

## International Labor Organization

### Reference Paper on: Social Protection

*Ursula Kulke, ILO Regional Officer of Arab Countries*

The global economic and financial crisis of 2008 underscored the value of social protection in both providing income security to the vulnerable and preserving social cohesion in periods of crises – and this was reinforced in the Arab region following the popular uprisings. Most Arab countries have introduced or expanded their social protection measures since 2010, including those countries that were not visibly affected by the uprisings.

The value of a well-functioning social protection system is now universally recognized. When properly designed, social protection constitutes an automatic stabilizer in times of recession and crises. It can preserve and promote human development, thus contributing to productivity gains in the economy and enhanced welfare among citizens. Most importantly, social security, along with social dialogue, can contribute to industrial peace in the labour market and, with broader social protection measures, help avoid social instability through enabling the vulnerable groups, whether unemployed, women, children and elderly people, to access vital services and have a voice to promote dignity and social justice. Countries that have strong and fair social protection systems have a valuable in-built mechanism to stabilize their economies.

A new generation of social protection initiatives should form the basis for developing comprehensive systems based on legal entitlements and rights rather than the welfare approach provided by the old “social contract”. In fact, the established social security systems in most Arab countries based on attaching a part of social protection to public sector employment resulted in another widely cited undesirable effect: high unemployment among the young, especially the more educated, has often been attributed, at least partly, to voluntary “queuing” by jobseekers for a job in the public sector instead of accepting

work in the private sector because of the differences in pay, employment and social security benefits between the two sectors. Social protection should not therefore be seen as independent of employment policies. The importance of policy coherence between social protection, active labour market policies and employment creation is indisputable, especially when the responsibility for employment creation is to be shifted more to the private sector. These policy areas should be treated as inseparable, inter-related and mutually supportive, along with the other components of decent work.

The case for adjusting social protection in the Arab region became evident in the 1990s. The increasing expenditures on social protection, as well as the fiscal burden of sizeable public employment, led many countries to adopt reforms that assigned a greater role to the private sector. Additional changes were introduced after the global financial crisis of 2008 and more recently after the post-2010 developments.

Social protection systems in the Arab region remain in need of strategic reforms as former reforms were driven mainly by budgetary considerations and largely failed to meet the expectations of Arab citizens. When countries move away from defined benefit to defined contribution schemes and increase the role of the private sector and financial markets in the pension area, the risks from the variable performance of capital markets is passed on to individuals, instead of being shared and amortized at the societal level, with the State as the ultimate guarantor. The long-standing structural problems in social protection have been partly addressed and only a few Arab countries carried out substantial social security reforms focusing on the extension of social security coverage and revision of pension legislation. For example, pension reforms focused on cost containment through adjusting

retirement ages, revising benefit formulas, and aligning eligibility conditions and benefit levels between public and private sector schemes.

The delegation of some of the traditional responsibilities of the State to the private sector needs to be done with social, not just fiscal criteria in mind. For example, giving the private sector a greater role in health services does not release the Government from its responsibility to provide universal basic care. While it is true that food subsidies were often not used prudently, their removal should be accompanied by effective compensation measures for the poor, but also the vulnerable and “near poor”.

The global financial crisis in 2008 led to the adoption or expansion of some social protection measures on a reactive and ad hoc basis, rather than as part of a clear long-term vision. The post-2010 measures were also introduced hastily, this time more under political pressures. Under such conditions, there is little time to rationalize and prioritize. The situation becomes more challenging when there are no good socio-economic data, information on programme characteristics and outcomes is lacking and social dialogue is weak.

Looking forward, future reforms should not be conceived and implemented as stand-alone initiatives but rather as part of a new social contract resulting from nationwide social dialogue processes. Policy coherence is critical to ensure that the full impact goes beyond that of individual economic and social policies, such as active labour market policies and poverty reduction strategies. This is a key challenge: to build coherent national social security systems embedded in a broader progressive economic and social policy framework.

Comprehensive social protection systems should be built on national social protection floors which provide an enabling framework for the reduction of poverty, as well as the redress of inequalities. They are key elements of national policies to promote human development, political stability and inclusive growth. The Social Protection Floor concept was adopted in 2009 by the United Nations Chief Executives Board (CEB) as one of nine joint initiatives to

respond to the recent global financial and economic crisis. The continued relevance of social protection, both as a right and as a means to ensure long-term development, has transformed the SPF into a widely pertinent policy approach. The ILO ***Social Protection Floors Recommendation, 2012 (No. 202)***, provides practical guidance for setting national social protection floors and building comprehensive social security systems. It reflects a consensus on the extension of social security reached among Governments and employers’ and workers’ organizations from 185 countries at all levels of development.

An effective basic social protection floor consists of a minimum set of social security guarantees which aim at a situation in which:

- All residents have the necessary financial protection to afford and have access to a nationally defined set of essential healthcare services, in relation to which the State accepts the general responsibility for ensuring the adequacy of the (usually) pluralistic financing and delivery systems;
- All children have income security, at least at the level of the nationally defined poverty line level, through family/child benefits aimed at facilitating access to nutrition, education and care;
- All those in active age groups who are unable to earn sufficient income on the labour markets should enjoy a minimum income security through social assistance or social transfer schemes (such as income transfer schemes for women during the last weeks of pregnancy and the first weeks after delivery) or through employment guarantee schemes;
- All residents in old age or with disabilities have income security at least at the level of the nationally defined poverty line through pensions for old age and disability.

These basic social security guarantees can be realized through a broad variety of possible policy options. The ILO has put forward four prin-

principles which should guide the development of social security policies:

- **Universality of access** : Access for all to effective social protection through social security as the most fundamental principle.
- **Progressiveness**: Commitment to achieving higher levels of protection in line with economic and social development.
- **Pluralism**: Flexibility in the choice of institutional structures best suited to achieve the objective of universal coverage and the importance of stakeholder participation in governance.
- **A focus on the outcomes**: Progress to be assessed based on outcomes, not based on processes and methods.

Building national social protection floors in Arab countries should ideally be based on a comprehensive review of the current social security system, its administrative capacities and its performance, with recommendations for reforms. Obviously, an effective social protection floor must also take resource constraints into account. Sufficient fiscal space is needed to consolidate and expand social security systems with the objective of building effective social protection floors. Several ILO studies projected the cost of implementing a basic social protection package and demonstrated affordability even in low-income countries.

Recent regional analyses indicate that there is sufficient fiscal space in the non-GCC countries for some expenditure switching. Their findings suggest that the current levels of expenditure on social protection that benefit only a few can be reallocated to yield much more in terms of development payback. Thus, social protection should be seen in the same way as any other form of public investment that is governed by long-term cost and social benefit considerations. The opportunity cost of inaction should also be taken into account. For example, not reducing child labour or not providing basic child benefits and health care for children can lead to dynastic poverty traps, the children of poor people

grow up only to live in poverty themselves. In this respect, various schemes that have been introduced in Latin America in the last couple of decades under the name of conditional cash transfers (CCTs) have contributed to enhancing income security, education and health outcomes, reducing the incidence of child labour and encouraging engagement of adults in productive activities.

Beside, good governance of social protection systems is a key element for ensuring the viability of social protection in the long run. Social protection schemes need to be well managed and administered to ensure effectiveness in reaching agreed objectives, efficiency in using resources, and transparency to gain confidence of those who finance them and benefit from these systems. The active involvement of all stakeholders, and in particular workers and employers through effective social dialogue mechanisms and tripartite supervision, is the key.

While the involvement of social partners in social protection policy making and implementation is an essential prerequisite for good governance, the general responsibility for an effective and efficient social security system lays with the State, particularly with creating political commitment and setting appropriate policy, legal and regulatory frameworks along with supervision that guarantees adequate benefit levels. The State is also responsible for good governance and management of social security schemes, protecting acquired rights of beneficiaries and other participants, and creating the enabling environment to allow the effective participation of social partners.

There is no one-size-fits-all formula to create comprehensive social security protection. The differences between various systems will reflect the diverse country characteristics that set the conditions under which national schemes have to operate. These conditions include the size, composition and characteristics of the country's population and workforce, as well as the level of resources available for redistribution ("fiscal space"). While the integrated solutions will have to be drawn up on a national basis, it is clear that the Arab region cannot afford to go back to social protection systems they had in the past.



A negotiated new social contract is needed to meet the expectations of people if the structural deficits and problems of the existing social protection systems are to be well addressed and inclusive social protection strategies are developed that can be implemented over a longer time horizon. Hereby, inclusive social protection strategies should be built on national social protection floors, which would provide universal social protection as a right, and which would thus contribute to realizing the universal right to social security.

The ILO Regional Office for the Arab States envisages continuing the discussions with tripartite stakeholders on a new development paradigm for Arab countries, with social protection at its heart. This new paradigm should be based on Decent Work principles and international labour standards, basic social security principles and national social dialogue. It should aim at contributing to social justice and inclusive growth through income security and access to essential health care for all workers and their family members in Arab countries.