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G20 Labour & Employment Ministers' Meeting

G20 Policy Options for Sustainable Financing of Social Protection

Indore, India

21 July 2023



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G20 Policy Options for Sustainable Financing of Social Protection

1. Financing strategies, models, schemes, and policies for social protection differ significantly across G20 countries. International labour standards provide a rights-based framework for the design, implementation, and financing of social protection systems. The key principles of the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) and the ILO Social Protection Floors Recommendation, 2012 (No. 202) provide an effective basis for defining financing approaches and mechanisms. Timely, reliable and scalable access to social protection measures will improve people's capacity to deal with idiosyncratic and covariate shocks such as inability to afford essential medical care, pay for basic necessities when unemployed, and seek better employment opportunities.
2. We endorse a menu of policy options to enable our countries to explore and adopt various measures to develop sustainable financing of social protection as provided below, according to our national contexts, in our efforts towards progressive development of adequate and sustainable universal social protection. These options may be pursued in cooperation and coordination with other Ministries, where necessary. These options include:
 - a) Advocate for adequate levels of social spending during budget preparation in coordination with Ministries of Economy, Finance and Taxation and other concerned Ministries, institutions, and in consultation with social partners, by taking a holistic approach.
 - b) Rely on an adequate mix of contributory and non-contributory social protection measures for those who have limited contributory capacity, especially for traditionally under-represented groups and persons in vulnerable situations, while promoting inclusion in the labour market through providing opportunities for re-skilling and up-skilling. Such approaches should be complemented by social and labour market policies that increase employment opportunities in formal enterprises and promote formalisation of the economy. The ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) provides crucial guidance in this area.
 - c) Extend legal and effective coverage of social insurance schemes to uncovered workers and ensure effective collection of social insurance contributions. Make efforts to promote formalisation and to extend social insurance to workers by analysing their specific needs.
 - d) Promote the sustainability of contribution-based social protection systems including through additional general-revenue funding because (i) rights to contributory benefits may be accumulated even when not paying into the system, e.g. pension rights acquired during periods of unemployment or parental leave,



- (ii) claims may exceed contributions during extraordinary times (e.g. unemployment schemes in times of economic crises), and (iii), contribution bases of occupational schemes may shrink because of occupational shifts.
- e) Assess and strengthen the design of schemes, contributory capacities, collection systems, and enforcement mechanisms, while ensuring an appropriate distribution of responsibilities between governments, employers and workers as a key for enhancing sustainable financing of social protection. Simplify contribution assessment and payment processes. Adopt and strengthen measures to prevent and detect fraud and promote social protection awareness.
- f) Reinforce the links between social protection systems and other policies that support workers to enter in, remain in, progress at, or return to work by investing in such policies. These policies could include those related to active labour market participation, decent working conditions, occupational health and safety, long-term care, childcare and early years support, care services, and skills development.
- g) Support, where applicable, longer working lives based on workers' choice. Encourage older workers to continue working by providing easily accessible opportunities for lifelong learning, re-skilling and up-skilling. Incentivise and encourage employers to hire and retain older workers and improve health and skills of workers at all ages while ensuring decent working conditions for all workers.
- h) Accelerate progress in closing the gender gaps in the world of work by addressing underlying discriminatory social and gender norms and structural systemic barriers. Reducing gender inequalities, both in terms of the level of contributions and the entitlement to benefits by adopting gender-responsive budgeting and financing mechanisms. In this direction, promote measures, where applicable, that recognize unpaid care and domestic work, which is predominantly undertaken by women and girls, as contributory periods for counting towards social protection entitlements.
- i) Make efforts to promote social security, including parental leave, providing support for childcare and other fields of the care economy, including by facilitating access to related infrastructure and improving the working conditions in the care economy.
- j) Ensure good financial governance of social protection and its sustainability, through following measures:
- i. Promoting forecasting on social protection financing and optimizing the investment of social security funds where they exist.
 - ii. Improving the efficiency and transparency of social protection financing across all levels of government by carrying out gender responsive, disability inclusive, and social inclusion public expenditure reviews, to assess the effectiveness of



resource allocation for social protection.

- iii. Avoiding fragmentation of social protection schemes by reducing administrative complexity and duplication of schemes. Simplifying access to helpdesks for increasing awareness about benefits and take-up of rights.
 - iv. Using digitalization to improve financial sustainability through enhanced administrative efficiency, while respecting principles of inclusion, privacy and accessibility, in particular, for women, youth, older workers, migrant workers, persons with disabilities, informal economy workers, and those working in new forms of work.
- k) In coordination with other concerned Ministries and institutions, improve the resilience of financing of social protection to shocks through appropriate shock response plans and risk financing instruments.
 - l) Foster an inclusive social dialogue among government, employers' and workers' organizations, and engagement with civil society; and relevant international organizations to consider policies and build systems for extending coverage and closing financing gaps.
 - m) Complement social protection floors by ensuring higher levels of contributory social security based on solidarity in financing and a fair division of contributions between employers and workers, and allowing for the existence of additional complementary pillars, including voluntary contributory schemes, in line with international labour standards.
 - n) Promote data collection on social protection to increase the amount of information available on social protection expenditures, including the level of data disaggregation required, for example, by function, gender and respective sources of revenues of contributory and non-contributory schemes.
 - o) Enhance International co-operation in coordination with other relevant ministries and institutions to:
 - i. Strengthen the coordination of international policy advice on social protection financing and portability of social security benefits through bilateral and multi-lateral agreements.
 - ii. Strengthen social protection in developing countries and least developed countries including by promoting implementation of the UN Global Accelerator on Jobs and Social Protection for Just Transitions.

