

# G20



International  
Labour  
Office

# Towards national social protection floors

A policy note for the G20 Meeting of Labour and Employment Ministers

Paris, 26–27 September 2011

Prepared by the ILO in collaboration with the OECD

# Contents

<b>Executive summary</b> .....	1
<b>1. Introduction</b> .....	2
<b>2. Social protection and the G20: from Pittsburgh to Toronto, from Seoul to Cannes</b> .....	2
<b>3. Social protection in G20 countries at a glance</b> .....	3
3.1. Pension coverage.....	4
3.2. Health coverage .....	7
<b>4. Coherent social protection and employment policies</b> .....	8
<b>5. Growing international support for the social protection floor approach</b> .....	10
<b>6. Endorsement of the International Labour Conference</b> .....	10
<b>7. Recommendations of the Social Protection Floor Advisory Group to the G20</b> .....	11

## Executive summary

Since their meeting in Pittsburgh in September 2009, G20 Leaders have consistently identified social protection, alongside measures to support employment and decent work, as a key policy in their responses to the global crisis. Social protection measures were extended both as a means to stabilize aggregate demand and as a contribution to the goal of strong, sustainable and balanced growth.

G20 Ministers of Labour and Employment have detailed a series of ways in which G20 countries could further extend their social protection measures. Emerging G20 countries are faced with the challenge of providing basic social protection to their populations. Several have announced ambitious plans to achieve this objective within the foreseeable future. At the same time, advanced G20 countries need to guarantee the financial sustainability of their social protection systems in a context of fiscal constraints.

Ensuring basic social protection through a nationally defined social protection floor is gaining widespread acceptance. In addition to the G20, the social protection floor approach has been upheld by the ILO and the United Nations. A social protection floor is deemed urgent, feasible (within fiscally sound policies) and highly effective in its contribution to sustainable and balanced growth.

In its June 2011 session, the International Labour Conference adopted conclusions on social protection. These called for national strategies to extend social protection and gradually build comprehensive social security systems in line with national priorities and in consideration of administrative feasibility and affordability. The goal is to create national social protection floors with universal coverage of at least minimum levels of protection.

Higher levels of protection would be achieved progressively, guided by ILO social security standards.

The OECD Ministerial Meeting on Social Policy of May 2011 also agreed that social policies, if well designed, contribute to long-term sustainable growth, limit the social consequences of economic crises, and help families make most of the economic recovery. Notably, policies for families, children and older people need to be adapted to evolving demographic and family structures to ensure intergenerational solidarity. Moreover, social policies at large need to be designed to promote skills enhancement and sustained employment growth.

Ms Michelle Bachelet, as chair of the Social Protection Floor Advisory Group, will submit recommendations to the G20 on how further concrete progress can be made with the introduction of national social protection floors in G20 countries and in low-income countries, and how enhanced coordination and coherence across multilateral institutions can facilitate this.

The G20 could exercise decisive leadership by (i) committing to progressively establish floors of social protection where needed in ways adapted to national conditions, fiscal possibilities and priorities; (ii) calling on all countries to consider progressively extending and raising their social protection floors, and ensuring their adequacy on a sustainable basis; (iii) encouraging development assistance to provide financial support to low-income countries for that purpose; (iv) requesting multilateral institutions, global and regional, to enhance their coordination and support to countries to that effect, and (v) promoting measures to ensure the sustainability and adequacy of pension and health schemes in light of changing demographics and technological developments.

## 1. Introduction

1. The social protection coverage of the population and the level of protection provided is a function of the stage of economic development of each country, its demographic and labour market profiles and institutional settings. As countries move into higher GDP per capita, the level of coverage and of benefits tends to rise. Yet policy priorities and national choices matter. Significant variations in coverage are observed across countries with similar characteristics and levels of development, suggesting considerable policy space and national choices.
2. Countries with lower levels of per capita income are rapidly raising the coverage of basic social protection, drawing on social protection floors, with several aiming to achieve universal coverage by at least a minimum level of protection within a foreseeable future. This will contribute to reduce precautionary savings and strengthen domestic sources of economic growth. Countries with more established social protection systems are taking measures to contain financing pressures resulting, inter alia, from population ageing and rising health care costs. Pension reforms, including increases in retirement ages, have been core elements in long-run fiscal consolidation packages. Combined with employment policies, such measures can increase labour market participation and enhance financial and fiscal sustainability and economic and employment growth. Both sets of measures in emerging and advanced economies contribute to rebalancing and sustaining global economic growth.
3. All G20 countries dedicated substantial shares of their crisis-response fiscal stimulus to social protection. Close to 30 per cent of the consolidated resources of G20 fiscal stimulus were allocated to measures such as unemployment benefits and employment support, cash transfers for family and children, old-age and disability pensions, housing, health, education and food security.<sup>1</sup> France, Germany, Italy, Japan and the United States adopted temporary social relief measures, while Argentina, Brazil, Mexico and China expanded the coverage of basic social protection, aiming to consolidate their social protection floors. The report prepared by the ILO for the 2010 G20 Labour and Employment Ministers' meeting demonstrated the triple role of

social protection systems in protecting people from becoming trapped in debilitating poverty, empowering workers to seize market opportunities and creating automatic stabilizers in times of economic crisis.<sup>2</sup> Similarly, OECD reports have documented how social protection systems have contributed to partially or fully offset market-driven increases in income inequality over the past few decades, helping to enhance social cohesion.<sup>3</sup>

4. This policy note takes stock of recent G20 initiatives in relation to social protection, recalls related major international initiatives, and argues for decisive leadership on social protection floors by the G20 as a major contribution to rebalancing and strengthening the world economy.

## 2. Social Protection and the G20: from Pittsburgh to Toronto, from Seoul to Cannes

5. Social protection has been central to G20 concerns since the Pittsburgh Summit in September 2009, when Leaders committed to "implementing recovery plans that support decent work, help preserve employment, and prioritize job growth" and to "continue to provide income, social protection, and training support for the unemployed and those most at risk of unemployment."<sup>4</sup>
6. In April 2010, in Washington, G20 Labour and Employment Ministers acknowledged the counter-cyclical role of social protection during the crisis and beyond and recommended that "all countries [should] establish adequate social protection systems so that households have sufficient security to take advantage of economic opportunities". They also noted that a basic social floor in the form of "measures such as income support to poor households through cash transfers, nutritional assistance, publicly funded access to basic health services, housing assistance and support for children, the elderly and disabled, designed according to a country's stage of development, can break cycles of poverty..."<sup>5</sup>

<sup>2</sup> *ibid.*

<sup>3</sup> See, for example, OECD: *Growing unequal? Income distribution and poverty in OECD countries* (Paris, 2008), available at [www.oecd-ilibrary.org](http://www.oecd-ilibrary.org).

<sup>4</sup> G20: *Leaders' Statement*, The Pittsburgh Summit, 24–25 September 2009, [http://www.g20.org/Documents/pittsburgh\\_summit\\_leaders\\_statement\\_250909.pdf](http://www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf) [accessed 19 August 2011].

<sup>5</sup> G20: *Labor and Employment Ministers' Recommendations to G20 Leaders*, 21 April 2010, [http://www.dol.gov/ilab/media/events/G20\\_ministersmeeting/results.htm](http://www.dol.gov/ilab/media/events/G20_ministersmeeting/results.htm) [accessed 19 August 2011].

<sup>1</sup> ILO: *Employment and social protection policies from crisis to recovery and beyond: A review of experience*, An ILO report to the G20 Labour and Employment Ministers Meeting (Geneva, 2010), available at [www.ilo.org](http://www.ilo.org).

In June, in Toronto, G20 Leaders endorsed the Ministers' recommendations while reiterating the importance of providing "social protection to our citizens, particularly our most vulnerable".<sup>6</sup>

7. In November, in Seoul, G20 Leaders moved social protection towards a broader developmental perspective as a core element of the Seoul Multi-year Development strategy to promote resilient and inclusive economic growth. Leaders further committed "to put jobs at the heart of the recovery, to provide social protection, decent work and also to ensure accelerated growth in low income countries".<sup>7</sup>
8. Social protection is central to the objectives of the G20 Framework for Strong, Sustainable and Balanced Growth, particularly in the context of the fragile recovery taking hold in G20 countries since 2010, marked by high degrees of uncertainty and significant short- and medium-term challenges for growth, employment and social cohesion.<sup>8</sup> In advanced economies, adjusting pension systems in response to rapid demographic ageing and reining in public health expenditures related to rapidly rising health-care costs are among some of the critical measures that will be needed to ensure longer term fiscal sustainability. In emerging economies, the extension of social protection coverage can contribute to reduce precautionary savings, increase consumption and strengthen domestic markets. Both sets of measures will contribute to rebalancing global demand.
9. In preparation for the G20 Meeting of Labour and Employment Ministers in Paris on 26–27 September 2011, the Governments of Argentina, Brazil and Mexico, with support from the G20 French Presidency, invited other G20 countries to reflect on a shared policy framework to promote social protection floors within a broader international agenda.<sup>9</sup>
10. In Cannes in November 2011, G20 Leaders have the opportunity to show decisive leadership in enhancing protection and security of people in a turbulent world, thereby fostering social cohesion alongside employment and economic growth and

making the world economy stronger, more sustainable and balanced.

11. These goals can be achieved if Leaders in Cannes commit to supporting the progressive establishment of nationally adapted social protection floors. They could call on all countries to consider progressively extending and raising their social protection floors to close gaps and ensure the adequacy of schemes on a sustainable basis; encourage development assistance to provide financial support to low-income countries for that purpose; and request multilateral institutions, global and regional, to enhance their coordination and support to countries to that effect. Leaders could also commit to implement measures to ensure sustainability and adequacy of pension and health schemes, by adjusting the parameters according to structural demographic and technological developments.

### 3. Social protection in G20 countries at a glance

12. Social protection in G20 countries varies according to income per capita, demographic and labour market profiles and the design of national systems pertaining to coverage benefit levels and private/public split in provision. Total public social protection expenditures range from below 5 per cent of the GDP in countries such as India and Indonesia to over 25 per cent in France, Germany and Italy (figure 1).<sup>10</sup>
13. Expenditures on health and pensions are often the largest components. Whereas in advanced countries the largest share in social protection expenditure goes to old-age pensions, in emerging economies bigger shares of the social budget are allocated to health care. High coverage levels among the elderly and relatively higher income replacement rates drive up social protection spending levels in Argentina and Brazil compared to other developing and developed countries. In countries such as Australia, Canada and the United States, in which a large share of the income replacement in pension schemes is provided by complementary private providers, public social protection expenditure is comparatively lower.<sup>11</sup>

<sup>6</sup> G20: *Toronto Summit Declaration*, Toronto, 27 June 2010, <http://www.g20.utoronto.ca/2010/to-communicue.html> [accessed 19 August 2011].

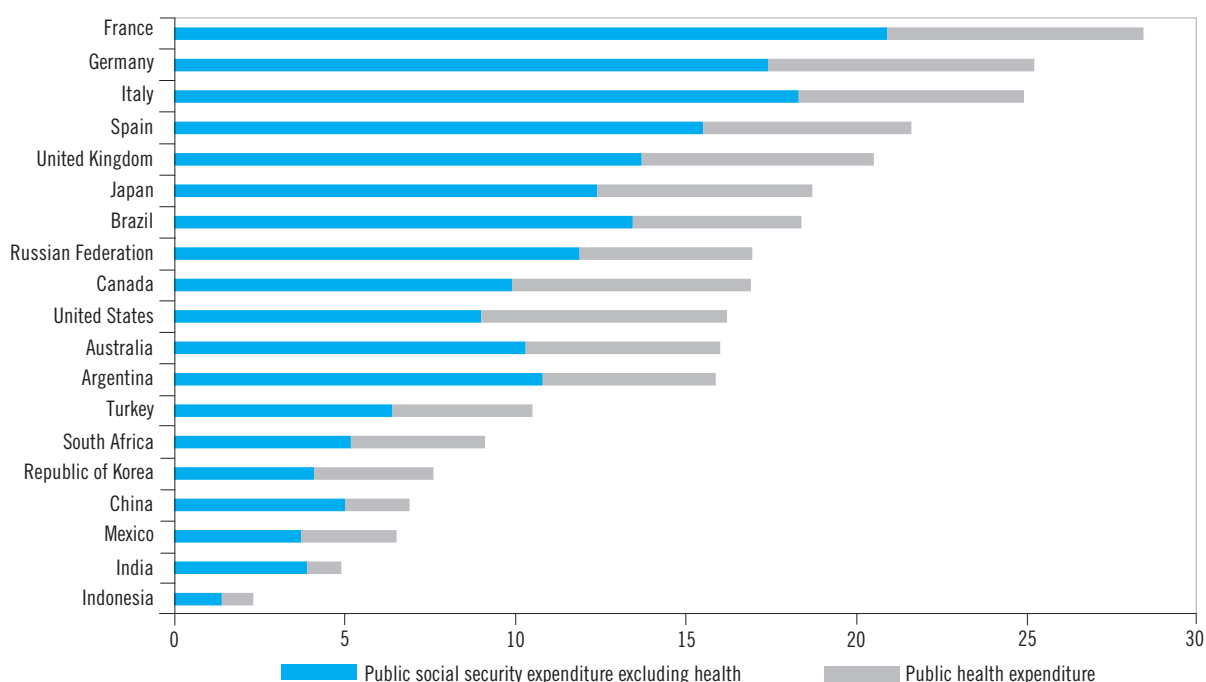
<sup>7</sup> G20: *Seoul Summit Leaders' Declaration*, Seoul, 12 November 2011, [http://www.g20.org/Documents2010/11/seoulsummit\\_declaration.pdf](http://www.g20.org/Documents2010/11/seoulsummit_declaration.pdf) [accessed 19 August 2011].

<sup>8</sup> IMF: *Global Economic Prospects and Policy Challenges*. Note prepared by the IMF for the Meeting of G-20 Deputies, Paris, 9–19 July 2011 (Washington, DC, 2011), <http://www.imf.org/external/np/g20/pdf/070911.pdf> [accessed 19 August 2011].

<sup>9</sup> G20: *Declaration of Brasilia on the Social Protection Floor*, Brasilia, 10 May 2011, available at <http://www.ilo.org/gimi/gess>.

<sup>10</sup> Data on mandatory private social security spending are not included in figures 1 through 3. Mandatory private spending will contribute to the basic level of social protection available in countries with such programmes, and in some cases will be encouraged via tax allowances. Across the OECD, mandatory private social expenditure accounts for 5 per cent of total social expenditure. See OECD, *Social Expenditure Database (SOCX)*, [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure).

<sup>11</sup> OECD: *Pensions at a Glance 2011: Retirement-Income Systems in OECD and G20 Countries* (Paris, 2011), pp. 115–131, available at [www.oecd.org](http://www.oecd.org).

**Figure 1. Public social protection expenditure in the G20 (% of GDP), latest year available (2007–09)**

Note: Includes medical care, old-age, sickness, unemployment, employment injury, family, maternity, invalidity and survivors' benefits plus other income support and social assistance programmes, including conditional cash transfers. Data on mandatory private social security spending are not included in figures 1 through 3. Mandatory private spending will contribute to the basic level of social protection available in countries with such programmes, and in some cases will be encouraged via tax allowances.

Source: ILO, GESS database ([www.socialsecurityextension.org/gimi/gess](http://www.socialsecurityextension.org/gimi/gess)).

14. There is a clear correlation between levels of economic development, demographic profiles and social protection expenditures, with higher income countries spending more as a proportion of their GDP. However, there are at the same time significant differences in public social expenditures levels between countries at similar per capita income levels and demographic profiles (figures 2 and 3). Even if some differences can be explained by a higher share of private provision, policy space appears to be very much a function of national priorities and choices, and in some cases there may be room to expand coverage in a cost-effective way.
15. The fact that some countries spend much more than others on social protection at similar levels of GDP per capita attests that political choices can significantly affect patterns of economic growth. Countries do not need to “wait” to become rich to advance in expanding their social protection coverage.

### 3.1. Pension coverage

16. Figure 4 maps G20 countries into three groups according to per capita income and old-age pension coverage levels. Countries in the upper left quad-

rant display coverage levels of over 70 per cent, in spite of having relatively lower income per capita levels compared to countries in the upper right quadrant.<sup>12</sup> Argentina, Brazil and South Africa, for example, have increased effective old-age pension coverage to 90, 86 and 76 per cent respectively, thanks mostly to the implementation of non-contributory and social inclusion pensions.

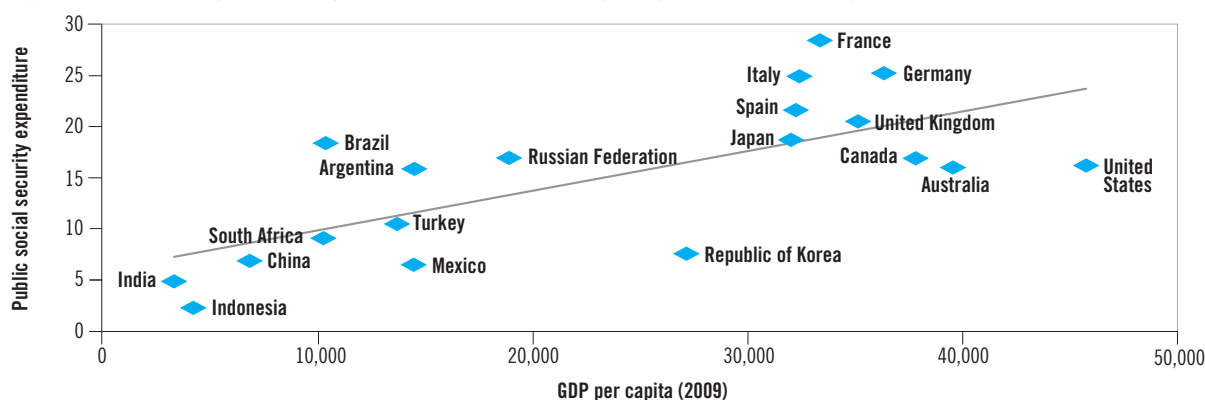
17. In Argentina, high coverage levels were reached through the combination of a non-contributory pension scheme for the elderly living in poverty and a transitional social security inclusion plan (*Plan de Inclusión Previsional*), adopted in 2005. The plan made qualifying conditions for retirement benefits more flexible for workers with a low contributory capacity. Under this scheme around 2.5 million people, mostly female domestic workers, gained access to contributory benefits. The pension coverage has increased to almost 90 per cent and closed the gender gap among the population aged 65 or more.<sup>13</sup>

<sup>12</sup> Coverage rates should be interpreted with caution: in some countries the numerator includes beneficiaries below the age of 65, whereas the denominator refers to the population aged 65 and over.

<sup>13</sup> ILO: *Social protection floor in Argentina: G20 Country Brief* (Geneva, forthcoming).

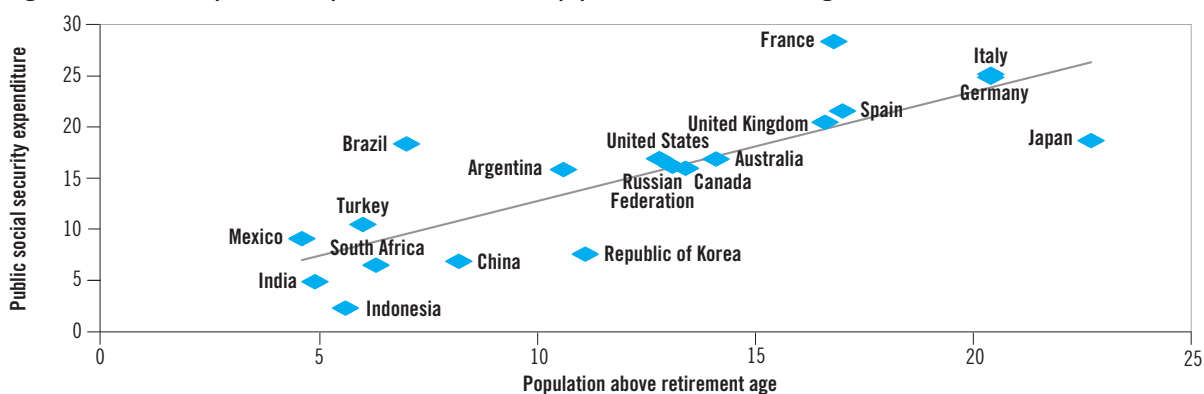


Figure 2. Public social protection expenditure (% of GDP) and GDP per capita (US\$ PPP), latest year available



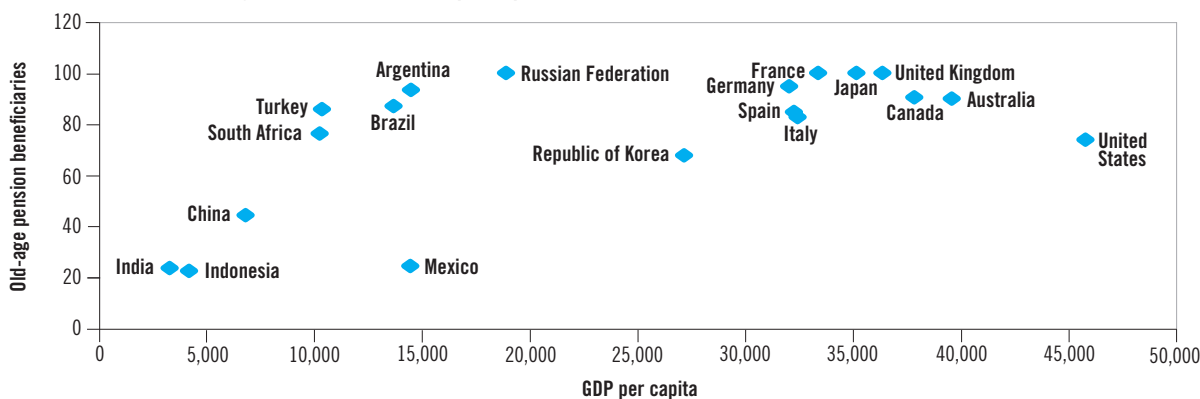
Source: ILO GESS database for old age pension beneficiaries ([www.socialsecurityextension.org/gimi/gess](http://www.socialsecurityextension.org/gimi/gess)); World Bank, World Development Indicators 2011 (2009 data) for GDP per capita. <http://databank.worldbank.org>.

Figure 3. Public social protection expenditure (% of GDP) and population above retirement age (%)



Source: ILO GESS database ([www.socialsecurityextension.org/gimi/gess](http://www.socialsecurityextension.org/gimi/gess)).

Figure 4. Old-age pension beneficiaries as percentage of population above retirement age (latest available year, 2007–09) and GDP per capita (US\$ PPP, 2009)



Note: Old-age pension beneficiaries may be below retirement age, which results in inflated take-up rates for countries with higher numbers of early retirees.

Source: ILO GESS database for old-age pension beneficiaries ([www.socialsecurityextension.org/gimi/gess](http://www.socialsecurityextension.org/gimi/gess)); World Bank, World Development Indicators 2011 (2009 data) for GDP per capita. <http://databank.worldbank.org>.

18. In Brazil, the combination of means-tested transfers to the elderly with a rural semi-contributory scheme focused on the self-employed (and family members) in agriculture and fisheries, contributed to increasing coverage substantially among the elderly. According to the 2009 household survey, social transfers are responsible for lifting around 23 million persons out of poverty, equivalent to 12.5 per cent of the Brazilian population.<sup>14</sup>
19. In South Africa, the progress in coverage is due to the means-tested social pension, which is a tax-financed pension targeted at poor women and men over 60 years old. The programme costs around 1.4 per cent of GDP. The evidence indicates that the poverty gap in South Africa would be two-thirds larger if the non-contributory pension income were to be removed, and the indigence gap would be one-fifth larger.<sup>15</sup>
20. Countries displayed in the lower left quadrant have made substantial efforts to accelerate extensions to coverage over the last two years, and the latest data available on coverage at the international level might not have captured the most recent developments. China is implementing plans to improve substantially coverage levels in the coming years. In 2009, pilot programmes were launched under the New Rural Pension System which aims to guarantee the payment of a universal pension to all rural residents over 60 years old by 2020. Further measures combining social insurance and social assistance schemes are expected to contribute to establishing a social security system covering all residents in urban and rural areas by 2020, as foreseen in the 12th five-year development plan.<sup>16</sup>
21. In 2007 India launched social security schemes for the unorganized sector, aimed at guaranteeing old-age, disability and survivors' pensions to all citizens living below the poverty line. The central Government transfers a flat-rate benefit equivalent to INR200 (US\$4.5) per month per person and state governments are expected to complement the pension by providing at least the same amount. In the case of old-age pensions, paid at the age of 65 years, the state contribution can range from INR200 (US\$4.5) to INR1,000 (US\$22.5).<sup>17</sup>
22. In the advanced economies, although there are still some gaps in coverage, the core challenge is to ensure long-term fiscal sustainability of pension schemes sustaining adequacy of benefits and its effectiveness in preventing poverty in old age at the same time. Pension reforms, including increases in retirement age, reduced benefits and restrictions to early retirement, have become top priority in the political agenda in the context of fiscal consolidation strategies.<sup>18</sup>
23. In the United Kingdom, the proposed pension reform bill introduced in Parliament in January 2011 would bring forward the timetable for increasing the State Pension age to 66 by 2020, among other measures. In Spain, in July 2011, legislation was enacted to raise the retirement age gradually from 65 to 67 years and the minimum contribution period from 35 to 37 years between 2013 and 2028. The reference period to calculate the pension also increased from 15 to 25 years. In 2010, France enacted plans to increase the minimum retirement age from 60 to 62 years for partial benefits and from 65 to 67 for full benefits by 2018. In 2007, Germany also approved retirement age increases from 65 to 67, to be implemented gradually from 2012 to 2029.
24. A recent IMF study concluded that retirement age increases can positively affect economic growth both in the short run through increased labour force participation and higher aggregate demand, and in the long run by contributing to fiscal sustainability and structural fiscal adjustment.<sup>19</sup> The IMF's view of raising the retirement age is consistent with an approach to fiscal consolidation that favours growth and employment-friendly measures in the short run and credible debt stabilization and reduction in the long run. At the same time, the impact of the increases in retirement age on labour force participation will depend on additional employment-related measures in the areas of skills development for older workers, adaptation of working conditions and working-time arrangements, and measures to combat age discrimination.<sup>20</sup>

<sup>14</sup> ILO: *Social protection floor in Brazil: G20 Country Brief* (Geneva, forthcoming).

<sup>15</sup> ILO: *Social protection floor in South Africa: G20 Country Brief* (Geneva, forthcoming).

<sup>16</sup> ILO: *Social protection floor in China: G20 Country Brief* (Geneva, forthcoming).

<sup>17</sup> ILO: *Social protection floor in India: G20 Country Brief* (Geneva, forthcoming).

<sup>18</sup> OECD: *OECD Fiscal Consolidation Survey 2010*; available at [www.oecd.org](http://www.oecd.org).

<sup>19</sup> Such a measure reduces the lifetime benefits paid to pensioners and encourages longer working lives with higher earned income that may lead to a reduction in saving and increase in consumption during working years. In addition, increased fiscal saving will have long-run positive effects on output through lowering the cost of capital and crowding in investment. See IMF: *Macroeconomic effects of public pension reforms*, IMF Working Paper 10/297 (Washington, DC, 2010).

<sup>20</sup> OECD: *Pensions at a Glance 2011: Retirement-Income Systems in OECD and G20 Countries* (Paris, 2011), pp. 115–131, available at [www.oecd.org](http://www.oecd.org).



25. In June 2011, the 100th International Labour Conference concluded that ensuring adequate labour force participation of older women and men is often essential for the adaptation of social protection systems to demographic change. In addition to policies to promote full employment, measures to promote the employment of older workers may include introducing socially acceptable rules through a transparent process, including social dialogue and tripartism, as to the age at which people withdraw from the labour market, which should reflect a sustainable relationship between the duration and demands of working life and retirement, taking into account issues such as conditions and years of work.
- ### 3.2. Health coverage
26. Regarding health coverage, in spite of persistence of coverage gaps in some countries, most G20 countries have already implemented legal provisions to guarantee high or even universal access to health care (table 1).
  27. Nonetheless, the availability of health services does not necessarily equate to affordability and effective access. The high proportion of out-of-pocket payments with respect to total health expenditure, above the levels recommended by the WHO, is still a major challenge in many G20 countries (figure 5).<sup>21</sup> High out-of-pocket payments are a major cause of impoverishment, and thus affordable health protection should be a priority policy goal for many countries.
  28. In Mexico, from 2003 to 2011, 45 million workers not covered by formal social security schemes, gained access to social insurance by enrolling in the new public health insurance scheme, *Seguro Popular*. Public funding for health increased by 1 per cent of the 2003 GDP over seven years to provide universal health insurance. Through this scheme, the Government guarantees access to essential health services, including 255 types of health interventions and their associated drugs.<sup>22</sup> The scheme is subsidized and free of charge for the poorest. In the last four years the budget of *Seguro Popular* has tripled, from MXN 18 billion (about US\$ 1.56 billion) in 2006 to MXN 52 billion (about US\$ 4.5 billion) for 2010. The long-term objective is to reach universal coverage of 51 million Mexicans.<sup>23</sup>
  29. India recently launched a social insurance scheme, *Rastriya Swasthya Bima Yojana* (RSBY), which provides health care for families below the poverty line through a cashless, smart-card-based benefit of up to INR30,000 (US\$ 640). The card can be used to purchase an essential package of health services, including treatment for five pre-existing diseases, hospitalization expenses and transport costs. Over 25 million smart cards have been issued so far and the coverage of the scheme is being expanded to workers in a number of sectors and industries, such as construction, domestic work, cigarette (beedi) production, non-coal mining, and including those under the National Rural Employment Guarantee Scheme. Railway porters and street vendors are also covered.<sup>24</sup>
  30. China has introduced two new health insurance programmes that target the rural and economically inactive populations. Since the launching of the New Cooperative Medical System for Rural Residents (2003) and the Basic Medical Insurance System for Urban Residents (2007), health protection coverage has increased exponentially and the total number of health insurance beneficiaries has reached near-universal coverage. To encourage and enable people to join the health insurance programmes, the government subsidizes at least half of the contribution. At the end of 2009, a total of 1 billion people were covered by these two new schemes, despite their voluntary nature. When combining these beneficiaries with those already included under the “old” scheme for urban workers, currently 1.26 billion out of the national population of 1.3 billion have access to basic health-care protection.<sup>25</sup>
  31. The rapid expansion of basic health protection seen in China, India and Mexico is also occurring in lower-income countries such as Rwanda and Viet Nam. It is important to note that, historically, European countries have built their comprehensive social protection systems over decades, gradually expanding insurance coverage and comprehensive benefits in line with increases in their per capita income. Today, emerging economies are achieving near universal coverage of basic social protection floor levels benefits in a very short period. These

<sup>21</sup> WHO: *The World Health Report: Health systems financing the path to universal coverage* (Geneva, 2010).

<sup>22</sup> J. Frenk et al.: “The democratization of health in Mexico: financial innovations for universal coverage”, in *Bulletin of the World Health Organization* (Geneva, 2009).

<sup>23</sup> ILO: *Social protection floor in Mexico: G20 Country Brief* (Geneva, forthcoming).

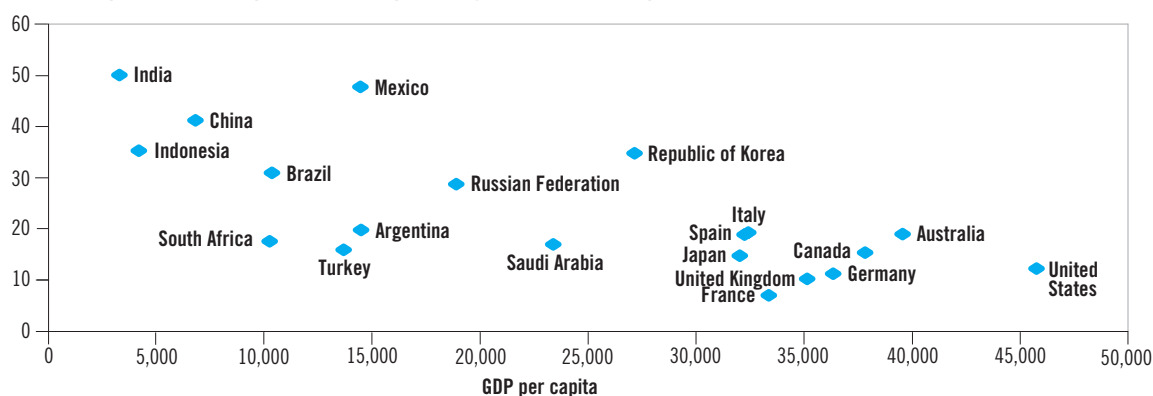
<sup>24</sup> ILO: *Social protection floor in India: G20 Country Brief* (Geneva, forthcoming).

<sup>25</sup> ILO: *Social protection floor in China: G20 Country Brief* (Geneva, forthcoming).

**Table 1. Statutory health coverage – Proportion of the population covered by law**

Below 50 per cent coverage	75–90 per cent coverage	Universal coverage
Indonesia, India	China, Mexico, Russian Federation, Turkey, United States	Argentina, Australia, Brazil, Canada, France, Germany, Italy, Japan, Republic of Korea, South Africa, Spain, United Kingdom

Source: ILO GESS database.

**Figure 5. Out-of-pocket health expenditures as a percentage of total health expenditure**

Note: Figures for out-of-pocket spending do not include cost of mandatory or voluntary private insurance schemes.

Source: WHO, Global health observatory 2011 (2009 data) for out-of-pocket expenditure (<http://apps.who.int/ghodata>).World Bank, World Development Indicators 2011 (2009 data) for GDP per capita (<http://databank.worldbank.org>).

are remarkable efforts to provide minimum protection to people historically excluded from the benefits of economic growth.<sup>26</sup>

32. In the coming years, countries will need to adapt to changing demographic trends, especially increased life expectancy. Pension spending, as well as health and long-term care needs are projected to rise sharply. Providing adequate benefits to all age groups through social security and care schemes needs to be balanced with maintaining expenditures at a manageable level. Furthermore, intergenerational family support is coming under strain when families in many countries are smaller and policies for prolonging working lives are being encouraged. Working more and longer also affects the possibilities for informal care of children and elderly, especially for women who are still the primary caregivers. In-kind service delivery should be adapted to changing needs using a more integrated approach from child care to long-term care.

#### 4. Coherent social protection and employment policies

33. In recent years, emerging G20 countries have experimented with substantial innovative approaches

in designing and implementing social policies, notably by combining cash transfers to poor households with the provision of essential services in areas such as health, nutrition and education, and by linking social protection and employment policies in order to empower workers to overcome barriers to labour market entry. Programmes with a focus on human development aiming at having strong impacts in the medium- and long-term are complemented by interventions facilitating economic and employment inclusion in the short run.

34. 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.
35. The “Brazil without Poverty” (*Brasil Sem Miséria*) programme, launched in June 2011, is an illustration of a multidimensional programme to eradicate extreme poverty. The plan expands the conditional cash transfer programme *Bolsa Família* by including more beneficiaries and introducing further components in addition to health and education, such as sanitation, energy, nutrition, food security, employment services, vocational training and microcredit.<sup>27</sup>

<sup>26</sup> M. Bachelet et al.: *Social protection floor for a fair and inclusive globalization* (Geneva, ILO, forthcoming).

<sup>27</sup> See *Brasil Sem Miséria* website, [www.brasilsemmiseria.gov.br](http://www.brasilsemmiseria.gov.br).

36. In France, the *Revenu de solidarité active* (RSA) was launched in 2009 to better balance work incentives and protection for the unemployed and the working poor. The benefit combines a basic income for those entitled to it and a complement for working people with very low wages. The goal is to increase income from work so as to encourage work and reduce the incentive to stay unemployed. The scheme is integrated with employment programmes and services that provide incentives for the jobless to actively seek work. In addition, RSA recipients are also covered by health insurance.<sup>28</sup>
37. In November 2009, Argentina launched the Universal Child Family Allowance (*Asignación Universal por Hijo - AUH*) which combines cash transfers to children and adolescents living in households with unemployed and informal workers with guaranteed access to essential services. Moreover, children whose parents were in the past beneficiaries of other non-contributory programmes implemented in the aftermath of the 2001 crisis are also eligible. The programme is responsible for reducing extreme poverty among the population below 18 years from 16.2 to 3.8 per cent and moderate poverty from 40.6 to 28.8 per cent.<sup>29</sup>
38. Similarly, the child support grant in South Africa, which is a benefit paid to poor households to support children's development, increase school attendance and improve nutrition, helped reduce poverty among children from 42.7 to 34.3 per cent and extreme poverty from 13.1 to 4.2 per cent. Positive impacts on school enrolment and nutrition were also observed. Finally, there is evidence that households receiving the grant were more likely to participate in the labour market.<sup>30</sup>
39. As noted in a forthcoming ILO-UNDP report to the G20 development group, the rapid extension of social protection in developing and emerging economies through innovative approaches, drawing on social protection floors, can enable greater resilience and earlier recovery from financial crises.<sup>31</sup> By preventing an erosion of household assets and human capital social protection makes growth itself more inclusive and socially acceptable by enabling the chronically poor to take advantage of opportunities to escape poverty. In addition, it helps stabilize the economy by supporting aggregate demand during an economic slump through directing resources towards those with a higher propensity to consume and reducing precautionary savings. By helping maintain human development gains it is an important component of a strategy of inclusive growth and rebalancing economic growth towards domestic markets.
40. According to the latest *OECD Employment Outlook*,<sup>32</sup> an important challenge for emerging economies in developing adequate social protection systems is to ensure that these systems do not weaken work incentives nor create obstacles to the development of formal employment. In the case of social assistance benefits, there is new evidence that they tend to have less adverse impact on labour market outcomes of recipients than often thought. For example, the South African child support grant appears to have a more favourable impact on the labour market outcomes of very poor beneficiaries than on less poor ones, presumably because cash transfers allow them to engage in more effective job search.
41. In the case of social insurance programmes, however, weak administrative capacity and widespread informal employment may potentially lead to a number of problems if programmes are not adequately designed. In the case of unemployment insurance, for example, there could be strong incentives to simultaneously receive benefits and work in the informal sector. Moreover, workers who do not perceive the potential benefits of social insurance as outweighing their costs in terms of contributions, may in effect opt out of mandatory social insurance programmes by taking up informal work.
42. These undesirable outcomes can be avoided in a number of ways. First, more integrated programmes reduce administrative costs and, in the case of social insurance, increase the ability of governments to pool risk to minimize incentives to informality. Second, the creation of non-contributory programmes should allow a smooth transition towards the contributory programme. This can be done through income-tapered contribution subsidies that decrease with income. Finally, policies should integrate income support policies with policies to assist beneficiaries in their job search or to help them overcome social problems.

<sup>28</sup> ILO and OECD: *G20 country policy briefs: France* (Geneva, 2011).

<sup>29</sup> ILO: *Social protection floor in Argentina: G20 Country Brief* (Geneva, forthcoming).

<sup>30</sup> ILO: *Social protection floor in Mexico: G20 Country Brief* (Geneva, forthcoming).

<sup>31</sup> ILO and UNDP: *Inclusive and resilient development: The role of social protection* (forthcoming).

<sup>32</sup> OECD: "The labour market effects of social protection systems in emerging economies", in *Employment Outlook* (Paris, OECD, 2011), Chapter 2.

### Box 1. International support for the social protection floor approach

- **EU:** The final communiqué of the European Union – Latin American and the Caribbean meeting of Social Security Ministers, held in Alcalá de Henares on 13–14 May 2010, also highlighted the importance of the UN Chief Executive Board Social Protection Floor Initiative.
- **MDG Summit:** The outcome document of the Millennium Development Goals (MDG) Summit, delivered by consensus on 22 September 2010, considered 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”.
- **ASEM:** 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 call for “further sharing of experiences and for technical assistance in implementing social welfare policies.”
- **ILO Constituents:** 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.
- **OECD:** The OECD Social Policy Ministers, together with their counterparts from Brazil, Indonesia, the Russian Federation and South Africa met in Paris on 2–3 May 2011, 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”.
- **ECOSOC:** At its recent session in July 2011, the UN Economic and Social Council (ECOSOC) 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”.

## 5. Growing international support for the social protection floor approach

43. Recent experiences in extending social protection in emerging economies were taken into consideration when, in 2009, the heads of the United Nations agencies launched the Social Protection Floor Initiative (SPF-I) as one of the nine UN joint initiatives to cope with the effects of the economic crisis.<sup>33</sup>
44. A first simple definition of the concept is provided in the ILO Global Jobs Pact adopted by the International Labour Conference in June 2009. The Pact defines the social protection floor as: “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”.<sup>34</sup> A more precise definition is provided

in the Annex to Conclusions of the 2011 International Labour Conference, outlining the scope of a possible Recommendation on Social Protection Floors to be discussed in 2012:

The Social Protection Floor consists of four basic social security guarantees, i.e. nationally defined minimum levels of income security during childhood, working age and old age, as well as affordable access to essential health care. These guarantees set the minimum levels of protection that all members of a society should be entitled to in case of need. Focusing on outcomes achieved, these guarantees do not prescribe specific forms of benefits, financing mechanisms or the organization of benefit delivery.<sup>35</sup>

45. Over the last year, the social protection floor approach has gained major international support (box 1).

## 6. Endorsement of the International Labour Conference

46. In June 2011, the International Labour Conference endorsed a two-dimensional strategy for the

<sup>33</sup> The initiative is co-led by the ILO and the WHO and formally involves a group of cooperating agencies including: FAO, IMF, OHCHR, the UN Regional Commissions, UNAIDS, UNDESA, UNDP, UNESCO, UNFPA, UN-HABITAT, UNHCR, UNICEF, UNODC, UNRWA, WFP, WMO and the World Bank. See CEB: *The global financial crisis and its impact on the work of the UN system*, CEB Issue Paper (Geneva, 2009).

<sup>34</sup> See [www.ilo.org/jobsact](http://www.ilo.org/jobsact).

<sup>35</sup> ILO: *Report of the Committee for the Recurrent Discussion on Social Protection*, Provisional Record 24, International Labour Conference, 100th Session, Geneva, 2011, p. 24.



extension of social security coverage and called for further work on a possible international standard in the form of a Recommendation on social protection floors to be discussed in 2012. It stated in its conclusions:

Closing coverage gaps is of highest priority for equitable economic growth, social cohesion and decent work for all women and men. Effective national strategies to extend social security in line with national priorities, administrative feasibility and affordability contribute to achieving these objectives. These national strategies should aim at achieving universal coverage of the population with at least minimum levels of protection (horizontal dimension) and progressively ensuring higher levels of protection guided by up-to-date ILO social security standards (vertical dimension). The two dimensions of the extension of coverage are consistent with moving towards compliance with the requirements of the Social Security (Minimum Standards) Convention, 1952 (No. 102), and are of equal importance and should be pursued simultaneously where possible.

The horizontal dimension should aim at the rapid implementation of national 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.<sup>36</sup>

47. A new Recommendation would provide flexible guidance to member States in building social protection floors within comprehensive social security systems. The nationally defined social protection floors should be gender responsive, tailored to national circumstances and be applied by countries using different methods according to their own needs, resources, priorities and within their time frame for progressive implementation.
48. By adding value to and enhancing synergies with ongoing international processes anchored in the International Labour Conference, the G20 can make a fundamental contribution to move forward the global social protection agenda in a coherent way, strengthening the position already endorsed by the Millennium Development Goals Summit (September 2010), OECD Social Policy Committee (May 2011), and ECOSOC (July 2011), as cited in box 1.

## 7. Recommendations of the Social Protection Floor Advisory Group to the G20

49. The Social Protection Floor Advisory Group to the UN was set up in 2010. Chaired by former President of Chile, Ms Michelle Bachelet, its mandate is to recommend feasible next steps in achieving the goal of universal social protection. In a forthcoming report (the Bachelet Report), the Advisory Group advocates that “no one should live below a certain income level and everyone should be able to have access to at least basic social services”.<sup>37</sup>
50. The report argues that this goal is necessary, feasible and effective. It is a necessary goal to address widespread poverty, social exclusion and rising inequality and to make a significant contribution to social cohesion, peace and stability. It is necessary to promote macroeconomic stability, to strengthen automatic stabilizers in times of economic downturns, and to pave the way to more resilient economic growth that is less vulnerable to economic and financial shocks.
51. A social protection floor is a feasible goal since several countries, including low-income ones, are already implementing full social protection coverage either wholly or in part. An important message of the report is that 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 and the resilience and stability of societies. The cost of a well-designed social protection floor is small relative to GDP and affordable in most countries, when implemented gradually and in fiscally sound ways.
52. A social protection floor is effective in reducing poverty and inequality, in contributing to the Millennium Development Goals; in raising labour market participation, employability and productivity; gender empowerment and human development; and in facilitating adaptation to structural changes associated with globalization. A social protection floor increases the productive capacity of excluded groups by unlocking their untapped potential, allowing them to contribute more fully to economic and social development.
53. The report concludes with a set of recommendations on the potential role of the G20 in the pro-

<sup>36</sup> *ibid*, paras 8–9.

<sup>37</sup> M. Bachelet et al., *op. cit.*

motion and implementation of social protection floors:

- **G20 commitment to extend social protection coverage through expanding social protection floors:** This applies in particular to countries where high numbers of citizens currently lack protection. Steps could be taken at the national level to map coverage, assess non-covered groups and design specific measures tailored to the needs of each country. International organizations could support national efforts where necessary.
- **The establishment of a coordination mechanism across multilateral institutions:** ILO, IMF, Regional Development Banks, UNDP, UNESCO, UNICEF, WHO and the World Bank, could better coordinate their policies and actions in support of countries building their social protection floors.
- **Better integration of social protection in macroeconomic policies:** International financial institutions, including the IMF, World Bank and Regional Development Banks, should incorporate the social protection floor approach into their technical assistance strategies.
- **Enhanced ILO and IMF cooperation on fiscal policy and social protection:** These organizations should work together to enhance cooperation on supporting countries in creating and enhancing fiscal space for the implementation of social policies on sustainable basis.
- **Increased international community efforts in support of social protection initiatives:** Donor countries, international organizations, the European Commission and the OECD's Development Assistance Committee, as well as South-South and triangular cooperation channels are called on to increase support to low-income countries, particularly in sub-Saharan Africa, to start building and expanding their social protection floors. New donors could

provide technical cooperation by building capacity and sharing experiences and best practices, including on monitoring and evaluation systems.

- **Official Development Aid to support social protection floors:** International donors should be encouraged to use Official Development Aid to strengthen social protection floors in low-income countries within the countries' budgetary frameworks and respecting nationally defined social protection floors, preferably through predictable multi-year budget support.
- **A call for a G20 agreement at the Fourth High Level Forum on Aid Effectiveness (HLF-4) in Busan, Republic of Korea (29 November – 1 December 2011):** This would focus on triangular cooperation mechanisms for support to low-income countries in building social protection floors.
- **Knowledge sharing among countries and international organizations:** A global knowledge-sharing platform would facilitate the flow of information and knowledge of successful experiences and technologies that could be transferred among countries, including tools and methods to evaluate the impact and effectiveness of measures taken to increase social protection coverage.
- **The importance of the private sector:** The G20 could recognize the importance of private donors and the work of NGOs, and suggest that their contributions be integrated into a comprehensive strategy to promote the construction of nationally defined social protection floors.
- **Reporting on progress:** The ILO in collaboration with relevant international organizations is called upon to map progress towards extending social protection coverage in low-and middle-income countries, using appropriate indicators, and report regularly to the G20.



