

**Financing for development in the era of COVID-19 and beyond**  
**CLUSTER 2: SOCIO-ECONOMIC RESPONSE: SOCIAL PROTECTION, GENDER, CHILDREN, YOUTH,**  
**HEALTH, EDUCATION AND HUMAN RIGHTS**

**Consultation with Trade Unions**  
**30 March 2021**  
**8:00 – 10:15am (New York)**

### **Introduction**

One year has passed since the onset of the COVID-19 pandemic and the world is still struggling to curtail the health crisis alongside a growing socioeconomic crisis. The impact on the health and well-being of people around the world has been dramatic. Even prior to COVID-19, many countries were struggling to cope with growing debt burdens and limited fiscal space to finance the SDGs. National budgets are strained, forcing policy makers to take tough decisions on financing public health or providing stimulus to offset the social and economic pressures. Efforts such as the Debt Service Suspension Initiative helped many countries slow the downward spiral but much more far-reaching efforts are needed to meet the magnitude and scale of the crisis.

Recognizing the urgency to develop a coordinated response to enable ambitious financing solutions, the Prime Ministers of Canada and Jamaica along with the UN Secretary General launched an Initiative in May 2020 on Financing for Development in the Era of COVID-19 and Beyond. Various stakeholders were invited to contribute to six open-ended discussion groups, which ultimately led to a comprehensive menu of policy options<sup>1</sup>. Trade Unions have actively participated providing key contributions to the deliberations<sup>2</sup>. The policies aim to address the current emergency and to promote a swift and sustainable recovery that will pave the way for a more inclusive, resilient development paradigm. Ministers of Finance reviewed the recommendations, which were subsequently welcomed by Heads of State and Government during the UN General Assembly in September 2020.

### **Ambition of Cluster 2: Socioeconomic Recovery**

With the menu of policy options defined, the focus has now shifted to implementation. Six cluster areas have been established to define the policies and frameworks needed for implementation, each led by a UN entity.<sup>3</sup> Under the ILO leadership, cluster 2 addresses the socioeconomic response to the crisis, including in the areas of social protection, gender, youth, health, education and human rights.

---

<sup>1</sup> See Menu of Options:

Part II: [https://www.un.org/sites/un2.un.org/files/financing\\_for\\_development\\_covid19\\_part\\_ii\\_hosg.pdf](https://www.un.org/sites/un2.un.org/files/financing_for_development_covid19_part_ii_hosg.pdf)

<sup>2</sup> ITUC advocates New Social Contract at historic Finance Ministers UN-meeting <https://www.ituc-csi.org/unions-advocate-new-social-contract-at-finance-ministers-un-meeting>

<sup>3</sup> 1) Sustainability and climate action, UNDP; 2) Socioeconomic response: social protection, gender, youth, health, education and human rights, ILO; 3) Finance and technology, UNCTAD; 4) Liquidity and debt vulnerability, DESA; 5) Illicit financial flows, RECs; 6) Addressing special country needs, DESA

Investing in socio-economic recovery must be considered in tandem with efforts to combat the health impact of the COVID-19 pandemic including the equitable roll-out of vaccines. Policy guidance is needed to restore progress towards the 2030 Agenda and achieve a sustainable, inclusive, fairer and greener recovery. Cluster 2 will provide guidance to support countries, workers and employers' organizations, the private sector and other actors to mobilize public and private investments for a human-centered socio-economic response. The focus also remains on determining the specific priorities, governance and architecture to implement global standards underpinning the socio-economic response at global, regional and national levels, and to align the financial system with the relevant SDGs.

### Quantifying the Socioeconomic Impact of the Crisis

COVID-19 has dramatically affected the world of work. National measures to contain the pandemic have required different types of workplace closures leading to high losses in working-hours. In 2020, 8.8 per cent of global working hours were lost relative to the fourth quarter of 2019, equivalent to 255 million full-time jobs. The working-hour losses are reflected in higher levels of unemployment and inactivity and have translated into substantial losses in labour income. The ILO estimates a global decline in labour income of 8.3 per cent in 2020, which amounts to US\$3.7 trillion, or 4.4 per cent of GDP.<sup>4</sup> The prospects for 2021 point to persistent decent work deficits.

The impact of the fiscal stimulus measures on employment has been positive but uneven. In high-income countries, the announced fiscal stimulus measures equate to 10.1 per cent of total working hours, while estimated working-hour losses averaged 9.4 per cent. In low-income countries, the stimulus is equivalent to only 1.2 per cent of total working hours, while working-hour losses averaged 9 per cent. This “fiscal stimulus gap” is therefore around US\$982 billion in low-income and lower-middle-income countries. Filling this gap requires greater international solidarity while improving the effectiveness of stimulus measures.

The loss of labour incomes can lead to poverty in the absence of other sources of income, such as social protection transfers. ILO research finds that the financing gap for ensuring a basic social protection package, including health, is estimated at 1.192 billion dollars, representing about 3.8 per cent of developing countries' GDP in 2020.<sup>5</sup> COVID-19 aggravated social protection needs, increasing the pre-existing financing gaps by more than 30 per cent in 2020. Moreover, 60 per cent of workers globally, work in the informal economy and are thus unlikely to be protected by social protection schemes, and consequently very vulnerable to income losses and poverty. The relative poverty rate is expected to increase by almost 34 percentage points globally for informal workers, ranging from 21 percentage points in upper-middle-income countries to 56 percentage points in lower-middle-income economies.

The risks of a stalled recovery due to unsustainable financial conditions and rising debt levels and their consequences on poverty and inequality threaten to exacerbate development challenges and the risk of social unrest. The ILO has called on governments that have access to finance, to use it and not resort to premature fiscal consolidation. Given the scale of socioeconomic disruption and loss of jobs and

---

<sup>4</sup> See ILO Monitor:

[https://www.ilo.org/wcmstp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms\\_767028.pdf](https://www.ilo.org/wcmstp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_767028.pdf)

<sup>5</sup> See ILO, 2020. Financing gaps in social protection:

Global estimates and strategies for developing countries in light of the COVID-19 crisis and beyond

livelihoods, investment decisions are critical in order to maximize impact and ensure finances address both the health and socio-economic fallout. Various strategies can be deployed to help unlock fiscal space but experience shows that efforts are most effective when designed through national social dialogue.

### Multi-stakeholder Consultations

The overarching objective of the exercise is to identify concrete, ambitious and actionable recommendations for financing a socioeconomic recovery. To ensure the exercise benefits from a broad set of experiences, expertise and captures a range of considerations and priorities, a number of stakeholder consultations are planned. The consultations are expected to support FfD policy implementation and identify actions needed at both global and country levels that are aligned with the Cluster 2 ambitions. The outcome of the consultations will be compiled and incorporated into the final set of recommendations that will be presented during a High Level UN meeting expected to take place during the General Assembly in September 2021.

### Guiding Questions

Trade unions all over the world are asking for a New Social Contract that focus on addressing underlying concerns with inequality, austerity, exploitation and impunity. The focus must be on delivering jobs, green jobs, ensuring a floor of rights and protections for all workers, investing in the just transitions of workers in the context of industrial transformation, equality - through a minimum living wage, collective bargaining rights and social dialogue favouring redistribution policies and shared wealth.

In line with the SDGs, the five key demands that workers want in their New Social Contract<sup>6</sup> are:

1. Jobs: climate-friendly jobs with Just Transition.
2. Rights: the promise of the ILO Centenary Declaration for rights and protections for all workers irrespective of employment arrangements.
3. Universal Social Protection: social protection for all, with the fight for a global social protection fund for the poorest countries.
4. Equality: progress has stalled, and in some nations has been set back by the pandemic. Workers demand equality of income and equality of gender and race.
5. Inclusion: working people want a peaceful world and a just, rights-based development model with the promise of the SDGs.

Recovery and resilience measures must be funded by debt relief and increased public development assistance for developing countries, allowing them to manage crisis responses. Resource mobilisation efforts through progressive taxation at national level should be complemented by strengthening international cooperation in ending tax evasion and illicit financial flows, including a minimum tax floor for all corporations, a billionaires or wealth tax, and a financial transactions tax<sup>7</sup>.

---

<sup>6</sup> <https://www.ituc-csi.org/new-social-contract-five-demands>

<sup>7</sup> [Trade Union Dialogue with the UN on Financing for Sustainable Development](#) and ITUC calls for taxation reform to achieve the 2030 Agenda ( <https://www.ituc-csi.org/ITUC-calls-for-tax-reform-to-achieve-the-SDGs> )

The consultation with trade unions will be organized around three topics on which concrete policy measures could be recommended. The topics and selected policy questions will be addressed through a gender and human rights lens and will aim to address priorities for promoting a socioeconomic recovery. All the breakout groups will need to identify policy priorities for governments and business and ways to mobilize domestic resources with additional international financing to complement them.

## **I. Investing in Decent Jobs and Climate Friendly Job Creation**

Governments are failing to tackle jobs crises. Support for employment and livelihoods should continue to reverse the economic and social consequences of the crisis, until the pandemic is defeated. The latter implies a stringent need for universal access to testing, treatment and vaccines. Investing in jobs creation will be necessary to reverse the economic and social consequences of the crisis. Strategies and public policies must ensure the creation of decent, climate-friendly jobs, accompanied by Just Transition measures, to guarantee that no-one is left behind in industrial transformation processes. Large numbers of jobs can be created through sustainable investment in infrastructure, health, public transport, housing, repairing ecosystems and making innovative improvements to cities.

### **Guiding questions for discussion:**

- How can macroeconomic policies be geared to provide strategic priority to the creation of decent jobs, as envisioned in SDG8, especially in the areas where social demands are growing and the potential of job creation is strong (e.g. health and care sectors, digital, green economy and just transition)?
- Which dimensions should be addressed specifically by the socio-economic response plans by re-directing finance: labour market demand, labour market supply, green transition, labour institutions?
- What measures should governments take to meet the changing skills needs and necessary social protection support to provide for Just Transitions?
- How can we ensure that private business investments contribute to sustainability and are aligned with decent work?
- What are the different options and measures to mobilise resources at national and international level for investments in decent jobs and climate friendly jobs?

## **II. Scaling-up Universal Social Protection**

The pandemic has thrown into sharp relief the importance of scaling up social protection. Advancing towards universal social protection systems and floors is crucial to providing free access to healthcare for all as well as income support to the most vulnerable, including informal economy workers. The proposal by the UN Special Rapporteur on extreme poverty and human rights for the establishment of a Global Social Protection Fund is crucial to upholding the implementation of social protection floors in the world's poorest countries.

### **Guiding questions for discussion:**

- Which measures should governments take to invest in the resilience of their health and social protection systems at the same time as they tackle the immediate health crisis?

- What support measures would be required to help countries build up their capacity to finance social protection over the medium-long term?
- What specific measures should be prioritised to guarantee a Global Fund for Social Protection<sup>8</sup>?

### **III. Supporting social dialogue**

To be sustainable, crisis response measures must be built on the engagement of social partners. Social dialogue and industrial relations help to rebuild trust in institutions and assist in crafting equitable policies. This is true within countries, but also across nations. A new and inclusive financial architecture is necessary to respond to the Covid-19 crisis and build resilience. With an increasing role of the private sector in development financing this new architecture will need to ensure the application of regulatory frameworks that guarantee that blended finance is in line with human, labour and environmental standards and that due diligence is applied. Trade unions will need to push for corporate strategies and business models which align investments with the SDGs and especially SDG 8.

#### **Guiding questions for discussion:**

- How could governments ensure that their socio-economic responses are human-rights based?
- How can social partners contribute to the design, financing and implementation of socio-economic recovery plans?
- How can international finance be targeted to reinforce the capacity of social partners to engage in policy dialogue?
- What role does private finance play in development and what criteria should it abide with to ensure and SDG oriented recovery?
- Beyond their role at national level, what role should social partners play in global governance?

---

<sup>8</sup> <https://www.ituc-csi.org/global-social-protection-fund>