

SOCIAL PROTECTION

Sustainable, efficient and targeted social protection systems to assist the vulnerable can prevent increased poverty and address social hardship, while also helping to stabilize the economy and maintain and promote employability. In developing countries, social protection systems can also alleviate poverty and contribute to national economic and social development. In a crisis situation, short-term measures to assist the most vulnerable may be appropriate.

1. TARGETED SOCIAL PROTECTION MEASURES

POLICY RECOMMENDATIONS & CONSIDERATIONS

- ▶ Strengthen social protection measures such as wider coverage of unemployment benefits and insurance schemes and protecting pensions could be considered as a means to bolster demand and protect the most vulnerable.
- ▶ Aim to provide coverage to the maximum amount of citizens, while remaining within affordable fiscal boundaries.
- ▶ Target social spending at actively supporting employability and re-entry to the workforce as soon as possible. Income supports should be treated as any other type of incentive – they should be temporary, timely and well targeted to those in need.
- ▶ Examine schemes that enable workers to pay into individual unemployment accounts on which they can draw if they lose their jobs.

This policy brief is part of a series which the IOE has developed to assist Employers' Organisations (EOs) in their policy discussions with governments and other stakeholders on crisis recovery measures and strategies and additionally to help EOs in the provision of guidance to their own members. The policy briefs are based on the employer input into the Global Jobs Pact (GJP) which was developed during the 2009 International Labour Conference as a global and collective crisis response by ILO constituents. The Pact is fully supported by employers. The IOE has prepared a specific Guide to the GJP for its members. This Guide, along with the Pact itself and other information relevant to crisis recovery plans is available on the "Global Jobs Crisis" response section of the IOE website.

2. PROTECT THE MOST VULNERABLE

In most developing countries, pension, health, and unemployment insurance systems generally cover only formal sector workers. The economic crisis is projected to significantly increase poverty, mainly through enterprise closures and job losses, decreased wage effects, as well as declining remittance flows.

POLICY RECOMMENDATIONS & CONSIDERATIONS

- ▶ Explore innovative approaches to providing social security to those in the informal economy, without placing the cost burden solely on the formalised economy.
- ▶ Ensure targeting is at the forefront of policy decisions and measures that are introduced should ensure that benefits fall to those who need them the most. Recent research shows that spending on education and health is typically skewed to services disproportionately used by the rich and middle class.

3. YOUNG WORKERS

As new entrants in the labour market are less skilled due to their shorter labour market experience, they are likely to be more severely hit by a contraction in labour demand.

POLICY RECOMMENDATIONS & CONSIDERATIONS

- ▶ Target 'at-risk' youth to minimise the chances of entering the labour market without any qualifications (e.g. subsidies for apprenticeship contracts for unskilled youth; promotion of second-chance schools, etc.).
- ▶ Provide vocational and technical training and entrepreneurial skills development, especially for unemployed youth.
- ▶ Exploit the current economic downturn to consider raising the school-leaving age in some countries or changing education policy and curricula to better manage the school-to-work transition.

- ▶ Examine the sustainability of current training schemes and company's ability to continue paying for training. Measures to assist companies during such periods need to be considered.
- ▶ Provide companies with incentives to take on young people, trainees and apprentices (utilizing tax credits for example).
- ▶ Create incentives for employers to hire young people by removing barriers that hinder youth employment generation.
- ▶ Develop efficient labour placement services for young people.

4. FEMALE WORKERS

POLICY RECOMMENDATIONS & CONSIDERATIONS

- ▶ Examine specific support to certain sectors where women dominate employment (e.g. export manufacturing and high value agriculture which have seen major employment losses from the contraction in developed countries' demand for developing country exports).
- ▶ Consider as a policy instrument in low income countries *Conditional Cash Transfer (CCT)* programmes, which are aimed at poor families on the condition that, for instance, their children regularly attend school, receive prescribed standards for preventive health care, and participate in nutrition programmes.
- ▶ Increase access of micro finance facilities, as women make-up the majority of clients of micro finance institutions.

5. OLDER WORKERS

Older workers are much less likely to get a job after losing one, and even if they do, they are likely to be paid less, often significantly, than they were previously.

POLICY RECOMMENDATIONS & CONSIDERATIONS

- ▶ Avoid encouraging withdrawal from the labour market which will have a negative impact on future growth potential. In the crisis of the 1970s, many developed countries introduced early retirement options intending to free up jobs for young people. This policy proved to be a costly failure since enterprises laid off older workers but hired few replacements.
- ▶ Target active labour market policies at older workers, with public employment services meeting the specific needs of older workers.
- ▶ Create employment opportunities for older employees through subsidies or lower social contributions or taxes.
- ▶ Offer a tax-free bonus to those who work beyond the retirement age and who otherwise would qualify for the old age pension.
- ▶ Provide wage subsidies for employers who hire older unemployed people.

6. MIGRANT WORKERS

Migrants are likely to be among the first workers to be laid off because of their concentration in the most vulnerable sectors, such as construction or tourism, and because they frequently hold temporary jobs. In previous downturns, migrants might have returned home. The global nature of the current crisis means that this may not be an option.

POLICY RECOMMENDATIONS & CONSIDERATIONS

- ▶ Ensure proper labour market analysis is factored into current migration policies. Migrants in many countries are still needed to do jobs that citizens in industrialized countries are unable or unwilling to undertake.

- ▶ Ensure longer term issues, such as massive demographic changes in developed countries, are factored into decisions governing migration policy in the short and longer term.

7. EMPLOYMENT INTENSIVE PUBLIC WORKS PROGRAMMES

Public spending on labour-intensive public works projects, such as building rural roads, can combine the benefits of an aggregate fiscal stimulus with those of income support for poor groups. Increasing spending on, for example, maintenance of existing infrastructure, particularly when it is in disrepair, may also provide a rapid channel for generating employment consistent with enhancing longer-run growth and development.

POLICY RECOMMENDATIONS & CONSIDERATIONS

- ▶ Target workers with low alternative earnings opportunities by setting wages below the market wage level so as to attract only those in need.
- ▶ Avoid projects that require heavy non-labour costs.
- ▶ Ensure exit strategies are formulated to facilitate the transition out of welfare dependency (these could include wage subsidies, a combination of wage subsidies and skills training, and entrepreneurship schemes).

8. INCREASE EFFECTIVENESS OF SOCIAL POLICY RESPONSES IN DEVELOPING COUNTRIES

The crisis presents an opportunity for many countries to improve the targeting and effectiveness of social protection expenditure.

POLICY RECOMMENDATIONS & CONSIDERATIONS

- ▶ Consider a strategic approach to the crisis whereby relevant agencies of government work under the umbrella of a national safety net coordinator.

- ▶ Look to make efficiency gains in systems and avoid *overlapping goals or target populations*. (Ethiopia, for example, merged several donor programmes to form the **Productive Safety Net initiative**, Brazil merged three prior programmes into the **Bolsa Familia**, Jamaica merged three prior programmes into the **PATH** programme, in each case with improvements in systems and outcomes).
- ▶ Promote a variety of responses. Social security instruments can come from a range of different suppliers such as the family, communities, non-governmental organizations, market institutions, and the government. In the current economic climate in most low income countries informal household and community-based mechanisms will most likely be the predominant safety net.
- ▶ Improve governance, administration and management of social protection systems as a way of making efficiency gains and cost savings.
- ▶ Identify and eradicate so-called 'elite capture', whereby social transfers are steered towards relatives and friends of political leaders rather than the most needy.

9. PENSIONS

The value of pension fund assets has been severely affected by the international economic crisis.

POLICY RECOMMENDATIONS & CONSIDERATIONS

- ▶ Avoid abrupt policy changes in response to the immediate circumstances. Pension systems are designed to function over long time periods, so poorly designed short-term responses can potentially have negative effects.
- ▶ Examine targeted measures to mitigate the losses in the savings and value of the pensions of those currently being negatively impacted.
- ▶ Diversify multi-pillar pension systems and pay increased attention to managing short-term risks.

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