

**Expanding social protection: benefits for workers, businesses, and communities**

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**Why support a global fund for social protection and increased funding for social protection programs?**

Despite the benefits of social protection, less than a third of the world's population are covered by comprehensive social protection systems and less than half have access to at least one social protection benefit. This leaves the vast majority of the world's people unprotected in times of need, or from national or global economic shocks.

Expanding social protection is economically feasible for the vast majority of countries, and so governments need to work to ensure adequate social spending<sup>[iv]</sup>. However major financing gaps exist for the world's poorest countries<sup>[v]</sup>, inhibiting the extension of social protection systems. The International Labor Organization (ILO) has estimated that the amount needed to finance social protection floors in the world's lowest income countries would amount to around 78 billion USD<sup>[vi]</sup>. This amount represents around 16% of the collective GDP of the world's lowest income countries, yet at the global level it represents less than 0.25% of the world's GDP –highlighting the potential of global cooperation to support the financing of social protection.

**What is the role of business?**

While governments have the primary responsibility in setting up social protection systems, businesses also play an important role. Businesses already play a significant role by ensuring key social protections for workers in their supply chains. Businesses, along with governments and others, have provided ad hoc assistance to their workers in response to the pandemic. In addition, businesses significantly contribute to social protection financing, as social protection systems tend to be funded through a combination of social security contributions (generally funded through a mix of employer and worker contributions) and through taxation – which together can ensure a solid financing base for social protection.

Experience also shows that in countries with weak systems of social protection, businesses can also play a crucial and catalytic role by speaking up for the business case for setting up social protection and providing a positive signal to governments to set up social protection. Finally, businesses can raise public awareness on the importance of social protection and help generate broad public and political support for social protection reforms.

### **At the global level:**

- **Call on the US government to support the expansion of social protection by publicly endorsing the establishment of a Global Social Protection Fund in multilateral for a including the G7 and G20;**
- **Call on the US government to work with multilateral and regional development banks to shape and implement social protection programs.**

### **In the US government:**

- **Create a National Security Council whole of government initiative to develop a social protection strategy across agencies;**
- **Increase funds dedicated to building social protection programs in development programs funded by USAID, State, ILAB and DFC.**
- **Improve indicators and reporting requirements in government reports, including the State Department Human Rights Report, on investment in social protection programs;**
- **Improve indicators around social protection for countries in assessments of countries before entering trade agreements;**
- **Integrate social protection into USAID country strategy documents; and**
- **Identify priority countries for increased US development assistance in social protection programs that may not benefit from the Global Social Protection Fund that targets the poorest 28 countries.**

### **What is social protection?**

Social protection is an internationally recognized human right. It provides critical support to people who are facing situations such as unemployment, sickness, maternity, widowhood or old age. Social protection policies include income support and essential services. In the US, social safety net programs is another term used to describe these same social protection programs that provide a “net” or protection for vulnerable and poor families.

### **What are the benefits?**

Social protection has broad benefits for people and their communities. It supports and raises people’s incomes and living standards and prevents poverty, social insecurity and social exclusion. It has also been shown to reduce inequalities and promote social cohesion.

Social protection moreover has broad benefits for businesses and the wider economy. Investment in social protection and essential services – such as health, education and care services – has been shown to have positive effects on skills, employability, productivity and overall firm-level performance<sup>[1]</sup>. Formal childcare and elder care arrangements also remove barriers for women to enter and remain in the labor market. In countries where adequate social protection systems exist, enterprises are more resilient to shocks, and this in turn reduces reputational and other risks. Setting up publicly organized social protection systems helps to ensure a fair floor of competition between companies, since social protection is afforded to all workers and not only to those in businesses with privately organized insurance schemes and benefits. Expanding social protection to all, including income support to small businesses owners and the self-employed, can also support entrepreneurship by reducing personal financial risks associated with setting up a business. Expanding social protection can moreover support the transition from the informal to formal economy by reducing the financial desperation that forces people to enter into informal, unregulated work arrangements.

During crises, social protection can also play a critical role in maintaining jobs, ensuring occupational health and safety protections and supporting workers' incomes. The COVID-19 pandemic has illustrated how a number of countries have successfully managed to put in place temporary unemployment schemes and other income support measures that allowed companies to retain their workers and provided job and income security to the workers themselves. The current health pandemic underscores the importance of building and maintaining strong social protection systems that can provide the health care needs for families in the home and protections like personal protective equipment to keep workers safe in their workplaces.

There are also wider macroeconomic benefits to social protection, including increased overall employment and tax revenue, as well as strengthened aggregate demand. Studies have also shown that during the 2008 financial crisis, countries that had effective social protection systems were able to respond to the crisis better because such benefits cushioned consumption and prevented crises from getting worse; the cost of spending on social protection was typically half the economic cost of rising unemployment that could have happened<sup>[iii]</sup>. In short, ensuring access to social protection is an investment that empowers people to adjust to changes and disruptions in the economy and in the labor market, and social protection systems act as automatic social and economic stabilizers. They help stimulate the economy in times of crisis and beyond and help support a transition to a more inclusive and sustainable economy.

Social protection is fundamental to mitigating the impact of climate change on working families. Climate change and the policies intended to mitigate it have a significant impact on people's direct environments, lives, jobs, incomes and communities all across the globe. Estimates show that over 100 million people could be pushed into extreme poverty as a result of climate change by 2030. Investments in a strong social protection program could reduce this number drastically to 20 million. The phase-out of high-carbon industries requires a just transition<sup>1</sup> process where workers at risk of losing their jobs receive social protection as well as other support to maintain their income and access to other well-paying jobs. Environmental and socio-economic risks are strongly interconnected and ensuring adequate universal social protection is an essential component of the just transition to a sustainable, zero-carbon economy.

Because of the numerous benefits of social protection, there is broad international consensus on the need to extend it, as underlined by international labor standards<sup>[iii]</sup>, UN Sustainable Development Goals Target 1.3, the Global Partnership for Universal Social Protection, and the International Labor Organization's Centenary

Declaration. The 2020 ITUC Global Poll of the general public in 16 countries shows near universal public support for social protection.

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<sup>1</sup> Just Transition is an economy-wide process that produces the plans, policies and investments that lead to a sustainable future with full employment, decent work and social protection. An effective Just Transition process requires social dialogue between governments, employers, and unions to develop the measures that build trust and guarantee secure income support for affected workers, skills training and redeployment services. Just Transition is a key requirement of the Paris Agreement and is further defined by the International Labour Organization's global labour guidelines for Just Transition. For more information see [https://www.ituc-csi.org/IMG/pdf/role\\_of\\_social\\_protection\\_in\\_a\\_just\\_transition\\_en.pdf](https://www.ituc-csi.org/IMG/pdf/role_of_social_protection_in_a_just_transition_en.pdf)

[i] European Commission (2013) Evidence on Demographic and Social Trends, Social Policies' Contribution to Inclusion, Employment and the Economy; ILO (2019) To what extent is social protection associated with better firm level performance?

[ii] Australian Government: Department of Foreign Affairs and Trade (2014) Social protection and growth: Research synthesis. Social protection and growth:Research synthesis.

[iii] There are a number of international labor standards in the area of social protection, which set out key design principles: most notably ILO Convention 102 on Social Security and ILO Recommendation 202 on Social Protection Floors.

[iv] ILO, UN Women and UNICEF (2017) Working Paper: Fiscal Space for Social Protection and the SDGs

[v] According to world bank's definition of low-income countries, see list here. [vi] ILO (2020) Financing gaps in social protection