



Social Security and Employment: Perspectives on the Linkages

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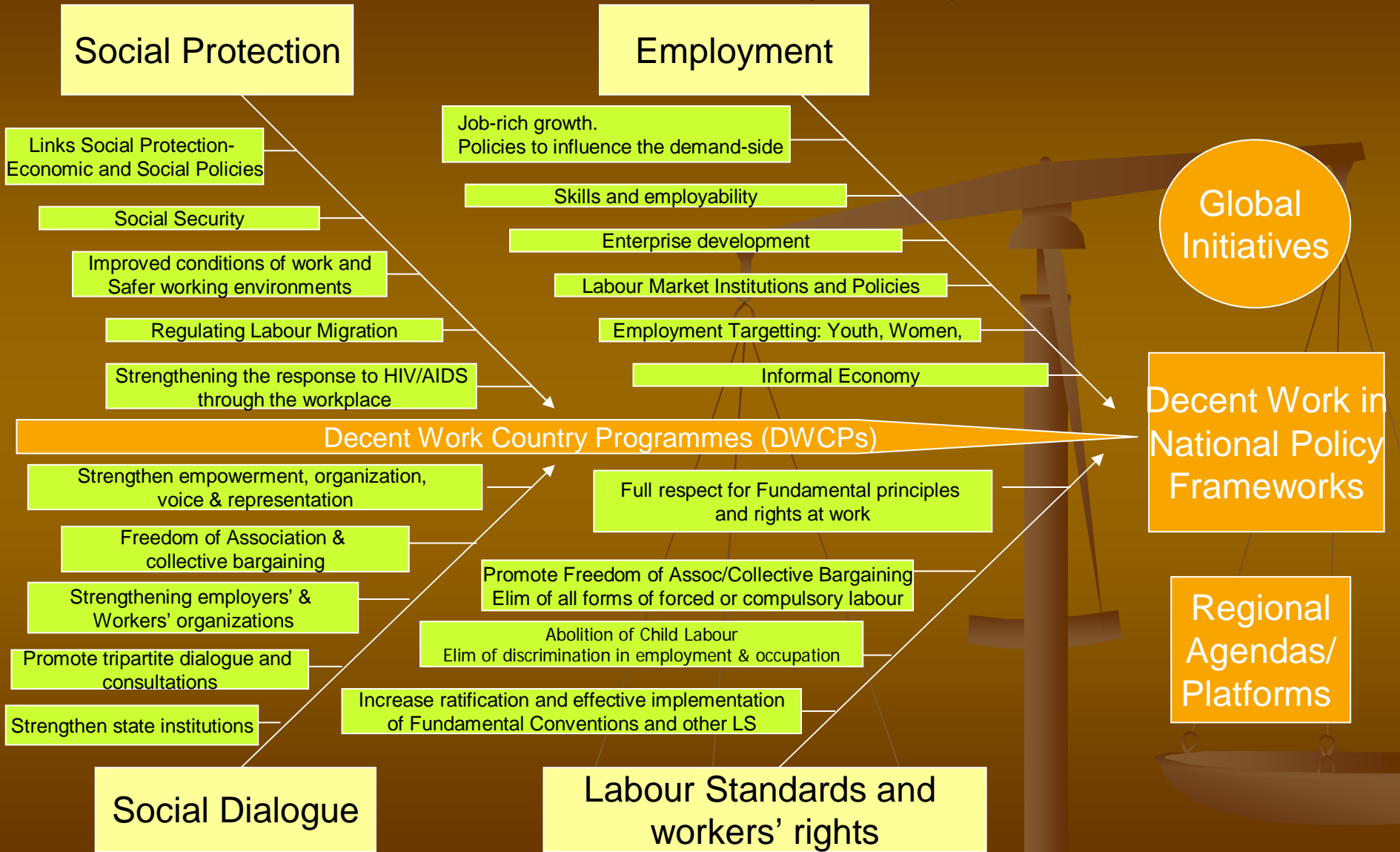
At Asia-Pacific Regional High Level Meeting on Socially-
Inclusive Strategies to Extend Social Security Coverage
New Delhi, India, 19-20 May, 2008

Topics of Discussion



- The decent work agenda: A new development paradigm?
- Linkages between employment (E) and social protection (SP)
- Employment guarantee schemes as an innovation in linking E and SP
- Conclusions


The Decent Work Agenda: Four Pillars and their Key Policy Areas



Linking employment and social protection: Rationale

- Developed countries
 - Employment policy through keynesian aggregate demand necessary but insufficient
 - They therefore have built strong social protection systems to complement labour market policies and reduce uncertainty
- Developing countries:
 - Small formal sector, large informal economy (dualism)
 - Large unemployment and underemployment
 - Large segments of the population do not have neither productive employment (working poor) nor social protection
- Globalization accelerates drivers of change (trade, technological change, commodity prices) and generates pressures towards:
 - Increase uncertainty and vulnerability
 - Faster restructuring (retrenchments) and labour market adjustment
 - Casualization of labour and sometimes increase in informal sector employment
 - Increased inequality (due to increased demands for high skills)
- Therefore: Increasing income, reducing uncertainty and promoting Decent Work requires innovative approaches linking to employment programmes with social protection programmes, such as the Employment Guarantee Programmes in which India has innovated

III. Employment and Social Protection: macro linkages

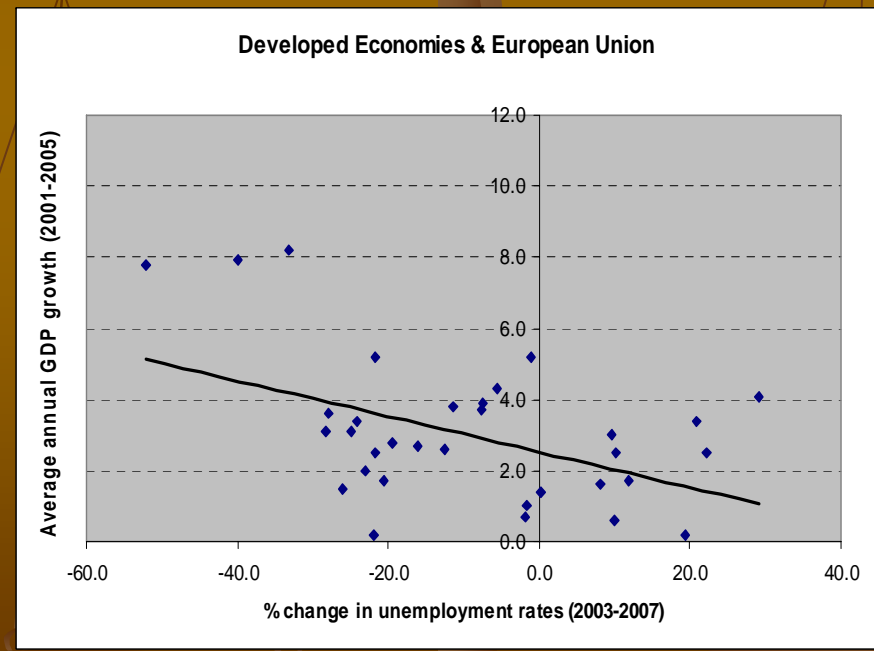
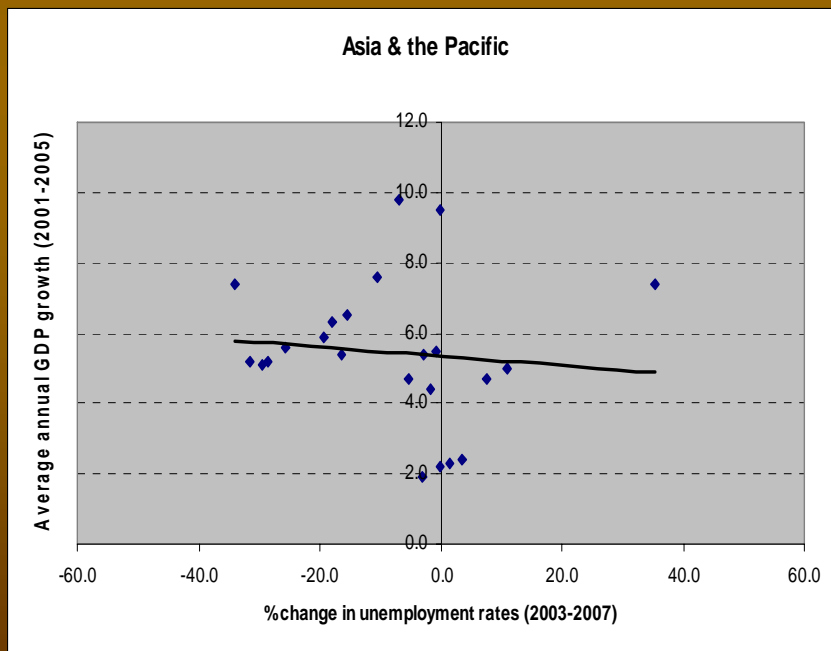


Employment and social protection: linkage 1

- Higher employment growth, by reducing the unemployment rate and the dependency rate, can:
 - Reduce burden on unemployment benefit
 - Reduce burden of financing pensions
 - Create an easier environment for SP

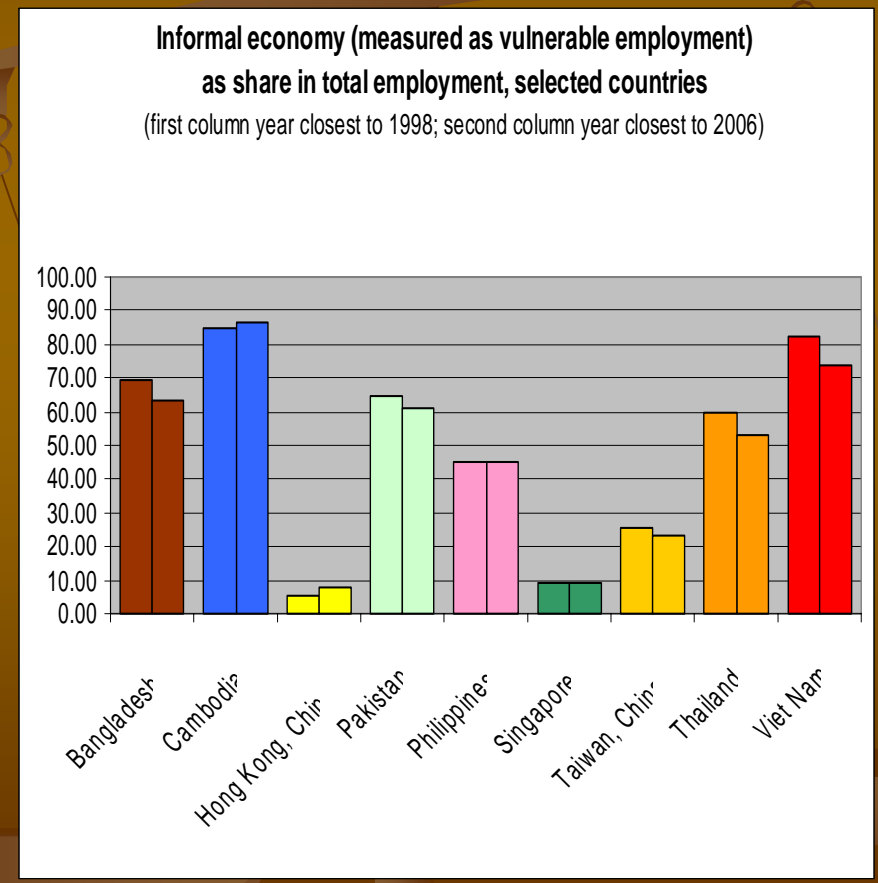
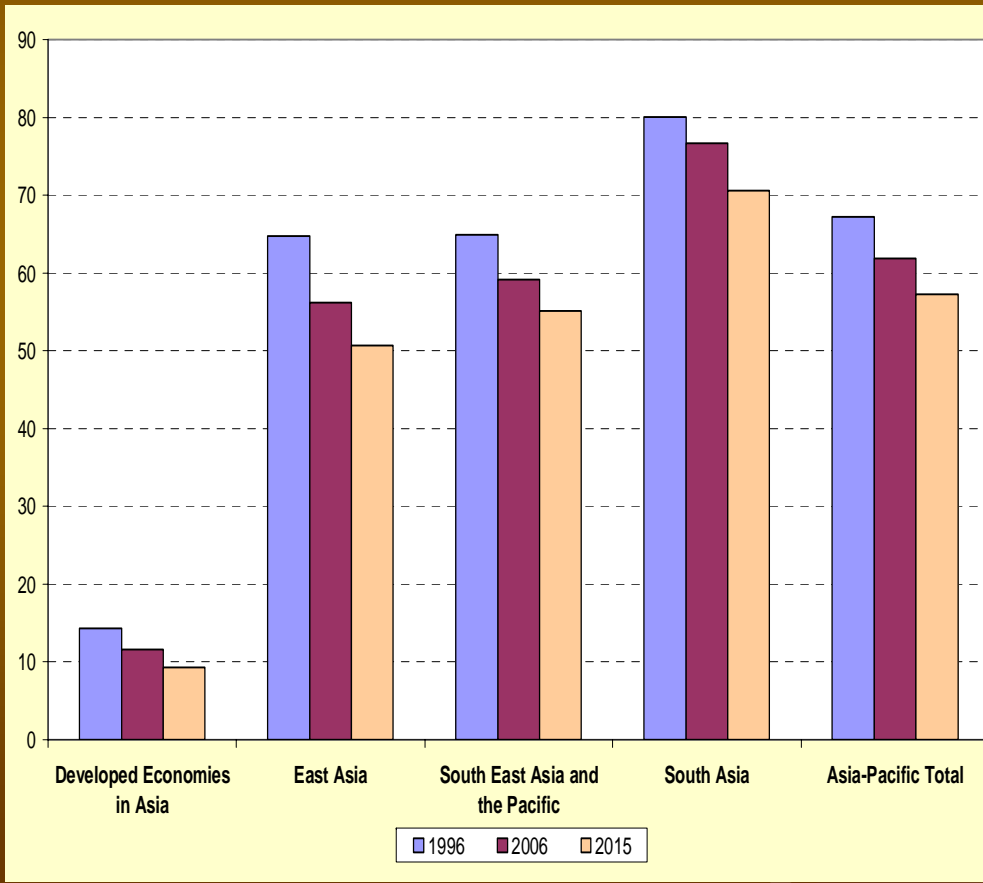
Employment and social protection: linkage 2

- A high employment intensity of economic growth favours job and income security and determines how effective is economic growth in reducing poverty



Employment and social protection: linkage 3

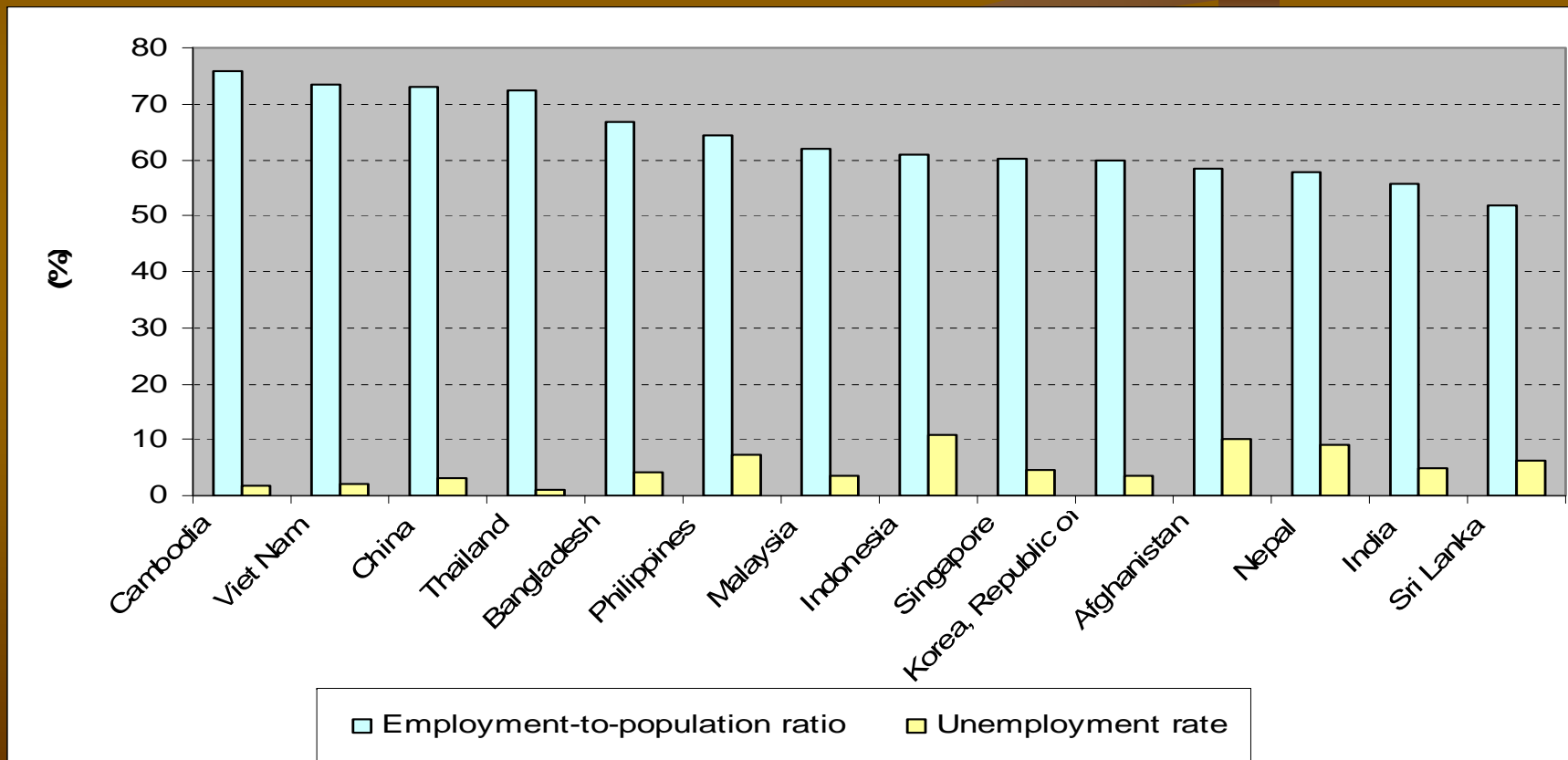
■ Formal and Informal Economy structure:



Employment and social protection: linkage 4

■ Targeting employment to population ratio:

Employment-to-population ratios and unemployment rates, selected Asian economies, 2006



Employment and social protection: linkage 5

- Social protection and cost of labour:
 - Conventional wisdom argues that generous Social Protection, *when funded through payroll taxes*, by increasing the cost of labour negatively distort the demand for Labour, example: World Bank Doing Business Report.
 - Ongoing empirical debate:
 - OECD (2007): »A partial shift from social contributions to income or consumption taxes may have favourable employment effects in developed countries«
 - Auer et al (2008): For developing countries the choice of the « right » funding system is trickier
 - In India, Social Security spending during 1973-1999 contributed to economic growth and the reduction of poverty (Justino, 2006)



III. Employment Guarantee Programmes

An innovation in linking
employment and social protection

Types of programmes

	Employment-based safety nets (EBSN):	Labour-based infrastructure programmes (LBIP)
Main Goal	Welfare	Growth & Development
Objectives	Livelihood protection Consumption smoothing Income stabilization	Livelihood promotion Income enhancement Asset creation
Time Frame	Short term, immediate impact	Long term, sustainable impact
Rationale for LM intervention	Seasonal underemployment Economic crisis, emergencies	Infrastructure creation Infrastructure maintenance
Targeting mechanisms	Self-targeting Job-rotation	Means testing Community selection
Typical payment mode	Food rations Food for work	Cash wages Cash for work

Source: Stephen Devereux, From Workfare to Fair Work, ILO Issues in Employment and Poverty, Discussion paper 5

Some lessons

- In poor countries, labour market interventions combining employment and social protection are more effective and fiscally affordable than « pure » social welfare programmes such as unemployment insurance.
- Employment Guarantee Schemes can be an important complement to cash transfers and other methods to provide social protection to the most vulnerable
- Research shows that rural public works can achieve enormous positive impacts on poverty reduction and economic growth, depending on scale of programme and size of transfers.
- Programmes have been found to encourage risk taking and entrepreneurship by farmers.
- Type of assets created has a strong influence on the programmes impact (roads, irrigation, drainage and sewer systems, erosion control, water supply, land development).

In conclusion

- Employer of Last Resort or Employment Guarantee programmes can make a major contribution to stabilize and increase incomes by generating employment and creating a basic floor of social protection.
- However, sustainability and the extension of social security have to be seen in the context of a wider framework of a growth and employment strategy which includes:
 - Promotion of job-rich growth, investment and enterprise development
 - Investment in education and skills development to increase employability of the labour force
 - Active labour market policies that improve labour market governance and efficiency.