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## Investing more in universal social protection: Applying international social security standards in social protection policy and financing

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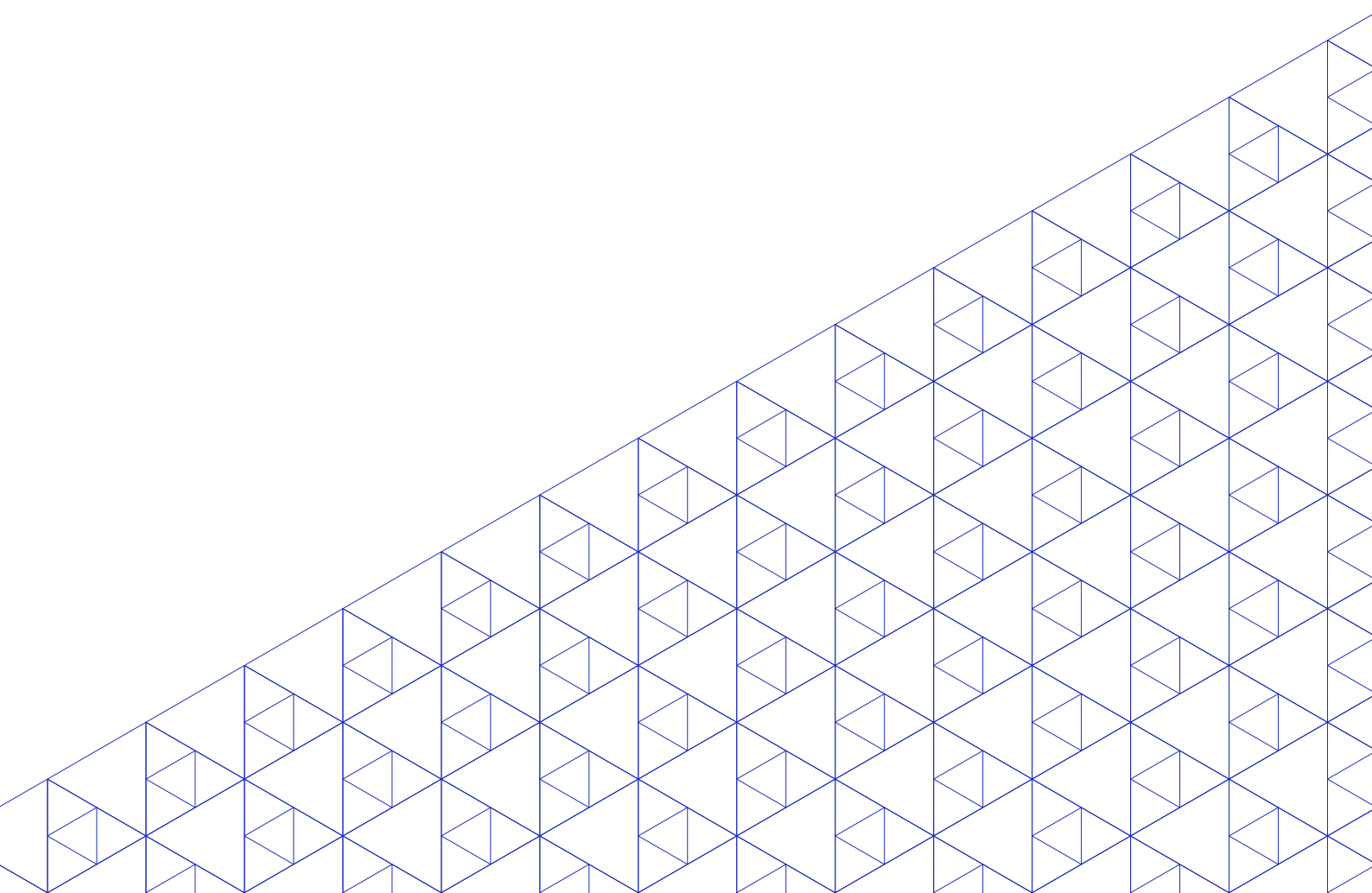
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# ► Investing better in universal social protection

Applying international social security standards in social protection policy and financing

Authors / Mira Bierbaum, Valérie Schmitt





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## Abstract

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The COVID-19 pandemic has exposed significant gaps in the coverage, comprehensiveness and adequacy of social protection systems worldwide. These gaps have jeopardized the health, incomes and jobs of billions of people. Closing these protection gaps, facilitating faster and inclusive socio-economic recovery and enhancing resilience against future shocks requires more investment in social protection. Yet, more investment alone is not sufficient; countries also need to invest *better* in universal social protection, that is, to ensure that investments in social protection contribute to building systems that are aligned with international social security standards, in particular the Social Protection Floors Recommendation, 2012 (No. 202), working in tandem with the Social Security (Minimum Standards) Convention, 1952 (No. 102). This working paper is intended for a broad audience and outlines how the guidance provided by Recommendation No. 202 contributes to building nationally owned social protection systems that comprehensively and adequately protect the population and leave no one behind, are financially sustainable and socially just and rely on sound management and good governance.

JEL classification: I3, H3, H53, H55, F53

Key words: social protection, social security systems, social protection floors, international social security standards, social security contributions, public expenditure, fiscal space, social protection financing, solidarity, developing countries, Sustainable Development Goals (SDGs).

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## Acronyms

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ABND	assessment-based national dialogue
ECLAC	Economic Commission for Latin America and the Caribbean
FfDI	Financing for the Development in the Era of COVID-19 and Beyond Initiative
GDP	gross domestic product
ILO	International Labour Organization
IMF	International Monetary Fund
ISSA	International Social Security Association
PEFA	Public Expenditure and Financial Accountability program
RAP	Rapid Assessment Protocol
SDG	Sustainable Development Goals



## Key points

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- The COVID-19 pandemic has acted as a stress test for social protection systems worldwide, exposing often dramatic gaps in their coverage, comprehensiveness and adequacy and thereby jeopardizing the health, incomes and jobs of billions of people. These protection gaps, pre-existent to the crisis and further exacerbated by it, are associated with insufficient public investment in social protection.
- Closing these protection gaps, facilitating faster and inclusive socio-economic recovery and enhancing resilience against future shocks requires more investment in social protection. Yet, this is not sufficient; countries also need to invest better in social protection, that is, to ensure that investments in social protection contribute to building systems that are aligned with international social security standards, in particular the Social Protection Floors Recommendation, 2012 (No. 202), working in tandem with the Social Security (Minimum Standards) Convention, 1952 (No. 102).
- To achieve universal social protection, Recommendation No. 202 outlines a two-dimensional extension strategy. First, countries should as quickly as possible guarantee the set of four basic social security guarantees for all that constitute the social protection floor: income security for children; income security for people of working age; income security for older persons; and access to essential health care. Second, countries should seek to accomplish higher levels of protection for as many people as possible and as soon as possible.
- Furthermore, Recommendation No. 202 defines 19 principles that can guide countries to invest better in universal social protection. At its 109<sup>th</sup> Session, the International Labour Conference reaffirmed the full relevance of these guiding principles, which can be understood as the backbone of universal, adequate, comprehensive and sustainable national social protection systems that are adapted to developments in the world of work. They need to be implemented in a holistic manner since the failure to observe one of them could compromise the current and future solidity of the entire social protection architecture. In line with these principles, investing better in social protection requires:
  - acknowledging the primary responsibility of the State;
  - achieving a national consensus based on effective tripartite social dialogue;
  - ensuring that no one is left behind to realize the right to social security;
  - making progressive and sustainable investments;
  - ensuring social solidarity, including solidarity in financing;
  - exploring diverse approaches and mechanisms; and
  - ensuring good governance and creating synergies.
- Applying these 19 principles in all policy and financing decisions related to social protection will ensure that investments in social protection are systematically used to build universal social protection systems that provide a social protection floor for all members of society.

## ▶ 1 Introduction<sup>1</sup>

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Like previous crises, the COVID-19 pandemic has demonstrated once again that everybody in society is or can become vulnerable. It has exposed the dire consequences of the absence of universal social protection and has exacerbated pre-existing inequalities. That reality, leaving people without access to quality health care, sickness benefits, unemployment protection or other forms of income security, applies to more than half of the world's population (ILO 2020e; 2020g; 2020h; 2020i; 2021f).

A wave of government action has been put in place to mitigate the negative impact of the COVID-19 pandemic. Countries that already had well-designed and well-functioning social protection systems in place could more rapidly use and adapt existing schemes and delivery mechanisms to facilitate access to health care, ensure income security and protect jobs, and extend existing schemes or new programmes to cover previously uncovered population. Countries that did not have strong systems in place have had to innovate and devise technical and financial solutions under great time pressure. Nonetheless, social protection was one of the priority responses in nearly all countries to cushion the most adverse socio-economic effects of the pandemic, with nearly 1,700 measures reported in 209 countries between February 2020 and May 2021 (ILO 2021d; Gentilini et al. 2021). Of these measures, 52 per cent were new emergency programmes and the remaining measures were adjustments of pre-existing contributory and non-contributory social protection programmes.<sup>2</sup> To name just a few, Thailand introduced a monthly allowance of 5,000 Thai baht (approximately US\$165) for informal economy workers. While it initially targeted 3 million workers, 22 million workers registered for the allowance through their mobile phones (ILO 2020f). In Mozambique, the national cash transfer programme was adapted to provide higher levels of benefits to its 600,000 beneficiaries and was extended to 1 million additional beneficiaries as a temporary COVID-19 emergency assistance. Cabo Verde adjusted the payment mechanism for contributory old-age pensions to ensure safe delivery and relaxed the eligibility conditions for unemployment insurance benefits. Hence, if there is a silver lining to this crisis, it is the widespread recognition of the necessity and value of social protection in its two main dimensions: the provision of income security and access to health care.

However, many COVID-19 emergency measures only provide ad hoc and temporary income support and access to health care for previously excluded populations. Even if these measures can avoid a “cliff fall” scenario, whereby emergency responses end too early before the crisis has passed, they will not protect individuals beyond it, support a fast and inclusive socio-economic recovery or enhance resilience against future crises or disasters. Therefore, countries should use the current political momentum and recognition of the importance of social protection for all to build on such temporary relief measures and expand their social protection systems as part of their socio-economic recovery (ILO 2020i). For example, in a project launched in Bangladesh, Cambodia, Ethiopia, Indonesia and the Lao People's Democratic Republic, tripartite discussions are ongoing on how to scale up temporary wage subsidies and cash transfer programmes for affected workers in the readymade garment sector into sustainable social protection measures.<sup>3</sup>

The global community had been long aware of existing gaps in social protection coverage, comprehensiveness and adequacy. At the start of the pandemic, 53.1 per cent of the world's population had no access

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<sup>1</sup> The fundamental right to social security is enshrined in the Universal Declaration on Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1966) and other major United Nations human rights instruments. The term “social protection” is currently used to refer to the term “social security” and we use both terms interchangeably (ILO 2017, 194–95).

<sup>2</sup> The regularly updated ILO data dashboard on [social protection responses to the COVID-19 crisis around the world](#) provides additional information on the number and types of responses (that is, new programmes or benefits, or adjustment to existing or new programmes and so on).

<sup>3</sup> This project, with financial support from Germany and technical assistance from the ILO, was launched in October 2020 and remains in operation. A summary of the key lessons learned to reflect and capitalize on this experience is forthcoming upon completion of this project.

to social protection benefits at all, with extensive differences across and within regions and countries and between different population groups (ILO 2021f). In Africa, for instance, 82.6 per cent of the population have no social protection at all. These large and persistent gaps are linked to many barriers, including the pervasiveness of informality; fragmented programmes instead of a coherent systems approach; insufficient political will to include all segments of the population based on a rights-based approach; and significant financing gaps. Addressing them would require substantial efforts to increase resource mobilization and prioritize spending on social protection. Taking into account the impact of the COVID-19 pandemic, low-income countries would need to invest an additional US\$77.9 billion (15.9 per cent of their annual gross domestic product (GDP)) to close the financing gap in achieving targets 1.3 and 3.8 of the Sustainable Development Goals (SDGs) on universal social protection and universal health coverage (Durán Valverde et al. 2020).<sup>4,5</sup> Lower-middle-income and upper-middle-income countries would need to invest an additional US\$362.9 billion and US\$750.8 billion per year (5.1 and 3.1 per cent, respectively, of their annual GDP). This represents an increase of approximately 30 per cent in 2020 compared to pre-crisis estimates (see Durán Valverde et al. 2019; ILO 2020b).

In response to the crisis, additional national and to some extent international financing has allowed countries to adapt or develop their social protection systems (ILO 2020g; 2020i). Ministries of labour, health, social affairs and finance, supported by development partners and international financial institutions (IFIs), have joined forces to increase social spending in order to contain the COVID-19 crisis and link technical and financial support for countries. This support was further reinforced by a global initiative of the United Nations Secretary-General, co-chaired by the Prime Ministers of Canada and Jamaica, entitled “Financing for the development in the era of COVID 19 and beyond”, which aims to build forward better from this crisis (UN 2021a). While the UN and other development actors have promoted the further development of sustainable national financing options for social protection, the International Monetary Fund (IMF) also highlights the change in relative policy priorities as countries move from the containment phase and through the stability phase into the recovery phase, in which the focus on efficiency and fiscal sustainability vis-à-vis adequacy may need to increase (IMF 2020; UN 2020). This may limit the scope for additional social protection investments in the immediate aftermath of the crisis, in particular if the positive social and economic returns of social protection in both the short and long terms, as well as its complementarity with investments in health and education, are not sufficiently recognized.

Despite global consensus on a set of SDGs, including SDG targets 1.3 and 3.8, and the international adoption of the [Social Protection Floors Recommendation, 2012 \(No. 202\)](#) by representatives of governments and of employers’ and workers’ organizations from all Member States of the International Labour Organization (ILO), national and international actors may have different approaches and strategies to achieve these goals given their different mandates and priorities. Ministries of finance and ministries of labour, social affairs or health may not share the same vision and priorities. Progress towards achieving universal social protection may be hampered by insufficient consensus between the institutions in charge of public finance management, including financing social protection, and the institutions responsible for the design and implementation of social protection systems. A growing range of organizations, including employers’ organizations, workers’ organizations and civil society organizations, are now questioning approaches that are focused on orthodoxy in macroeconomic and fiscal choices, making these differences difficult to ignore. At the international level, divergences of views and priorities are mirrored by the sometimes incoherent or even conflicting advice of different international organizations, development partners and IFIs regarding adequate levels of public investment in social protection. It is also in this context that the UN Secretary-General called for a renewed social contract between governments and their people (UN 2021b) and launched the Global Accelerator for Jobs and Social Protection in September 2021. This initiative aims to promote and support additional investments in low- and middle-income countries, through domestic resource mobilization and

<sup>4</sup> More details on the method and estimates of incremental financing needs between 2020 and 2030 are provided in a working paper (Durán-Valverde et al. 2020b) and summarized in an accompanying brief (ILO 2020b).

<sup>5</sup> For comparison, in 2018 the average tax revenue as a percentage of GDP in the African countries included in the OECD Global Revenue Statistics Database was 16.6 per cent, while in OECD countries it was 34.3 per cent.

temporary international financial support to complement national efforts; advance policy coherence at national levels and between the UN and the IFIs; and enhance multilateral cooperation.

Indeed, overcoming current social protection and financing gaps requires not only investing more in social protection but also investing better, that is ensuring that both the mobilization and allocation of resources systematically and coherently allow for the establishment of universal, comprehensive, adequate and sustainable social protection systems, including floors. International social security standards, in particular Recommendation No. 202, which works in tandem with the [Social Security \(Minimum Standards\) Convention, 1952 \(No. 102\)](#), provide important guidance for both social protection policy and financing actors at the national and international levels.

► **Box 1: Resolution and conclusions concerning the second recurrent discussion on social protection (social security), International Labour Conference, 109th Session, 2021**

The ILO's 187 Member States, represented by governments and by employers' and workers' organizations, reaffirm the full relevance of the guiding principles contained in ILO Recommendation No. 202 and Convention No. 102 and the need to implement them in a holistic manner, since neglecting one of them risks jeopardizing the solidity of social protection systems. They request the ILO to take into consideration the principles laid out in relevant social security standards when supporting Member States in ensuring sustainable and adequate financing for social protection policies. They further ask the ILO to use and promote the principles established in ILO social security standards when engaging with IFIs (including the World Bank and IMF) on options to increase and secure adequate and sustainable financing for social protection.

Source: ILO (2021c).

This working paper outlines for a broad audience how the guidance provided by Recommendation No. 202 and Convention No. 102 contributes to building nationally owned social protection systems that protect the population and leave no one behind, are financially sustainable and socially just and rely on sound management and good governance. This paper can be used to widely share the vision and principles embedded in these standards and to highlight their relevance for sustainable and adequate financing of social protection systems. This relevance will be further evidenced through concrete action-oriented research in several countries.

## ▶ 2 Scope and strategic approach

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This section outlines two essential elements for achieving universal social protection, namely the scope and strategic approach required, based on international social security standards. Since the ILO's foundation in 1919, its Member States have developed and adopted normative instruments – Conventions and Recommendations – that cover all areas of social protection (ILO 2020d). These key instruments include Convention No. 102, which provided the first definition of social security that did not refer to a particular organizational model but rather to the contingencies or risks against which social security should provide protection. Another key instrument is Recommendation No. 202, which reaffirmed the right to social security and aimed to set up concrete policies and national strategies for the extension of social protection, prioritizing the establishment of social protection floors (see section 2.1) to ensure at a minimum that over the life cycle all those in need have access to essential health care and basic income security.

These international social security standards are the result of in-depth consultations and negotiations between governments, employers' organizations and workers' organizations from all ILO Member States. The standards establish a point of equilibrium among the diverse and sometimes conflicting viewpoints of the ILO's tripartite constituents. They are developed based on a large body of country experiences and do not promote one model but acknowledge that countries have diverse national contexts, for example with regard to their history, culture, or level of economic development (ILO 2019b). They establish a common denominator composed of universally acknowledged principles and the desired protective outcomes of national social protection policies; therefore, they need to be adopted by a two-thirds majority.

Significantly, Recommendation No. 202, which was adopted by almost all Member States in 2012 with only one abstention, provides concrete guiding principles on investing better in universal social protection. It can be used to better align national social protection strategies and financing frameworks to achieve universal, comprehensive, adequate and sustainable social protection systems, including floors, that are also adaptive to transformations in the world of work and shocks, and to guide international technical and financial support to this end.

Specifically, Recommendation No. 202:

- a) defines the scope of national social protection floors as fundamental elements of national social protection systems (section 2.1);
- b) outlines a two-dimensional strategy to extend social protection to all (section 2.2); and
- c) states the principles that should be applied when establishing and maintaining national social protection systems, including floors (section 3).

Recommendation No. 202 provides general guidance on desired protective outcomes and the process towards them; it is the overall and primary responsibility of the State to frame, through social dialogue, a vision for the future of social protection at the national level, as well as to identify the necessary policy and regulatory steps and the additional financial investments that are required to implement that vision (ILO 2016; 2021h).

### 2.1 Scope: From national social protection floors to universal social protection systems

SDG target 1.3 calls on countries to “implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable”. The reference to “floors” establishes the link to Recommendation No. 202. National social protection floors

should cover at a minimum all residents and children and comprise at least four basic social security guarantees (Recommendation No. 202, para. 5):

- a) access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality;
- b) basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services;
- c) basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and
- d) basic income security, at least at a nationally defined minimum level, for older persons.

Countries should guarantee a social protection floor to all as a fundamental element of their national social protection systems. Importantly, these are “floors” or first building blocks and not a “ceiling”; countries should not stop at the “floor level” but instead should progressively develop national social protection systems that provide higher levels of protection to as many people as possible for a comprehensive range of life cycle risks (see also section 2.2.1). By doing so, countries will progressively achieve universal social protection, which is not only about covering the entire population of a country but also about the scope and level of protection, in line with Convention No. 102.

Universal social protection therefore entails “actions and measures to realize the human right to social security by progressively building and maintaining nationally appropriate social protection systems, so that everyone has access to comprehensive, adequate and sustainable protection over the life cycle, in line with ILO standards” (ILO 2021c, para. 3). As discussed in more detail in section 3, there is no one-size-fits-all model to achieve universal social protection, as the focus is on the outcome rather than on the means. Recommendation No. 202 states that countries should consider “the most effective and efficient combination of benefits and schemes in the national context” (para. 3) and equally they should consider different strategies to mobilize the necessary resources.

## 2.2 Strategies for the extension of social protection

In addition to the scope, it is necessary to sketch a strategic approach to the extension of social protection, which is also provided by international social security standards.

### 2.2.1 A two-dimensional strategy to build national social protection systems

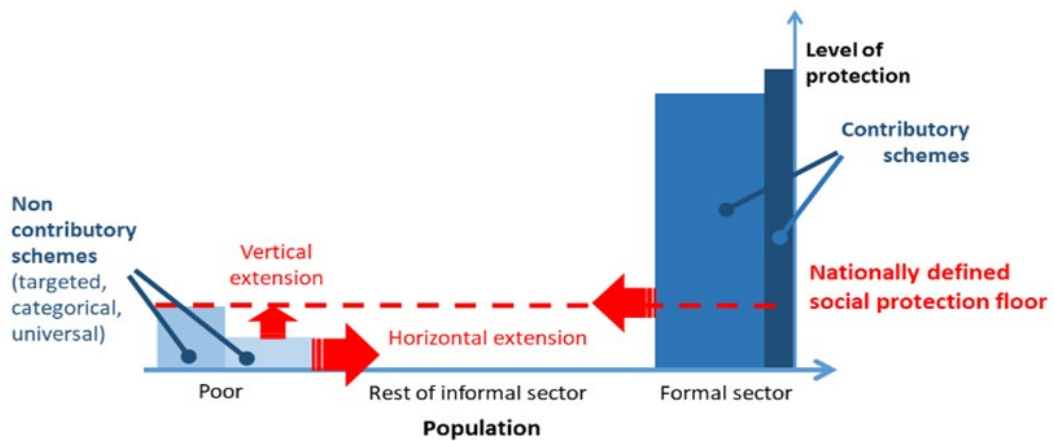
Recommendation No. 202 sets out a two-dimensional strategy to build social protection systems, including floors. First, countries should guarantee as quickly as possible the set of four basic social security guarantees for all that constitute the social protection floor. This is the horizontal dimension. Second, countries should seek to accomplish higher levels of social security for as many people as possible and as soon as possible. More people should be progressively protected against a more comprehensive set of risks and should progressively benefit from higher levels of benefits in line with the range and levels of benefits set out in Convention No. 102 and other more advanced standards (see Recommendation No. 202, para. 17). This is the vertical dimension. The two-dimensional strategy is illustrated in figure 1. Box 2 illustrates the strategy through the country example of Thailand.

The two-dimensional extension strategy promotes a pragmatic and realistic approach for the achievement of universal, comprehensive, adequate and sustainable social protection. It acknowledges that the establishment of social protection systems, including floors, cannot be achieved immediately but needs to evolve progressively, based on countries’ needs, priorities and resources. National strategies for the extension of social protection should be based on tripartite participation with representative organizations

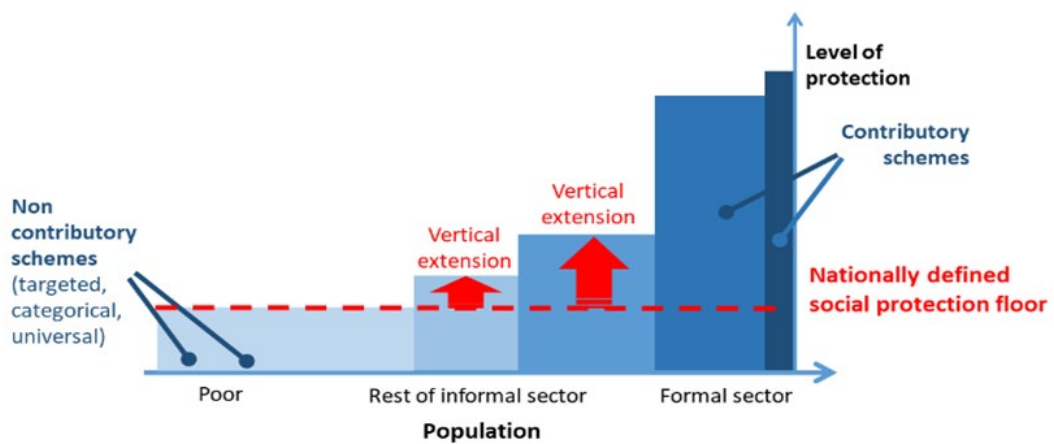
of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned.

► **Figure 1: Two-dimensional strategy to extend social protection**

► (a) **Guarantee a social protection floor for all through horizontal and vertical extension**



► (b) **A social protection floor is guaranteed for all; higher levels of protection are provided to more people through vertical extension**



Source: Own illustration.

The following elements should be addressed by such a strategy (see Recommendation No. 202, para. 14):

- a) objectives, in line with national priorities;
- b) identification of protection gaps and related barriers;
- c) combination of appropriate and well-coordinated schemes to close protection gaps;
- d) synergies and coordination with other public policies;
- e) identification of financial requirements and resources as well as time frame and sequencing; and
- f) awareness-raising.

Furthermore, progress in achieving national social protection floors and other objectives set out in these strategies should be monitored through appropriate nationally defined mechanisms, including through regular national consultations, as well as the collection and compilation of administrative and household data (see Recommendation No. 202, paras 19–21).

▶ **Box 2: Thailand's two-dimensional extension strategy**

The strategy for extension of social protection coverage in Thailand consisted of two pillars. First, the extension of non-contributory schemes allowed, in respect of some branches, the provision of social protection for most of the population, including those not able to contribute to the Social Security Fund. The two main examples are the Universal Coverage Health Scheme, which covers all residents not included in other social health protection schemes. In addition, Thailand introduced an old-age allowance in 2009, which is the only form of pension for many of those working in the informal economy. More recently, since its launch in April 2015, the Child Support Grant provides income security for vulnerable families with children (Schmitt, Sakunphanit, and Prasitsiriphol 2013). It has been progressively extended and covers two million children today (ILO 2021g).

Second, consecutive reviews of the Social Security Act were also instrumental in widening the scope of the benefits provided, as well as system coverage. Since 2001, social protection coverage has increased from 17 per cent of the labour force to close to 31 per cent under the scheme for employees ([Social Security Act](#), art. 33). The system was also able to include other groups with alternative packages of benefits, increasing membership for groups such as the self-employed and migrant and domestic workers. The membership increased to nearly three million workers in 2019. However, not all members contribute regularly to the system.

While recognizing the importance of these developments, it is also necessary to acknowledge the remaining challenges. Although coverage for certain groups of workers such as government officials and many private sector employees is comprehensive, for those who fall outside these groups the picture is more complex. One reason for this is the variable status of those not fully covered – workers in both the formal and informal sectors, own account workers and the self-employed, and migrant and domestic workers – and therefore the reasons for their non-coverage range from financial constraints and compliance issues to legal barriers. Effective approaches to increasing coverage need to reflect this complex reality. In addition, the specific schemes set up to target these workers do not provide benefits as good as those provided under article 33 of the Social Security Act. Further efforts to extend and improve coverage are therefore required.

Source: ILO (2020a) and ILO country office.



## 2.2.2 From emergency to long-term solutions

In crisis situations arising from conflicts and disasters – or in the case of the current pandemic – countries should primarily respond to the most urgent needs of the population, while at the same time developing, restoring and enhancing national social protection systems (see *Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205)*). These systems are crucial to prevent crises, support recovery and increase resilience. In these situations and where national social protection systems are insufficiently developed, humanitarian or emergency ad hoc interventions may be necessary to fill urgent protection gaps (ILO 2020i; Razavi et al. 2020). Whereas countries with well-established social protection systems can respond through existing schemes and programmes or scaling up or adapting these schemes, many countries do not have in place the necessary structures, for example to identify beneficiaries or disburse benefits in a safe way. During the COVID-19 pandemic, these countries had to innovate and develop new tools, mechanisms and institutional set-ups to reach vulnerable populations. Togo, for instance, fast-tracked the implementation of the Novissi programme to support workers in the urban informal economy who were disproportionately affected by lockdown measures. As of 14 April 2020, more than 1.6 million persons were registered in the database and more than 800,000 persons had received benefits (Togo 2020; see also ILO 2020a; 2020j; 2021e).

To the extent possible, emergency measures or mechanisms and humanitarian interventions should be aligned with, build on or complement and further strengthen rights-based<sup>6</sup> and sustainable<sup>7</sup> national social protection systems. For example, in Togo the confidence generated by timely provision and the digital enrolment and payment system built in the context of the Novissi programme could be used to encourage workers in the informal economy to register under an adapted contributory scheme that is currently being developed by the National Social Security Fund. In Bangladesh and Ethiopia, the government, employers' organizations and workers' organizations, with the support of international development partners, are eager to explore the possibility of using an ad hoc mechanism to disburse wage subsidies and cash transfers to factories and workers in order to create, expand or improve their national social protection systems (ILO 2020j; 2021g). For this to happen, it is essential that relevant national counterparts, including the social partners, lead the design and implementation of emergency responses and longer-term solutions, and that national capacities to provide social protection are strengthened.

<sup>6</sup> A human rights-based approach to social protection is embedded in a system of rights and corresponding obligations. It ensures that human rights principles – including the principles of equality and non-discrimination, participation, transparency and accountability – are applied throughout the design, implementation, monitoring and evaluation of a social protection system. This requires an institutional and legal framework and a comprehensive, coherent and coordinated strategy (Sepúlveda 2014).

<sup>7</sup> Sustainability pertains not only to financial, fiscal and economic sustainability but also encompasses aspects of continued political and societal support.

## ► 3 Guidance for the design, financing and delivery of social protection

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In addition to defining the scope and outlining a strategic approach, Recommendation No. 202 provides guidance on the design, financing and delivery of social protection. It should support countries in building nationally owned social protection systems that protect the population and leave no one behind, are financially sustainable and socially just, and rely on sound management and good governance.

Recommendation No. 202 outlines 19 principles to guide countries in building their social protection systems (see box 3). In some cases, countries may excel in the achievement of some of these principles (for instance universal coverage) but may not sufficiently implement others (for example adequacy of benefits or financial sustainability). These principles can be understood as the backbone of national social protection systems since the failure to observe one of them could compromise the solidity of the entire architecture. For example, a lack of tripartite participation and transparency and accountability may hinder the achievement of other principles such as sustainability. These considerations can help strike an optimal balance between the objectives of universality, adequacy, sustainability and solidarity – which should be at the core of any social protection system – and the potential conflicts between them. To the extent possible, these principles should also be applied in emergency situations.

This section provides more information on the relevance of these principles for building and maintaining national social protection systems, as well as on how to realize these principles in practice while creating synergies among them. The 19 principles are subsequently presented in 7 groups.

### ► Box 3: Guiding principles of the Social Protection Floors Recommendation, 2012 (No. 202)

“3. Recognizing the overall and primary responsibility of the State in giving effect to this Recommendation, Members should apply the following principles:

- (a) universality of protection, based on social solidarity;
- (b) entitlement to benefits prescribed by national law;
- (c) adequacy and predictability of benefits;
- (d) non-discrimination, gender equality and responsiveness to special needs;
- (e) social inclusion, including of persons in the informal economy;
- (f) respect for the rights and dignity of people covered by the social security guarantees;
- (g) progressive realization, including by setting targets and time frames;
- (h) solidarity in financing while seeking to achieve an optimal balance between the responsibilities and interests among those who finance and benefit from social security schemes;
- (i) consideration of diversity of methods and approaches, including of financing mechanisms and delivery systems;
- (j) transparent, accountable and sound financial management and administration;

- (k) financial, fiscal and economic sustainability with due regard to social justice and equity;
- (l) coherence with social, economic and employment policies;
- (m) coherence across institutions responsible for delivery of social protection;
- (n) high-quality public services that enhance the delivery of social security systems;
- (o) efficiency and accessibility of complaint and appeal procedures;
- (p) regular monitoring of implementation, and periodic evaluation;
- (q) full respect for collective bargaining and freedom of association for all workers; and
- (r) tripartite participation with representative organizations of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned.”

### 3.1 Primary responsibility of the State<sup>8</sup>

States must assume the general responsibility for building, financing and ensuring the good operation of universal, comprehensive, adequate and sustainable social protection systems; guaranteeing a social protection floor; and devising national social protection policies to this effect. This is part of their broader obligation to protect, promote and fulfil human rights, including the right to social security. It is also an element of institution-building as highlighted in SDG Goal 16, in particular for developing effective, accountable and transparent institutions at all levels (target 16.6) and ensuring responsive, inclusive, participatory and representative decision-making at all levels (target 16.7) (Behrendt et al. 2017).

The State's responsibility includes various aspects. First, the State is primarily responsible for establishing the legal and administrative architecture for the social protection system to be able to exist and operate (ILO 2021c, para. 4). This includes drafting and adopting laws and regulations and ensuring their enforcement. The State may choose between an array of mechanisms and delivery systems and even opt for delegating certain tasks or schemes to other operators such as mutual funds or private schemes. Irrespective of the chosen approach, the State nonetheless remains the final guarantor of its good operation and ensuring – through proper regulation and enforcement – that the social protection system delivers on all of its assigned objectives in terms of, inter alia, persons protected, the levels of protection and financing, in line with national laws and obligations, international social security standards and the State's obligations to ensure the right to social security as stipulated in human rights instruments (ILO 2019c).

Second, the State is responsible for the viability and sustainable financing of social protection systems and the due provision of benefits (ILO 2021c, para. 4). Therefore, most national social security laws (and international social security standards) require carrying out periodic actuarial valuations. In times of crises, the State should also guarantee the continuity of the provision of benefits and be responsible for restoring the stability of the system while guaranteeing solidarity in the repayment of deficits.

Third, the State is responsible for designing and implementing policies and mechanisms that coordinate the various components of the social protection system, for instance between contributory and non-contributory pillars, as well as coherence with other economic and social policies (see section 3.7). Guided by this

<sup>8</sup> See Recommendation No. 202, para. 3.

“bigger picture”, the State also needs to ensure a balance and alignment between public finance management and social protection objectives. The notion of progressive realization (see section 3.4) cannot be used to justify non-action; in fact, States are obliged to demonstrate that they have made every effort to achieve minimum levels of protection, including in times of severe resource constraints (Behrendt et al. 2017; United Nations 2008). Nonetheless, even though social protection systems should be primarily financed from domestic resources to the extent possible, this may also be complemented with international support on a temporary basis, meaning that the principle of solidarity (see section 3.5) can transcend national borders.

## 3.2 Achieving a national consensus on social protection through tripartite dialogue<sup>9</sup>

International social security principles place a special emphasis on the need to develop a widely shared national vision of social protection through inclusive social dialogue in all its forms, including collective bargaining. Inclusive social dialogue and consultation with other relevant and representative organizations of persons concerned refers to the meaningful involvement of relevant stakeholders in all stages of the decision-making process from devising a strategy and policy design to implementation and the monitoring and evaluation of policies, as well as in the governance of national social security systems and, where these exist, of social security funds (ILO 2021 c, para. 14 (i)). Stakeholders include the government at all levels and representatives of employers’ and workers’ organizations (the so-called social partners), as well as civil society organizations. Representatives of the government should include representatives of technical ministries in charge of social protection (ministries of labour, health, social welfare, women and children and so on) and ministries of rural development, information and telecommunication, and others. It is also important to include ministries of finance and planning and central banks to agree on a national strategy for the extension of social protection and its means of implementation based on costing and financing options, thereby contributing to strengthened redistribution and ensuring fiscal sustainability.

The participation of all relevant actors ensures that social protection systems, including floors, are responsive to specific needs and respect the rights and dignity of beneficiaries (see also section 3.3); that different perspectives are discussed and conflicting views reconciled; that awareness for the rights and obligations of the respective stakeholders is raised; and that legitimacy, transparency and accountability, which are key ingredients of good governance of social protection systems, are enhanced. Moreover, inclusive social dialogue is not only essential for identifying policy gaps, agreeing on priority policy options and costing them, but also for devising and discussing possible financing options. It is essential to strike an optimal balance between universality, adequacy, sustainability and solidarity by negotiating responsibilities and interests among those who finance and benefit from schemes and to avoid unfair sharing of financing efforts – in fact, actors may do both, yet at different points in time or in different spheres of their lives (see also section 3.5 on solidarity in financing). For example, employers and workers usually contribute to the financing of social protection through their social security contributions, as well as paying direct (for example, through taxes on personal and corporate income and gains) and indirect (for example, value-added tax and taxes on consumption) taxation. In this way, social dialogue and participation increase the social acceptance of policy decisions and ownership, the trust in these decisions and public institutions and the compliance in their implementation.

To assist the development of such a shared vision based on an assessment of the current state of social protection and public finance, countries can conduct a so-called assessment-based national dialogue (ABND) (see box 4), which also fed into the development of the Social Protection Policy Options Tool of the Inter-Agency Social Protection Assessments process. Between 2012 and 2020, ABNDs have been carried

<sup>9</sup> See Recommendation No. 202, para. 3, guiding principles (q) and (r).

out in 26 countries,<sup>10</sup> leading in many cases to the development and adoption of national social protection strategies and specific schemes (for example the launch of the Mother and Early Child Grant in the Lao People's Democratic Republic; or the design and implementation of an unemployment insurance scheme in Indonesia). In emergency contexts and when a full-fledged ABND cannot be carried out, it is nonetheless crucial to involve social partners in decision-making processes.

► **Box 4: The steps of an assessment-based national dialogue: Defining priorities and identifying financial needs in Timor-Leste**

Based on the experience of conducting ABNDs in 14 countries in Africa and Asia, the ILO prepared a global guide (ILO 2016) that has informed such an exercise in many more countries in the framework of the ILO's Flagship Programme on Building Social Protection Floors for All (ILO 2021g).

An ABND provides a sound basis for identifying and costing policy scenarios based on national dialogue, as well as for discussing the creation of fiscal space by bringing all stakeholders to the table. Its success hinges on the participation of all stakeholders from the outset, including line ministries (finance and planning, health, labour, social affairs and so on), social security institutions and social protection programmes, local government bodies, employers' and workers' organizations, civil society organizations, academics, development partners and IFIs. Timor-Leste, for instance, conducted such an ABND between 2016 and 2018. Its explicit goal was to inform its national social protection strategy. Throughout the process, representatives of the stakeholders listed above and many more were involved. Such an ABND comprises three steps.

**(1) Building the assessment matrix and developing policy options.** The assessment matrix lists and describes the existing social security schemes and programmes that guarantee access to essential health care and income security over the life cycle. It identifies policy gaps and implementation issues and provides recommendations for further designing and implementing social protection provisions with the aim of guaranteeing, at a minimum, a social protection floor for all residents and children. In Timor-Leste, one of the results of the assessment matrix was that the broad range of existing programmes and policies lacked coordination, leading to inefficiencies as well as coverage and adequacy gaps. In addition, many programmes were not anchored in national law. This assessment provided the basis for formulating five objectives and related recommendations for the national social protection strategy.

**(2) Costing policy options, assessing their potential impact and exploring financing options.** Policy recommendations are then translated into concrete policy options. For each guarantee, several less and more ambitious scenarios in terms of population coverage and benefit levels should be identified, costed and projected over a ten-year period, for instance using the ILO's Rapid Assessment Protocol (RAP) model. The costing serves as a basis for discussions of fiscal space and government budget reallocations and can help prioritize among different policy options. Importantly, this also requires a detailed understanding of the size and composition of the current social protection budget. Timor-Leste also used the RAP model to cost a set of policies that could build a national social protection floor. Depending on whether a low- or high-cost scenario was chosen, the costs of a national social protection floor ranged between approximately 4 and 12 per cent of GDP in 2018. The costing was complemented by a microsimulation exercise to assess the potential impact of the different scenarios on poverty reduction. Finally, the ABND discussed ways to create fiscal space for social protection in Timor-Leste, such as through the reprioritization of budget allocations.

<sup>10</sup> Albania, Cambodia, Cameroon, Egypt, Georgia, Ghana, Indonesia, Kyrgyzstan, the Lao People's Democratic Republic, Liberia, Malawi, Mongolia, Mozambique, Myanmar, the Niger, Pakistan, the Philippines, Senegal, Solomon Islands, Tajikistan, Thailand, Timor-Leste, Togo, Vanuatu, Viet Nam and Zambia.

**(3) Finalization and endorsement.** The final recommendations must be technically validated and politically endorsed. Usually, an ABND leads to the recommendation and ideally the adoption of a new national social protection policy or the evaluation of an existing one. In Timor-Leste, the recommendations were validated and the report was published. On 11 November 2021, the national social protection policy was approved by the Council of Ministers.

Source: ILO (2016); United Nations, ILO, and Ministry of Social Solidarity of Timor-Leste (2018).

### 3.3 Leaving no one behind by realizing the right to social security for all<sup>11</sup>

The COVID-19 pandemic has highlighted once again that gaps in social protection systems are not only unacceptable from a human rights perspective but can have tragic consequences at the level of individuals, economies and societies, in particular in case of large covariate shocks. Investing better in social protection – and truly living up to the commitment to leave no one behind – requires that not only a minority of the population and most often its most well-off members but all members of society have access to universal social protection. Social protection systems, including floors, should ensure universal protection – everyone can become vulnerable and the COVID-19 pandemic has shown that we are only as safe as the most vulnerable among us. Leaving no one behind is also key to sustain and extend public investments in social protection, which are more widely accepted – as reflected by people and enterprises complying with payment of taxes and social security contributions – when the benefits of social protection are tangible for everyone (Behrendt et al. 2017; Mkandawire 2005). Furthermore, social protection systems need to be comprehensive and cover all life-cycle risks – here as well, the COVID-19 pandemic has demonstrated the need to provide unemployment protection and sickness benefits for all workers, including workers in the informal economy. Social protection systems also need to provide adequate and predictable benefits to allow for a life in dignity and “peace of mind”, to truly enable people to navigate their uncertain lives and invest in their human capacities and capabilities (ILO 2019d; USP2030 2019). In emergency responses, however, it may be difficult to immediately live up to the principles of universality, comprehensiveness and adequacy. When limited resources require selecting beneficiaries, using categorical selection criteria (for instance all households in a specific region affected by a drought or all workers with young children) may increase transparency in how these decisions are taken and promote their acceptance.

Investing better therefore means designing concrete and innovative solutions to protect those who are today left out from national social protection systems, including the so-called “missing middle”, composed of the employers and workers in the informal economy and their families, and fostering their social inclusion. In the Conclusions concerning the second recurrent discussion on social protection (social security) adopted at its 109<sup>th</sup> Session in 2021, the International Labour Conference highlighted the disproportionate gaps in coverage and adequacy, in particular among “women, youth, persons with disabilities, migrant workers, domestic workers, agricultural workers, platform workers, rural populations, persons in precarious situations, persons in low-paid work, and persons in the informal economy” (ILO 2021c, para. 8). Achieving universal social protection cannot usually be achieved through a one-size-fits-all approach as social protection systems should be responsive to special needs – needs and opportunities vary and schemes and programmes need to ensure that they are accessible and adequate for everyone. Such “progressive universalism” can be achieved by involving not only social partners but also representatives of specific groups such as persons in situations of vulnerability or exclusion in the design and implementation of social protection policies; this ensures that the policies and schemes are responsive to the needs of those groups and respects their dignity (see also section 3.2).

Social security is not charity but a fundamental human right that people should be able to exercise whenever they need it, at any point of their life. Investing better – and making the right to social security a

<sup>11</sup> See Recommendation No. 202, para. 3, guiding principles (a), (b), (c), (d), (e), (f) and (o).

reality for all – implies that entitlements to benefits should be prescribed by law to ascertain these guarantees and their predictability. In addition, beneficiaries and contributors should have access to efficient complaint and appeal procedures – it needs to be possible to hold the State and those acting on its behalf accountable (see also section 3.1). This includes, for example, situations when claimants have complaints regarding their eligibility, the quality and availability of services or the amounts of benefits, or when benefits are refused. Importantly, individuals need to be aware of their rights and obligations and the procedures they can use to hold governments accountable. Public awareness and education can contribute to improving both transparency and the participation of social partners in the design of the system. Uruguay, for instance, has invested in the development of a culture of social protection (see box 5). Anchoring social security rights in law is also one of the ways to increase the sustainability of social protection and make investments in social protection more predictable and reliable, as indicated in section 3.4. At the same time, this also requires a long-term financial and fiscal strategy to ensure that the State can fulfil its obligations today and in the future.

► **Box 5: Uruguay’s “Know your rights and obligations to social security” programme**

In 2007, Uruguay launched an education initiative on social security that aims to inform the population of their rights and obligations, promote active participation in the improvement of the social security system and extend its coverage. Through a joint effort between the Social Security Institution and the institutions responsible for education and culture, the Government provided content on social security for the curricula used in all schools and professional training institutions at all levels. Today, the programme, entitled “Know your rights and obligations to social security”, reaches all students, including children from five years of age, adolescents attending high school and adults attending vocational training institutions or finalizing formal studies. Thanks to the programme, the population is now more aware of their rights and obligations. The social security culture resulting from the implementation of the programme is arguably one of the key factors that contributed to the extension of coverage and the increase of contributions by 22 per cent between 2007 and 2014.

Source: Méndez and Giroud-Castiella (2019).

### 3.4 Progressive and sustainable investments<sup>12</sup>

The right to social security is not the outcome of a development process but an indispensable ingredient in the development process to avoid States becoming trapped in a “low cost–low human development” growth pattern. The benefits of social protection extend far beyond its direct impact on preventing and reducing poverty, inequalities, social exclusion and insecurity: its economic and social effects and returns on investment can be substantial. Investments in social protection are equally investments in human capacities and capabilities, which in turn foster decent work, productive employment, sustainable enterprises and inclusive economic growth; investments in social cohesion and peace; and finally, investments in increased resilience (ILO 2021c, paras 5 and 6). In recent decades, a solid evidence base has demonstrated the positive impact of social protection on reducing poverty and inequalities and promoting positive outcomes related to education, health, nutrition, labour market participation, enterprise performance, social cohesion, peace, political stability and state-building (see for example Abramo, Cecchini, and Morales 2019; Bastagli et al. 2019; Cantillon 2009; FAO and UNICEF 2017; ILO 2014; Lee and Torm 2017; Mathers and Slater 2014; OECD 2015; 2018; UNDP 2019).

Evidently, universal social protection systems including floors cannot be achieved from one day to the next or through one-off financial injections but require the continuous development of institutional capacity and financial resources. International social security standards recognize this and provide guidance on how to set priorities and ensure progressive and sustainable investments. First, national social protection floors

<sup>12</sup> See Recommendation No. 202, para. 3, guiding principles (g) and (k).

should be established as soon as possible, followed by progressively increasing levels of protection (see section 2.2.1). The progressive realization of universal social protection entails identifying policy priorities and setting targets and time frames for their design, financing and implementation that are formulated in national social protection strategies and well aligned with national financing frameworks.

Second, in line with the overall and primary responsibility of the State (see section 3.1), government and social security institution revenues are the primary instrument for turning national development objectives into reality. Resources need to be predictable and sustainable so as to cover recurrent and future expenditures that are composed of benefits and administrative costs, taking into account important societal transformations, such as demographic changes (increased longevity, declining fertility rates or increased mobility), changes in the world of work (labour force participation, levels of informality, structure of employment, volatile job careers, migration, automation and digitalization), climate change or the likelihood of future shocks.

Legal requirements to carry out social budgeting exercises, financing studies and periodic actuarial valuations are crucial to ensure the assessment of current and future flows of the revenues and expenditure of the entire social protection system (ISSA and ILO 2016). Such assessments allow social security institutions, governments and social partners to identify financial imbalances in the short, medium and long terms that might threaten the financial sustainability of countries' social protection systems or individual schemes.

This helps to initiate well in advance consideration of how to make the necessary adjustments to maintain or re-establish the long-term financial equilibrium and sustainability of the social protection system. Smart and timely adjustments of contribution rates, levels of benefits or a revised investment or funding policy (ISSA 2004) have the potential to avoid drastic and belated reforms in the future that could inflict harm or undermine public trust or the need to have recourse to government subsidies to fill gaps. Furthermore, it is necessary to ensure that the State has the capacity to fairly collect and allocate sufficient budgetary resources to meet its commitments today and in the future, in line with its national strategy to extend social security (see European Commission 2015; European Commission et al. 2020).

### 3.5 Social solidarity, including solidarity in financing<sup>13</sup>

Social protection systems usually build on solidarity mechanisms that pre-existed in society (for example, mutual funds, cooperatives, the *Zakat*, *tontines* and so on). The principle of solidarity in social protection has two aspects: (a) risk-pooling to protect individuals against the adverse financial consequences of certain risks, such as ill health, maternity, sickness, old age or unemployment; and (b) redistribution between individuals and population groups. Solidarity in financing contributes to preventing and reducing poverty, inequalities and social exclusion. It ensures that all members of society are covered by social protection and insured against unforeseen risks by having them contribute to pooled funds (through taxes or social security contributions) at rates that are commensurate with their ability to pay, shored up by a strong social contract. Solidarity is essential for making social protection systems more inclusive; working towards adequate benefit levels and the long-term financial sustainability of the system; and fostering social cohesion, justice and peace. In its Conclusions concerning the second recurrent discussion on social protection (social security) adopted at its 19<sup>th</sup> Session in 2021, the International Labour Conference highlighted the principles of solidarity, collective financing, well-balanced intergenerational fairness and the achievement of gender equality as cornerstones for achieving the adequacy and sustainability of social protection systems (ILO 2021c, para. 15(c)).

Importantly, the principle of solidarity encompasses vertical redistribution from high- to lower-income households (for example, through progressive personal income tax rates or contribution rates that are proportional to income and ensure that contributions are higher for high-income earners). It also includes

<sup>13</sup> See Recommendation No. 202, para. 3, guiding principles (e) and (h).



horizontal redistribution, for instance between healthy and sick persons, men and women, younger and older persons or families with and without children (see box 6). Evidently, the optimal balance between those who finance and those who benefit in a given national context is a political decision that needs to be negotiated with all stakeholders (see section 3.2). This needs to take into account the rights and dignity of every human being, including the rights of future generations, in order to ensure that the labour market, financial and economic risk are not disproportionately shifted to either employers or workers or other groups of the population and to measure success in human rather than solely economic terms (ILO 2021c, para. 15(d)).

► **Box 6: Examples of social solidarity and solidarity in financing social protection**

**Solidarity between healthy and sick persons.** National social protection schemes mandate the affiliation of all individuals and enterprises, thereby creating large risk pools of “good” and “bad” risks alike. Contribution levels are usually not linked to the individual risk (what the individual or enterprise cost to the scheme) but to an average risk. In social health insurance schemes, for instance, insured members with health preconditions pay the same level of contributions as healthy members even though they may be more frequent users of health services.

**Solidarity between employers and workers.** In most countries, employers and workers jointly contribute to social insurance, in line with the financing principle established by Convention No. 102. Article 71 establishes a ceiling on workers’ contribution, stating that that “the total of the insurance contributions borne by the employees protected shall not exceed 50 per cent of the total of the financial resources allocated to the protection of employees and their wives and children.”

**Solidarity between high- and low-income earners.** Taxes and transfers have a significant redistributive effect, the extent of which depends on the progressivity, size and mix of these components (for example, depending on the role that personal income taxes play vis-à-vis consumption taxes). In social insurance schemes, social security contributions are generally expressed as a uniform share of members’ income, which means that high-income earners contribute more in absolute terms. In addition, benefit levels for old-age pensions, unemployment protection or other social protection schemes are usually expressed in percentage of past earnings (so-called replacement ratio). Replacement ratios are often higher for lower-income earners in order to avoid imposing additional hardship on them. This means that high-income earners may to some extent contribute to the protection of low-income earners (depending, however, on differences in life expectancy between these groups).

**Solidarity between women and men.** Social protection may help redress some of the gender inequalities that exist in the labour market, for instance when primary caregivers (often women) can benefit from care credits in old age-pension schemes for periods spent outside the labour market while caring for children and other family members.

**Solidarity between present and future generations.** In pay-as-you-go or partially funded old-age pension schemes,<sup>14</sup> the contributions or taxes paid in a given year serve to finance the pensions of those in retirement. This means that those who currently pay contributions or taxes are not “saving for their own retirement” but financing the pensions of current beneficiaries. In exchange, they receive the guarantee that future cohorts of workers will in the same way finance their own pensions when they retire. This intergenerational solidarity is based on a long-term social contract that is constituent to most pension schemes around the world.

<sup>14</sup> This applies to pay-as-you-go and partially funded pension schemes but not to fully funded pension schemes that do not include an element of intergenerational solidarity.

In this context, decisions on social protection financing and spending should not only be driven by efficiency, adequacy and sustainability considerations but also by an assessment of their net effect on poverty and redistribution. For example, cash transfer programmes contribute to reducing poverty, but the combined tax-benefit impact on poverty and inequality may be smaller (or even negative) when financed from certain regressive consumption taxes (that are also paid by individuals living in poverty and hence reduce the net income effect of a transfer)<sup>15</sup> rather than from income taxes or other progressive taxes.

### 3.6 Exploring a diversity of approaches and mechanisms<sup>16</sup>

International social security standards do not propose a one-size-fits-all solution but stress that the optimal combination of different approaches and financing mechanisms to achieve universal social protection may vary according to the national context. Social protection systems have been constructed over time and continue to evolve, for instance by adding schemes to protect people against an increasing number of risks (old age, sickness, unemployment and so on) or by increasingly protecting more population groups (workers in large enterprises and in small and medium-sized enterprises, self-employed workers, domestic or agricultural workers, migrants, refugees and so on). As a result, most systems in the world use a mix of schemes and financing mechanisms to ensure social protection for their population, in line with their social and economic circumstances, legal traditions and history (ILO 2017; 2019b). Such a mix may include non-contributory and contributory schemes, negative income measures<sup>17</sup> or employment support schemes (see box 7).

Considering and, as appropriate, utilizing the full range of methods and approaches, including financing mechanisms and delivery systems, ensures that social protection systems can provide universal, comprehensive and adequate protection, while also remaining sustainable. For instance, in many countries there is still considerable potential to tap into the contributory capacity of population groups (Durán Valverde et al. 2019; 2020). Workers in the informal economy provide an instructive example (ILO 2021a); they are often not covered by existing social insurance schemes and yet not considered “poor enough” for narrowly targeted social assistance schemes. By adapting existing social insurance schemes to their circumstances in terms of the level and periodicity of contributions, priority protection needs or forms of organization to facilitate contribution collection, social protection can be extended to such workers, while at the same time contributing to increasing the domestic resources mobilized for social protection. However, the diversity of mechanisms should not lead to fragmentation, duplication or distorted incentive structures, which in the worst case scenario could reduce the size of risk pools or undermine solidarity between different population groups. To this end, many countries have set up dedicated coordination mechanisms that ensure coherence among different elements of the social protection system, while creating synergies with other public policies (see section 3.7).

<sup>15</sup> Nonetheless, it is possible to design value-added taxes in a way that reduces their regressivity, for example by exempting items that are consumed by low-income households. There are also a range of other consumption taxes that can be highly progressive (for example, luxury sales taxes or ticket taxes).

<sup>16</sup> See Recommendation No. 202, para. 3, guiding principle (i).

<sup>17</sup> According to the ILO's General Survey concerning the Social Protection Floors Recommendation, 2012 (No. 202), negative income tax and related measures are in fact widely used in many countries. Examples include the Working Tax Credit in the United Kingdom and similar measures in Turkey for persons with a disability who have private businesses and in South Africa for young workers (ILO 2019c).

► **Box 7: Achieving near-universal social protection for children in Argentina**

In Argentina, nearly all children and adolescents (87.4 per cent of children and adolescents, that is 11.4 million) are covered by social transfers. This is achieved through the combination of three components:

- (a) contributory family allowances;
- (b) non-contributory family allowances; and
- (c) tax deductions from income (tax on earnings) for higher-income workers with children.

The National Social Security Administration is responsible for managing both contributory and non-contributory family allowances; tax deductions are administered by the Federal Administration for Public Incomes.

*Source:* Aulicino, Waisgrais, and Orton (2019), Casalí, Casanova, and Beccaria (2019), ILO and UNICEF (2019).

### 3.7 Ensuring good governance and creating synergies<sup>18</sup>

International social security standards create a framework for ensuring good governance and synergies, which includes a range of elements related to the public finance management framework, such as transparent, accountable and sound financial management and administration; the regular monitoring of implementation and the periodic evaluation of the system to ensure that it is achieving its targets; coherence across the institutions responsible for the design, delivery and financing of social protection and ensuring high-quality public services; and coherence between social protection policies and other social, economic and employment policies. All these elements should be included in national strategies that aim to secure better investments in social protection.

First, transparent, accountable and sound financial management and administration ensure that social protection objectives are achieved in the most cost-effective and efficient way (ILO 2019c). This is essential for harnessing the trust of the population in the system and its willingness to finance the system through the payment of taxes and social security contributions. Furthermore, rationalizing administrative costs by leveraging robust management information systems and new technological solutions releases resources that can be used to increase coverage and adequacy.

Transparency is also key for facilitating affiliation and access to benefits and enhancing trust in the system. For instance, complex registration and administrative procedures to enrol and claim benefits, especially when not sufficiently explained, can lead to the exclusion of people and lost benefits. A similar issue arises when selection criteria for beneficiaries are not straightforward; a pervasive problem for instance with so-called proxy means-testing to identify whether somebody is eligible for social assistance benefits, which may create the feeling of unequal treatment and thereby threaten social cohesion (Kidd, Gelders, and Bailey-Athias 2017). Compliance with procedures (such as to register, make contribution payments and claim for benefits) and overall trust in the system is also at risk when beneficiaries cannot predict the amounts they will receive, sometimes far in the future, as in the case of old-age pension systems. In the worst case scenario, this will undermine public support for sustained or increased investment in social protection.

Second, the regular monitoring of implementation and periodic evaluation are needed to determine the extent to which strategies to extend social protection have been successful, are on track, as well as where policy adjustments are necessary to reflect changing realities or ensure the achievement of protective outcomes. Sound monitoring is key, as is the involvement of social partners and civil society (Behrendt et al. 2017).

<sup>18</sup> See Recommendation No. 202, para. 3, guiding principles (j), (l), (m), (n) and (p).

Third, coherence across the institutions responsible for the delivery of social protection and high-quality public services equally contributes to ensuring value for money, facilitating access and closing protection gaps. For example, affordable and quality care services are essential to allow women and men who provide care to dependants to make the time to engage in productive employment and decent work (UN 2019).

To this end, countries should set up dedicated, institutionalized and sufficiently resourced coordination mechanisms. Coordination spans multiple aspects, including both the design of programmes (for example, eligibility criteria, benefit levels), financing and concrete administration (for example, common vulnerability indices, single registries, integrated points of access) (ILO and UN 2016). One early example was Columbia's unified household vulnerability index, which is used to identify the beneficiaries of various social protection and employment programmes and included information on more than 70 per cent of the population in 2014 (Rosero, Castanó, and Sarmiento 2015). Another practical way to improve coordination between schemes and programmes and foster coherence is the use of management information systems, which can combine information from various sources (for example single registries, employer registries or information from tax authorities) and be used to manage information and financial flows between government authorities at different levels, contributors and beneficiaries (ILO 2021b). The development of such a system may require time and financial investments, but it has increasingly become a critical element for the sound administration of social protection systems.

A final practical approach is the use of single-window services or one-stop-shops (see box 8 and ILO and UN 2016). They contribute to achieving efficiency gains through the co-location or merger of the front offices of several social protection schemes and by facilitating enrolment, the collection of contributions and the payment of benefits. By offering a comprehensive and coherent package of transfers and services, they better respond to the specific needs of people. They can also facilitate the implementation of cross-policy synergies (for example, the receipt of unemployment benefits through being registered in an employment service centre). They can help collecting feedback from beneficiaries, which can also support the improvement of policy design and implementation.

► **Box 8: Mongolia's one-stop-shops go online**

In Mongolia, the one-stop-shops, implemented nation-wide since 2013, deliver social protection and employment counselling services, as well as notary and banking services at *aimag* (provincial) and *soum* (district) levels. By bringing together representatives of different public agencies (including social insurance, social welfare and employment departments), the Government has, through the one-stop-shops, enhanced the legal framework of public service provision and improved the accessibility, awareness and transparency of the services provided. Now commonly used by the population, the one-stop-shops provide an opportunity for local administrations to improve coordination and the quality of the public services provided to their population. The one-stop-shops now include an online system ([www.ehaamj.mn](http://www.ehaamj.mn)), which is coupled with a mobile application that allow individuals to register and pay contributions.

Source: van Langenhove and Peyron Bista (2019) and ILO country office.

Fourth, returns to investment in social protection can also be increased by actively seeking synergies between social protection and related policies. In addition to the well-established links between social protection, health, education and nutrition, this also includes employment policies or integrated strategies to foster the transition to the formal economy (ILO 2019a). An instructive example is the so-called monotax regime, which promotes formalization, extends social protection coverage and enhances domestic resource mobilization simultaneously (see box 9). In general, extending social protection to workers in the informal economy can reap a triple dividend: it can provide workers with economic security and corresponding peace of mind; facilitate transitions to the formal economy and contribute to productivity gains; and contribute to a broader contribution and tax base (ILO 2020a; 2021a; 2021e; ILO and FAO 2021).

**▶ Box 9: Monotax: A triple-win-strategy**

Monotax regimes aim to increase social protection coverage, reduce informality and increase domestic revenues by offering small and medium-sized enterprises as well as self-employed individuals the possibility to pay reduced levels of taxes and social security contributions in one combined payment, the monotax. Taxable income is normally presumptive (presumed income in the absence of the information); a fixed fee is applied to each presumptive income category. Monotax regimes require close collaboration between the tax authorities and the social security institutions. Argentina, Brazil, Ecuador and Uruguay have implemented monotax regimes. In Brazil, the Simples scheme has contributed to: (a) the formalization of enterprises (the number of registered firms increased from 3 million to about 12 million between 2008 and 2016) and workers (informality reduced from 49.4 to 45 per cent during the same period); (b) increased tax revenues (taxes collected from Simples increased from 41 billion to 73 billion Brazilian reais during the same period); and (c) the extension of social protection coverage.

*Source:* ILO (2019a).

## ▶ 4 Conclusion

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The COVID-19 pandemic has added urgency to a problem that the international community had been aware of even before the crisis hit. Despite international commitments to achieve universal social protection by 2030, progress had been sluggish and countries were insufficiently prepared to protect large parts of their population in a comprehensive and adequate way against a large-scale shock. Arguably, this was partly related to long-standing underinvestment in closing social protection gaps and partly related to insufficient recognition of the multiple positive social and economic impacts of social protection on individuals, households, businesses, economies and societies. The problem has been further aggravated by the insufficient alignment of the visions of the various stakeholders that are involved in the design, implementation and financing of national social protection systems, including floors.

Building universal, comprehensive, adequate and sustainable social protection systems that provide a social protection floor for all is a matter of urgency. As much as vaccination against COVID-19 will allow countries to reopen their borders and embark on the recovery path, the global community should join forces for the creation of a “vaccine against poverty and inequality” to ensure that the socio-economic recovery is sustainable, resilient and inclusive (Cichon 2021). This vaccine has already a name – social protection floors – and representatives of governments, employers’ organizations and workers’ organizations from all ILO Member States already agreed in 2012 on the core principles to guide its design, financing and implementation through the adoption of Recommendation No. 202. Awareness of these principles, which were agreed at both national and international levels, deserves to be raised. They represent a unique combination of ethical, rational, inclusive and pragmatic principles agreed upon by the global society. These principles are therefore an important asset and reference for all national social protection development processes as well as for the multilateral system. They should be systematically adhered to by all actors involved in the design, implementation, financing and governance of social protection (ILO 2021h).

The application of these principles is key to building forward better and ensuring that people have access to health care when needed and that their income is protected against the risks of life – unemployment, sickness, maternity, disability and old age, among others. Social protection systems, including their floors, prevent and reduce poverty, inequality and insecurity. Building social protection systems, including solid floors, not only makes a change in people’s current lives and ensures peace of mind but also increases the domestic demand for goods and services and represents an investment in the productivity of workers and sustainable enterprises, thereby contributing to economic recovery and further economic development. By putting solidarity into practice, building social protection systems will renew the social fabric and promote a renewed social contract, which have been put to the test by large-scale global transformations, including the recent COVID-19 lockdown measures. Social protection systems will increase the resilience of our economies and societies by fulfilling its protective function and acting as an automatic stabilizer when the next crisis hits.

Achieving these objectives requires that all stakeholders – governments, employers’ organizations, workers’ organizations and civil society organizations – together with development partners and financial institutions, integrate these principles in their daily practice. Linking technical and financial assistance to the adherence of these principles and monitoring their application will allow countries to invest not only more but also better in their social protection systems and to achieve the SDGs.

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## ► Advancing social justice, promoting decent work

The International Labour Organization is the United Nations agency for the world of work. We bring together governments, employers and workers to improve the working lives of all people, driving a human-centred approach to the future of work through employment creation, rights at work, social protection and social dialogue.

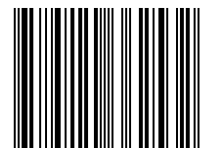
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