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 starving 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 has already led to the loss of an equivalent of 255 million full-time jobs and an additional 130 million jobs can be lost in 2021. It has moreover has led to a surge in the demand on health systems, along with unemployment and sickness benefits.

Many governments have stepped-up their social protection systems in response to the crisis, but efforts have been uneven, with many low income countries lacking the fiscal space to do so.

Social protection is essential for human security and social justice. It is a foundation for peaceful societies committed to building shared prosperity. It creates the basis for economic development and builds resilience against personal, national or global shocks.

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.

In addition and equally important, universal access to essential social services – including health, education, water, sanitation and housing – is vital.

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”.

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 less than half of the world’s population have access to any form of social protection, and less than one third of the world’s people benefit from comprehensive systems in line with international labour standards – leaving the vast majority of the world’s people unprotected in times of need, from national or global economic shocks or the devastation of a global pandemic or extreme weather events.

**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 have universal social protection systems, which were put in place as they were building their economies and were faced with extreme poverty levels. Where the political choices were taken to fund universal protection, 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.

**Global solidarity for closing the social protection financial gap**

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

According to ILO estimates, closing the financing gap to meet SDG goal 1.3 in low-income countries would require 78 billion USD. This amount represents around 16% of their collective GDP, and yet at the global level this amount is marginal - representing less than 0.25% of the world’s GDP.

The ITUC supports the idea of a global fund for social protection, which could help to bridge financing gaps for social protection for the world’s poorest countries, who lack sufficient fiscal space to build up social protection floors in the short-term on their own. It could also be accompanied by technical support to support States build up their capacity to finance social protection over the medium-long term.

**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, including:

  - **Official development assistance.** Only 0.69 per cent of official development assistance by OECD/DAC donor governments goes towards social protection, despite how critical it is to reduce poverty and support inclusive economic development. A global fund could involve increasing ODA commitments towards building social protection systems.

  - **Increased international cooperation on taxation.** Estimates have shown, for instance, that a broad-based, low rate (0.01% - 0.05%) tax on financial transactions (FTT) could potentially generate up to 480 billion euros globally. Currency transaction taxes could moreover potentially raise around US$33 billion per year. A minimum corporate tax threshold coordinated at the international level, could also be considered, with the aim of raising revenues while simultaneously tackling tax avoidance, tax competition and social dumping.

  - **International financial institutions.** Contributions could come from existing funds for country programmes. This could be complemented by on debt relief or cancellation and SDR liquidity swaps.

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