Social protection – the basis for global stability in a Covid-19 world

The Covid-19 pandemic has brutally exposed the fault lines of the global divide between those that have universal social protection, including health and income support, and those that don’t.

In too many of the poorest countries, workers in both the formal and the informal sectors have faced the choice of staying at home and watching their families starve or trying to find work despite the very real risk of the coronavirus to their lives and those in their community. The ILO has estimated Covid-19 could see the equivalent of 195 million full-time jobs lost.

A social protection floor includes basic income security including cash transfers where necessary; pensions for the elderly; disability benefits; unemployment benefits and support; maternity protection; and child benefits amongst other nationally identified needs.

UN support for social protection

It is almost ten years since the UN endorsed the ambition for universal social protection based on the Bachelet Report, “Social Protection Floor for a fair and inclusive globalization, Report of the Advisory Group chaired by Michelle Bachelet”.

ILO social security standards provide guidance for national social protection systems through ILO Convention 102 and the Social Protection Floors Recommendation, 2012 (No. 202) adopted by 184 countries.

UN Sustainable Development Goal 1.3 commits to implementing social protection systems for all, including floors, and by 2030 to achieving substantial coverage of the poor and vulnerable.

Despite these global milestones, today 70 per cent of the world’s people cannot count on the security of social protection in times of need, from national or global economic shocks or the devastation of a global pandemic or extreme weather events.

While US$8-10 trillion has been committed to the first phase of the response to the Covid-19 crisis, it would take just over US$37.8 billion to build social protection with five years of coverage in the 28 least developed countries.
Making the economic case for social protection

Social protection systems can build economies and be the foundations of resilience for people weathering future shocks.

Social security is an important tool to prevent and reduce poverty, inequality, social exclusion and social insecurity, to promote equal opportunity and gender and racial equality, and to support the transition from informal to formal employment.

Ensuring access to social security is an investment that empowers people to adjust to changes and disruptions in the economy and in the labour market, and social security systems act as automatic social and economic stabilisers. They help stimulate aggregate demand in times of crisis and beyond and help support a transition to a more sustainable economy.

Countries which now have the highest levels of equality in the world built universal social protection funds as they were building their economies and were faced with extreme poverty levels. Where the political choices were taken to put social protection systems in place, they have provided the foundation for shared wealth. These same countries have a systemic resilience today to ameliorate the direct effects of global shocks and moderate the social and economic impact from Covid-19.

International funding for social protection systems

The world could fund the establishment of social protection systems or help bridge funding gaps with a clear path for sustainability.

According to pre-crisis estimates, a global social protection fund would need US$37.8 billion in the first five years to close the financing gaps to meet SDG 1.3 in low-income countries.

A Global Social Protection Fund

- A global social protection fund to kickstart national systems of social protection is affordable with the financing coming from a range of sources.

- Overseas development assistance. Current commitments from donor governments represent only 0.0047 per cent of the GNI of OECD/DAC countries in 2017 and could be increased and targeted towards building social protection systems.

- Corporation taxes, including FTT. A tax on financial transactions (FTT) could potentially generate around US$15-75 billion per year; currency transaction taxes, US$40 billion per year; a 0.42 per cent tax on total net worth of 2,208 billionaires, US$37.8 billion; putting an end to tax avoidance strategies, US$100-240 billion per year.

- International financial institutions. Contributions could come from existing funds for urgent action concerning cash transfers and food distribution. There is also the capacity for conditionality on debt relief or cancellation and SDR liquidity swaps.

Financing a Global Social Protection Fund is an act of solidarity that can be realised.