

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 socioeconomic 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.

- ◆ 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. c 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 multidimensional 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.

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.