

Module B

Key Questions:

- What is the role of employers in social protection?
- How do employers and workers benefit from investments in social protection?
- Why should employers' organizations get involved in national dialogues on social protection?

Objectives:

This module helps employers understand the importance of social protection, and namely social protection floors, in responding to the evolving needs of workers and enterprises. Specific emphasis is placed on social protection floors as an investment in people.

Overview:

What is the role of employers in social protection?

There are a variety of ways employers contribute to social protection:

Employers play a key role in the social security system in line with the national labour and social security legislation. Employers are directly responsible for the payment of some benefits (employer liability), such as paid maternity leave or severance pay, paid sick leave, compensation in case of employment injury. In some cases, employers are mandated to take out a private insurance to fulfill some of their obligations, namely in the case of workers compensation for employment injury.

Employers also play a key role in social insurance (e.g. pension insurance, health insurance, unemployment insurance). These schemes are usually financed through employer and worker contributions, sometimes complemented by a direct transfer from the government. Employers are usually responsible for ensuring the due payment of employer and worker contributions for their employees. Employers are usually represented in the board of social security institutions and participate in the governance and management of these institutions.

Employers may also contribute to occupational pension funds and mutual funds, either on a mandatory or voluntary basis.

Although employers are not directly involved in the financing and management of non-contributory social protection schemes, they indirectly contribute to the financing through the tax system.

Many employers choose to provide additional benefits for their employees, realizing that these can attract skilled workers, increase productivity, reduce absenteeism, promote a healthier workforce, enhance workers' skills through job-training and lower turnover rates by retaining trained employees.

Employers not only invest in the well-being of their own workforce (employees), but also contribute to the communities in which they operate through Corporate Social Responsibility (CSR) or sustainable and inclusive business activities (SIBA).

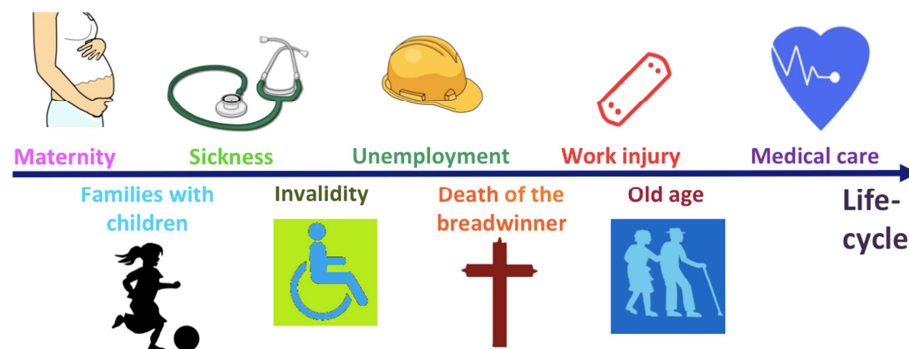
Many organizations are setting new standards for businesses on better business practices. In the case of, SIBA, it is used as a long-term strategy to expand into emerging markets through promoting sustainable supply chains and making business activities inclusive by serving larger and poorer segments of the market. This can be done collectively with foundation, NGOs, impact investors and the government by (as listed by [Stanford Social Innovation Review](#)). CSR, however, is typically the direct involvement of corporations in local communities that need its support. Employers utilize their skills through expertise in service delivery, operational efficiency, mobilizing and managing resources, and identifying potential beneficiaries to provide direct support and economic development by partnering with organizations.

How do employers and workers benefit from investments in social protection?

Social protection policies provide security for workers facing various life contingencies throughout their lifetime. Without proper social protection, life events can have adverse effects on workers' well-being and productivity, and can cause important costs for the worker and employer.

Looking at Figure 2, which you may recall from Module A, there are various risks and contingencies during a workers' life course that can disrupt business operations if not properly managed. However, if an adequate social protection benefits are in place, these may be addressed in a way that benefits both the workers themselves and their employers. Think about in which ways social protection benefits workers and their employers.

Figure 2



Here are some examples:

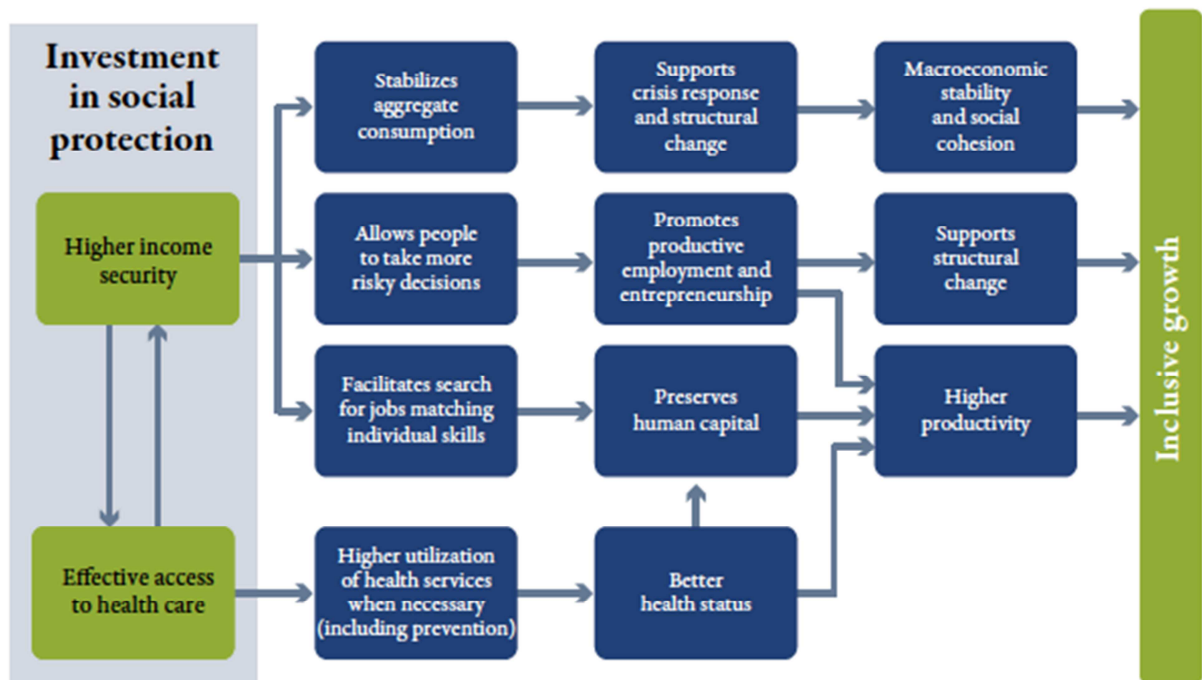
- Maternity protection plays an important role in protecting the health of both the mothers and children, and can lower turnover and training costs.
- Ensuring effective access to health care contributes not only to maintaining or to improving workers' health status, but it also contributes to a fully efficient and productive workforce and lowering the costs of work days missed due to illness.
- Employment injury protection ensures access to health care, rehabilitation and income security in the case of a work accident or occupational disease; in the case of collectively financed compensation mechanisms (social insurance) also protects employers from financial risks.

Overall, providing social protection packages attract quality and motivated candidates who are committed to employers.

Social protection provides a better business environment by having access to a more skilled and productive workforce, increased and more stable consumption, positive contributions to local economic development, resilience during economic downturns, political stability, and changes in labor costs. While social protection may necessitate a short-term increase in labor costs initially, the return on investment is substantially higher as social protection reduces absenteeism (through increased participation and decreased sick days), reduces turnover costs (through more efficient skill matching in the labor market and increased motivation) and promotes productivity.

"The Employers' motives partly stem from our belief that social security is an investment in people that empowers them to adjust to changes in the economy and in the labour market. The [Social Protection Floors] Recommendation promotes productive economic activity, vocational training, productive skills and employability. These are indispensable elements to nurture sustainable enterprises and to create an environment wherein businesses can thrive and promote entrepreneurship."
Mr. Kris De Meester (Employer, Belgium; Employer Vice Chairperson of the Committee on the Social Protection Floor)

Figure 3: Social protection investment channels towards growth



Source: Based on Behrendt, 2013.

Social protection can have positive effects on consumption and savings, no matter the economic climate. Cash transfers can create multiplier effects, which affect not only the consumption patterns of the participant but also, their extended familial networks. These positive increases in consumption strengthen aggregate demand in any economic climate and through local economies by stimulating more trade and services.

Additionally, social protection allows individuals to take more risky decisions and engage in more productive activities. By building up savings through social protection programs, individuals have more opportunities to invest in entrepreneurial activities further promoting economic growth and a richer business environment. Figure 2 above outlines the channels on social protection promotes better business climate in consumption, savings and labor markets.

Please read the IPR-UNDP for detailed discussions on how social protection can contribute to stimulating local economies: http://www.ipc-undp.org/pub/eng/PIF31_The_Impact_of_Cash_Transfers_on_Local_Economies.pdf

Why should employer organizations get involved in national dialogues on national social protection strategies?

Social protection floors are increasingly being developed in many low and middle-income countries around the world. In this process, governments organize national dialogues, often in the form of assessment based national dialogues (ABND), to better understand

social protection needs, the strengths and weaknesses of the current social security system in responding to those needs and identify gaps, consider different policy options in terms of costs and expected impact, in order to formulate their social protection floor policy. The participation of employers' representatives, together with workers' representatives, as well as other key stakeholders in this decision making process is essential to voice their priorities and concerns and to constructively contribute to the formulation of social protection floor policies.

The participation of employers' organizations in this dialogue is important. Employers contribute to the financing of public programs directly (through social insurance contributions) and indirectly (through taxes). Taking part in national dialogue on social protection, employers' organizations can contribute to shaping social protection policies that respond to the evolving needs and capacities of workers and enterprises.

"It is important that representatives of those who are a part of the solution are involved in the system. They will help to ensure that what is put in place is appropriate and sustainable." Mr. Kris De Meester (Employer, Belgium; Employer Vice Chairperson of the Committee on the Social Protection Floor)

"National strategies to extend social security are closely associated with employment policies. In this context it is essential to promote sustainable enterprise creation and growth of decent and productive employment."
Mr. Patil (Employer, India)

Video: Interview with Jose Roland Moya on employers' roles:

https://youtu.be/7x_v5WHExPY

Activity: The social protection system in your country

Please see the **Social Protection Matrix** attached at the end of this module.

Think about the situation in your country. Recall which benefits employers directly provide to their employees, and which benefits are provided by public authorities (government, social security institutions) or other actors.

By filling out this matrix, you can see the areas in which enterprises in your country contribute to social protection, and where employers benefit from the public social protection systems.

- a. Please name the most important social protection programmes and benefits, and describe their key features.
- b. What is the value of these benefits to employers? (i.e. labour cost reduction, increased motivation, etc.)? How does this relate to the cost of providing these benefits?
- c. What would need to be done to improve social protection for the current and future workforce? How could the existing benefits be improved? Which additional benefits would be necessary?

Reading List:

IPC-UNDP. (2015). *The impact of Cash Transfers on Local Economies*. Policy in Focus 11(1). http://www.ipc-undp.org/pub/eng/PIF31_The_Impact_of_Cash_Transfers_on_Local_Economies.pdf

Barrientos, A. (2012). Social Transfers and Growth: What do we know? What do we need to find out?. *World Development*, 40(1), 11-20.
<http://www.ppge.ufrgs.br/sabino/ecod03/bibl/wd%208.pdf>

Cherrier, C., Gassmann, F., Mideros, A., & Mohnen, P. (2013). *Making the Investment Case for Social Protection: Discussion Paper on the Methodological Challenges with Lessons Learnt from a Recent Study in Cambodia*. Working Paper 2013-06. UNICEF Office of Research, Florence. http://www.unicef-irc.org/publications/pdf/iwp_2013_06.pdf

Videos:

Roland Moya, Role of Employers in Social Protection
https://youtu.be/7x_v5WHExPY

Social Protection Matrix: Social protection and related benefits in _____ [please add country]

[illegible]

