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Gurpreet Randhawa

Department of Commerce and Business Management, Guru Nanak Dev University, Amritsar, Punjab, India

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SOCIAL PROTECTION FLOOR: A SOCIO ECONOMIC DEVELOPMENT POLICY

Dr. Gurpreet Randhawa*

ABSTRACT

Recently the issue of social protection floor (SPF) has gained a strong momentum at International Labour Organisation (ILO) and World Health Organisation (WHO) meetings. A series of discussions are going on in ILO for a comprehensive instrument in the form of non-binding recommendation on social protection floor for providing basic social protection benefits for all. SPF is considered as a powerful instrument at national level for addressing the permanent human crisis. In this regard the present paper attempts to examine the concept of social protection floor and its significance. The paper is based on the secondary sources of data. For this purpose, the various research papers and publications of ILO, WHO and UNDP and, the reports published by the government and non-government agencies were considered. The paper attempts to contribute to the ongoing discussion on the relevance of a social protection floor in our country.

Keywords: Social Protection, Social Protection Floor, International Labour Organisation

INTRODUCTION

According to World Social Security Report of International Labour Organisation (2010a) only about 20 percent of the world's working age populations (and their families) have effective access to comprehensive social protection. Approximately 80 percent of the global population lives in social insecurity. As a result they are not able to get any sort of benefit from a basic set of social guarantees which help them to deal with the life's risks. As per a recent World Bank estimation, about 1.4 billion people live on less than \$1.25 a day & most of them are women & children, working in the informal economy, and/or belong to socially unprotected groups such as people living with disabilities or HIV/AIDS or migrant workers (UNDP, 2011). Moreover the recurring financial & economic crisis, anywhere in the world, adds to their misery. These conditions emphasize, on all the countries, the imperative need to invest particularly in the area of social protection. The investment in social protection is preferred in order to promote sustainable & equitable economic growth & socio-economic development through efficient productive systems, deeper cooperation & integration, good governance, and durable peace and security (Mat and LG, 2012).

***Assistant Professor, Department of Commerce & Business Management, Guru Nanak Dev University, Amritsar, Punjab.
Email: drgrandhawa@gmail.com**

Among the various instruments of social protection, the social protection floor (SPF) is gaining importance in the discussions at international level since 2009. SPF initiative was one of the nine joint initiatives taken by UN System Chief Executives Board (CEB) on April 2009 for confronting the global economic and financial crisis, accelerate recovery and pave the way for a fairer and more sustainable globalization. Other initiatives include additional financing for the most vulnerable, food security, trade, a green economy initiative, a global jobs pact, humanitarian, security and social stability, technology and innovation, and lastly, monitoring and analysis. Among all these initiatives a national level social protection floor is considered as a powerful instrument for addressing the permanent human crisis.

In this regard the present paper attempts to examine the significance of social protection floor and its relevance for India. The organisation of the paper is as following. Firstly, the concept of the term “social protection floor” is discussed. Secondly, the rationale of social protection floor is presented. After that the main actors in the SPF initiative at international and national level are explained. After that India’s position on social protection floor is discussed. And in the last, the conclusions and implications are presented. The paper is based on the secondary sources of data. For this purpose, the various research papers and publications of ILO, WHO and UNDP and, the reports published by the government and non-government agencies were considered. The paper attempts to contribute to the ongoing discussion on the relevance of a social protection floor in our country.

THE CONCEPT

There are two main terms, one is social protection and another is social protection floor. The term “social protection” refers to the “full range of protective transfers, services, and institutional safeguards supposed to protect the population 'at risk' of being 'in need'” (Standing, 2007). In other words, social protection deals with both absolute capability deprivation (food insecurity, inadequate employment, low earnings, low health, and educational status) and contingency type risk and vulnerabilities such old age, health, accident, death¹. Thus, social protection refers to a wide package of measures to prevent and reduce poverty, vulnerability and inequality. Investment in social protection is essential as it is fundamental to social cohesion and economic development.

The concept of social protection floor was first proposed by the World Commission on the Social Dimension of Globalization in 2004, when it stated that “a certain minimum level of social protection needs to be an accepted and undisputed part of the socio-economic floor of the global economy.” Presently, this concept as developed by the ILO denotes a global and coherent social policy concept that promotes nationally defined strategies that protect a minimum level of access to essential services and income security for all (ILO,2009) especially in the time of economic and financial crisis and beyond that period. In other words, SPF represents a basic set of social rights, facilities and services which every individual should enjoy. The concept has been described more clearly in the Figure 1. The figure reveals the concept of SPF as a part of social security staircase.

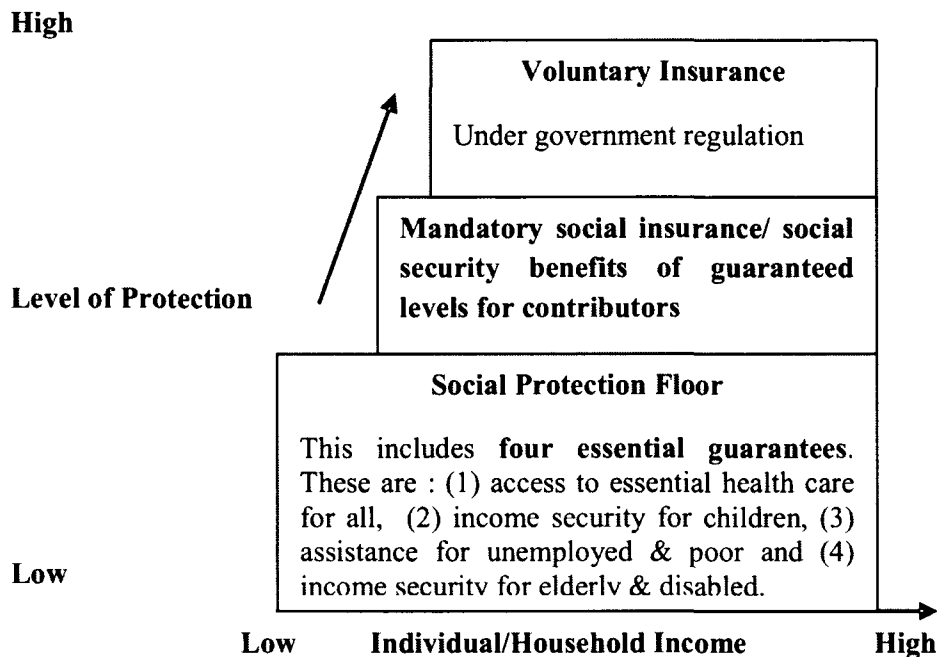


Figure 1: Social Protection Floor as a Part of Social Security Staircase
(Source : Adapted from www.socialsecurityextension.org)

From the above discussion it is very much clear that the SPF does not define new rights, it rather contributes to the realization of the human right to social security and essential services as defined in Articles 22, 25 and 26 of the Universal Declaration of Human Rights (1948) as well as encouraging the observance of ILO Convention 102 on Social Security (Minimum Standard). The human right to social security was formally stipulated more than 60 years ago and since then it has remained almost untouched on the “to do list” of the global community of nations.

According to the United Nations (2009) and Oechslin (2010) SPF could consist of two main elements that help to realize respective human rights:

1. Supply of an essential level of goods & social services - This refers to the geographical and financial access to essential services such as water & sanitation, health, education, food, housing, life and asset - saving information that are accessible for all.

2. Transfers - This refers to a basic set of essential social rights and transfers, in cash & in kind, as aid to the poor & vulnerable, to provide minimum income and livelihood security for all and to facilitate effective demand for and access to essential goods & services, including health care.

There is an organized relationship between the services (the “supply side” of the SPF) and the means to ensure effective access including transfers (the “demand side” of the SPF). By working on both demand and supply side measures, the SPF takes a holistic approach to social protection. On the one hand, SPF activities will work on means to ensure the

availability of goods and services in the areas of health, water and sanitation and housing, education, food and related information. At the same time, the SPF will secure rights and transfers that guarantee effective access to these goods and services for all throughout the life cycle: children, active age groups and older persons, paying particular attention to vulnerable groups by considering further key characteristics that cut across all age groups (gender, socio-economic status, ethnicity, disabilities, population exposed and/or highly sensitive to adverse external effects such as natural hazards, intense climate phenomena, etc.). Strategies to ensure effective demand will require identification of those who currently do not have access to essential services and the barriers they are facing.

Thus, “the social protection floor approach combines all the social services and income transfer programmes in a coherent and consistent way, preventing people from falling into poverty and empowering those who are poor to escape the poverty trap and find decent jobs. In the absence of social protection, people are subjected to increased risks of sinking below the poverty line or remaining caught in poverty” (UNDP, 2011).

RATIONALE OF SOCIAL PROTECTION FLOOR

According to Cichon et al (2011), “the concept of the SPF must be seen in a much wider and more ambitious development context. The adoption of the SPF concept reflects the emergence of a new socio-economic development paradigm, which the ILO normally describes as a virtuous cycle of development called “Growing with Equity”. It is built on the following logic:

1. Without basic social security systems, no country can unlock its full productive potential. Only a basic social protection system can ensure that people are well nourished, healthy and enjoy at least basic education and are thus able to realize their productive potential. Investments in basic social protection are necessary conditions for workers to be sufficiently healthy, well nourished and educated to be employable in the formal economy.
2. Only if people can move from the informal to the formal economy and thus migrate from low productivity subsistence level activities to become tax and contribution payers can an economy grow; and
3. Incomes can be taxed for the financing of a state and social security systems that can help to achieve higher levels of welfare and growth.
4. Once people are in a position to enter the formal labour market, higher levels of social security, if properly designed, provide the necessary incentives to remain in formal employment, as well as the financial security that allow individuals to adapt to technological and economic change through training and retraining measures”.

Figure: 2 displays the above discussed points. The figure explains that the child benefits facilitate the child's access to education which, in turn, help break the intergenerational poverty cycle; access to health care helps families remain above the poverty line by relieving them of the financial burden of medical care; & income support avoid poverty & creates the security the people need in order to take risks & invest in their own productive capacity.

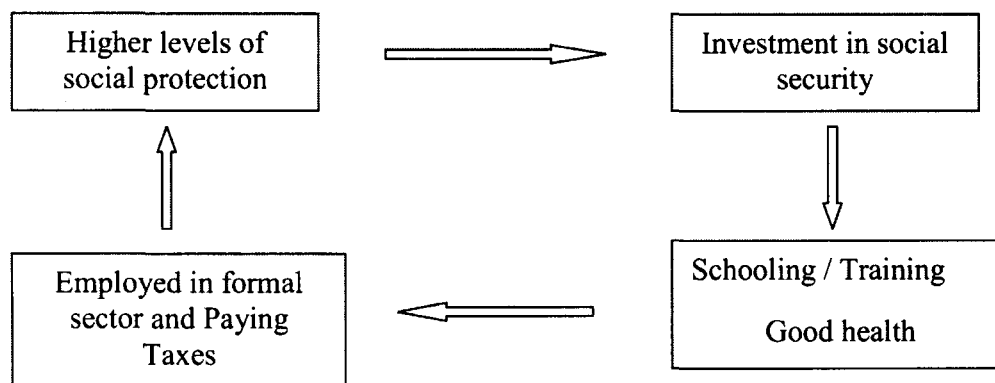


Figure 2: The Virtuous Cycle of Development

(Source : Adapted from www.socialsecurityextension.org/gimi/gess/showtheme.do)

Further the SPF is also significant because of following reasons.

1. Social justice point of view

This view justifies the need of SPF because of growing poverty and inequality. Moreover, social protection is a human right, as per Article 22 of the Universal Declaration of Human Rights, "Everyone, as a member of society, has the right to social security". But inspite of this declaration still 80% of global population remains without access.

2. Economic view

This view necessitates the provision of SPF for enhancing human capital and the productivity of labour. In other words, SPF is desired in order to have a better educated, healthy and well nourished workforce.

3. Political view

According to this view, poverty and gross inequities/income inequalities are liable for causing intense social tensions and violent conflict. Thus, SPF is needed in order to prevent differences and create politically stable societies.

4. Affordability

Another argument in the favour of SPF is that it is easily affordable (as per ILO's calculations). According to ILO, less than 2% of the global GDP would be necessary to provide this basic set of social guarantees to all of the world's poor (ILO, 2008).

All the above mentioned points make it clearer that SPF is not only a human right but also a social, economic and political necessity and, moreover, it is also affordable. Thus “investment in social security is the investment in a nations’ human infrastructure which is as important as investment in that country’s physical infrastructure. Investing in a social protection floor, is investing in social justice and economic development. Social protection schemes are important tools to reduce poverty and inequality. They do not only help to prevent individuals and their families from falling or remaining in poverty, they also contribute to economic growth by raising labour productivity and enhancing social stability. The global financial and economic crisis proved how key a role social protection plays as an automatic economic stabilizer”.

The international community has also recognized the fundamental contribution of social protection floor policies in accelerating the achievement of the Millennium Development Goals (UNDP, 2011). SPF is considered valuable for achieving the Millennium Development Goals (MDGs) targets in the following ways:

- 1. MDG 1-Nutrition:** Regular and predictable income through cash transfers such as child benefit and old age pension to help those struggling with chronic poverty to sustain adequate levels of nutrition;
- 2. MDG 2-Education:** Social assistance to enable poor families to prioritise education and health spending, and help to reduce the burden on children to augment family income, allowing them to attend school;
- 3. MDG 3-Empowerment:** Predictable minimum income to enable poor women and their families to plan for the future and make long-term investments, and empower them to renegotiate for favourable terms of trade or employment; and
- 4. MDGs 4, 5 & 6-Health:** Universal and equitable access to healthcare to enable the poorest people access to health services by increasing their ability to pay or reducing the cost of services’ delivery.

THE KEY ACTORS IN SOCIAL PROTECTION FLOOR

The global SPF initiative (i.e., at international level) has been guided mainly by the two actors. As shown in Figure 3, these are ILO and WHO (they are appointed by the UN Chief Executives Board for Coordination). This global SPF Initiative brings together an international coalition, comprised of:

- (a)** The Global Advisory Network of UN agencies, the World Bank, the IMF and other organizations.
- (b)** Development Partners: Regional Development Banks, Bilateral donors, NGOs.

A high level SPF Advisory Group was set up with an aim to develop global support, elaborate further global policy aspects regarding the SPF and provide general guidance in this area. This Group is preparing a Global SPF Report as an advocacy tool and as general guidance to support the implementation of national SPFs.

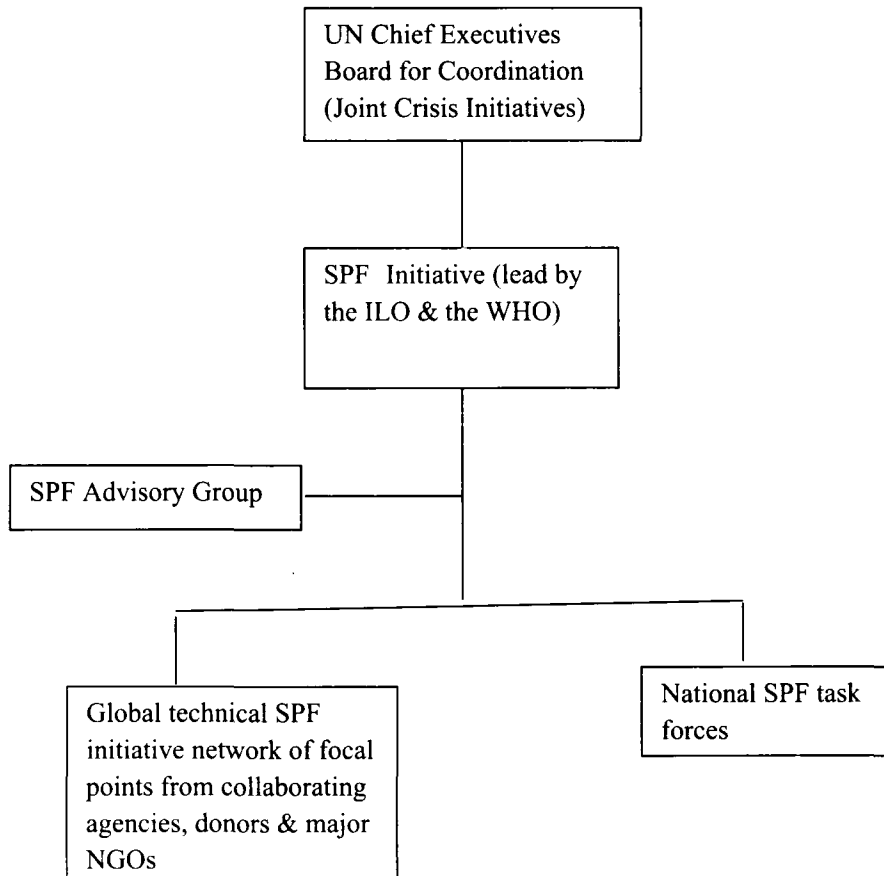


Figure 3: The Actors at International & National Level
(Source : Retrieved from www.gess@ilo.org on 25th Aug, 2011)

At the national level, SPF is owned by the State who has the ultimate responsibility for its implementation. The countries can implement the SPF program either independently or with support from the global SPF Initiative. In the case of request from the governments, the global SPF Initiative supports national SPF process through national inter-agency SPF Task forces or Working groups, comprised of:

- (a) Government institutions: ministries of labour, health, finance, agriculture, social security institutions, etc.
- (b) Non-governmental actors: social partners, national NGOs, etc.
- (c) UN inter-agency country teams, and
- (d) Technical and financial development partners present in the country

These national SPF processes are consultative, inclusive and participatory in nature, involving all stakeholders including representatives from the relevant government ministries, social partners, parliamentarians and civil society through social dialogue.

THE INDIAN SCENARIO

At present the population of India is 1.22 billion in 2012. More than 50% of India's current population is below the age of 25 and over 65% below the age of 35. About 72.2% of the population lives in some 638,000 villages and the rest 27.8% in about 5,480 towns and urban agglomerations⁷. Agriculture still provides the principal means of livelihood for over 52% of India's population. The total labour force in India is estimated to be around 478.3 million (as per 2010 estimate).

Sector-wise, a major chunk of Indian labour force is employed in the unorganized sector (around 97%). This sector consists of casual and contributing family workers, self employed people and the private households and other persons employed in organised and unorganised enterprises that are not eligible either for paid, sick or annual leave or any form of social security provided by their employer. While remaining about 3% of the total workforce is employed in the organised or formal sector which includes all public sector establishments and all non – agricultural establishments in private sector with 10 or more employees. Thus the major chunk of Indian labour force is employed in the unorganized sector and from more than a decade the Indian government is making various plans and programmes for providing social security cover to these workers. The various governmental level efforts, in a chronological order, are briefly mentioned below :

1. On 15 October 1999, the then BJP-led government appointed the Second National Labour Commission under the chairmanship of Ravindra Varma, a former Minister of Labour. According to its terms of reference, the Commission was asked, "...to suggest an Umbrella Legislation for ensuring a minimum level of protection to the workers in the unorganized sector."
2. In 2002, the Second National Commission on Labour submitted its final report with detailed proposals for "umbrella legislation" to cover workers not already protected by the labour laws of the 'organized sector' and to streamline the Indian labour market conditions so that it can match with liberalization and globalisation. However, these recommendations were not implemented by the then government.
3. In May 2004, the United Progressive Alliance (UPA) in its National Common Minimum Programme (NCMP) confirmed its commitment to "...ensure the welfare and well-being of all workers, particularly those in the unorganized sector who constitute 93% of our workforce."
4. In September 2004, the then UPA government appointed The National Commission for Enterprises in the Unorganised Sector (NCEUS), led by Professor Arjun Sengupta, to look into how its NCMP promise of welfare legislation for unorganized workers, could be brought to life.
5. In August 2005 and May 2006, the NCEUS submitted its two reports to the Prime Minister containing draft legislation on securing the conditions of work and creating a social security scheme for unorganized sector workers.
6. In 2005, the National Advisory Council (NAC), formerly chaired by Sonia Gandhi, also submitted a draft Bill based on the recommendations of the Second National Labour Commission and the ongoing deliberations of the NCEUS. This draft Bill which was titled "The Unorganized Sector Workers' Social Security Bill" was tabled in the Rajya Sabha in

September, 2007.

7. In July 2007 NCEUS finalized its various draft legislative proposals. In its debates, the NCEUS recommended the need for separate laws to differently protect agricultural workers and non-agricultural workers within the unorganized sector.
8. In 2008, “The Unorganized Sector Workers’ Social Security Bill” received the Assent of the President of India on 23rd December, 2008 and has now become an Act. This Act titled “The Unorganized Workers’ Social Security Act, 2008” has not been brought into force yet. Through this Act, government has tried its best to serve the workers in the unorganized sector who now constitute 97% of total workforce of India. Moreover, “what is really good about this legislation, as recommended by the NCEUS and NAC, is an enforceable ‘floor scheme’ that creates in each unorganized sector worker beneficiary a legal entitlement of governmental protection within a specified time frame” (Ghosh, 2009).

Regarding the SPF initiative at the global level, our country has expressed its full support for the ILO's proposal for SPF for the vulnerable, but wants that SPF should be linked to the each country's financial resources. In other words, the government of India is of the view that each country should decide the level of its own SPF and there should not be prescription of a uniform SPF for all countries. Social protection should be implemented depending on the national social and economic circumstances in member states. At the 100th session of ILO at Geneva in June 2011, the Indian Union Labour & Employment Minister Shri Mallikarjun Kharge said, “Each country should decide the level of its social protection floor, which should be closely linked country's financial resources, employment strategy and other social policies. It is desirable to have floor levels for social protection, there should be not any timelines”.

Thus, India recognizes the fact that social protection is an investment that enhances the productivity of workers in the long run. The Indian government has already enacted the “Unorganised Worker's Social Security Act” in 2008 to safeguard the interests of unorganized workers, who account for 97% of the country's workforce. This Act provides for constitution of National Social Security Board which shall recommend social security schemes viz life and disability cover, health and maternity benefits, old age protection and other benefits as may be determined by the government for unorganized workers.

Further the government has also set up a National Social Security Fund for the unorganized workers. The central government is implementing various social security schemes for the benefit of unorganized workers like – Rashtriya Swasthya Bima Yojana (RSBY), Jana Shree Bima Yojana, Indira Gandhi National Old Age Pension Scheme, Aam Aadmi Bima Yojna, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). India has also enacted Right to Education, 2009 which provides for compulsory education for 6-14 years.

CONCLUSIONS AND IMPLICATIONS

At present the social protection floor is very much on the global development agenda. Its main feature is that it is a holistic approach of looking simultaneously at supply- and demand-side factors for a range of social protection goods and services across the life cycle and for all population groups. The holistic approach is intended to facilitate the prioritization and sequencing of the different elements of the floor. This does not mean that all the countries should immediately start to establish schemes for all target groups and elements of the floor. Rather, a careful analysis of capacities, needs and existing schemes already in place will enable a rationalization of the policymaking process for a gradual building up of the social protection floor (UNDP, 2011). “The ultimate objective of the SPF approach is to build a solid basis that would allow higher levels of protection, than simply the ground floor level. As economies grow and fiscal space is created, social protection systems can and should move up the Social Protection Floor staircase, extending the scope, level and quality of benefits and services provided⁹”. The main arguments in the favour of SPF are that it is human right, it contributes effectively to MDGs and human development, it generates economic growth and political stability and it reduces poverty fast (Ortiz, 2010).

As far as India is concerned the central government as well as the various state governments has demonstrated a wider awareness and stronger commitment to respond to the social protection needs of the presently excluded groups. As a direct result, numerous actors of civil society (community-based organizations, women’s groups, trade, informal economy, trade unions, NGOs, microfinance institutions etc.) have already designed and set up in-house microinsurance schemes that were tailor-made to answer the priority needs and contributory capacity of their target groups. However, India is still striving to extend basic human rights, including social protection, to all its citizens. The importance of the informal economy which regroups today some 94% of the total labour force i.e. around 370 million workers has been constantly growing over the last decades. Although contributing to some 63% to the GDP, these workers still cannot benefit from a fair redistribution of the wealth generated by their effort and remain excluded from formal social security mechanisms. It is estimated today that 90% of the whole population (some 950 million) is still deprived of any kind of social protection services, thus remaining exposed to the multiple risks affecting their daily lives and inhibiting their development initiatives. Among them, the most disadvantaged groups remain caught in a continuing cycle of poverty and vulnerability’.

The main challenge is how to cover the entire population effectively, especially those who are at risk or who are already in a situation of deprivation, and in a sustainable manner. The approach towards SPF should be such that it enables better coordination between the different ongoing social protection activities in the country and the actors involved in the design and implementation of social protection policies. Moreover, the concept can be adapted in very different economic and social contexts in order to fulfill the very different needs of societies (UNDP, 2011).

Very recently in a joint statement submitted by 30 NGOs wholeheartedly supported the ILO intention to adopt the recommendation on national social protection floors at the 101st session of the International Labour Conference in June 2012. According to the joint statement “the implementation of this recommendation will be a great step forward towards the reduction of poverty and inequality as well as to the empowerment of people worldwide. It is a timely response to the fact that millions of people living on our planet are excluded

from the benefits of globalization, and are often penalized through the implementation of austerity measures”.

In nutshell, in order to achieve sustainable development, our country should introduce the concept of social protection floor level. This would definitely not only reduce poverty but also increased healthier, better educated, empowered and a productive labourforce. In addition, this will enhance peace, stability and social cohesion and also politically stable societies. But to remain sustainable, the social protection floor entitlements should (1) be build on the existing social protection measures/schemes/systems, (2) avoid creating long-terms dependencies and moral hazards, (3) be based on a clear definition of rights, that govern the relationship between the citizens and the state; and (4) ensure continued and predictable funding (ILO,2010).

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