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# TOWARDS A ROBUST SOCIAL PROTECTION SYSTEM IN THE POST-PANDEMIC ERA

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# Abstract



**T**he increasing need for an extensive social safety net has prompted most countries to launch new social protection measures or reframe existing ones. The G20's Development Working Group emphasises the importance of effective social protection systems in achieving the Sustainable Development Goals (SDG) to enable the poor to contribute to mainstream economic activity. Taking a cue from this and learning lessons from the COVID-19 pandemic and recent developments in social protection, this policy brief examines whether existing social protection policies should be


rethought and redesigned to respond to the challenges of the contemporary 'polycrisis' world, while also striving for more cost-effective and impactful approaches. The brief suggests a greater role for the G20 in supporting an enhanced global social protection agenda, ensuring coordination among its members in promoting these approaches, and mobilising resources, including through the expansion of development cooperation support to other non-G20 countries to expand and sustain robust national social protection initiatives as part of the overall SDGs implementation efforts.



# **The Challenge**




# **1**



**S**ocial protection systems emerge as pillars of support for people when faced with the vicissitudes of life. It is an important facet of a state's responsibility towards its citizens. It ensures that citizens have rights to a range of social services, including healthcare and income security when faced with extreme poverty, old age, disability, unemployment, and sickness. While the existence of such programmes and schemes can be traced back to the nineteenth century, it was under the umbrella of the European welfare states in the twentieth century that the importance of social protection schemes received greater recognition, often in the form of old-age pension schemes and working injury schemes.<sup>1</sup> The need for social protection also varies with the diversity of needs emerging in different countries. In high-income countries, social protection schemes aim to address life-cycle risks, health risks, and job loss/unemployment. Social protection schemes have also expanded in middle- and low-income countries, based on their fiscal capacities and national circumstances. While some of these schemes have been designed to lift people out of chronic poverty, others target specific vulnerable groups, such

as children or the elderly.<sup>2</sup> Besides, various multilateral organisations such as the United Nations, World Bank, and the International Monetary Fund are also involved in financing and supporting social protection along with regional development partners such as the Asian Development Bank. Different forms of aid are provided by such donors to assist developing and low-income countries in combating poverty and protecting the rights of their vulnerable population.<sup>3</sup>

Across the world, social protection measures, if implemented properly, play a decisive role in alleviating poverty by assisting individuals in breaking the cycle of poverty, enhancing the quality of growth in developing states by investing in human capital, and reducing the vulnerability of people when exposed to risks.<sup>4</sup> This is referred to as its preventive function, that which protects vulnerable groups from slipping into poverty. It has a protective function too whereby it supports people living below the poverty line through the provision of cash or in-transfer subsidies. In addition, such measures also play a promotive functional role, one which addresses future uncertainties and limits vulnerabilities by stabilising future income streams. Such measures




also play a pertinent role in achieving sustainable livelihoods by eliminating barriers to inclusion, social mobility, and social equality. This is known as its transformative function. Such functions also enable the achievement of the Sustainable Development Goals (SDGs). The preventive function of alleviating poverty and enhancing accessibility and affordability contributes to the goals (1-10). Its promotive function that enables and encourages people to take risks and make investments resonates with the economic goals (4-9) and its transformative function that aims to promote social equality and empower social groups falls in line with the political goals (16-17).<sup>5</sup>

Thus, drawing from this, the importance and necessity of social protection stands paramount. Social protection systems however, in the recent past and contemporary times, face emerging challenges owing to various unprecedented circumstances. The world today is exposed to multifaceted crises like the Covid-19 pandemic and climate change. Given these challenges, the presence of efficient social protection systems is the need of the hour. Thus, it is important that the G20 takes up this important issue for discussion.

As a premier international economic cooperation forum, comprising of both developing and developed countries, it accounts for about two-thirds of the world's population, 75 percent of the global trade, and 85 percent of the global GDP. This signifies the forum's scope of coverage. Both the platform and the time is then apt to uphold the need for protection systems that can address current and future multidimensional crises.

### **Contemporary Challenges to Existing Social Protection Interventions**

The Covid-19 pandemic has posed serious challenges to social protection systems in various countries. The crises exacerbated by the pandemic, affecting health, economy, and the overall society has resulted in the global GDP contracting by 3.5 percent in 2020.<sup>6</sup> The crisis took a massive toll on the world's poorest, accentuating poverty levels and inequality. With the fall in income, global poverty rates in 2021 were recorded at 9.1 percent vis-a-vis its pre-Covid projection at 7.8 percent. It was estimated that approximately 97 million more people were living on less than US\$1.90 because of the pandemic.<sup>7</sup>




Half of the 3.3 billion global workforces in 2020 was estimated to be at risk of losing their jobs.<sup>8</sup> There were massive cuts in global working hours that translated into employment losses. A rise in the global unemployment to the tune of 33 million was recorded in 2020 and the global unemployment rate rose from 1.1 percentage points to 6.5 percent the same year.<sup>9</sup>

The pandemic impacted undernourished people too. It was projected that a total of 132 million people would be added to the 690 million undernourished in 2020.<sup>10</sup> Approximately 50 percent of the households across the world were not able to sustain their basic consumption for three months due to the job losses suffered as a result of the pandemic. Women, youth, casual workers, and the self-employed faced income losses. Small firms, informal businesses, and those businesses with limited access to credit were also severely affected.

This was also a major setback for the developing economies in Latin America, Sub-Saharan Africa, and South Asia, as small and informal businesses represent a large share of their employment and economic activity. The slump in the economic activity of small and informal

businesses in these regions exerted a sharp impact on the broader economy.<sup>11</sup> In addition, around a third of the world's population lacked access to public funds to combat the impact of the pandemic. Government programmes in 126 low- and middle-income countries such as those benefitting the disabled, unemployed, children, and the elderly were inadequate to meet the needs of the people during the crisis. Of these 126 countries, 41 percent resorted to one-off payments. Many of these countries also failed to reach half of their citizens. There has also been a wide difference between the reach of the rich and the low- and middle-income nations when it came to providing for their citizens during the crisis. The year 2020 saw an additional global spending of US\$11.7 trillion to tackle the crisis generated by the pandemic, of which 83 percent was spent by the rich economies. The additional cash injected by the rich countries into their social protection programmes was recorded at US\$695 per capita while for the emerging economies it ranged from US\$28 per capita to as low as US\$4 per capita. The increase in aid provided by the developed countries to the emerging economies was also comparatively modest at US\$5.8 billion i.e., less than



five cents for every US\$100 raised to mitigate the effects of the pandemic. Thus, though the global efforts remained impressive during these difficult times, still more needed to be done for an increased outreach to those who were left behind.<sup>12</sup>


Climate change is another emerging challenge that reiterates the importance of social protection in states.<sup>13</sup> With increase in average temperature and climate variability, the world has now become exposed to intense and extreme weather events such as the Australian and Californian wildfires, and the hurricane Harvey in Houston, which incurred damages of US\$100 billion. Altogether, these events generate food and water scarcity, conflict, and internal and international forced displacement.

It is important that we gradually develop our ability to address such threats or poverty accentuated by such events can make us vulnerable to future shocks.<sup>14</sup> Thus, in this sense it is important that our social protection systems also become ‘climate proofed’ to maintain their efficacy in the long run.<sup>15</sup> Substantial efforts to fight climate change will give rise to ‘green’ sectors of the economy but this would also entail phasing out certain processes as well as industries. Those people who make a living by being a part of less environment-friendly industries and practices would require assistance and protections as their industries and jobs gradually start being phased out<sup>16</sup>. Thus, social protection against such hazards is the need of the hour to increase the resilience of societies.



# The G20's Role

# 2




**S**ocial protection has emerged as an important pillar for discussion in the G20 summits held over the years. Deliberations have ranged from the creation of decent jobs and work, skill development training policies to national social protection floors. Considerable progress has also been noted over the years toward improving social security, tackling inequality, and poverty alleviation. Recent years have also seen G20 deliberations focus on effective measures of social protection that are not only comprehensive but also human-centric to achieve sustainable and inclusive growth. This is outlined in both the Rome Leaders Declaration in 2021 and Bali Leaders Declaration in 2022.<sup>17</sup>

The pandemic has played an instrumental role in underscoring the importance of social protection in our society as a means for stability. Social protection systems have to be effective in terms of both design and delivery. Thus, moving forward from the pandemic, it is imperative that states develop their social protection systems in line with their economic policies so that their resilience is increased in case of future threats. In response to

the multiple challenges brought by the pandemic, many countries around the world expanded their social protection schemes by increasing coverage, diversifying modalities, and boosting financial allocation. By May 2021, a total of 222 countries launched around 3,333 social protection measures to address the crisis. Nearly 90 percent of such measures implemented in low-income countries were mainly non-contributory and remained largely financed by the government or the development partners. The proportion was close to half in the case of high-income countries, where around 26 percent of the measures were linked with social insurance schemes vis-s-vis nine percent in the case of low-income countries. Social assistance, thus became a major coping mechanism during these tough times and accounted for over 60 percent of the responses in Sub-Saharan Africa, South Asia and Latin America, and the Caribbean.<sup>18</sup>

For example, the Latin American states, though partial welfare states in nature, recorded a relatively rapid response to the crisis. By January 2021, 297 social protection measures, including cash transfers and in-kind transfers, were implemented to assist the people in




meeting their basic needs, of which cash transfers were the more popular form of assistance disbursed by most of these countries. Some also provided exemptions from late tax fines and deferral of tax payments.<sup>19</sup> For instance, in Brazil the “Auxílio Emergencial” (Brazil Assistance) was a comprehensive financial aid programme launched during the pandemic, which reached around 68 million Brazilians and more than R\$350 billion was disbursed to its population.<sup>20</sup> Similarly, in South Asia, the Program Keluarga Harapan, a conditional cash transfer (CCT) programme of the Indonesian government was quickly modified to tackle the crisis generated by the pandemic to direct an additional US\$558 million from its CCT<sup>21</sup> towards women, children, and the health and nutrition of poor households. Similar measures were implemented worldwide, which assisted around 1.7 billion people i.e., 17 percent of the global population in receiving at least one COVID-19-related cash transfer by May 2021. Though there was an increase in the levels of benefits during the pandemic, the additional allowances remained temporary in nature with less than 10 percent of them being extended beyond the initial period. Inequalities have also surfaced in response to the crisis in the

high-income and the middle and low-income countries. With fewer resources at their disposal, low-income countries also had to take on additional debt which propelled them into debt crisis.<sup>22</sup>

The challenge posed by the rapidly changing climate also necessitates the importance of social protection to safeguard our collective future. In addition to enhancing the ability of the people to address climate shocks by reducing poverty and vulnerability, social protection systems would also be useful in shaping shock-responsive measures. Social protection schemes can also help in incentivising measures for a smooth transition to a greener economy.<sup>23</sup>

Various measures have been taken by different countries with regards to social protection in the context of climate change. In China, approximately a million workers involved in state owned forest enterprises were rendered jobless due to a curb on deforestation activities. Job training and placement services however were offered to the unemployed.<sup>24</sup> The Sahel region in Africa has also been plagued with years of drought, increasing temperatures, and erratic rainfall leading to food crisis. This



has led to designing their nation's social protection programmes in a manner that safeguards its people from various risks, including that of climate change.<sup>25</sup> The scope of social protection in the context of climate change has grown over the years in middle- and low-income countries but there are gaps in its coverage. For instance, only 18 percent of the population in Sub-Saharan Africa


has access to social provisions. A shortfall to the tune of US\$0.7 trillion per year for provision of basic needs is estimated to have increased by 30 percent due to the impact of the pandemic on their economy.<sup>26</sup> In this context, G20 as a forum can collectively play a crucial role in strengthening the social protection architecture across its member countries.



# **Recommendations to the G20**



# **3**



**S**ocial protection to address our vulnerability from future risks requires concrete steps to be taken by the G20. Only contemporary emergency responses can shape sustainable social protection systems to safeguard us from future uncertainties. Following are some recommendations that may be considered by the G20 for tackling future crises in a more stable manner:

### **Ensure systematic mobilisation and allocation of resources**


The pandemic has exposed the gaps in coverage and financing in our current social protection systems, especially in the developing countries. There needs to be concerted efforts put to systematic mobilisation and allocation of resources for the development of universal, sustainable, and comprehensive protection systems. The G20 may play an important role in mobilising resources, including through development, cooperation, and support to other non-G20 countries to expand and sustain robust national social protection initiatives as part of the overall SDGs implementation efforts.

### **Strengthen delivery systems**

Strong delivery systems are essential to the success of social protection systems. A system of unique individual identification through the use of biometrics, proper maintenance of social registries, infrastructure for digital payment options for transfers, and personal data security is necessary. In this regard, the G20 Development Working Group may consider developing a digital system that monitors different social protection systems in individual countries and notes the challenges involved in delivering social protection services in different countries.

### **Develop a shared vision for a sustainable future**

National and international actors need to arrive at a consensus regarding the pursuit and achievement of SDG-1.3 and SDG-3.8, which call for universal social protection and universal health coverage respectively. A consensus is required on the design, finance, and implementation of social protection systems. Thus, it becomes imperative that finance, health, and labour



ministries, as well as international organisations, international finance institutions, and development partners share a common vision while addressing the various nuances involved in developing sustainable

protection systems. The G20, in this regard may take more proactive steps in facilitating joint working group meetings at regular intervals to deliberate on the strengthening of social protection systems.

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