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The business case for social security: What is in it for employers?

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What is social protection?

The set of policies and programmes designed to reduce and prevent poverty and vulnerability throughout the life cycle. Social protection includes benefits for children and families, maternity, unemployment, employment injury, sickness, old age, disability, survivors, as well as health protection.



Social protection: *the rationale*

- Promotes personal welfare and dignity
- Contributes to higher productivity and macroeconomic stability
- COVID-19 pandemic showed the risks of underinvestment in social protection

Social Protection Design System

Contributory

- Contributions are generally made by the insured individual as well as the employer - sometimes governments as well
- Generally, in the form of social insurance (SI) schemes. These provide a financial or medical benefit to the insured or his/her survivors when a covered event occurs.

Non-contributory

- Funded indirectly through taxes or other government revenue
- Universal schemes: everyone is eligible for benefits
- Social assistance programmes: poor or vulnerable groups are selected by means-testing or other criteria and provided with benefits

Why is SP important for business?

Business Performance

- Leads to lower absenteeism, greater productivity, and reduced turnover.
- Avoids higher costs for business that would come with an absence of public social protection systems
- Contribute to diversity and inclusion and improving the corporate image.
- Boosts aggregate demand for goods and services and creates new business opportunities



Why is SP important for business?

Predictability

- SP systems are based on risk sharing and solidarity.
- They increase peace of mind by transforming the risk into a predictable contribution amount.
- They are ultimately less costly than "employers liabilities" whereby the employer has to bear the risk in full.



Why is SP important for business?

Continuity

- SP systems protect enterprises during crises such as COVID-19, by allowing infected workers to stay at home (sickness benefits) and maintaining business continuity despite reduced activity (partial unemployment benefits).
- They prevent social unrest that can be detrimental to the business environment.



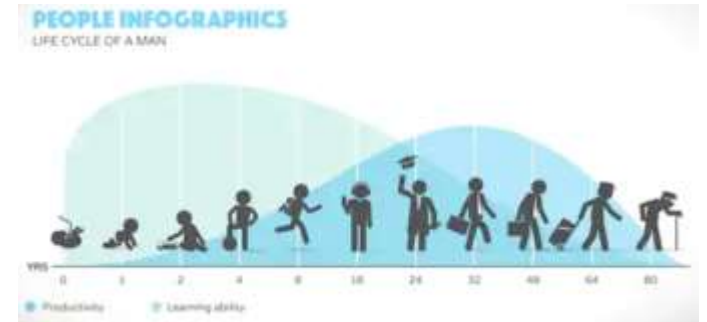
10 Key Messages for Employers

1. Social agenda is crucial but cannot be achieved solely through social means - it needs to be complemented and reinforced by programmes that spur economic growth.
2. Job creation is both the means of providing social security and the key to sustaining it. Social protection policies need to be reinforced by adequate employment policies.



10 Key Messages for Employers

3. Well-established SP policies integrate labour market strategies to preserve and build human capital and employability, enabling people to stay productive throughout their lifecycle and across economic fluctuations.
4. SP policies should strive for worker protection rather than job protection - they should help workers adjust through changes in economic structures and aim to facilitate lifetime employment.



10 Key Messages for Employers

5. Within any social protection model, employers have some responsibilities over the well-being of their employees. This however does not mean supporting all the living and social needs of the employees. The government has the duty to provide social protection and be clear on the difference between social protection and social security.
6. Effective strategic planning of the social security system is crucial to avoid placing an unfair burden on the current and future working population.



10 Key Messages for Employers

7. In trying to extend social protection to the informal economy, governments need to have a credible, fair and fiscally sustainable mechanism in place.
8. Governance, administrative capacity and the rule of law are crucial issues that need to be resolved in order to build confidence in the institutions.



10 Key Messages for Employers

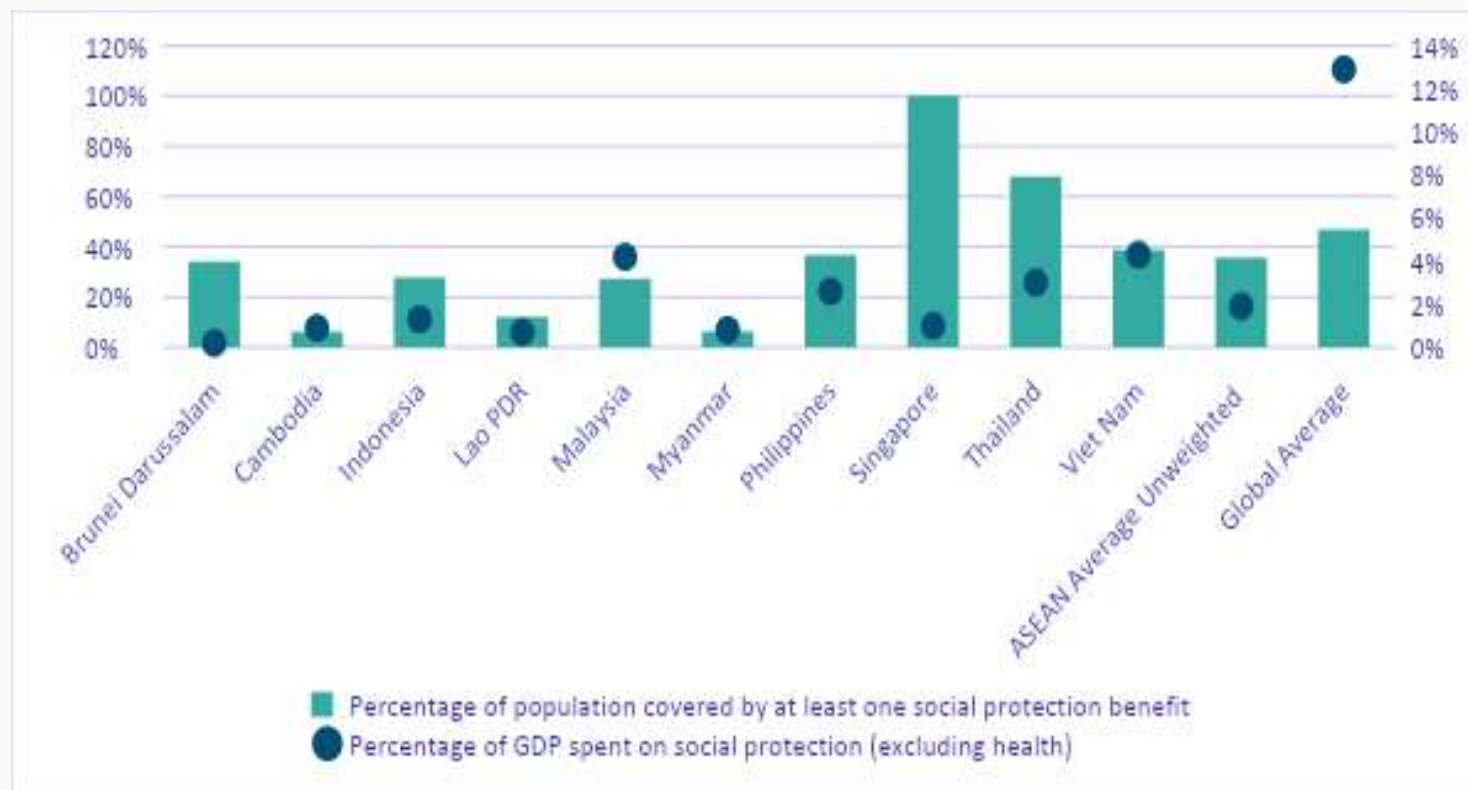
9. Consultations with social partners are essential especially where it affects their welfare and costs. Consultations with social partners should happen in a consistent and transparent manner.
10. Employers can play a vital role in ensuring strategic and practical considerations are properly addressed.



Social Protection Systems in ASEAN: A Comparative Analysis

Social protection in ASEAN

- ASEAN MS have, on average, 36% population coverage of at least one social protection benefit. (vs global avg. of 47%)
- ASEAN MS spend, on average, 1.9% of their GDP on social protection. (vs global avg. 13%)
- Significant variation exists in SP coverage rates, composition, and expenditure.



2.2% - 5.7%

Estimated % of a country's GDP to fund a basic social protection package, excluding health

Four ASEAN MS have an SP expenditure within this range. The rest are below.

78%

Approximate percentage of the ASEAN workforce engaging in the informal economy

Any effort to expand SP coverage MUST include systems to better cover this segment of the population.

Experience suggests that mandatory schemes may be necessary to do so.

Old Age, Disability and Survivors Benefits (ODSB)

- **Old age benefits are increasingly important in ASEAN due to a rapidly ageing population.**
- Since 2013, many countries that already provided some form of ODSB have extended coverage, either by passing additional legislation (such as Lao PDR, Viet Nam, and Indonesia) or extending coverage through existing schemes.
- Cambodia has introduced ODSBs with the July 2022 announcement of implementing regulations for its pension scheme.
- Despite expansion of ODSB, **most of the elderly in ASEAN will continue to rely heavily on familial support or other income sources for the foreseeable future.**

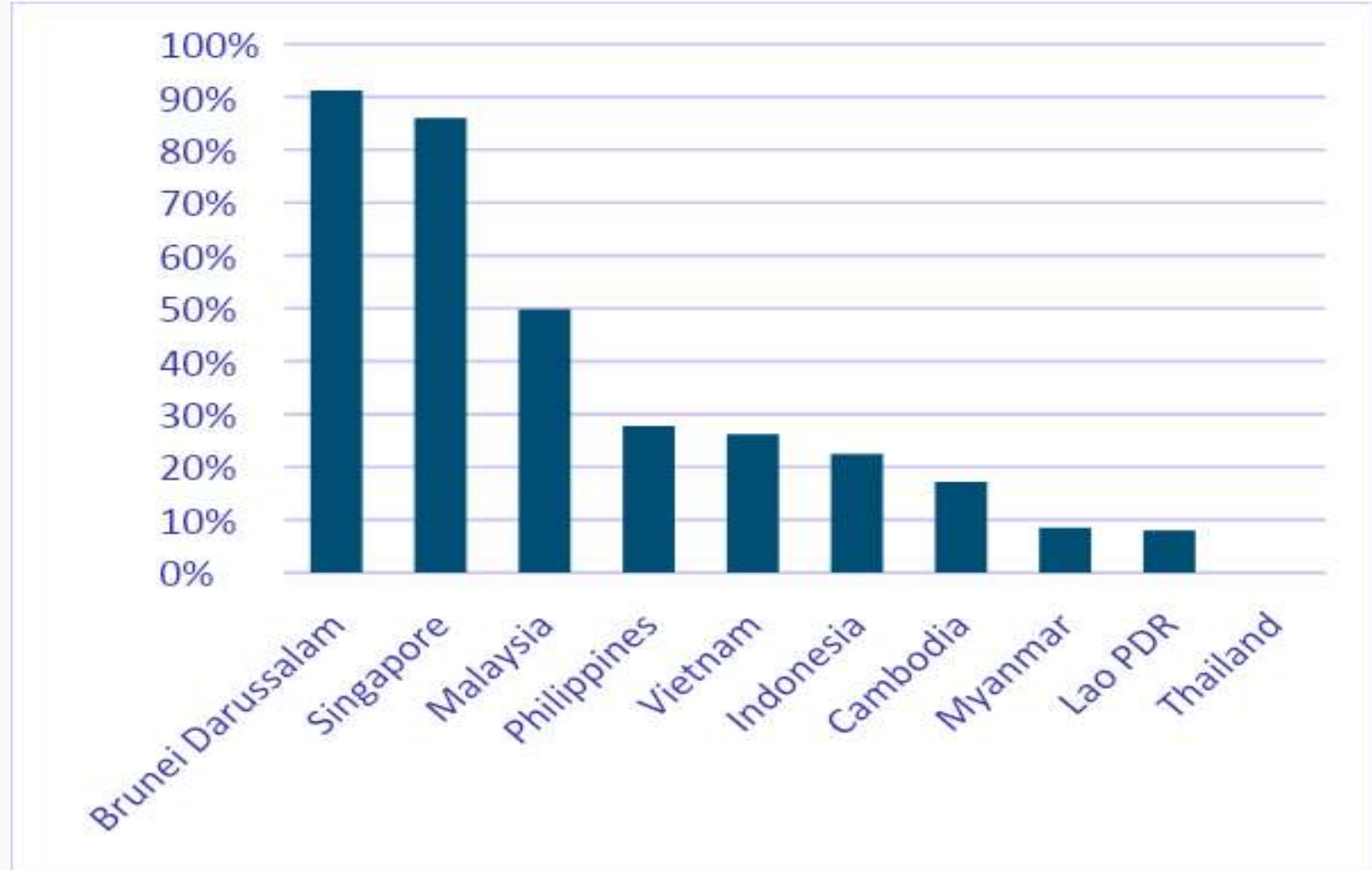
Work Injury Insurance (WII)

Many countries now extend WII to self-employed and/or informal workers, often focusing on specific worker groups.

Vietnam and the Philippines have included domestic workers under their WII schemes.

In 2017, Malaysia expanded mandatory WII to taxi and professional car drivers but experienced significant compliance issues.

Malaysia also covers foreign workers and 'gig' workers under WII since 2022.



Work injury insurance coverage (by % of relevant population covered)

Unemployment Insurance (UI)

- From 2020-21, the COVID-19 pandemic led to a reduction of 47.4 million working hours in ASEAN. This significant economic shock drew attention to the need for UI.
- Most countries have rolled out UI in the past decade.
- UI tends to exclude informal workers, though some positive examples of expanding coverage to informal or own-account workers exist:
 - In Malaysia, individuals who have multiple jobs but stop working for one employer are eligible for a reduced income allowance. Similar to UI but a smaller payout.
 - In 2013, Viet Nam revised its Employment Law to provide IU to workers with contracts as short as 3 months and employees of small businesses.

Employment Promotion (EP)

- EP is an integral part of UI.
- EP can increase the human capital and productivity of the workforce, and UI can increase its efficiency.
- UI + EP Example: Malaysia Employment Insurance Law (2017)
 - Provides UI cash benefit and additional payments to cover vocational training courses
 - Established the Re-Employment Placement Programme
 - Provides 're-employment allowance' when someone receiving UI finds a job

Sickness and Maternity Benefits (SMB)

- All reference countries provide SMB through some combination of social protection schemes. SMB includes both medical and cash benefits
- Cash Benefits
 - Provided via social insurance schemes for the majority of reference countries
 - Malaysia and Indonesia use an employer liability scheme, in which the employer pays the full cash benefit. This approach may lead employers to discriminate against hiring women.
- Medical Benefits
 - Provided via social insurance schemes for the majority of reference countries
 - Alternative channels for provision include universal healthcare systems (e.g. Thailand) and social assistance schemes

The EBMO role in policy development and oversight

- ▶ EBMOs engage in dialogue, represent private sector views, and contribute to policy development.
- ▶ Some countries (but not all) believe dialogue is substantive and satisfactory.
- ▶ EBMO concerns remain:
 - Do governments fully consider the costs of social protection programmes for enterprises?
 - Does policymaking address tough questions about funding, sustainability, the employment situation and who bears the costs?

While ASEAN MS have made significant strides in expanding social protection schemes over the past decade, there is still much work to be done.

Employers have an important role to play in shaping the future expansion of social protection, especially regarding its financial sustainability.

Employer's Recommendations on Social Protection Implementation

- A holistic approach is needed
- Fiscal capabilities and sustainability should be considered
- Leverage existing schemes
- Consider the current business and employment situation
- Ensure suitability with demographics and the population's needs

Employer's Recommendations on Social Protection Implementation

- Encourage and be integrated with efforts to address informality
- Include discussions on productivity
- Not disincentivize work or overly burden employers
- Should be implemented gradually
- Deepen consultation
- Increase the emphasis on integrating social protection and other social, economic and employment policies
- Call on government to support social protection for informal sector
- Encourage regular monitoring and evaluation
- Emphasize the potential role of private sector in social service provision

Thank You!

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