectors that are interlinked. These include health, education, housing, food, water, sanitation, the unemployed, older persons, persons with disability, families, pregnant women, children, and people with HIV/AIDS. This facilitates setting priorities and sequencing for the introduction, reform and financing of social protection policies, and allows for synergies between different sectors. Furthermore, it creates a framework conducive to broader general coordination and coherence of policy at the national level, even beyond the social protection sphere.

In addition to such coordinated efforts at country level, the UN system works at regional and global levels. This involves: developing coherent approaches through joint tools and methodologies; working together on social security statistics and data; exchanging information; joint advocacy to promote the social protection floor; and coordinating training activities aimed at improving the capacity of countries to implement social protection floor policies. For example, the ILO and UNICEF jointly developed a costing tool which has already been used in 20 countries, to assist in analysing the financial feasibility of different policy options for introducing various elements of the social protection floor. The members of the coalition developed a joint communication strategy and statement to ensure that members of the initiative send out coherent messages, and the ILO and UNDP brought out a joint publication of success stories (ILO–UNDP, 2011).

## Pathways to economic inclusion

Permanent exit from poverty entails creating effective pathways to decent work, and this is a key aspect in designing social protection floors. Developing countries have adopted innovative ways of facilitating such economic inclusion through the expansion of social protection floor policies and programmes. Transfer programmes to reduce poverty increasingly focus on improving children's human development, especially nutrition, health and education, so as to improve their employability when reaching active age. Their impact across a variety of countries has been well documented (World Bank, 2009; UNICEF, 2010a). Many programmes aim to reduce or eliminate child labour, and to assist the transition from school to work in a way that enhances decent work opportunities for young

people.<sup>21</sup> Interventions focused on children can help ensure their integration into the labour market takes place on better terms than that of their parents.

Social protection floor programmes centred on human development will have a stronger impact in the medium and long term, but efforts to provide economic opportunities in the short run are also important.<sup>22</sup>

Employment guarantees together with programmes focused on asset protection and accumulation, when appropriately designed and implemented, can promote immediate economic inclusion for groups in poverty. “Challenging the Frontiers of Poverty Reduction – Targeting the Ultra Poor”, a programme managed by the Bangladesh Rural Advancement Committee, known as BRAC, shows how economic opportunities can be expanded for very poor households that have few or no assets. A set of integrated interventions stabilize consumption, improve health status, train women in appropriate productive activities and budget management, and transfer assets. This incremental approach has proved successful in Bangladesh and is now being tested in other countries and contexts. Employment guarantees and cash transfer programmes are especially important in protecting household assets and productive capacity in the context of high and fluctuating unemployment.

Through innovative design, employment guarantees for poor or unemployed individuals can also be used to benefit other vulnerable groups. Beyond public works programmes that serve to build infrastructure, unemployed individuals can also be deployed as care workers. This is the case in South Africa’s Isibindi programme, which trains unemployed community members to visit, care for, accompany (to schools, health centres and government offices) and provide emotional support for orphaned or vulnerable children – often in households affected by HIV/AIDS. As a result, the Isibindi programme simultaneously strengthens vulnerable children’s long-term development and ensures that unemployed individuals are economically included.

The challenge of extending existing poverty reduction programmes to strengthen pathways to work and employment is beginning to be addressed in developing countries. For example, the Livelihood Empowerment Against Poverty (LEAP) programme in Ghana is designed to link the beneficiaries of a means-tested conditional cash transfer to complementary services that will facilitate their “graduation” from the programme into the labour market and avoid dependency.

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<sup>21</sup> Against the context of the crisis, several countries have extended the coverage of social assistance programmes to unemployed adolescents.

<sup>22</sup> In fact, a critical gender perspective on human development programmes in Latin America points to the fact that mothers are required to take on additional responsibilities for the human development of their children without themselves receiving support to enhance their economic inclusion.

These services include access to the National Health Insurance Scheme for all household members, education for all school-age children in the household and access to agricultural inputs and irrigation, processing and storage facilities. A stronger policy focus is needed to develop and integrate interventions, including active labour market policies and micro-enterprise development, which can open up work and employment opportunities for beneficiaries of transfer programmes.

Another example of how social protection programmes can promote economic exclusion is through linking transfer and public works programmes with other programmes and services that support economic and agricultural productivity. Ethiopia's PSNP, for instance, includes a direct support (cash benefit) component for those unable to work and a public works component. The programme has two additional features, which are meant to support economic productivity and help participants move out of poverty. The first is the types of public works projects selected, which include terracing, irrigation and other activities to improve agricultural productivity, and the second is linking participants to agricultural extension and microfinance services.

It is also important to align work incentives with poverty reduction programme objectives. In some middle-income countries with well-developed social

### Box 11 Integrating social insurance and social assistance

The 2008 pension reform in Chile made an encouraging effort to create a "Solidarity Pension" by redesigning the non-contributory components of its pension system. This was done by expanding its coverage substantially while introducing a supplementary social assistance benefit for those with low individual pension savings because of breaks in their labour and social security contribution histories and/or low wages. Both pension benefits are coordinated and integrated into one public social insurance institution. Everyone within the first three poorest quintiles (60 per cent of the population) is entitled to a full basic non-contributory benefit, if they have not had formal employment, or to a proportional and decreasing supplementary benefit to the one obtained from the individual contributory pension savings scheme.

Since 2009, Colombia has also been implementing a reform aimed at achieving universal health-care coverage by unifying its contributory and subsidized insurance schemes into a new universal health insurance plan. The contributory health plan, known as *Plan Obligatorio de Salud* (POS), is financed by a payroll tax on formal-sector workers and a tax on employers. Low-income or informal workers are covered by the *Plan Obligatorio de Salud Subsidiado* (POSS), which is financed by a government subsidy. Integration of the social floor in the insurance programmes will make it easier for workers to move into the social protection system.

Source: ILO (2010d).



insurance programmes, the overlap of social insurance and social assistance requires attention from policy-makers (see box 11). Uruguay and Chile have emphasized the need for coordination of social insurance institutions and social assistance programmes to reach poor and vulnerable groups. In Mexico, policy innovations such as the *Seguro Popular* build up from social assistance to include insurance components. These examples demonstrate the advantages of viewing the social protection floor not as an alternative to social insurance institutions where these exist, but as part of a comprehensive and pluralistic social protection system with linkages between the components. In low-income countries lacking well-established social insurance institutions, the social protection floor provides a foundation for building such institutions and facilitating the movement of people from social assistance into comprehensive forms of social protection. The perception that social assistance applies exclusively to those who are out of work, while social insurance applies only to those in formal employment does not correspond to the actual situation in many developed and developing countries, where mixed financing and institutional frameworks exist.

### Scale and beneficiary selection

Universal programmes ensuring access to social protection for everyone can promote social rights and work towards reducing and eradicating poverty. At the same time, providing poor households with preferential access to basic services helps address social exclusion.

Findings across countries and regions show that a variety and combination of methods have been adopted to identify intended beneficiaries. Methods for selecting people eligible to receive benefits include defining certain categories of the population based on socio-economic criteria such as age, sex, economic sector, household size or geographical areas and means-testing based on income or wealth indicators. In practice, most programmes use a combination of methods, in some instances adopting procedures starting from the poorest or most vulnerable towards upper limit thresholds that separate the eligible from the non-eligible. Combining methods is likely to improve the accuracy and efficiency of delivery systems while strengthening the effectiveness of combating extreme and chronic poverty (Coady, Grosh and Hoddinott, 2004).

Human development programmes in Latin America have put in place complex systems of identification and selection of beneficiaries with the objective of improving the efficacy of policy outreach and maximizing impact. They usually



involve geographic selection of poor areas, categorical and means tests or proxy means tests procedures for the identification of poor households in these areas, and community-based validation.

Other types of programmes rely on design features to encourage beneficiaries to register themselves. In employment programmes and employment guarantee schemes, such self-selection is achieved through the requirement that beneficiary households provide labour at wage rates below rates paid on the market.<sup>23</sup> In low-income countries, with low differentiation among the poor, accurate beneficiary selection is difficult to achieve. Even though elite capture is a concern, community selection methods have proven very effective in certain contexts. For example, Zambia's Kalomo Social Cash Transfer Scheme, which started in 2004, is targeted both to households that are destitute (i.e. with no regular external support, no productive valuable assets, and/or no substantive income) or incapacitated (i.e. with more than three dependants for every productive member), and to people above the age of 60. The targeting mechanism is community-based, with checks and balances (Schuering, 2008).

Another important feature of such programmes is their scale. Many experiences, particularly in low-income countries, involve pilots or small-scale programmes that do not have significant effects and only cover a limited share of the target population group. The next step in such instances is to establish a coordinated set of social protection interventions in the form of a floor. Institutional arrangements are crucial for this.

There are many risks associated with the targeting process. By establishing a mechanism that discriminates between the poor and the non-poor, targeting may create stigma and disincentives to seek formal employment. Furthermore, it opens the possibility for errors in which someone who deserves benefits is rejected or benefits are paid to someone who does not deserve them. The latter is usually considered as a form of leakage. Indeed, in many countries targeting has been associated with under-coverage, with many of the poor missed, and serious leakage, with many better-off people benefiting from the schemes. The most common explanation for these results is poor implementation and weak governance. It would appear that where poverty is widespread, targeting is unnecessary and administratively costly, as it is simply too demanding in terms of available skills and administrative capacity.

The main way to avoid the problems posed by targeting is to gradually expand the components of the social protection floor, with at least some of its

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<sup>23</sup> This is not the case for NREGS in India, notably for women. Workdays are paid at minimum wage level; that is much higher than market wages for women and similar to those for men. Similarly, wage rates correspond to legal minimum wages, which are significantly higher than existing market wages.

instruments (such as those to guarantee income security) viewed as a step in the development of social security, which clearly follows the principles of universalism.

Similarly, there is ongoing debate on the effectiveness of imposing conditionalities to access essential services, in particular those that penalize children if parents do not comply or provide incentives for corruption. Available evidence indicates that the presence of conditionalities may have played a role in positive results regarding school attendance, according to case studies for Brazil, Cambodia, Mexico and Ecuador. This suggests that the impact on school attendance would have been smaller if the cash transfer did not include conditionalities. On the other hand, it is questionable whether the conditionality attached to these initiatives, such as mandatory health examinations, is necessary and sufficient for the programmes' positive impact. In addition, the potential negative repercussions of obligatory conditions deserve consideration, namely that children are penalized if parents do not comply, or there are incentives for corruption. Other concerns raised include difficulties in making the conditionalities enforceable and whether the positive effects are mainly due to the cash transfers themselves, rather than the conditionalities (Fiszbein and Schady, 2009).

According to the United Nations Research Institute for Social Development (UNRISD), the diversity of opinions and mixed evidence on the effects of conditionalities demonstrate that the debate remains open. More research is needed on their impact on poverty, inequality and other dimensions of social development (Gaia et al., 2011).

### **Institutional arrangements**

As the social protection floor concept develops, closer attention and comparative analysis is needed regarding institutional arrangements, which vary widely in developing countries.

Governments have the responsibility to formulate and guide implementation of the social protection floor. Across countries and regions, social partners and multiple stakeholders are engaged in managing the delivery of social protection floor policies and programmes.

The conclusions concerning the recurrent discussion on social protection of the 100th International Labour Conference highlighted the role of employers' and workers' organizations on awareness-raising efforts and on building public support for social protection. The conclusions also call for further participation of social partners in social dialogue processes aiming at the design, implementation

and governance of social security systems and establishment of national social protection floors. They should further contribute to the development of innovative solutions including those which might address economic shocks, structural changes and sustainability including through collective bargaining and jointly develop initiatives to support the transition to formal employment and formal enterprises (ILO, 2011a).

The participation of social partners, private providers, civil society, including NGOs, is particularly important in the case of the delivery of health care services. The picture is similar regarding the transfer components of the social protection floor, where public–private partnerships are widely used, for example to deliver benefits. This is especially the case in low-income countries, where there are gaps in the delivery capacity of public agencies, and international partners rely on non-governmental agencies to deliver aid projects. In middle-income countries such as Mexico, initial reliance on ad hoc agencies has given way to their incorporation within conventional government structures.

Education and dissemination of knowledge on social protection are fundamental to empower social actors to claim their rights, to fulfil their obligations and to participate in the design and implementation of social protection policies. Individuals informed on the different risks they may face over the life cycle and aware of their social protection rights and obligations are more proactive in identifying solutions adapted to their needs and will take full advantage of social protection services and entitlements available. Many countries, such as Brazil, Chile, Colombia and Uruguay, have introduced social protection education programmes. These experiences share the objective of extending social protection coverage to all and the promotion of a social protection culture. Even if they have different characteristics and degrees of sophistication, many of these programmes rely on partnerships between social security and education institutions, social partners, civil society organizations, including NGOs. In the case of Uruguay, the provision of knowledge on social protection is included in the official education and training curricula and covers all the children and adolescents in formal and non-formal education programmes. Initiatives at regional and international level confirm the important role of social protection education and the creation of a culture of social protection among the population.<sup>24</sup>

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<sup>24</sup> The Declaration of Guatemala on Social Security for All states the compromise of international organizations and American states on building a social security culture (see <http://www.seguridadsocial-paratodos.org/en/documents>). The Education International Resolution on Social Protection Education adopted in 2011 confirms the engagement of education professionals in the process of creating this culture (see <http://www.seguridadsocialparatodos.org/en/node/199>).

There is wide acknowledgement of the synergies between social protection and economic policies if benefits are designed in a way to promote reintegration into the labour market after spells of unemployment, sickness, maternity or disability, or when labour mobility is necessary due to economic restructuring. There remain, however, gaps in coordinating transfer programmes with active labour market policies and micro-enterprise development, which are usually handled by different ministries and agencies, such as labour, social development and agriculture. Some countries have successfully improved policy coherence through interministerial working groups or other coordination structures. For example, Uruguay established a Social Cabinet that facilitates the harmonization of social policies by bringing together the President, Ministers of Social Development, Finance, Education and Culture, Labour and Social Security, Health, Tourism and Sport, Housing, Territorial Planning and Environment, the Office of Planning and Budget and the President of the Congress of Mayors (ILO, 2011e, para. 507).

Integrating and consolidating fragmented and underperforming social protection programmes into the social protection floor can bring important gains. Public agencies have a leading role to play in the development of social protection floor institutions. Government leadership helps to ensure accountability, especially regarding the rights and entitlements of people supported by the floor, and to ensure that programmes and policies fit in with development objectives.

Decentralized institutional arrangements can greatly improve the timeliness and effectiveness of the floor by engaging local government and non-governmental organizations in supplementing and delivering programmes. It is important to ensure adequate coordination and to forestall the potential capture of the programme by local elites (Levy, 2006; Lindert et al., 2007; Schubert, 2008). Decentralization has spread in the developing world in the last three decades for a variety of reasons. This has shifted more responsibilities to lower tiers of government, including for essential social services and administration of some cash transfer programmes. A major reason has been to improve the quality of services and effectiveness in reaching excluded people. While trade-offs regarding decentralization are country specific, overall it can help to involve local authorities in social policy goals and reflect local preferences and circumstances. It can also contribute to empowering local authorities and matching programme design to local cultures and languages. Cooperation between local government and central or national agencies can be crucial in the implementation process, especially at times of crisis or emergencies. (Grosh et al., 2008).

Developing social protection sector coordinating agencies or networks, as attempted in Chile (see box 12), is one policy option for addressing this issue (MIDEPLAN, 2009). Social protection networks provide a forum for

### Box 12

#### Chile: Network for basic income security and preferred access to essential services

Chile has made gradual and substantial progress towards ensuring social rights for people in need. Basic needs assistance focused on poverty has been replaced by a social protection entitlement approach. The set of programmes that guarantee social rights are coordinated by a social protection network named *Red Protege* (Protection Network). This involves different programmes for every basic social right, with one common denominator – the intervention unit is the household. Moreover, coverage has a life cycle approach, interventions prioritize enhancement over assistance, and law secures social rights.

The first programme to become part of this network was *Chile Solidario*. Initially, in 2003, this programme focused on poverty reduction, but its role has grown over time to cover other people at risk. Components involve income security as well as access to essential services for all household members. *Chile Crece Contigo* (2006), a childbirth programme, was designed to protect pregnant women and children under 4 years old. It also seeks to enable women to participate in the labour force by providing social services such as day care and free nurseries. Personalized intervention under *Red Protege* is effective in addressing the problem of people not accessing services they are entitled to. In addition, a 2005 health reform created a Universal Plan of Explicit Health Guarantees, which sets out detailed assurances regarding access, opportunity, quality and financial protection to improve and extend health care. The pensions and unemployment insurance reforms of 2008 and 2009, respectively, included non-contributory solidarity components that have extended coverage to people formerly excluded.

The network gained legitimacy through a long and intensive political process. Its main strengths are the consensus and legal framework backing the programmes. The institutional process began in Presidential Advisory Committees, where the social protection reforms were analysed and discussed. This meant there was a degree of technical and political agreement among relevant stakeholders when the executive branch submitted the bills to the National Congress for approval. Law also secures *Red Protege* funding, with the legal framework that supports the programmes establishing the financial commitment required for their implementation.

Source: Hardy (2011).

inter-agency and inter-sectoral harmonization and coordination. Social protection networks greatly facilitate integration and harmonization in the delivery of the social protection floor to beneficiaries. They can also serve to standardize mechanisms of accountability and due process across agencies.

Another example of how key design components can be conducive to supporting a cross-sector and integrated approach is Ghana's Livelihood Empowerment Against Poverty (LEAP) programme. LEAP was initiated in 2008 to provide cash transfers to vulnerable households. The Department of Social

Welfare (DSW) oversees coordination, while the participation of relevant line ministries (such as Education, Health, Labour and others) is facilitated through an interministerial committee. A Memorandum of Understanding was signed between the Ministries of Health and Education ensuring linkages between complementary services, such as the automatic enrolment of LEAP beneficiaries in the National Health Insurance Scheme, participation in education fee waivers and uniform bursary programmes. Moreover, the government is currently working on establishing a common targeting mechanism among all relevant ministries, which would further integrate benefits.

Coordination between budgetary and delivery agencies is essential to ensure stable and reliable financing. Ministries of Finance have an important role to play in supporting this coordination. Institutional arrangements should also consider having monitoring and evaluation processes within social protection floor programmes, which can provide important inputs in the budgetary allocation process.

### Monitoring and evaluation

Monitoring is an essential management tool to provide regular information about how well a programme is working. This allows managers to act to improve programme implementation and should be viewed as a continuous process throughout the life of a programme. It should be an integral component that is adapted to the country and programme context. Although information technology is a key element of monitoring, it is not sufficient for success. Political support to develop monitoring and evaluation capacity is vital.

Monitoring and evaluating tools require adequate skills, management attention and funding. In low- and middle-income countries, it is essential to capture fully the benefits of information technology to improve the effectiveness of social protection floor components. The *Cadastro Único* in Brazil and the *Ficha de Protección Social* in Chile provide significant examples of how information technology and knowledge can drive social inclusion and improvements in programme delivery. Examples of monitoring and evaluation mechanisms in sub-Saharan Africa are provided in box 13.

Advances in poverty analysis have also been important in shaping programmes. Increased availability of household survey data has improved the measurement of poverty, as well as associated methods to identify households and individuals in poverty. It is now possible to differentiate among households in

### Box 13 Monitoring and evaluation in sub-Saharan Africa

Recognizing the importance of monitoring and evaluation for programme improvement and financing, many low-income countries are investing heavily in rigorous monitoring and impact evaluation. Examples in sub-Saharan Africa include Ethiopia, Ghana, Kenya, Lesotho, Malawi, South Africa and the United Republic of Tanzania.

In the case of Lesotho, a central registry system is being developed to accompany the implementation of the Cash Grant Programme for vulnerable children. By storing and processing household data collected during the implementation of this programme, Lesotho's National Information System for Social Assistance (NISSA) now contains data that is crucial for targeting vulnerable households in subsequent social protection programmes. The Management Information System has also been implemented to facilitate the monitoring of programme coverage among all recipients.

poverty, and to rank them according to the depth and intensity of their poverty. Multidimensional perspectives on poverty have helped promote the coordination of anti-poverty interventions, especially transfers and basic services. Impact evaluation techniques have generated information and knowledge on the impact of programmes, and of their design features and reach.

Evaluation of transfer programmes has helped to spread knowledge about their actual impact. Quasi-experimental methods for impact evaluation, such as those used for *Progresa/Oportunidades* in Mexico have yielded more reliable estimates regarding how well policies and programmes achieve their objectives. Evaluation has also permitted an improved understanding of the conditions required for programmes to be effective.

Adequate appeals and monitoring processes are essential to ensure nondiscrimination and impartiality or redress discriminatory structures in the design and delivery of the social protection floor (United Nations Human Rights Council, 2006). A major contribution has been to emphasize the role of programme design, as well as implementation. For example, impact evaluations of conditional cash transfer programmes have highlighted the role of women in the household. In *Progresa*, the first large-scale conditional cash transfer programme with randomized evaluation in Latin America and one of the most studied, mothers received cash benefits. Results suggest that the programme empowered women, who assumed a bigger role within the household. The probability of the husband being the sole decision-maker decreased in *Progresa* families while that of women deciding on their own how to use the extra income increased (Skoufias, 2005).

Randomized evaluations have also shed light on the sort of interventions that help more children attend school and improve learning. In fact, ex ante successful interventions may require specific institutional arrangements or need to be part of a broader set of interventions. Randomized experiments have allowed policy-makers to find out that supplying more of existing inputs, such as textbooks, or additional teachers is not necessarily reflected in test scores. This can be related to specificities in the national education systems that prevent schools from optimizing the use of resources. For instance, the evaluation of a pilot where a second teacher was assigned in non-formal education centres in Indian villages showed that test scores were not affected, although the project made it possible to keep the centre open for more days and increased girls' attendance (Duflo and Kremer, 2008).

Despite significant growth of impact evaluation in the last decade, there is still a need to deepen understanding on how to maximize social policies interventions. Recent efforts to establish and enhance real-time monitoring systems, such as the UN Global Pulse, represent a major step towards assessing the impact of economic and climate shocks on vulnerable populations to guide the implementation of public policies.

### **New technologies can assist the extension of social protection coverage**

New technologies can play a key role in extending social protection coverage both in starting up programmes and enabling them to run effectively and efficiently, particularly for managing membership and claims, and in delivering benefits. This is especially the case in countries where there are substantial risks of inefficiency due to low administration skills, inadequate infrastructure, large distances or corruption.

New technologies are already being used to deliver social protection benefits in a number of countries, particularly in Africa, where electronic delivery systems are used widely. Electronic delivery of social cash transfer programmes offers programme implementers and benefit recipients greater cost efficiency and flexibility. The rapid penetration of cell phone infrastructure, combined with a growing interest by banks to extend financial services, is likely to encourage this trend. From the point of view of beneficiaries, technologies can help reduce the obstacles posed by living in remote or isolated areas and the costs involved in obtaining benefits, such as travel, lost labour income and finding childcare (Vincent and Cull, 2011).



The electronic delivery of cash may be achieved through a variety of mechanisms. These include debit cards, smart cards or cell phones, and may involve a range of financial infrastructure, such as banks, automated teller machines (ATMs), and point-of-sale (POS) devices, as used in Namibia for the delivery of social pensions. This can also contribute to greater financial inclusion in countries where the poor have hitherto been out of the ambit of formal finance. In Southern Africa, a number of electronic delivery systems have been proposed and piloted to increase the effectiveness of cash transfer programmes (table 5).

Mobile automated teller machines can distribute social protection funds. In some countries, mobile ATMs are built into a vehicle, while others are carried in the back of a truck. However, in most environments, security in the form of armed guards is required to travel with mobile ATMs, as is the case for Namibia and South Africa, where cash-in-transit heists are a problem. In addition to standard personal identification numbers, the computer system managing the ATM could link to the social transfer programme's administrative data, thus verifying eligibility. They also can be equipped with biometric verifications

Table 5. Cash transfer projects and programmes with electronic delivery mechanisms

Project name	Country	Delivery mechanism	Financial infrastructure	Period of operation
Concern Worldwide's Dowa Emergency Cash Transfer	Malawi	Biometric smart card	Mobile POS (Opportunity International Bank of Malawi)	Dec. 2006–Apr. 2007
Save the Children's Emergency Drought Response	Swaziland	Optional debit card/post office cash	Bank/ATM (Standard Bank)	Nov. 2007–Apr. 2008
Old-age Grant	Swaziland	Debit card	Bank/ATM (any of Swaziland's five major banks)	Pilot began in 2009
Concern Worldwide's Kerio Valley Cash Transfer Pilot	Kenya	Cell phone (SIM card)	POS devices at M-PESA agent outlets	Apr.–June 2008
Hunger Safety Net Programme	Kenya	Biometric smart card	Bank/ATM/POS (Equity Bank)	2009–2012 (first three-year pilot)
Basic Income Grant Pilot	Namibia	Biometric smart card	POS at NamPost post office	Jan. 2008–Dec. 2009
Old-age Pension	Namibia	Biometric smart card	POS at NamPost post office	2006–current

Source: Vincent and Cull (2011).

systems – such as fingerprint scanners. Mobile ATMs are not dependent on electricity infrastructure because vehicle generators can power them. They can be loaded with beneficiary data before they embark on their rounds and then operate off-line, eliminating their dependence on communications infrastructure (Vincent and Cull, 2011).

Despite the benefits of electronic delivery systems, there are some caveats. Given the time- and cost-intensive nature of setting up payment mechanisms relative to ensuing operating costs, the incentive for private-sector partners to engage is much greater for long-term programmes than short-term pilots. Governments therefore must keep the long-term needs of beneficiaries in mind. Programmes that deliver benefits in person through community gatherings, such as the Livelihood Empowerment Against Poverty programme in Ghana, have observed beneficial side effects, including distribution of information, awareness raising and the formation of stronger community ties.

**T**his report calls for a renewed focus on social protection issues and considers that strong national and international actions are needed to advance the extension of social protection coverage drawing on basic social protection floors.

By addressing the structural causes of poverty and inequality in a context of accelerated demographic ageing process, these actions can contribute to enhance social cohesion, peace and stability, which in turn help to minimize social unrest. They can also promote macroeconomic stability, as countries can rely on social protection to both act as an automatic stabilizer and provide foundations for a sustainable and inclusive globalization.

For this purpose, the report recommends the following specific steps.

## **Principles for the implementation of nationally defined social protection floors**

This report shows that there are no one-size-fits-all solutions in implementing social protection floors. While adopted as a global concept, each country should decide to design and implement social floors shaped within a framework of national-specific institutional structures, economic constraints, political dynamics and social aspirations.

In countries where comprehensive and well-developed social protection systems already exist, the social floor approach can serve to strengthen weaker levels of protection, fill coverage gaps, enhance coherence among social policies and improve coordination among institutions.

For countries with low and intermediary levels of social protection coverage, the social protection floor can serve as a tool to extend coverage horizontally as a first step to building universal and comprehensive social protection systems.

While the design and implementation of nationally defined social protection floors should follow country-specific dynamics, we recommend that some general principles be taken into account to ensure the full potential of social protection floor interventions is unleashed, including:

- Having combined objectives of preventing poverty, protecting against social risks and empowering individuals to seize opportunities for decent employment and entrepreneurship.
- A gradual and progressive phasing-in process, building on already existing schemes whenever possible, within a long-term perspective to increase social protection coverage from basic towards higher levels, according to national priorities and fiscal constraints.
- Coordination and coherence between social programmes in the areas of social assistance, health, pensions, education, nutrition, housing and sanitation and employment services. Taking a life cycle and human development perspective, the floor should address vulnerabilities of children and their families, the underemployed and working poor, the elderly and people with disabilities. It should be a framework with a systemic approach for coordinated interventions, addressing multidimensional causes of poverty and social exclusion and aiming to unlock productive capacity and empower people.
- Combining income transfers to families with children, educational, nutritional and health objectives, to promote human development and reduce child labour.
- Gradually introducing systems that combine income replacement functions with active labour market policies, where appropriate, as well as assistance and incentives that promote participation in the formal labour market.
- Minimizing labour disincentives so that people in work are relatively better off than those receiving unemployment benefits.
- Ensuring consistency between contributory and social assistance policies.
- Economic affordability and long-term fiscal sustainability anchored in predictable and sustainable domestic funding sources. International solidarity could help to start the process on cost-sharing basis in some low-income countries.
- Coherence between social, employment and macroeconomic policies as part of a long-term sustainable development strategy.

- Effective legal and normative framework establishing: clear rights and responsibilities, eligibility criteria and conditions for accessing guarantees and benefits, targeting criteria, range and benefit levels, as well as the design, governance and financial arrangements.
- An adequate institutional framework with sufficient budgetary resources, well-trained professionals in the core social areas, including health and education, and effective governance rules with participation of the social partners and other stakeholders. The framework should include: clearly identified operational and oversight responsibilities; monitoring, accountability and disclosure mechanisms; redress channels; exchange of information and inter-institutional coordination mechanisms, including unified beneficiary identification procedures; and intensive use of information and communication technologies.
- While the role of the State in designing and implementing national social protection floors is certainly essential, the involvement of social partners and relevant civil society actors and stakeholders in the design and operation of basic social protection schemes should be encouraged. The participation of social partners enhances legitimacy and political sustainability. When appropriate, public–private partnerships should be promoted.
- Disseminating appropriate information and knowledge on social protection rights and obligations combined with adequate capacity building, training and awareness-raising mechanisms through formal and informal education channels.
- Ensuring mechanisms to promote gender equality and support the empowerment of women.
- Effective health financing systems to ensure access to health services of good quality.

### Monitoring progress

Countries should establish their own goals, strategies and timeframes to expand social protection coverage and adopt monitoring mechanisms to assess and measure progress using appropriate indicators.

Regarding health, a relevant indicator of access to care could be the level of out-of-pocket resources devoted to health care services (in line with WHO

recommendations which show that out-of-pocket expenditures should not exceed 15–20 per cent of total health expenditures). The proportion of people receiving needed health services should also be monitored.

Minimum levels of income security could take into consideration the monetary value of a nationally defined basket of essential goods and services needed to live in health and dignity.

Efforts at national level to map coverage and assess the profile of those who are not covered will help in the design of specific measures tailored to the need of each group in situations of vulnerability or exclusion when implementing national plans to extend social protection coverage.

Mechanisms should be used for assessing the impact and effectiveness of specific social interventions and social protections schemes, including through innovative experimental social programmes. International organizations should support national efforts if necessary. Technical and financial assistance and knowledge sharing should be encouraged to overcome the barriers to implementing experimental programmes in countries lacking the required financial resources.

Capacities of international organizations to assess effectively global progress towards the extension of social protection coverage should be strengthened.

### Policy coherence and coordination among international organizations

The CEB Social Protection Floor Initiative is a major step towards promoting policy coherence and coordination within the UN system, but further efforts could be made, including deeper engagement of multilateral development banks.

We recommend the establishment of a mechanism for collaboration and coordination that includes experts of the relevant UN agencies, programmes, funds, regional commissions and international financial institutions involved in social protection-related issues.

The aim of this ad hoc inter-agency mechanism would be to ensure mainstream comprehensive, coordinated and collaborative action in response to immediate and longer-term social protection challenges, with emphasis on the social protection floor at global, regional and national levels. In particular, the main functions of the group could include:

- Advising the UN system on the appropriate responses to social protection challenges and on ways to enhance international cooperation, coherence and coordination on social protection issues.

- Discussing and endorsing a coherent and coordinated overall framework for action, including a range of joint strategies for immediate and longer-term action at global, regional and national levels.
- Ensuring the coordinated implementation of the framework and its related activities.
- Promoting coherent and coordinated advocacy and information sharing.
- Providing joint support at the country level for implementation of nationally defined social protection floors in response to countries' requests.
- Establishing a multi-donor social protection trust fund to finance joint advisory services supporting the implementation of social protection floors in low-income countries.

As practical instrumental mechanisms for this coordinated and collaborative action on social protection floors, we recommend that the ad hoc inter-agency group also focus on:

- Establishing a global social protection platform for knowledge sharing, building on existing initiatives, including information on successful social protection experiences and policies, and connecting experts, academics, policy-makers and administrators from international organizations and countries.
- Setting up a panel of appropriate indicators to monitor global progress towards extension of social protection.

We recommend that the social protection floor approach be fully integrated into the World Bank Social Protection Strategy 2012–2020 as well as in the social protection technical assistance programmes implemented by the regional development banks.

We recommend that the IMF-supported programmes take into account measures taken by the government to ring-fence and expand social protection systems drawing on the social protection floor approach.

It would also be appropriate to call on the ILO and the IMF to increase cooperation on supporting countries in creating and enhancing fiscal space for the implementation of social policies on a sustainable basis.

We recommend that international organizations join forces at national level to support a group of self-selected pilot countries. For these countries, on a demand-driven basis, we recommend that the social protection floor approach be integrated into national development plans and be supported by international

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development partners through their mechanisms, such as the United Nations Development Assistance Framework (UNDAF).

We also suggest the active involvement and engagement of social partners, private donors and NGOs, and suggest that those efforts should be integrated into a comprehensive strategy to promote the construction of nationally defined social protection floors.

### Linking to the Millennium Development Goals and beyond

With the Millennium Development Goals deadline fast approaching, it is important to intensify efforts to achieve existing commitments and to start discussing a new framework for coming decades. The social protection floor can be of help in this endeavour. By addressing multidimensional vulnerabilities in an integrated and interconnected way, it complements the MDGs perspective and provides a coherent and consistent social policy tool to accelerate the achievement of the MDGs before 2015 and beyond. We recommend that the floor approach be taken into consideration in the design of future development commitments.

### International standard-setting mechanisms

We welcome the conclusions of the 100th Session of the International Labour Conference and the discussions on a possible international recommendation on social protection floors to complement already existing social security standards, in particular ILO Convention No. 102. We value highly the tripartite consultations and the work of the social partners in supporting the social protection floor. We suggest to the ILO Governing Body to request that the process of elaboration and possible adoption of such recommendation should be given a clear priority in ILO activities. We suggest to the representatives of governments, employers and workers to advance in promoting the extension of social protection coverage by adopting an ILO Recommendation on the implementation of social protection floors.

Given the broader perspective of the social protection floor as a policy coherence concept, including the areas of social security, employment, health, education, nutrition, housing and sanitation and its demonstrated role as a tool to



enable the realization of key human rights enshrined in the Universal Declaration of Human Rights and other relevant international conventions, we encourage countries to include information on the implementation of social protection floors when reporting regularly under UN treaty obligations. We also invite the relevant treaty bodies and committees to consider, in the context of their future activities, preparing a general recommendation on the contribution of the implementation of national social protection floors to the realization of the social rights under the different conventions. In particular, we recommend that the Human Rights Council's draft guiding principles on extreme poverty and human rights should include the promotion the implementation social protection floors.

### **International development cooperation and support to low-income countries**

We acknowledge that some low-income countries need external international support to build social protection and recommend an intensification of South–South, triangular and North–South cooperation in this area.

We recommend that donors provide predictable multi-year financial support for the strengthening of nationally defined and determined social protection floors in low-income countries within their own budgetary frameworks and respecting their ownership.

We encourage regional organizations, such as the African Union, the Arab League, the Association of Southeast Asian Nations, the Commonwealth of Independent States, the European Union and the Organization of American States, to engage in international cooperation to promote knowledge sharing and support to low-income countries to implement social protection floors.

We suggest that traditional donors, such as the OECD member countries, and emerging donors, such as the BRICs (Brazil, Russian Federation, India and China), agree on triangular cooperation mechanisms to enable the building of social protection systems in partner low-income countries. These mechanisms could create a division of labour in which traditional donors could provide predictable multi-year funding through direct budgetary support to expand affordability of social programmes, while emerging donors could continue focusing on knowledge sharing and capacity building based on their own development experiences. International forums on development cooperation, such as the high-level forums on aid effectiveness could serve as a platform for the agreement of such mechanisms.

We welcome the conclusions of the G20 Ministers of Employment and Labour and the work done by the G20 Development Working Group that placed the implementation of nationally defined social protection floors at the core of the G20 agenda on the social dimension of globalization. In particular, we welcome the commitment from G20 countries to extend social protection coverage in their own systems through expanding social protection floors according to each country-specific situation with a view to achieving strong, sustainable and balanced growth, and to support low-income countries in doing so by ensuring effective sources of financing, including through international solidarity. The G20 call to international organizations to coordinate their actions more effectively to help countries develop their social floors is also a major step towards promotion of international coordination and policy coherence.

Given the G20's valuable potential for knowledge sharing, we also welcome its commitment to promote exchange of information, experiences and knowledge through the development of a knowledge-sharing platform, which would include both specific cases of successful experiences and technologies that could be transferred among countries.

We recommend that the G20 elaborate an action plan to implement its conclusions and put in place effective mechanisms, in coordination with international organizations, to monitor and report on the implementation of the action plan and to map progress towards extending social protection coverage in low- and middle-income countries, using appropriate indicators. Appropriate monitoring and reporting mechanisms should be put in place to guarantee the implementation of the recommendations.

# Annex

## **The Social Protection Floor Advisory Group: Background and composition**

This Advisory Group was convened in August 2010 by the ILO, with the collaboration of the WHO, under the framework of the United Nations System Chief Executives Board for Coordination (CEB) Social Protection Floor Initiative, to enhance global advocacy and provide guidance on the conceptual and policy aspects of the social floor. The Group was entrusted with the responsibility of preparing a global report on the social protection floor for a fair and inclusive globalization and to participate in a series of advocacy and awareness-raising activities at global, regional and national levels to encourage policy dialogue among key actors and stakeholders on appropriate measures to extend social protection.

### *Members of the Group*

#### **Chair**

MICHELLE BACHELET is UN Under-Secretary-General and the first Executive Director of UN Women. She served as President of Chile from 2006 to 2010. One of the core marks left by her government was the expansion of social protection programmes, including the introduction of the solidarity pillar in the pension system, massive investments in childcare centres for low-income families and childbirth policies, and the establishment of innovative social networks combining basic income security with preferred access to essential services in the

form of social floors. Ms Bachelet also served as Minister of Defence (2002–04) and Minister of Health (2000–02), when she led the implementation of major health-care policies to improve attention to primary care facilities, with the aim of ensuring better and faster health-care responses for families and increasing the quality, efficiency and coverage of the public system.

### Members

AURELIO FERNÁNDEZ LÓPEZ is Adviser to the Secretary of State for Social Security of Spain. He served as Chair of the Social Protection Committee of the European Union (2009–10) and as Chair of the United Nations Commission for Social Development (1998–2000). Mr Fernández has lengthy experience in representing his country in European and UN forums, as Counsellor for Social Affairs of the Permanent Mission of Spain to the United Nations in Vienna (1991–94) and New York (1994–2000), delegate in the Third Committee of the General Assembly, the Economic and Social Council and in the UNICEF's Executive Board. He has been Member of the High Level Task Force of the Council of Europe on Social Cohesion in the 21st Century (2007–08), and Spanish Commissioner for the 2nd United Nations World Assembly on Ageing (Madrid, 2002).

EBRAHIM PATEL is Minister of Economic Development of South Africa, responsible for coordinating and planning economic policies focusing on the elimination of poverty. He served as spokesperson for the Workers' Group in the Employment and Social Policy Committee of the ILO Governing Body during various sessions from 2000 to 2008 and was directly involved in the negotiations for a number of fundamental ILO instruments, including the ILO Declaration on Social Justice for a Fair Globalization (2008). During the same period Mr Patel was Overall Labour Convenor for organized labour in South Africa, leading negotiations on social and economic policy matters at national and international tripartite institutions.

EVELINE HERFKENS served as Minister for Development Cooperation of the Netherlands from 1998 to 2002. In 2002, she was appointed Executive Coordinator for the Millennium Development Goals Campaign. Between 2008 and 2010 she continued to be involved on a volunteer basis in the Campaign as its co-founder. She is also the Vice-Chair of the Governing Board of the International Centre for Trade and Sustainable Development (Geneva); member of the Governing Board of the African Centre for Economic Transformation

(Accra); and member of the World Commission on the Social Dimension of Globalization (Geneva). Before becoming a Minister, Ms Herfkens served as Ambassador, Permanent Representative of the Netherlands in Geneva (1996–98), and member of the Board of Executive Directors of the World Bank Group in Washington, DC (1990–96). She was also a Member of Parliament from 1981 to 1990.

KEMAL DERVIŞ is Vice-President and Director of Global Economy and Development at the Brookings Institution in Washington, DC. He served as the head of the UNDP and Chair of the United Nations Development Group from 2005 to 2009. Prior to this, Mr Derviş was a member of the Turkish Parliament (2002–05) and Minister for Economic Affairs and the Treasury of the Republic of Turkey (2001–02). He worked in the World Bank from 1977 to 2001, holding positions including Vice-President for the Middle East and North Africa Region and Vice-President for Poverty Reduction and Economic Management. Mr Derviş has been an active participant in various European and international networks and commissions, including the Commission on the Measurement of Economic Performance and Social Progress, chaired by Joseph Stiglitz.

MARTIN HIRSCH is the president of the French Civic Service Agency. He served as High Commissioner for Active Solidarity against Poverty and High Commissioner for the Youth of France (2007–10) and was responsible for designing and implementing the *Revenu de Solidarité Active* (RSA) that combines income support to the unemployed with incentives to return to the labour market and incorporates several elements which have contributed to the international development of the social protection floor concept. Mr Hirsch was president of the French non-governmental organization Emmaüs from 2002 to 2007 and held several positions in the French public administration, including Chief Executive Director of the French Food Safety Agency (1999–2005).

MARGARET WILSON is Professor of Law and Public Policy of the University of Waikato, New Zealand. She served as Member of Parliament from 1999 to 2008 and occupied several top-level positions in the New Zealand public administration, including Attorney-General, Minister of Labour, Minister Responsible for Treaty of Waitangi Negotiations, Minister of Commerce, Minister for Courts and Associate Minister of Justice, Chief Adviser and Head of Prime Minister's Office. She was the Speaker of the House of Representatives (2005–08), president of the New Zealand Labour Party (1984–87), Director of the Reserve Bank (1984–88) and Chair of the National Advisory Council on the Employment of Women.

SUDHA PILLAI is Member Secretary of the Planning Commission of India chaired by Prime Minister Manmohan Singh and in charge of promoting the improvement of people's living standards through efficient exploitation of the country's resources, increasing production and offering employment opportunities to all. Ms Pillai served as Secretary of Labour and Employment (2006–09) and as Chairperson and Managing Director of Kerala Finance Corporation.

ZHENG SILIN is Vice-Chairman of the Foreign Affairs Committee of the Standing Committee of Chinese People's Congress. He served as Minister of Labour and Social Security from 2003 to 2005 in charge of planning and implementation of Chinese policies to increase social security coverage. Mr Zheng held leading government posts in the provinces of Liaoning and Shaanxi beginning in the 1980s. He was elected governor of Jiangsu province (1995–98). He also occupied other important government positions including Vice-Secretary-General of Enterprises Affairs Committee (1999–2003) and Vice-Chairman of State Economic and Trade Commission (1998–99). Mr Zheng was a member of the 14th and 15th Chinese Communist Party Central Committees. He is currently a member of the 16th CPC Central Committee.

#### Ex officio members

JUAN SOMAVIA, a national of Chile, has been Director-General of the International Labour Office since March 1999. Under his leadership, the International Labour Organization has established Decent Work as its primary goal. It is a restatement of the ILO's historic mission to promote social justice through the world of work. From 1990 to 1999, he was Chilean Permanent Representative to the UN, during which time he was actively engaged with civil society organizations. He proposed the 1995 World Summit for Social Development and chaired its Preparatory Committee. He was twice President of ECOSOC (1998–99 and 1993–94) and of the Security Council (1996 and 1997), and chaired the board of the United Nations Research Institute for Social Development (1996–99). Mr Somavia's experience in all areas of public life – in politics, diplomacy and academia – has helped shape his vision that the dignity of work is central to personal empowerment, family stability and peaceful communities.

MARGARET CHAN is Director-General of the World Health Organization. She has a long-standing international and national career in the area of health. She joined the WHO in 2003 and occupied several high-level positions, such as Representative of the Director-General for Pandemic Influenza and Assistant

Director-General for Communicable Diseases. Prior to joining the WHO, Dr Chan served as Director of Health of Hong Kong, China (1994–2003). In her nine-year tenure, she launched new services to prevent the spread of disease and promote better health. She also introduced initiatives to improve communicable disease surveillance and response, enhance training for public health professionals, and establish better local and international collaboration. She effectively managed outbreaks of avian influenza and of severe acute respiratory syndrome (SARS).





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