

## Notes from working lunch discussion - Oslo Conference 2010

### *Table 6, Chaired by Martin Hirsch, President of Agence du Service Civique (France)*

#### *Towards a social protection floor*

There is growing international interest in the extension of a social protection floor, which includes both solidarity and insurance elements in the areas of pensions, health, social assistance and other welfare benefits (see in particular ILO-IMF paper, ILO's Global Jobs Pact and 2008 Declaration on Social Justice). A social protection floor not only supports the achievement of key social goals like poverty alleviation, but it also has an economic justification:

- If well-designed, a social protection floor could strengthen the resilience of economies to economic shocks. The 2008 crisis has thus shown that social protection can play a key role as an automatic stabilizer (see joint ILO-IMF study).
- In addition, a social protection floor can boost longer-term development prospects to the extent that it facilitates access to health care and promotes human capital. It could also contribute to the rebalancing of the world economy: a social protection floor would help boost domestic sources of growth in countries which relied mainly on exports as growth engine.
- The concept is not a theoretical construct: Brazil's Bolsa Familia programme and India's rural employment guarantee scheme show how a social protection floor can be implemented in practice, as ILO analysis has shown. These two countries have also weathered the 2008 relatively well and the programmes seem to have played a role in this performance --though more evaluations of the programmes are of course needed.

However, a social protection floor would need to be designed very carefully:

- The interactions with work and human capital incentives are critical. A social protection floor should be employment friendly and support investment in education in training. For instance, social assistance for vulnerable groups should enhance incentives for children to enrol in school. Pension systems need to be designed so as to support labour market participation. The interactions between the level of welfare benefits and minimum wages need to be tackled adequately. Finally, the existence of a large informal economy should be a major consideration when designing and implementing a social protection floor in developing countries. These are issues for which ILO has gathered considerable expertise.
- The cost and funding arrangements of the social protection floor are major issues which will shape its content and size. The social protection floor should be affordable and tailored to the financial possibilities of each country, and yet the expectation is that it develops in line with development prospects. In addition, funding arrangements are key. The pros and cons of labour taxes (which tend to weigh on formal employment), general taxation and foreign support need to be taken into account. IMF research could be of considerable help in this regard.

- The social protection floor should not lead to a race to the bottom, whereby countries would move to a minimum set of rights, for fear of losing international competitiveness. In addition, social policy should not be regarded as a substitute for wage policy. In this regard, there is concern among certain analysts that wages may continue to grow less than productivity gains, thereby further weakening global demand and delaying crisis recovery.

*Possible areas for further ILO-IMF cooperation*

Further cooperation could be envisaged as part of the social protection floor initiative:

- The concept could be further refined through joint work on i) fiscal space issues and funding mechanisms --including national and international taxation issues-- (for which IMF has more expertise) and ii) system design issues (key dimension of ILO work).
- A pilot project in 4-5 countries which have shown interest in implementing a social protection floor could be carried out. This would include technical support as well as country studies, possibly with international organizations.

In addition, there is scope for strengthened cooperation as part of the mandates that the two organizations received from the G20:

- The framework for sustainable growth and employment needs to be further developed, notably through new research and possibly also country-specific analysis.
- Further cooperation is needed to ensure that the contributions of each agency to the G20 take into account the search for policy coherence between growth and employment/social goals.

Finally, a follow-up joint meeting could be envisaged in order to take stock of the progress made in policy coherence between economic and social policies. In so doing, the perspective of developing countries should be given more prominence.