



# ▶ Social Protection in Action: Building Social Protection Floors for All

2022

## *Bangladesh, Cambodia, Ethiopia, Indonesia and Lao People's Democratic Republic: From emergency response to social protection system development - ILO-BMZ project to support workers during the COVID-19 pandemic*

### Summary

From 2020 to early 2022 the ILO, with financial support from the German Federal Ministry for Economic Cooperation and Development (BMZ), implemented an income support project in Bangladesh, Cambodia Ethiopia, Indonesia and the Lao People's Democratic Republic for workers in the garment sector affected by the COVID-19 pandemic.

The project provided a menu of options: income support to encourage job retention and wage subsidies for furloughed workers. It aimed to protect workers by reducing the impact of the pandemic on their employment and income, and to support business continuity by helping factories to retain the workforce and continue their economic activity. The project linked with national social protection systems in different ways, with the secondary objective of longer-term social protection system-strengthening.

The activities of the project contribute to the implementation of the principles set forth in the Social Protection Floors Recommendation, 2012 (No. 202) and support the establishment of a foundation for national social protection systems that have full tripartite participation of representative organizations of employers and workers. In addition, the activities under the ILO-BMZ project supported national constituents in designing and implementing diverse methods and approaches, including in financing and delivery mechanisms of social protection, and in several of the supported countries significant efforts were made to improve the efficiency and accessibility of complaint and appeal procedures.

### Social Protection Floors Recommendation, 2012 (No. 202)

SDG 1.3 aims to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable.

Social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons. 187 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), to achieve universal social protection.

This note presents a successful country experience of expanding social protection.

The interventions under the ILO-BMZ project were developed in coordination with national systems, in particular the institutions responsible for policy development and delivery of social protection, to enhance coherence, avoid duplications and build long term solutions, including beyond the crisis.

## Main lessons learned

- ▶ There is a need to develop robust and universal social protection systems, including unemployment protection schemes, which remain underdeveloped globally.
- ▶ In low-income countries and fragile contexts, this requires greater mobilization of domestic resources, complemented by a reliable stream of international technical and financial support to complement at least temporarily national investments. It also requires sustained political commitment to achieve long-term changes.
- ▶ In the design of social protection schemes, the ability to scale up or adapt programmes to address needs at times of major crises is crucial for a timely and efficient response to large-scale shocks.
- ▶ Where social protection systems are in the early stages of development, emergency social protection responses can be an opportunity to improve systems-building, if they are designed and implemented in line with the guiding principles of international social security standards.

## Context

The COVID-19 pandemic introduced unique challenges to business activities around the world. The ILO estimates that the pandemic has resulted in a massive loss of jobs (equivalent to 255 million full-time jobs in 2020). The ILO is now projecting that the number of global hours worked in 2022 will still be 2 per cent lower than the pre-crisis level, which is equivalent to 52 million full-time jobs. In the absence of unemployment protection measures, unprotected workers were particularly hard hit by the pandemic. Among the worst affected have been the sectors of the economy working in international export markets, such as the ready-made garment sector. Global and regional supply chains across the world were affected by significant disruptions, linked to the barriers of lockdowns and the cancellation of orders. Many factories in producing countries reduced or suspended their activities or closed completely, leading to partial unemployment of workers or lay-offs. Most workers that were affected did not receive severance payment or unemployment benefits, leaving many workers, primarily women, without a source of income. Urgent action was needed to support companies in paying the wages of furloughed workers and sustain the supply chain for business continuity, as well as to provide some level of income security for affected workers. In April 2020, global

brands and manufacturers, as well as employers' and workers' organizations came together to commit to a COVID-19: Action in the Global Garment Industry. These actors committed to take action to protect garment workers' income, health and employment and to support employers to survive during the COVID-19 crisis.

Emerging lessons from the global response to the COVID-19 pandemic in 2020 show the critical importance of establishing strong social protection systems to protect populations against shocks. By the end of 2021, more than 200 countries or territories had planned or introduced social protection emergency measures, including unemployment benefits, wage subsidies, sickness benefits and social assistance cash transfers, of which 50 per cent were new programmes. In many low- and middle- income countries in which national social security systems were still emerging, these experiences highlighted major gaps in the coverage of social security, with many countries having no unemployment benefit scheme at all. They also highlighted the need to strengthen underlying systems and capacities, with countries with low capacities commonly experiencing challenges and delays in responding to the crisis. While the COVID-19 pandemic exposed the existing limitations in social protection for workers, it also presented opportunities. Governments, with support from partners, took steps to modify, adapt or strengthen institutions and delivery systems for social protection, while new programmes were established to fill gaps in social protection provision. Even if most of the responses were emergency measures, they offered the potential to contribute to strengthening long-term social protection systems. The COVID-19: Action in the Global Garment Industry similarly highlighted the need – and the opportunity – to work together to establish sustainable systems of social protection for workers, thereby also supporting their employers.

It is in this context that the ILO, with funding from BMZ, embarked on a multi-country project at the end of 2020, entitled "Protecting Garment Sector Workers: Occupational Safety and Health and Income Support in Response to the COVID-19 Pandemic". It aimed to support workers and enterprises in countries in which the garment sector had been badly affected by the crisis. Between October 2020 and December 2021, the project helped finance and organize income-support measures to furloughed or laid-off workers in five countries in the form of cash transfers for job retention or laid-off garment sector workers, or wage subsidies for furloughed workers, and provided support in occupational safety and health (OSH) services in an

additional two countries.<sup>1</sup> The primary objective of the income-support component was to protect workers and their families, cushion enterprises against income losses and support companies in retaining workers to facilitate a speedy recovery. The secondary objective was to work with and through national social protection systems in order to serve as a basis for developing more comprehensive, adequate and sustainable social protection in the future.

## Description of the initiative

Each country included in the ILO–BMZ project had a different level of social security system development, including differences in institutional capacities, coverage of workers and progress in digitalization of delivery systems. Accordingly, each country programme was context-specific in its design and implementation and its ambition for strengthening national social protection systems.

In the Lao People's Democratic Republic, the Government, through the National Social Security Fund (NSSF), already provided a range of social security benefits to garment sector workers, including unemployment benefits. However, many workers that were registered with the NSSF did not receive unemployment benefits when they were laid off, either because they had been registered for less than one year or because their employers had not contributed consistently to NSSF. The administrative system of the Lao Social Security Organization (LSSO) was relatively robust, but limitations in delivery mechanisms (for registration, payment of benefits, and complaints and feedback) limited access to benefits. The ILO–BMZ project focused on filling the gaps in the Government's social protection response to the pandemic, targeting those NSSF members that could not receive the unemployment benefit. The cash transfer was implemented in partnership with the LSSO and leveraged their existing delivery systems, such as a pilot for a mobile money payment mechanism for workers without a bank account, and the design and implementation of a complaints and feedback mechanism managed by the social partners. ILO aimed to demonstrate a "proof of concept" on using existing national structures for shock response. The aim was for delivery system adaptations to be sustained and to strengthen the social protection system in the future.

In Indonesia, the social security system was well established and provided a wide range of benefits to workers.<sup>2</sup> The Government was making steady progress towards the digital transformation of government services, including social protection, with online services that enabled workers and employers to register for social security services, pay contributions and file or monitor claims. Prior to the onset of the COVID-19 pandemic, the Government and social partners had already taken steps to introduce unemployment insurance. As a result, a law on unemployment insurance was passed in February 2021 with operations due to begin in 2022. Therefore, workers did not have any unemployment protection when the COVID-19 pandemic hit. The ILO–BMZ project in Indonesia consisted of two phases. Phase 1 contributed to the furlough payments of workers, supporting factories to maintain employment. Phase 2 provided a salary compensation fund for workers who lost their jobs during the pandemic. Since no delivery system for unemployment benefit existed, the programme designed a web-based portal, through which workers could apply online and through which bank transfers, queries and complaints could be managed. The aim was to learn from the use of these delivery mechanisms to inform the design of the forthcoming unemployment insurance scheme.

In Bangladesh, Cambodia and Ethiopia, unemployment benefit schemes were non-existent and not part of the immediate priorities of the national social protection policy agenda. In these countries, the ILO worked in partnership with the Governments and social partners on the design and implementation of cash transfers for job retention or laid-off workers, or wage subsidies for furloughed workers, in order to fill the gap in social security for workers while hoping to provide lessons for future development of the national social protection system for workers.

In Bangladesh, given the absence of a social security system, the project established a tripartite coordination mechanism involving the Ministry of Labour and Employment and employers' and workers' organizations, and also created an ad hoc delivery mechanism for income support for job retention. This support aimed to complement the government-led stimulus package to the garment sector, targeting smaller factories that benefited less from the Government's package.

<sup>1</sup> The income support component was implemented in Bangladesh, Cambodia, Ethiopia, Indonesia and the Lao People's Democratic Republic. The project was also implemented in Madagascar and Viet Nam but only included an OSH component.

<sup>2</sup> The Social Security Card was provided by JHT (Jaminan Hari Tua/Old Age Protection); JKK (Jaminan Kecelakaan Kerja/Employment Injury Insurance); JK (Jaminan Kematian/Survivors' benefits) and JP (Jaminan Pensiun/Pensions).

In Cambodia, a cash-for-training programme was implemented in partnership with the Ministry of Labour and Vocational Training and leveraged data and social security delivery systems of the National Social Security Fund (NSSF). The programme invested in institutional mechanisms for tripartite social dialogue in order to support its design and implementation. While aiming to initiate discussion on the need for unemployment benefit, the ILO also aimed to further demonstrate “proof of concept” on the use of social security systems for shock response.

In Ethiopia, the project provided income support for job retention to social security members who were still employed, leveraging data from the Private Organizations Employees' Social Security Agency (POESSA). The project developed a web-based administrative system, through which the Government could handle beneficiary registration, benefit payments, and register and respond to beneficiaries' complaints. The intention is that these delivery systems would then transition to POESSA.

## Impact

The ILO–BMZ project reached more than 144,000 workers in 2021–2022.<sup>3</sup> It provided much-needed income support to those who were out of work and enabled others to be retained in employment. A post-distribution monitoring conducted in the Lao People's Democratic Republic showed that 86 per cent of surveyed factory managers considered that the project had helped to retain workers during the period in which benefits were paid out.

Experiences with the project firmly demonstrated the importance of working with national social security institutions to implement emergency responses – or when such institutions do not yet exist, of developing tripartite platforms that can guide the implementation of emergency responses. In both cases, such projects can serve as a foundation for longer-term system strengthening. This impact is in line with the overarching guiding principles set out in Recommendation No. 202 of the overall responsibility of the State in designing and implementing national social protection systems.

**Enhancing delivery of services.** In Indonesia and the Lao People's Democratic Republic, the ILO–BMZ project piloted digital innovations for registration, payment and complaints and grievances systems. The project provided a vehicle to test these systems, demonstrating their benefits

and informing future system-strengthening efforts. In the Lao People's Democratic Republic, the LSSO is currently expanding the mobile money payment mechanism to support the expansion of unemployment protection coverage. In Ethiopia, there are plans to transfer the web portal to POESSA as institutional capacity develops. These improvements are aligned with several social security guiding principles related to transparent, accountable and appropriate delivery mechanisms, as well as efficient and accessible complaint and appeal procedures, set out in Recommendation No. 202.

**Establishing social dialogue mechanisms.** In Bangladesh, Cambodia and Ethiopia, the project established structured processes to facilitate social dialogue on social protection. This increased mutual trust between the respective Governments and social partners; improved knowledge of the collective responsibilities of all stakeholders; instilled a sense of collective ownership of the system; and underscored the need for transparency. These processes established the foundations and provided an entry point for future, longer-term collaboration between the respective Governments and social partners on social security system-strengthening, including for unemployment benefit schemes. As a result, all stakeholders are engaged through tripartite discussions, in line with Recommendation No. 202.

**Influencing the development of unemployment protection.** In Bangladesh, Cambodia, Ethiopia and Indonesia, the pandemic highlighted the gaps in social protection for workers, particularly in unemployment protection. In each country, the ILO–BMZ project took steps to seek to influence policy debates on, or planned investments for, unemployment benefit schemes. In Bangladesh, the ILO led feasibility studies to inform policy dialogue on the affordability and benefits of unemployment protection. A similar activity was carried out in Ethiopia. In Indonesia, experience from the ILO–BMZ project informed the implementation of the unemployment insurance scheme that has since been launched. In Cambodia, while there is still a need to move forward with policy discussions on unemployment benefit, the ILO is using the experiences of the COVID-19 pandemic and the ILO–BMZ project to highlight the need to progress with the full implementation of the social security law. The ILO hopes that these developments will help to progressively realize universal social protection and help

<sup>3</sup> Not including figures for Bangladesh, which were not yet available yet at the time of preparation of this chapter (February 2022).

establish clear targets and time frames as set out in Recommendation No. 202.

**Demonstrating importance of shock responsive social protection.** In Cambodia and the Lao People's Democratic Republic, the project provided a "proof of concept" on the ability of national social security systems to implement an emergency social protection response. This contributed to the development of a new shock-responsive social protection framework in Cambodia under the National Social Protection Council. In the Lao People's Democratic Republic, it will inform policy dialogue on the need for investment in national systems for shock-responsive social protection and emergency cash assistance.

**Increasing engagement of the private sector on social security.** Brands, manufacturers, employers' and workers' organizations and civil society organizations came together in April 2020 to commit to a COVID-19: Action in the Global Garment Industry. The 130 organizations that endorsed the Call to Action committed to "take action to protect garment workers' income, health and employment and support employers to survive during the COVID-19 crisis, and to work together to establish sustainable systems of social protection for a more just and resilient garment industry".

National Call to Action working groups have provided an important social dialogue mechanism for national constituents, together with global brands, to help solve problems related to the design and implementation of cash transfer and wage-subsidy mechanisms, including as part of the ILO-BMZ project, which provided a vehicle through which global brands and employers' and workers' organizations could implement their commitments. This underlines the need to achieve solidarity in financing while seeking an optimal balance between the responsibilities and interest of contributors and beneficiaries, as set out in Recommendation No. 202.

In Bangladesh, the guidance developed by the Call to Action on the appropriate role played by businesses in the supply chain to support the strengthening of social protection schemes has been helpful in securing financial support from

the private sector for the new Employment Injury Insurance Scheme funded by the Netherlands and Germany. National working groups have also provided a platform through which the industry can review future social protection needs and contribute to the development and strengthening of social protection systems, in line with national social protection priorities and international social security standards.

## What's next?

Lessons from the ILO-BMZ project will influence the future direction of the ILO's engagement on social protection for workers, both in countries and globally.

In countries, these short-term programmes are being embedded in longer-term strategies to support social security system-strengthening. In Ethiopia, the ILO plans to mobilize additional resources to support the drafting of policy, legal, institutional and implementation frameworks for unemployment benefit schemes and to link unemployment protection with employment and active labour market policies. Similarly, in Indonesia the ILO will continue to provide support for the implementation of the unemployment protection scheme. In Ethiopia, Indonesia and the Lao People's Democratic Republic, the ILO is supporting the integration of digital solutions within social security institutions. In Cambodia, the ILO is committed to strengthening the capacity of employers' and workers' organizations to engage in social dialogue on matters of social security, supporting the creation of appropriate institutional mechanisms for social dialogue, and will continue to advocate for enacting provisions of the Social Security Law on unemployment insurance. In Bangladesh, the ILO will share the findings of the unemployment benefit feasibility study with the tripartite committee for discussion of next steps and supporting the development of a social security management information system. The ILO will also support the establishment of the employment injury insurance scheme, which will constitute the first branch of the national social security system in Bangladesh.

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