In search of new pathways for social development in a post-crisis world

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It is often said that a silver lining of the pandemic we have lived through over the past three years is that it powerfully revealed the deep-seated inequalities in the world, both within and across countries, the social protection gaps, and the urgency of building universal social protection systems. In fact, the COVID-19 pandemic and other unfolding crises have made the case for universal social protection more compelling than ever before, putting the spotlight on the need to identify financing options for extending social protection, and in so doing help rebuild a frayed social contract. As such, many have referred to the pandemic as a wake-up call. To be sure, there are huge challenges in closing the yawning gaps in social protection: making sure that everyone has coverage regardless of their employment status, not just for one or two contingencies but for the full range of risks that they face across their lives; that the protection they receive is adequate, meaning that it allows life in health and dignity; that the system is ready for co-variate shocks, especially in the context of the climate crisis and structural transformations; and that it is adequately and equitably financed. The post-pandemic world, we were told, was to be about 'building forward better'.

However, even if the IMF committed itself to social spending floors in 2019[1] and its Managing Director urged countries in January 2021 to 'spend as much as you can and then spend a little bit more',[2] today the dangers of post-pandemic austerity—one that is more premature and severe than the one that followed the 2008 global financial crisis - are being felt across the world.[3] This means that the 'high road'[4] for building universal social protection systems seen as so critical in the light of the painful lessons of COVID-19, is now being bypassed as country after country succumbs to austerity and falls back on *ad hoc* and fragmented 'safety nets' in the face of growing grievances and cost-of-living protests.[5] So, as Bob Deacon would have asked, to what extent does this context of multiple crises provide an opportunity to change course - to move away from the economic doctrines and policies that promoted patterns of market-led development that have systematically reinforced vulnerability and inequality? Have these interlocking crises seriously wounded the dominant neoliberal paradigm?[6]

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[1] IMF. (2019). A Strategy for IMF Engagement on Social Spending. IMF Policy Paper. A Strategy for IMF Engagement on Social Spending

[2] 'Spend as much as you can,' IMF head urges governments worldwide | Reuters

[3] Ortiz, Isabel and Matthew Cummins. 2021. "Global Austerity Alert: Looming Budget Cuts in 2021–25 and Alternative Pathways", Working Paper. https://policydialogue.org/files/publications/papers/Global-Austerity-Alert-OrtizCummins-2021-final.pdf.

[4] ILO. 2021. World Social Protection Report 2020-2022. RessourcePDF.action (social-protection.org)

[5] Hossain, Naomi and Jeffrey Hallock. 2022. *Food, Energy and Cost of Living Protests 2022*. Friedrich Ebert Stiftung, New York.

[6] Deacon, Bob. 2012. 'Shifting global social policy discourse and governance in times of crisis', in Utting, Peter, Shahra Razavi and Rebecca Varghese Buchholz (eds.), *The Global Crisis and Transformative Social Change*, Basingstoke and New York: Palgrave, pp. 81-102.

First, the prospects for social transformation in the wake of a crisis are heavily dependent on certain paths of pre-crisis structural change.[7] For example, financialization, which has continued unabated, the rush to privatization and 'public-private partnerships', extensive labour market informality and livelihood insecurity along with the declining influence of organized labour, which are even more endemic today, curtail what governments see as the options available to them in the social and labour market policy arenas. In addition to these aspects of 'structural power', elites - those well connected to finance capital and financial institutions - have shown a remarkable capacity to shape the post-crisis recovery process through the framing of common-sense understandings of crisis and crisis response. This means that very selective and partial explanations of what is going wrong end up framing public and policy debates. It also means that proposed solutions may well serve to transfer risks and costs to the weakest social groups and to developing countries.

In this vein, we hear theorized parallels between the stagflationary conditions of the 1970s and today's conditions, when in fact, nominal wage growth is not keeping up with inflation. In fact, as the latest issue of ILO's *Global Wage Report 2022-23* showed, real wages are stagnating or declining, ruling out a wage-price spiral as the inflationary lubricant. The report estimates that global monthly wages fell in real terms to minus 0.9% in the first half of 2022 - the first time in the twenty-first century that real wage growth has been negative - while the gap between productivity growth and wage growth continues to widen with productivity growth outstripping wage growth by 12.6 percentage points.[8] The global labour income share was on a declining trend in the decades preceding the COVID-19 crisis. However, 'decades of falling (real) minimum wages, erosion of once strong labour market institutions, and failure to revive social dialogue on a larger scale have prevented labour from participating more fully and equitably in the benefits of economic growth'. Employment recovery from the COVID-19 crisis has been driven mainly by informal employment, which increased in the pandemic period.

It is not far-fetched to say that both income inequality and poverty will continue to rise if the purchasing power of the lowest paid is not maintained. ILO analysis suggests that there is scope in many countries for increasing wages, facilitated by social dialogue, without fear of generating a wage-price inflationary spiral. In the absence of such adjustments, access to food will continue to be compromised - particularly for low-income households, which spend the bulk of their incomes on food. World Bank evidence already shows that stunting and wasting in children, and anaemia in pregnant women, are increasing as families struggle to get sufficient nutrition in their diets.[9] Social protection is a powerful tool to help households face life-cycle risks and the systemic shocks intensified by the cost-of-living crisis. There is a growing international consensus about the importance of social protection which provided a lifeline for many households and businesses during the pandemic. However, a number of challenges present themselves when it comes to social protection playing its part.

[7] Utting, Peter, Shahra Razavi and Rebecca Varghese Buchholz, 'Social and political dimensions of the global crisis: Possible futures', in Utting, Razavi and Varghese Buchholz (eds.), *op.cit.*

[8] ILO. 2022. Global Wage Report 2022-23: The impact of inflation and COVID-19 on wages and purchasing power. Geneva: International Labour Office.

[9] World Bank 2023. *Recognizing and tackling a global food crisis.* https://www.worldbank.org/en/news/feature/2023/01/05/recognizing-and-tackling-a-global-food-crisis

First, more than half of the global population, over 4 billion people, the overwhelming majority of whom are working in the informal economy, do not have access to social protection at all, let alone adequate and comprehensive social protection as called for by international social security standards.[10] Many workers, especially those at the lower end of the pay scale, are still insufficiently protected, even in high-income countries. A recently published ILO report on the value of essential work zoomed in on the situation of key workers such as workers in food systems, the care sector, transport, retail and sanitation. Using data from 90 countries, it showed that only two-thirds of workers with permanent contracts and only one-third of workers on temporary contracts have access to pensions or sick leave. Coverage of self-employed workers is even lower: for a sample of 16 mostly low- and middle-income countries, the average coverage rate of employees was 39%, but less than 10% in the case of self-employed workers.[11] This underlines the point that 'essential workers' need more than applause; they need adequate labour and social protection.

Second, even when covered, the adequacy of social protection benefits presents another source of concern, especially in the current cost of living crisis. Our research shows that more than half of all social protection schemes for which we have data do not have a mechanism to adjust the benefit level to the consumer price index and/or to wages. This means that the real value of the benefits these schemes provide cannot keep up with inflation. It is, thus, of utmost importance that countries without an indexation rule in place follow the adjustments principles enshrined in international social security standards which can help maintain the purchasing power of benefits.

A third factor to underline is that narrowly-targeted 'safety nets' continue to be given pride-of-place in the repertoire of options proposed by international financial institutions, sometimes as the sweetener to the bitter pill of fiscal austerity. There is a significant body of literature analysing whether social protection systems that target benefits to people with low incomes produce better redistributive outcomes than those grounded in universal approaches. The majority of studies find that levels of inequality are lower in countries with universal approaches.[12] One explanation for this outcome, as Bob Deacon would have reminded us, is that more universalistic approaches are better able to mobilize support from the general public across all income levels and that, as a result, social protection budgets are larger in countries with universal approaches. Furthermore, targeted schemes that seek to reach the poorest, especially when proxy means testing is used, can produce significant exclusions while increasing the opacity and complexity of procedures and creating additional barriers that beneficiaries have to navigate. Moving from strictly targeted, means-tested benefits to categorical or universal schemes also reduces administrative costs.

Having said this, it would be misleading to assume that there was no place for means-tested schemes within a broader universal system. In countries where universality is the norm, means-tested social assistance schemes play a secondary residual role (as is the case in many high-income countries) to

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[10] RessourcePDF.action (social-protection.org)

[11] ILO _ The value of essential work, p. 94.

[12] For a review of the issues around targeting and universalism see Shahra Razavi, Christina Behrendt, Valeria Nesterenko, Ian Orton, Celine Peyron-Bista, Alvaro Ramos Chavez, Helmut Schwarzer, Maya Stern-Plaza and Veronika Wodsak. 2022. 'Building Universal Social Protection Systems for All: What Role for Targeting?' *Global Social Policy*, Forum 1-15.

support individuals who, for some reason, fall through the cracks. In practice, this requires that the social protection system is legally anchored and public authorities take responsibility for their administration, including by ensuring that those who are eligible for the benefits have a right to receive them when needed by making the financial resources available and by establishing effective complaints and redress mechanisms. This is a far cry from temporary safety nets that are neither safe nor rights-based, providing unpredictable benefits to a sub-set of the population, while leaving many other vulnerable groups without coverage.

Last, but certainly not least, ILO calculations show that to achieve at least a social protection floor, developing countries would need to invest an additional 3.8% of their GDP on average in their national social protection systems. The additional investment needed is much higher in the case of low-income countries (15.9% of their GDP).[13] This means that countries need to pro-actively mobilize resources to build and strengthen their social protection systems - using a mix of taxes and social security contributions that are equitable and fair. This needs to be placed in its proper context, however. Today, more than 50 developing countries are experiencing severe debt problems, through no fault of their own. Twenty-five countries paid more than 20% of government revenue in servicing external debt last year. As a recent Oxfam report put it, 'for the IMF, even if the cause of a country's bankruptcy is international, the solutions are primarily to be found nationally - in austerity'.[14] Is the multilateral system able to move beyond this kind of methodological nationalism[15] to find global solutions to global problems?

There are big questions about the agility of the multilateral system to rise to the challenge of deteriorating financial and socio-economic conditions in many countries. Despite strong advocacy from the highest level of the UN, with the United Nations Secretary-General referring to the 'morally bankrupt global financial system', the performance on the issuance of Special Drawing Rights (SDRs), debt restructuring, Overseas Development Assistance (ODA), and the representativeness of international financial institutions (and their accountability to their full membership) has thus far been slow and piecemeal - out of kilter with the magnitude and urgency of the challenges that developing countries are facing. There are glimmers of hope, however.

It is encouraging that the UNSG's *Financing for Sustainable Development Report*,[16] issued in April 2023 with contributions from a wide range of UN agencies, calls for an urgently needed set of improvements in global development finance, including the need to evolve the scale and mission of public development banks, to scale up and accelerate the channeling of special drawing rights (SDRs) to countries in need, to rewrite international tax norms, especially for taxing digitalized and globalized business and digital assets. A course adjustment is also being called for in the design and ambition of the Common Framework on Debt Treatment. The upshot is that, without a massive scale-up of affordable financing, including long-term affordable financing, many developing countries are at risk of falling into a vicious cycle of

[13] RessourcePDF.action (social-protection.org)

[14] Oxfam. 2023. *IMF Social Spending Floors: A Fig leaf for austerity?* Oxfam Briefing Paper, April.

[15] Wimmer, Andreas and Nina Glick Schiller, 2002. "Methodological nationalism and beyond: nation-state building, migration and the social sciences", *Global Networks* 2(4): 301-334.

[16] Financing for Sustainable Development Report 2023 | United Nations Inter-agency Task Force on Financing for Development

weak growth, unsustainable debt, and fiscal austerity which will be both costly and self-defeating.[17]

At the same time, a number of UN agencies are coalescing around a common agenda for socioeconomic recovery that is focused on the creation of decent jobs, especially in the care and green economies, universal social protection and just transitions. This new initiative - *The Global Accelerator on Jobs and Social Protection for Just Transitions*[18] - brings together the whole of the multilateral system to create an enabling global environment to take us from reacting to crisis upon crisis, to pro-actively anticipating and equitably managing the different transitions that are pending – environmental, social and economic.

One of its key enablers is to improve coherence between policy and financing priorities of countries. To support this, work under the Global Accelerator will include the development of detailed financing frameworks. These frameworks will include domestic and external funding streams, allowing countries to meet the high level of ambition for their reforms in real-time, while at the same time bringing closer together the real economy and the global financial architecture, essentially countering austerity and seeking to engage the IFIs and enlist their support for delivering on the promises of the SDGs.

I think Bob Deacon would have been at least curious, if not excited, about these incipient developments.

References

Contributors' Biographies

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[17] See also Gallagher, Kevin P. and Richard Kozul-Wright, 2022. *The Case for a New Bretton Woods*. Cambridge: Polity Press.

[18] [Global Accelerator on Jobs and Social Protection for Just Transitions | Global Accelerator (unglobalaccelerator.org)](unglobalaccelerator.org)