

Poverty alleviation through social and economic transformation

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Abstract

The BRICS countries have made substantial progress in alleviating poverty over many decades, spurred on by, on the one hand, rapid economic growth in some cases, and on the other hand, policies, including employment and social protection measures, which have helped lift millions of people out of poverty. Nonetheless, disparities remain. As countries have become richer, relative poverty has emerged as a greater challenge than absolute deprivation (though pockets of the latter do persist). Income inequality is a key challenge for the BRICS. Against this backdrop, the COVID-19 crisis has had a severe impact on economies and labour markets around the world, which threatens to reverse some of the important gains made in recent years. Building on the successes in the BRICS countries in tackling poverty, further efforts are needed in response to both the immediate impact of the COVID-19 crisis and the longer-term challenges, especially through more integrated policy approaches, with a strong focus on employment and social protection measures, as a means to further eliminate poverty and reduce income inequality.

Introduction

The BRICS countries have made significant progress towards reducing poverty over a number of decades. The process of economic transformation has, in some cases, spurred productivity growth and wages, helping lift people out of poverty. At the same time, economic growth and the functioning of labour markets have not always been inclusive enough to keep people out of poverty. For this reason, redistributive policies, including social protection measures, have played a central role in tackling inequality and reducing poverty. However, despite these successes, challenges and gaps remain, especially in terms of relative poverty and inequality, including for specific groups (e.g. informal workers and businesses, women) and regions (e.g. rural areas). On top of these challenges, employment was increasing being shaped by rapid changes in the labour market through different drivers of the future of work, such as the spread of global supply chains, technological progress, climate change and demographic trends.

In this context, the COVID-19 crisis has become, in a matter of months, the most severe economic and labour market downturn since the Second World War. To control the spread of the disease, nearly all countries have implemented containment measures, including lockdowns, physical distancing and border closures. As reported in the 6th ILO Monitor¹ released on 23 September 2020, the vast majority of the world's workers (94 per cent) continue to be affected by some sort of workplace closure measures, despite the relaxation of controls in most countries in recent weeks. These measures have precipitated a sharp decline in both demand (consumption and investment) and a disruption of the supply of goods and services. In addition to these shocks, there is a heightened level of uncertainty, which further impacts the economy and labour market.

The consequences have been devastating: according to the latest ILO estimates, there was a 17.3 per cent drop in global working hours during the second quarter

¹ ILO (2020) [ILO Monitor: COVID-19 and the World of Work – 6th Edition](#).

of 2020 (compared with the fourth quarter of 2019), equivalent to the loss of 495 million full-time jobs (based on a 48-hour working week).² Women, youth and workers and businesses in the informal economy have been hit hard. In the BRICS countries, the average decline in working hours in the second quarter is estimated at 15.7 per cent, which is equivalent to 205 million full-time jobs. The latest prognosis also shows that a quick recovery is not happening as the pandemic continues and subsequently, labour market losses will persist throughout 2020 and well into 2021.

Given the multidimensional and complex nature of both these shorter and longer-term challenges, an integrated strategy of policy interventions and institutional support is needed to enable countries to achieve the SDGs by 2030, and to spur transformative change across the three dimensions of sustained, inclusive, and sustainable growth.³ Economic growth, employment, and social protection policies need to act in tandem to ensure that poverty can be sustainably reduced and living standards of the population enhanced. A key part of this process is facilitating the transition of workers and businesses from the informal to the formal economy, in line with the Recommendation No. 204 concerning the Transition from the Informal to the Formal Economy. The ILO Centenary Declaration for the Future of Work (2019) provides a framework for a human-centred approach and guidance on investing in people's capabilities, institutions and decent and productive work. In these contexts, previous BRICS commitments and BRICS Labour and Employment Ministerial Meeting (LEMM) declarations have made a strong commitment to inclusive employment policies and building universal social security systems.⁴

² See the 6th ILO Monitor.

³ ILO (2019) [Time to Act for SDG 8: Integrating Decent Work, Sustained Growth and Environmental Integrity](#).

⁴ BRICS Labour and Employment Ministers' Declaration: Quality Jobs and Inclusive Employment Policies, Ufa, Russian Federation, January 2016; BRICS Labour and Employment Ministers' Declaration: Employment generation, social protection for all and transition from informality to formality, New Delhi, September 2016; BRICS Labour and Employment Ministers' Declaration, Chongqing, July 2017; BRICS Labour and Employment Ministers' Declaration, Durban, August 2018; BRICS Labour and Employment Ministers' Declaration, Brasilia, September 2019. The BRICS Social Security Cooperation Framework, adopted in Chongqing in July 2017,

In light of the COVID-19 crisis, integrated approaches are needed more than ever, as part of both the immediate response and efforts to promote an inclusive, job-rich recovery and a shift towards a better future of work over the longer term. Governments, including the BRICS countries, have taken often unprecedented measures, including large fiscal stimulus packages, to mitigate the impact of the current crisis through support to workers and businesses. However, measures will need to be further adapted as the crisis evolves and targeted to address the impact on certain groups and regions, which are suffering more from the labour market downturn in terms of increased risk of poverty.

I. Trends in poverty alleviation globally and in the BRICS

Poverty and labour income trends in the BRICS⁵

Globally, 630 million people are estimated to live in extreme or moderate poverty despite having work, pointing to the fact that work is not a guarantee of escaping poverty.⁶ Figure 1 shows the evolution of extreme and moderate working poverty

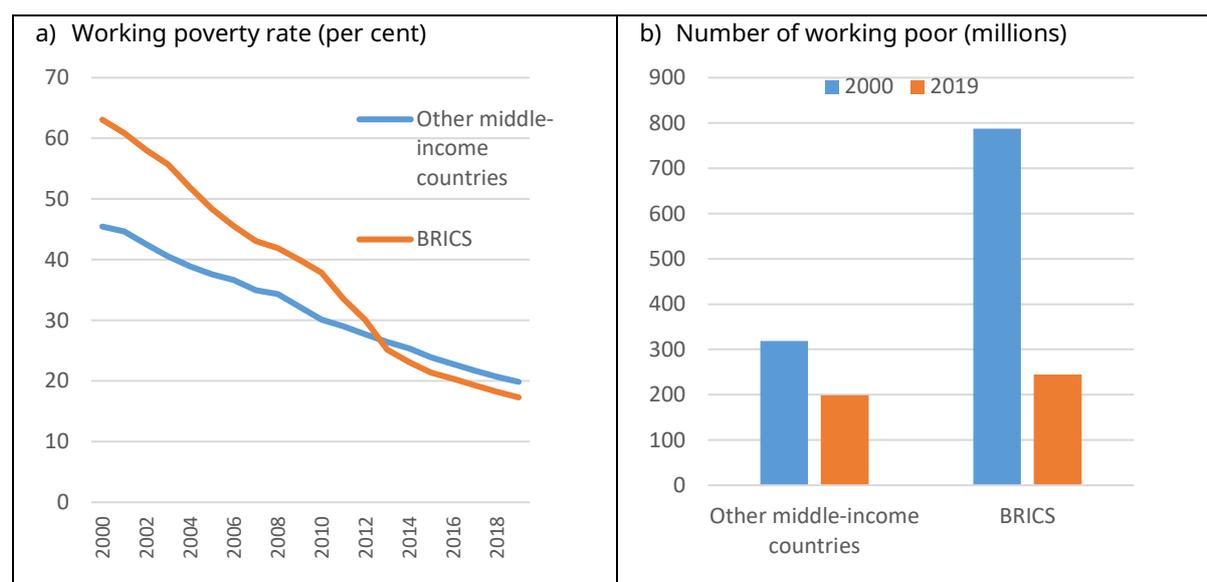
includes in particular a commitment to promote, through bilateral and multilateral exchanges and cooperation, “the reform and improvement of social security systems in the BRICS countries, [to] expand social security coverage and enhance the sustainability of social security so as to adapt to the ever evolving national and international environment”.

⁵ Despite the fact that poverty is multi-dimensional, income poverty is the most widely used concept because it is relatively easy to measure it in an internationally comparable way. The World Bank defines absolute levels of income below which people are considered to be extremely poor at less than US\$ 1.90 in purchasing power parity (PPP) terms per day or moderately poor at between US\$ 1.90 and 3.20 PPP per day.

⁶ See ILO (2020) World Employment and Social Outlook Trends 2020. Geneva: ILO. In 2010 in South Africa, the poverty rate among those not in employment was 2.5 times higher than for those in employment; this ratio was almost 3 in Brazil in 2012. In India, on the other hand, the poverty rate of those not in employment was slightly higher than for the employed population in 2010. The [World Bank Povcal database](#) shows for 2010 in South Africa that 35.8 per cent of the population lived in extreme or moderate poverty. Among those in employment, 17.3 per cent lived in poverty, where 27.8 per cent of the population was in employment. In Brazil, the total poverty rate was 8.7 per cent, and 4.6 per cent among the employed, with 45.5 per cent of the population in employment. The ratios in the text follow from these figures.

in the BRICS countries and other middle-income countries.⁷ Panel (a) shows that the working poverty rate has declined much more in BRICS than in other middle-income countries. In fact, the BRICS are responsible for the lion's share of the global halving of the number of working poor over the last two decades. Between 2000 and 2019, the number of working poor (using the USD 3.20 PPP per day threshold) fell by more than 540 million in the BRICS, compared with a decline of around 120 million in other middle-income countries (Figure 1b). However, there has been an overall deceleration in the reduction of working poverty in the BRICS since 2014 as a result of the "slowdown" in the reduction of absolute poverty in China⁸ and the economic downturn in Brazil, among other factors.

Figure 1. Extreme and moderate working poverty in BRICS and other middle-income countries, 2000-2019



Note: Working poverty refers to the people in employment whose household lives on less than USD 3.20 per day in purchasing power parity (PPP).

Source: ILOSTAT, ILO modelled estimates, November 2019.

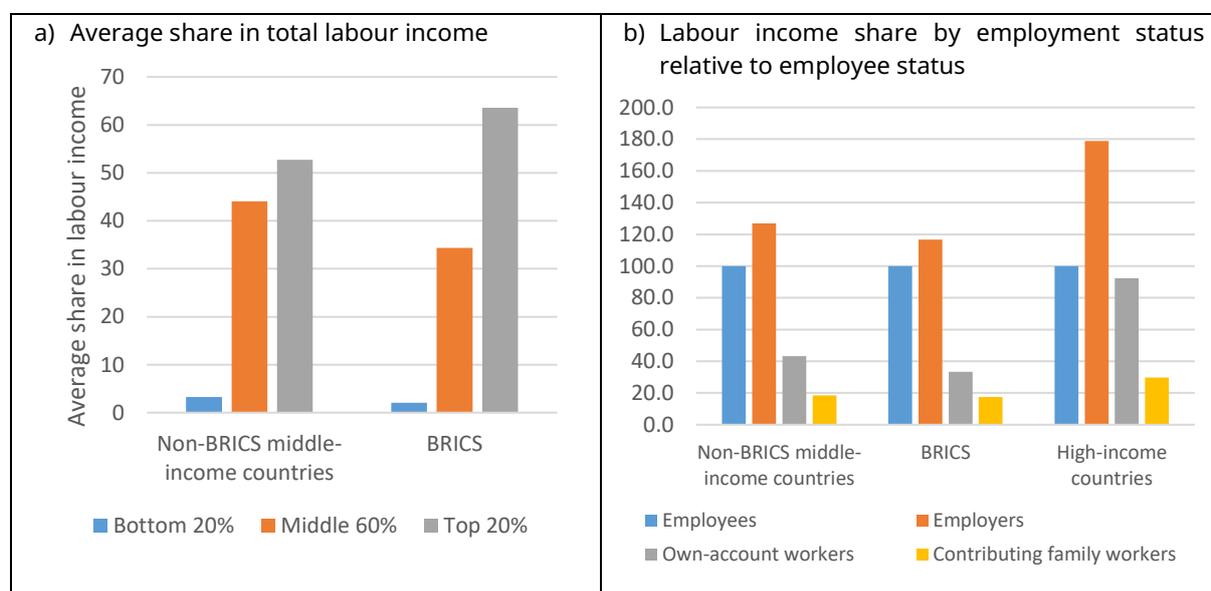
It should be noted that as countries develop, the USD 3.20 absolute poverty line becomes less and less relevant. For instance, almost no one in the Russian

⁷ Middle-income countries are defined using the World Bank classification.

⁸ When the poverty rate approaches zero, it cannot decline further in large steps. Incomes are still rising, but beyond the poverty line.

Federation lives on less than USD 3.20 PPP per day and the absolute poverty rate is also very low today in China. For this reason, the concept of relative poverty that is used in most advanced economies, becomes more relevant for BRICS countries⁹ as an indicator of whether the population (and groups/regions within the county) benefit from economic growth and the wealth created in the economy to the same extent.¹⁰

Figure 2. Labour income distribution, 2019 estimates



Note: Panel a) shows the average share in labour income of the bottom 20%, the middle 60%, and top 20% of workers, across countries weighted by GDP. Panel b) shows the labour-related income of different categories of workers relative to employees (wage and salaried workers), in per cent. Employees=100.

Source: ILOSTAT, ILO modelled estimates, November 2019.

While labour income inequality at the global level has declined over the past 15 years – as a result of economic convergence driven by countries, such as India

⁹ This concept refers to the number of people below an income threshold that is usually set at a percentage of the median income in the country. For example in the EU, the relative poverty rate is defined as share of people living on an income of less than 60 per cent of the median income. See e.g. ILO (2020) [Beyond the Goal of Eradicating Absolute Poverty in China: Relative Poverty Indicators and Social Security Policies](#).

¹⁰ See *ibid*. The OECD has data on relative poverty covering the whole population and all incomes for the Russian Federation and South Africa. In the former, 12.7 per cent of the population earn less than half of the median income, in the latter that share amounts to 26.6 per cent, which is by far the highest among all of the countries in the OECD database.

and China, which have enjoyed a rise in average labour income – inequality within countries has, in general, stagnated over the same period.¹¹ Panel a) of figure 2 shows that inequality in labour incomes in the BRICS is higher than in non-BRICS middle-income countries, with the bottom 20 per cent receiving, on average, only 2.1 per cent of labour income, versus 3.2 per cent in the non-BRICS countries. At the other end, the top 20 per cent receive 63.6 per cent of total labour income in the BRICS, versus 52.7 per cent in other middle-income economies.

The distribution of labour income also is unevenly distributed among different types of workers. Own-account and contributing family workers constitute more than half of all employment in developing and emerging economies, including the BRICS, as opposed to only 9 per cent in high-income countries. In this respect, own-account workers¹², both in BRICS and other middle-income countries, earn, on average, much less than half of the labour-related income of employees (figure 2b). In high-income countries, their earnings are almost as high as those of employees. The implicit labour income of contributing family workers, who receive income or in-kind contributions via the family, is estimated to be even lower, reaching less than 20 per cent in BRICS and other middle-income economies, and slightly more in high-income countries. Employers earn, on average, more than employees in all countries.

This inequality is greater in rural areas where 74 per cent of workers in BRICS countries are either own-account or contributing family members.¹³ In comparison, only 30 per cent of urban workers fall in these two categories. Although the overall share has declined by 10 percentage points between 2004 and 2019, the urban-rural contrast in labour market conditions remains an important driver of income inequality and poverty in the BRICS.

¹¹ See ILO (2020) [World Employment and Social Outlook Trends 2020](#).

¹² Own-account workers are those workers who, working on their own account or with one or more partners, hold the type of jobs defined as “self-employment jobs”, and have not engaged on a continuous basis any employees to work for them. See [ILOSTAT](#).

¹³ [ILOSTAT](#), ILO modelled estimates, November 2019.

In summary, decent work, which includes an adequate income, is a critical means to escaping poverty. Working poverty defined with an absolute income threshold has declined significantly in the BRICS over the past decades. While data on relative poverty measures for the BRICS countries is relatively scarce, the highly unequal distribution of labour incomes indicates that significant parts of the workforce are likely to fall below a national poverty threshold. The high prevalence of low-income own-account and contributing family workers in the BRICS, especially in rural areas, is one of the factors explaining high inequality and poverty.

Against the backdrop of these existing inequalities, the COVID-19 crisis has impacted all countries around the world, including the BRICS. The latest ILO estimates¹⁴ indicate that in the second quarter of 2020, global working-hour losses reached 17.3 per cent (relative to the fourth quarter of 2019), which is equivalent to 495 million jobs (assuming a 48-hour working week). In the BRICS countries, the estimates indicate that working hours declined in the second quarter of this year by 15.7 percent, representing the equivalent of 205 million full-time jobs. Overall, the COVID-19 crisis has resulted in a massive disruption to the labour market around the world and a jobs recovery is still far off for most countries. While employment and social protection measures played an important role in cushioning some of the impact of the crisis on jobs and incomes, this situation threatens to reverse gains made in poverty reduction, while exacerbating inequalities in the labour market (e.g. for certain groups, regions, etc.).

¹⁴ See the [6th ILO Monitor: COVID-19 and the world of work](#).

II. Social and economic transformation for poverty reduction: the employment-social protection-poverty nexus

To shape a job-rich and inclusive recovery from the COVID-19 crisis, policy efforts will need to address the longer-term impact of the pandemic on the labour market in terms of job and income losses, along with the specific effects for certain groups, sectors and regions. Addressing these issues will require adapting policies, including those focusing on employment and social protection, to shape an economic and social transformation process that supports the creation of decent and productive jobs. The trends in BRICS countries over recent years provides important insights into both the opportunities and challenges in driving this process in the future.

The role of economic transformation and productive employment to reduce poverty

People can potentially benefit from economic growth through two channels: (1) productivity growth leading to employment expansion and increased earnings (both for salaried workers and the self-employed), conditional on the level and type of growth, as well as the distribution of the returns to productivity growth (i.e. who benefits); and (2) redistribution of incomes (which is discussed in the next section in more detail). Therefore, the challenge for countries is ensuring that productivity not only grows, but that it also benefits workers and households in a way that is supportive of overall economic and social development.

In terms of the first channel, economic transformation, which can be characterized as the movement of labour and capital from low-productivity economic activities into higher productivity sectors, has been a key driver of poverty reduction and rising prosperity witnessed since the Industrial Revolution. The key transition borne out by the experience in advanced economies and, more

recently, in East Asia, is the shift from agriculture to manufacturing, which spurred an increase in overall production and per capita incomes that helped workers and their families escape poverty.¹⁵ Higher overall productivity growth is associated with faster poverty reduction in terms of both productivity growth within sectors and that resulting from shifts between sectors (i.e. economic transformation).

However, beyond stylized facts, the path of economic transformation is far from singular and display considerable variation across countries, including within the BRICS, which has had important implications for growth and, ultimately, the creation of productive employment and reduction in poverty. In general, economic growth alone has not been enough: what matters is the nature of growth (a high growth elasticity of poverty), its impact on employment, and vice versa (growth-poverty-employment nexus).¹⁶

In the BRICS group of economies, the relationship between growth, structural transformation, employment and poverty is complex and differs over time and across countries. As noted above, poverty reduction in the BRICS was rapid, especially in China and India, which was accompanied by fast and sustained economic growth (from 2000 to 2019, these two countries grew, on average, by 9.0 and 6.5 per cent, respectively).¹⁷ While fast economic growth had help the acceleration of poverty reduction in the cases of China and India, poverty has been alleviated in other BRICS countries with a lower rate of growth.¹⁸ Despite a

¹⁵ See, for example, the seminal work of Lewis, W.A. (1954) "Economic Development with Unlimited Supplies of Labour", *The Manchester School*, Vol. 22, No. 2, pp. 139–191. Kaldor (1966) shows that growth in output, productivity and employment are all related with the performance of the manufacturing sector (Kaldor, N. (1966) *Causes of the Slow Rate of Economic Growth of the United Kingdom: An Inaugural Lecture*, Cambridge University Press, Cambridge).

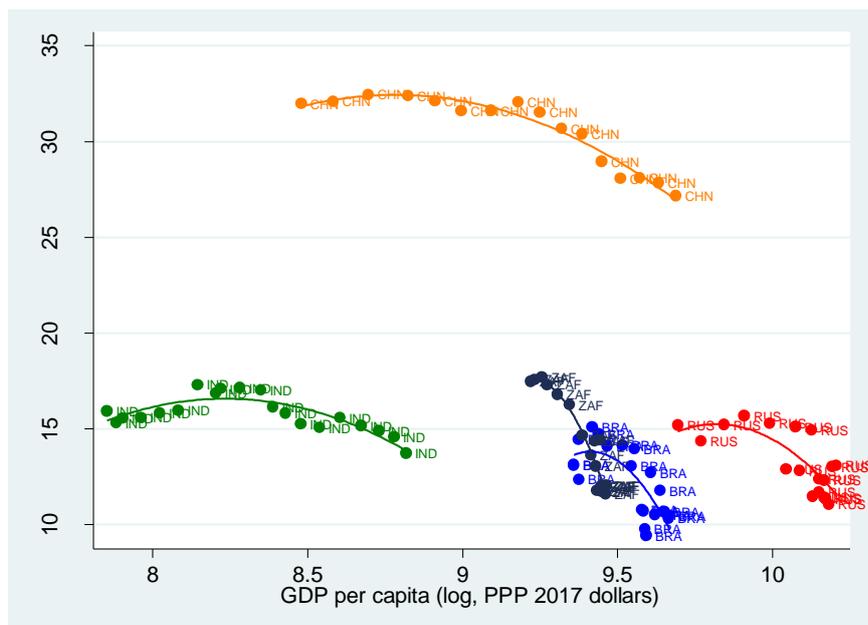
¹⁶ Empirical evidence over the last couple of decades has shown that the growth elasticity of poverty also depends on inequality and initial income levels (see, for example, Ravallion, M. (1997) "Can high-inequality developing countries escape absolute poverty?", *Economics Letters*, Volume 56, Issue 1, 1997, pp. 51-57).

¹⁷ Source: World Bank, [World Development Indicators database](#)

¹⁸ In earlier periods, the responsiveness of poverty reduction to GDP growth was higher in Brazil than China and India (for the period 1981-2005) since Brazil achieved a higher rate of poverty reduction with a lower GDP growth rate and poverty reduction accelerated in China, see S. Jain-Chanda et al. (2018) *Inequality in China – Trends, Drivers and Policy Remedies.* WP/18/127. IMF Working Paper; Ravallion, M. (2011) "A

far lower GDP growth rate, Brazil was, for example, still able to reduce poverty and inequality in the 2000s, helped by wage policies, including minimum wage schemes, and social protection policies, such as *Bolsa Família* (see next section).¹⁹

Figure 3. Manufacturing as a share in gross value added (%) in the BRICS, 2000-2019



Source: World Bank World Development Indicators, accessed 9 September 2020.

The process of structural change has contributed to the reduction of poverty but this has been driven by different sectors in the BRICS as it has been witnessed in many other economies around the world. For example, trends for the BRICS countries from 2000 to 2019 show that, apart from China, the share of manufacturing in gross value added is not only low (well below 20 per cent) but it has also been declining for countries at very different income levels (in GDP per capita terms) (figure 3).²⁰

Comparative Perspective on Poverty Reduction in Brazil, China and India.” The World Bank Research Observer 26 (1): 71–104. A key factor noted by Ravallion in this article is that rising income inequality is associated with a lower poverty elasticity.

¹⁹ ILO (2011) [Brazil: An Innovative Income-Led Strategy](#).

²⁰ Some commentators have referred to the low peak in manufacturing earlier in country’s development trajectory as “premature deindustrialization” (Dasgupta, S. and A. Singh (2006) “Manufacturing, Services and Premature Deindustrialization in Developing Countries: A Kaldorian Analysis”, United Nations University

However, the situation is more complex than a “failure” of manufacturing to take on the leading role in the process of economic transformation. While the contribution of agriculture has declined in all BRICS economies, the share in services has risen. India stands out as a service-driven economy, which has enabled the economy to grow faster but poses challenges in terms of creating enough decent jobs for the burgeoning labour force.²¹

Turning to outcomes in the labour market as a result of structural change, the share of manufacturing in total employment in the BRICS has remained relatively low, far less than the peaks reached in older industrialized economies in earlier times (e.g. Western Europe) (figure 4).²² Using total industry employment, which includes manufacturing, utilities, mining and construction, the share in 2019 ranged from 20 per cent in Brazil to 27.5 per cent in China. In terms of the specific sectoral contribution of manufacturing, employment shares are much lower and have fallen from 2000 to 2019 in all countries, apart from India where it has increased marginally from 10.6 to 12.2 per cent. The share of employment in manufacturing in China, for which there isn’t the equivalent data as presented in figure 4, reached 18.5 per cent in 2008.²³ Thus, the real differences within the BRICS is the share of manufacturing in gross value added (China versus the other BRICS countries) rather than employment (which also reflects differences in labour productivity across these economies).

While economic transformation has created opportunities for women to join the labour force and engage in wage employment outside the home, significant gender disparities are evident around the world, including in BRICS countries.

Research Paper No. 2006/49, UNU-WIDER, Helsinki; Rodrik, D. (2015) “Premature industrialization”, *NBER Working Paper No. 20935*). It is argued that, though a decline in the share of manufacturing in output and employment is to be expected, it should take place only once an economy has matured. This concept has been applied by various commentators to the situations witnessed in Brazil, India and South Africa.

²¹ See for a discussion on this issue in Verick, S. (2016) “Manufacturing and jobs: is India different?”, *The Indian Journal of Labour Economics*, Vol. 59, No. 1, pp. 57-84.

²² Verick (2016).

²³ Naudé, W., A. Szirmai and A. Lavopa (2013) “Industrialization Lessons from BRICS: A Comparative Analysis”, *IZA Discussion Paper*, No. 7543.

Though manufacturing has generated significant jobs for women, the majority of working women are found in the services sector in Brazil, Russian Federation and South Africa, while in India, agriculture remains the predominant sector for women.²⁴ In addition to the sectoral distribution, gender disparities are evident in terms of gender wage gaps and poorer quality employment that women experience in the labour market.

Figure 4. Share of employment in industry and manufacturing, 2000 and 2019 (or nearest year) (%)



Note: Data for Brazil is 2001 not 2000. Data for India is 2018 not 2019. Data on manufacturing is not available for China.

Source: ILOSTAT

As outlined above, economic transformation has centred on the transition of capital and people from low-productivity sectors, namely agriculture, to more productive sectors in the economy, particularly manufacturing. Evidence on the dynamics of productivity in BRICS countries shows that shifts are happening but not always with a clear link to productivity growth. As pointed out by Pages (2010)²⁵, Brazil has had slow growth in total factor productivity, while structural change has contributed little to the low level of aggregate productivity growth. In Brazil, the contribution of manufacturing to labour productivity growth was, in

²⁴ ILO (2018) "Decent Work and Economic Growth: Women's Participation – Equal Pay for Work of Equal Value", BRICS BRIEF SERIES - Gender Equality, 2 August 2018. See also ILO (2020) "[A gender-responsive employment recovery: Building back fairer](#)". Policy Brief.

²⁵ Pagés, C. (ed.) (2010) The Age of Productivity: Transforming Economies from the Bottom Up. Washington, D.C.: Inter-American Development Bank.

fact, negative over 1995-2009.²⁶ In the Russian Federation, there has been some improvements in labour productivity since the early 1990s and, despite the overall deindustrialization trends in the economy, labour productivity in manufacturing increased by 60 per cent from 2002 to 2010.²⁷ Productivity growth in India has been faster in the service sector than manufacturing with continuing challenges in getting workers to move from low productive informal sectors to high productive formal parts of the economy. More than 43 per cent of workers in India remain in agriculture, which has suffered from a decline in productivity over a number of decades.²⁸ In contrast, China's rapid economic growth has been accompanied by significant economic transformation driven by productivity growth in manufacturing, which created jobs, especially for rural migrants and other workers.²⁹ In South Africa, manufacturing as a share in GDP has declined, as noted above, while the services sector's importance has grown over a number of decades.

Sustaining poverty reduction in the future requires going beyond economic growth to addressing the challenges stemming from the quality of employment. As evident around the world, one of the key aspects is informality in the labour market, which is characterized by the lack of protections and benefits for workers and the exclusion of businesses from the formal economy. The existence and persistence of informal employment has important implications for shaping how economic growth impacts employment and earnings. The share of workers in informal employment (non-agriculture) (SDG 8.3.1) ranges from under 40 per cent in the case of the South Africa and Russian Federation, to almost 80 per cent in India (see figure 5). In Brazil and South Africa, the proportion of women in informal employment is higher than found for men. Despite rapid economic

²⁶ UNIDO and UNU-MERIT (2012) Structural Change, Poverty Reduction and Industrial Policy in the BRICS. UNIDO, Vienna.

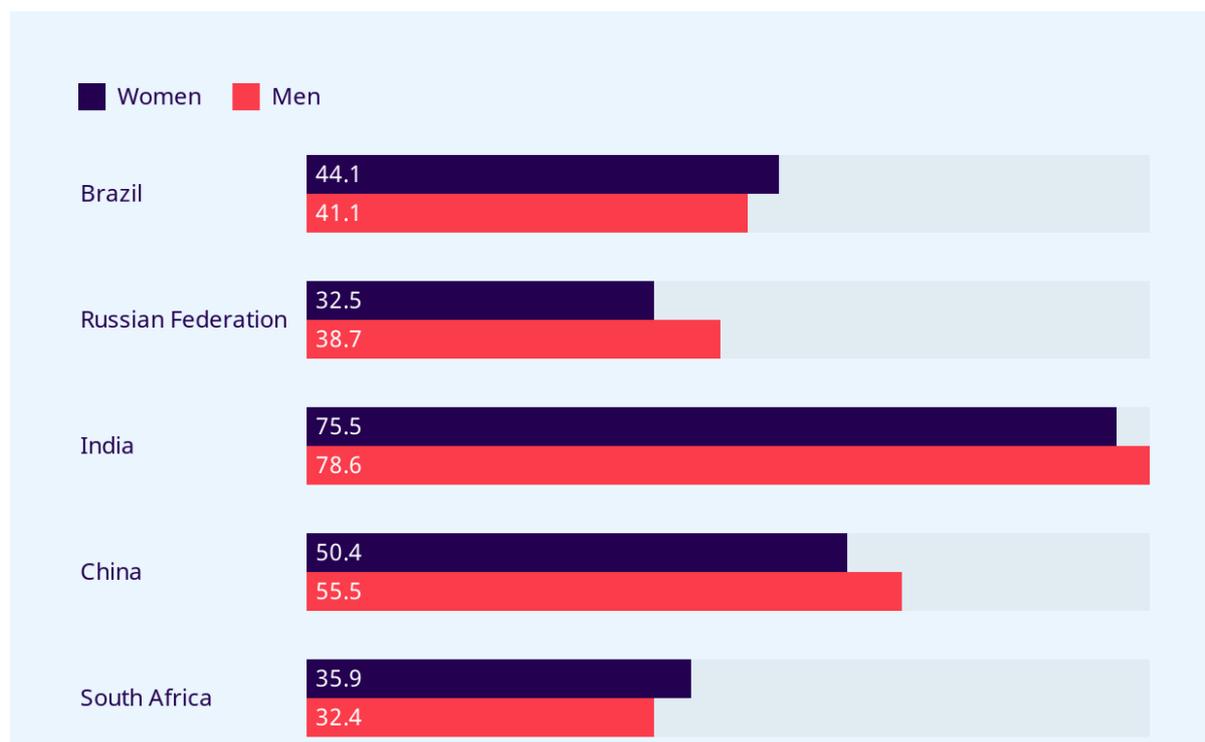
²⁷ Kuznetsov, B., Gimpelson V. and Yakovlev, A. (2012) Manufacturing Sector in Economic Development, Employment and Incomes: The Case of Russia, paper presented at the UNIDO and UNU-MERIT International Workshop on "The Untold Story: Structural Change for Poverty Reduction – The Case of the BRICS", Vienna, 16-17 August.

²⁸ 2018 data from the Periodic Labour Force Survey accessed from ILOSTAT, <https://ilostat.ilo.org/data/>

²⁹ UNIDO/UNU-MERIT, 2012.

growth (for example, as achieved in India during the 2000s), employment quality remains subjected to both old and new forms of informality (e.g. informal jobs in new sectors).

Figure 5: Share of informal employment in non-agricultural employment (%) in BRICS countries (SDG 8.3.1), by sex



Source: ILO calculations based on national labour force or similar household survey data. See ILO, 2018. Women and men in the informal economy: A statistical picture. Third edition. ILO, Geneva.

The eradication of extreme poverty and a further decline in moderate (and relative) poverty in the BRICS will require a much more robust process of economic transformation that is accompanied by the creation of decent jobs in sectors with higher productivity and earnings, along with social transformation that addresses the persistent inequalities across various dimensions, including gender, racial/social groups and spatial. Environmental sustainability will be key.

Against this longer-term backdrop, the COVID-19 crisis has impacted all countries through the spread of the virus around the world and the subsequent imposition of containment and lockdown measures, which have brought economic activity to a halt. The shock to both demand and supply, along with the heightened level

of uncertainty, has resulted in severe labour market disruptions. The next steps towards economic and social transformation will have to take into account the impact of the COVID-19 crisis on not only the BRICS but the global economy. New opportunities in technology are already evident but this needs to be made more accessible through employment (e.g. active labour market programmes), skills development and other measures.³⁰

The importance of social protection systems, including floors, for reducing and preventing poverty throughout the lifecycle

Complementing economic and employment policies, social protection policies are key in reducing poverty and inequality, promoting decent work and contributing to inclusive growth.³¹ Social protection systems contribute to reducing poverty and inequality by guaranteeing effective access to health care and income security throughout the life course. They obviously play an important role for reducing and preventing poverty of those who cannot rely on earned income, such as children or older persons, or families without an economically active member. They also play a key role for those in employment: by providing income security to those who have lost their job and seek new employment, and those who are temporarily unable to work due to sickness, maternity, work injury or disability. Through these mechanisms, social protection systems contribute to better labour market outcomes in terms of better job matching, preserving and enhancing human capabilities and enabling people to seize economic opportunities. Furthermore, social protection is also pivotal for reducing the risk of poverty associated with various key life and work transitions, such as transitions from school to work, from work to retirement, during job transitions,

³⁰ See ILO (2020) the future of work in the digital economy. Background paper prepared for the Employment Working Group under the 2020 Russian presidency of the BRICS.

³¹ ILO (2017) World Social Protection Report 2017-19: Universal Social Protection to Achieve the Sustainable Development Goals.

facilitating labour mobility and migration, caring for family members, rehabilitation, participating in training and education and return to work: In coordination with other policy areas, it is crucial in supporting and protecting people during these transitional moments. Social protection can also promote transitions from the informal to the formal economy. Moreover, social health protection fosters better access to quality health care throughout people's lives, with important long-term effects.

Social protection systems do not only reduce vulnerability at a given point in time, but also break the intergenerational transmission of poverty through better access to nutrition, health, education, skills and lifelong learning, as well as preventing child labour, thereby improving human development and preventing people from falling into poverty. Especially social insurance schemes have a strong preventive function, supporting people in maintaining a certain standard of living and smoothing consumption across the life cycle, thereby protecting them in the event of a risk and preventing poverty. This is a prudent social policy approach, as it is often costlier to lift people out of poverty than to prevent them falling into it.

All these factors highlight the essential role of social protection in reducing and preventing poverty, breaking the cycle of the intergenerational transmission of poverty, addressing inequality and fostering decent and productive employment. This contributes to unlocking a society's productive capacity by investing in people's capabilities, productive employment and inclusive growth.

When it comes to the reduction and prevention of poverty, robust evidence demonstrates that social protection policies contribute to reducing income poverty and other forms of poverty through multiple channels.³² Taking into

³² Poverty is often being conceptualized as a multidimensional concept, encompassing income poverty, but also other dimensions of deprivation, including poor health, lack of access to education, and social exclusion. See ILO (2014) [World Social Protection Report 2014/15: Building Economic Recovery, Inclusive Development and Social Justice](#); ILO (2017) [World Social Protection Report 2017-19: Universal Social Protection to Achieve the Sustainable Development Goals](#); ILO (2019) *Work for a Brighter Future*. Global Commission on the Future

account that most people experience periods in their lives when they are more vulnerable than at other times, it is essential to ensure that social protection systems cover everyone throughout their lives. Consequently, establishing and/or strengthening nationally-defined social protection systems, including floors, is indispensable for containing and reducing poverty and inequality.

Looking at the immediate effects of social protection systems on the reduction of poverty, this paper assesses the impact of redistribution through taxes and transfers on poverty rates, comparing poverty rates based on market incomes with those for disposable incomes. This paper uses a relative definition of income poverty in order to facilitate comparability among countries, taking into account each countries' living standards.³³ It uses a common poverty threshold of 50 per cent of median equivalised household income.³⁴ For this reason, the poverty rates reported in this paper can deviate from poverty rates calculated on the basis of national poverty lines; depending on the distribution of incomes in each country, relative poverty rates can be higher or lower or absolute poverty rates.³⁵

Figure 6 shows that social security transfers and taxes have a considerable effect on reducing relative poverty rates in BRICS and G20 countries, even in the absence of strong economic growth, as noted above. By comparing relative poverty rates based on market incomes (red bars)³⁶ and disposable incomes (blue bars), the impact of redistribution through social security transfers and taxes (difference between red and blue bars) can be estimated. For example, 28.8 per cent of the population in the Russian Federation would have lived in relative

of Work; F. Bastagli et al. (2016) Cash Transfers: What Does the Evidence Say? A Rigorous Review of Programme Impact and of the Role of Design and Implementation Features; ODI.

³³ Some BRICS countries are already using a relative definition of poverty, others are considering this option.

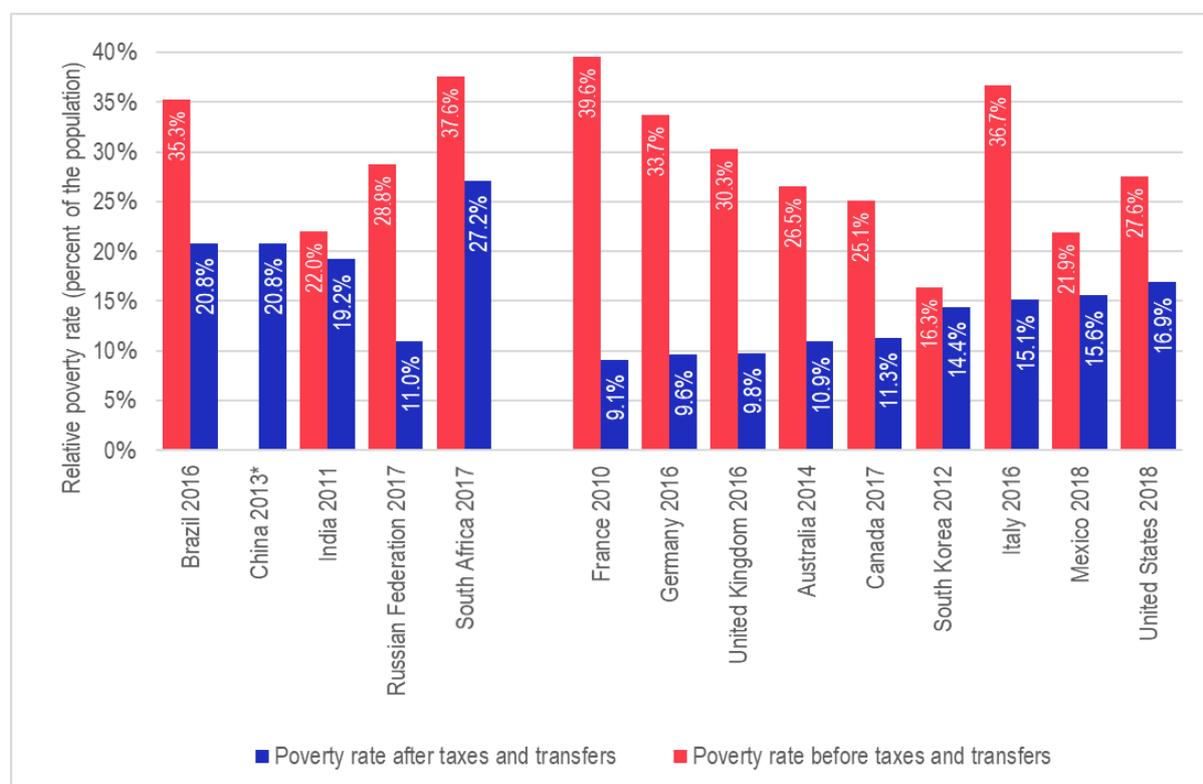
³⁴ The analysis uses the modified OECD equivalence scale to account for economies of scale depending on the household size, using an equivalence factor of 1.0 for the head of household, 0.8 for other adult household members and 0.5 for children.

³⁵ In China, the use of a relative poverty line in addition to the currently used absolute poverty lines is currently under discussion, see ILO (2020) Beyond the Goal of Eradicating Absolute Poverty in China: Relative Poverty Indicators and Social Security Policies.

³⁶ Market incomes include earnings, income from capital (interests, dividends) and other incomes. Disposable incomes reflect the net incomes that people have at their disposal, broadly defined as market incomes plus social security benefits, minus taxes and social insurance contributions.

poverty based on their market incomes, but redistribution through transfers and taxes reduced this poverty rate by 17.8 percentage points to 11 percent of the population. Similarly, redistribution reduced relative poverty rates from 35.3 per cent to 15.5 percent of the population in Brazil (reduction by 14.5 percentage points); from 37.6 to 27.2 per cent of the population in South Africa (reduction of 10.4 percentage points) and from 22.0 to 19.2 per cent of the population in India (reduction by 2.8 percentage points).³⁷

Figure 6: The role of social security transfers and taxes in reducing relative poverty, BRICS countries and other G20 countries



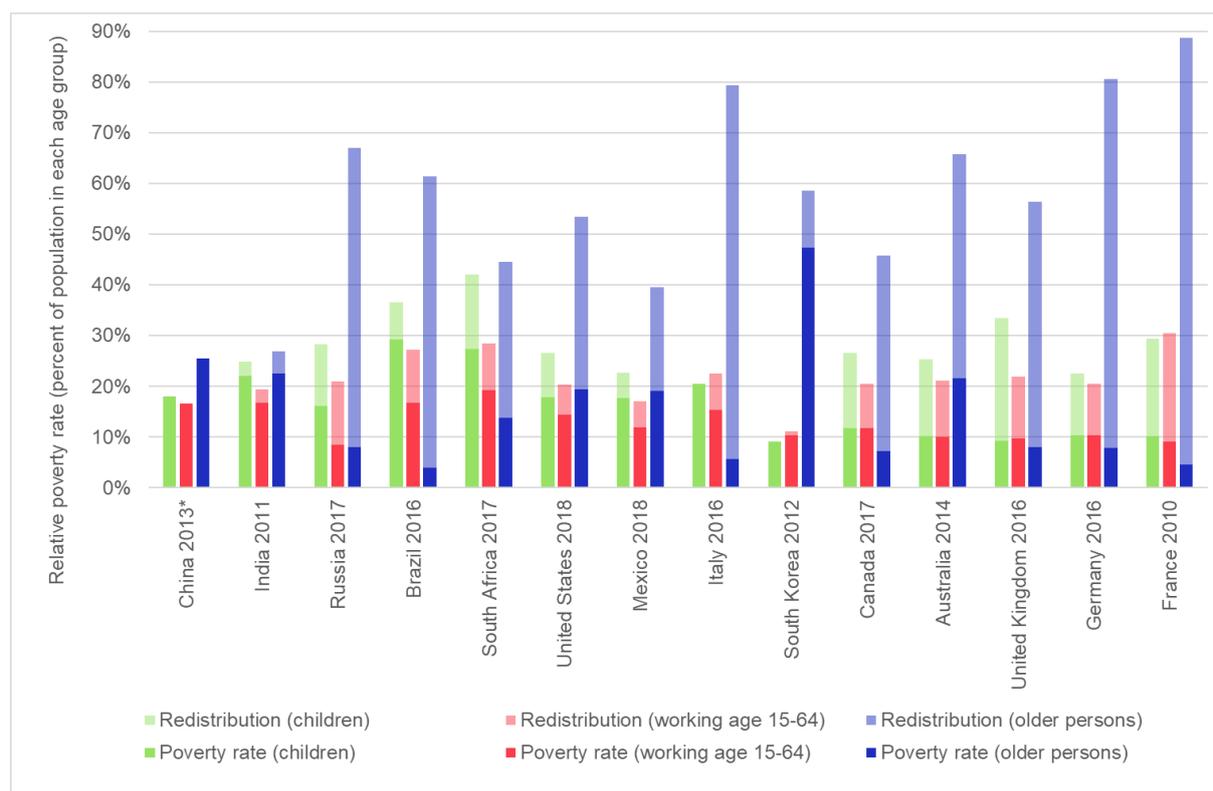
Note: The poverty line is defined as 50% of the median equivalised income in each country. For China, only the poverty rate after transfers and taxes is displayed due to data constraints. LIS Data for China do not include market incomes, therefore the volume of redistribution cannot be calculated.

Source: ILO calculations based on Luxembourg Income Study (LIS) Data.

³⁷ It was not possible to conduct this analysis for China, as the available LIS data do not include market incomes.

Depending on the structure of the social protection system in each country, the impact of redistribution through social security transfers and taxes can vary. For example, in South Africa, 42.0 per cent of children would be considered as poor based on market incomes, but thanks to transfers and taxes, real poverty rates based on disposable incomes are 27.4 per cent, that is the impact of redistribution through transfers and taxes accounts for a reduction in poverty rates of 14.6 percentage points. Similarly, transfers and taxes reduce relative child poverty by 12.3 percentage points in the Russian Federation, 7.4 percentage points in Brazil and 2.9 percentage points in India (see Figure 7).

Figure 7: The role of social security transfers and taxes in reducing relative poverty for children, persons of working age and older persons, BRICS countries and other G20 countries



Note: The poverty line is defined as 50% of the median equivalised income in each country. For China, only the poverty rate after transfers and taxes is displayed due to data constraints. LIS Data for China do not include market incomes, therefore the volume of redistribution cannot be calculated.

Source: ILO calculations based on Luxembourg Income Study (LIS) Data.

For the working-age population, redistribution through transfers and taxes accounts for a reduction in relative poverty rates of 12.5 percentage points in the

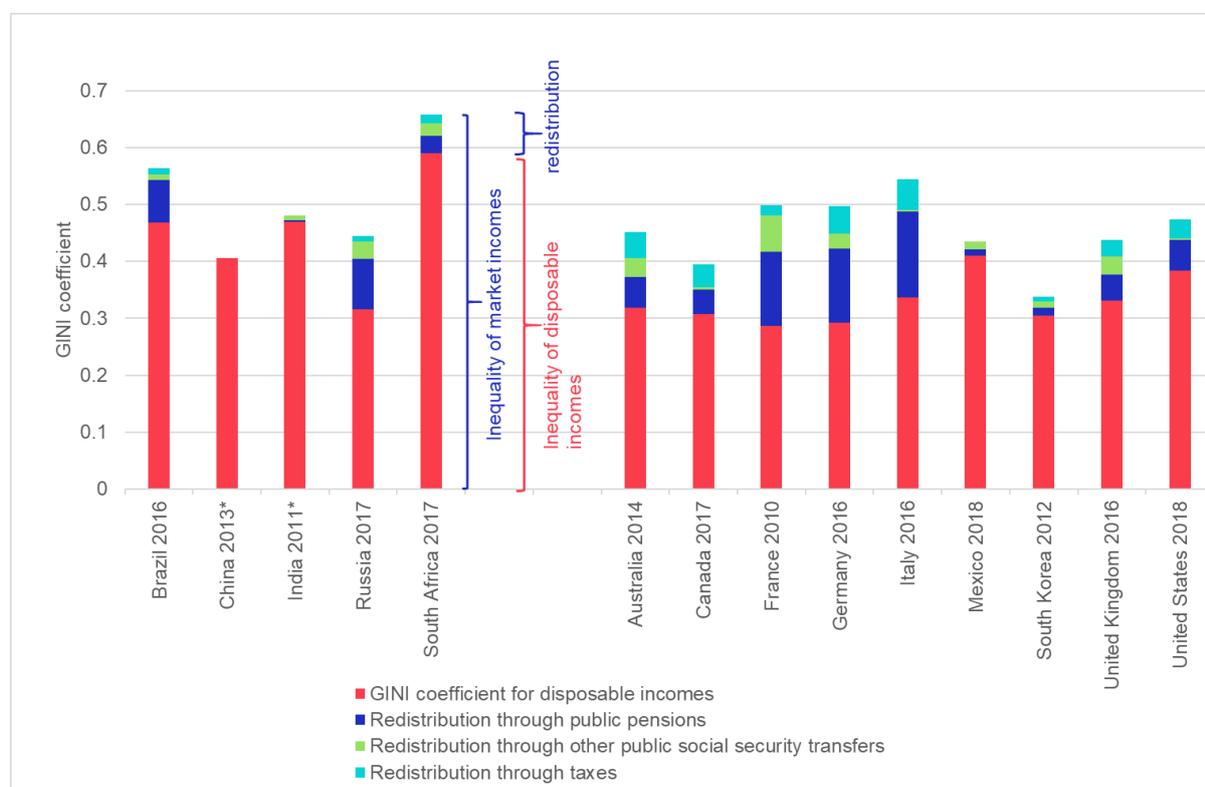
Russian Federation, 10.5 percentage points in Brazil, 9.2 percentage points in South Africa and 2.7 percentage points in India.

The most sizeable impact of redistribution through taxes and transfers can be recorded for older persons. This is largely due to the redistributive impact of public pensions, that is particularly large in countries with a larger share of older persons and mature public pension systems, such as in Brazil and the Russian Federation. It is therefore not surprising that redistribution through transfers and taxes accounts for a reduction in relative poverty rates of older persons by 59.0 percentage points in the Russian Federation, 57.4 percentage points in Brazil, 30.7 percentage points in South Africa, but only 4.3 percentage points in India.

Similarly, BRICS countries achieve different levels of income redistribution through social security transfers and taxes (see figure 8). As the redistributive impact of pensions depends to a large extent on demographic factors, pensions are shown separately from other social security transfers. Other social security transfers include unemployment benefits, child and family benefits and sickness benefits. The relative redistributive impact of non-pension social security transfers is comparatively large in the Russian Federation and South Africa, and smaller in India and Brazil.³⁸ The redistributive impact of taxes in BRICS countries tends to be significantly lower than in most G20 countries for which data are available.

³⁸ It was not possible to conduct this analysis for China, as LIS data do not include market incomes.

Figure 8: The role of transfers and taxes in reducing income inequality in BRICS countries and selected G20 countries



Note: The Gini index measures the extent to which the distribution of incomes among households deviates from perfect equal distribution. A value of 0 represents perfect equality and a value of 1 extreme inequality. Redistribution is measured by the difference between the Gini coefficient before personal income taxes and transfers (market incomes) and the Gini coefficient after taxes and transfers (disposable incomes). Indian household incomes are only available net of personal income taxes, implying that inequality can only be measured after taxes and before transfers. For China, redistribution through taxes and transfers was not possible to calculate due to data constraints.

Source: ILO calculations based on Luxembourg Income Study (LIS) Data.

Despite the acknowledged importance of social protection systems for reducing poverty, major social protection gaps still exist in BRICS countries. Recent trends in social protection coverage and expenditure (based on Social Security Inquiry and World Social Protection Database) demonstrate this. Closing these gaps involves extending coverage to all, ensuring comprehensive provision (i.e. covering all life-cycle contingencies) and adequate benefit levels that are sufficient to prevent and effectively lift people out of poverty, and provide them with the health protection and income security that allows them to seize economic opportunities for decent and productive employment.

This in turn requires that sufficient levels of investments into social protection are made and sustained. Evidence shows that higher levels of social protection expenditure are generally correlated with lower levels of poverty and other positive outcomes. Expenditure must also be equitable in order to ensure maximum impact in reducing poverty.³⁹ Equitable financing implies that revenues must be raised in a progressive manner, to avoid, for example, increased value added taxes on basic consumption items, and by reducing possibilities for tax avoidance as well as preventing tax evasion.

The goal of universal social protection can be achieved more effectively through integrated policy approaches, by coordinating social protection policies with wider social, employment and economic policies. Such integrated policy approaches can support, for example, the extension of social security to workers not yet covered.⁴⁰ Such integrated policies are also essential in facilitating transitions from the informal to the formal economy.

Social protection also has an important role in mitigating and addressing structural shocks, whether they are economic, natural or health shocks. Realising the SDG commitment of universal access to social protection is rendered even more important as a result of the COVID-19 crisis which shows that protection gaps must be closed worldwide.

III. Policies and measures for poverty reduction in BRICS countries

As noted above, the process of economic and social transformation has varied considerably across the BRICS countries. Drawing from the different trends and

³⁹ ILO (2018) [Developmental Impacts of Expanding Social Protection](#).

⁴⁰ See ILO policy resource package "[Extending Social Security Coverage to Workers in the Informal Economy: Lessons from International Experience](#)".

current outcomes, a number of insights can be made on the role of economic and employment policies in promoting structural transformation and the creation of productive employment, leading to a reduction in poverty. In addition, other types of policies also matter for the reduction of poverty, including those covered in the second sub-section on social protection. To be effective, policies, therefore, need to take an integrated approach, combining both employment and social protection policy objectives.

Recent examples and good practices from the employment side

At the broadest level, countries, including in the BRICS, have taken a comprehensive approach to dealing with employment and poverty reduction. One overarching approach is often labelled industrial policies, which encompass a range of interventions, including technology and innovation (R&D), trade and investment (including FDI) policies, measures that support demand and the development of specific sectors, such as manufacturing, and competition policies and regulations.

Departing from their import substitution industrialization policies in the 1980s and 1990s, the BRICS countries embarked on different paths towards an industrial policy that focused increasingly on export orientation, liberalization and privatization (with significant variations in policy design and outcomes across the economies). At the same time, countries have maintained a strong role for the state, particularly in the area of industrial policy, though this has also varied between and within economies. For example, the coordination and implementation of industrial policy in Brazil was undertaken by the Industrial Development Agency (ABDI), while India's National Manufacturing Policy of 2011 set the goals of increasing the share of manufacturing in GDP to 25 per cent and creating 100 million jobs over the following decade.

Trade, most notably, export-orientation, has had an important impact on economic growth, structural transformation and jobs around the world, which is

most apparent in China but also to varying degrees in Brazil, India, Russian Federation and South Africa. The share of exports from the BRICS countries in the global total increased for 5.8 per cent in 2000 to 16.3 per cent in 2019 (table 1).

Table 1. Trade in BRICS, 2000 and 2019

Country	Export of goods and services (% of GDP), 2000	Export of goods and services (% of GDP), 2019	Export of goods and services (share in world total, %), 2000	Export of goods and services (share in world total, %), 2019
Brazil	10.2	14.3	0.8	1.0
Russian Federation	44.1	28.3	1.4	1.9
India	13.0	18.7	0.8	2.2
China	20.9	18.4	2.4	10.6
South Africa	27.2	29.9	0.5	0.4
World	26.0	30.6	100.0	100.0
BRICS total			5.8	16.3

Source: World Bank, World Development Indicators (WDI)

Foreign direct investment (FDI) has also brought considerable resources to these economies, though in different sectors (manufacturing in China, services in India, extractive sectors in Brazil, Russian Federation and South Africa) (table 2). FDI as a percentage of GDP has declined from 2000 to 2019 but, as a share in the global total flows of FDI, it increased from 5.2 per cent to more than 24 per cent.

The success in industrial and trade policies in driving growth in manufacturing output and jobs has been far from universal within the BRICS grouping. UNIDO and UNU-MERIT argue that industrial policies have been “most successful in China, moderately successful in India and Brazil and slightly less successful in the Russian Federation and South Africa, the two mineral rich economies.”⁴¹

⁴¹ p. 155, UNIDO/UNU-MERIT, 2012.

Table 2. Foreign direct investment (FDI) in BRICS, 2000 and 2019

Country	Foreign direct investment, net inflows (% of GDP), 2000	Foreign direct investment, net inflows (% of GDP), 2019	Foreign direct investment, net inflows (share in world total, %), 2000	Foreign direct investment, net inflows (share in world total, %), 2019
Brazil	5.0	4.3	2.1	5.9
Russian Federation	1.0	1.9	0.2	2.4
India	0.8	1.8	0.2	3.8
China	3.5	1.1	2.7	11.8
South Africa	0.7	1.3	0.1	0.3
World	4.6	1.6	100.0	100.0
BRICS total			5.2	24.3

Source: World Bank, World Development Indicators (WDI)

Beyond macroeconomic and sectoral measures, other employment policies have played an important role in addressing poverty in terms of both short- and long-term goals. One set of measures that has received increasing attention in recent years is public employment programmes (PEPs), which are schemes that seek to provide job opportunities for poor households through their engagement in such activities as rural infrastructure projects or community programmes. PEPs have an important employment role, particularly for the unemployed and underemployed, especially for those residing in rural areas. The most well-known and largest PEP in the world is India's Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA), which guarantees up to 100 days of work to rural households. In 2019-20 financial year, MGNREGA was used by around 55 million households and 79 million workers.⁴² South Africa's Expanded Public Works Programme⁴³, which covers infrastructure, environment, culture and non-state sectors, created 1 million work opportunities in 2019-20. Overall,

⁴² https://www.nrega.nic.in/netnrega/mgnrega_new/Nrega_home.aspx

⁴³ <http://www.epwp.gov.za/>

PEPs are a means to achieving integrated employment and social protection policy responses, especially in developing and emerging economies.

Wage policies have also been utilized in the BRICS countries to promote more inclusive outcomes from economic growth. In this regard, a key policy instrument has been minimum wages, which aim to set a floor for the distribution of wages, below which no worker can legally be paid. If properly implemented and set at an appropriate level – minimum wages can have positive effects on the wages of low-paid workers and reduce gender pay gaps, at little or no cost to employment. The minimum wage systems in BRICS countries vary considerably in terms of coverage, degree of tripartite consultation, criteria for setting the minimum wage and adjustment procedures.⁴⁴ In recent years, countries have enhanced their systems in a number of dimensions (e.g. strengthening of policy in China from 2004; readjustments to minimum wages in line with growth in Brazil from 2005; Russian Federation complemented its national minimum wage with regional floors in 2007; adoption of Wages Code in 2020 in India, which expanded coverage; introduction of a national minimum wage in South Africa in 2019). In addition, South Africa has established a wage subsidy for youth, called the Employment Tax Incentive (ETI) recently extended to 2029. Evidence from the BRICS and beyond show that an effective wage policy can help redistribute the returns to growth without damaging employment and subsequently contribute to reducing poverty and inequality.

While these policies have an important role to play, such interventions alone cannot fix the deficiencies on the demand side in terms of creating more decent and productive employment, which requires the right type of investment, supported by infrastructure and overall capabilities to spur structural change that is pro-employment and pro-poor. This situation for policymakers has been further complicated by the COVID-19 crisis, which has hit economies and labour markets around the world, including the BRICS countries. The crisis is

⁴⁴ Government of India, 2019, Redesigning a Minimum Wage System in India for Inclusive Growth, Chapter 11 in Economic Survey 2018-19.

threatening to reverse gains made in poverty reduction. The ILO estimates that global labour income has declined by 10.7 per cent in the first three quarters of 2020 (relative to the same period in 2019), which represents around USD3.5 trillion.⁴⁵ The World Bank estimates indicate that, under their baseline scenario, the COVID-19 crisis could result in 176 million additional poor at the USD3.20 per day threshold (2011 PPP) and 177 million additional poor at USD5.50 threshold.⁴⁶

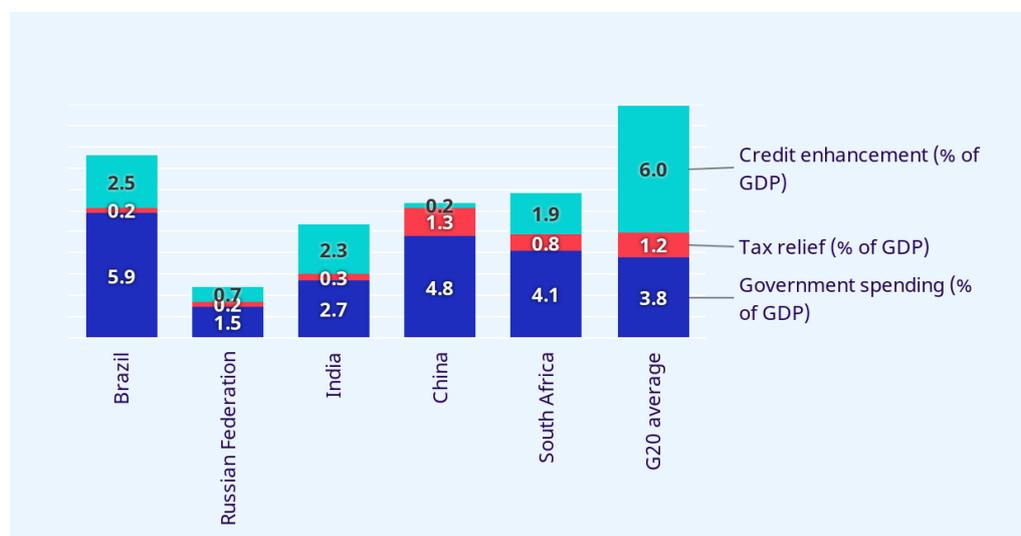
In response to the COVID-19 crisis, policymakers have deployed existing and new policy interventions, to tackle both immediate crisis (health impact along with the necessary lockdown and other containment measures). Countries have put together large fiscal packages to support the economy (backed up by accommodative monetary policies), while protecting incomes of businesses and workers. Many measures have been used to keep workers in their jobs (employment retention) while liquidity support has gone to enterprises to keep them solvent and ready to open up their businesses once recovery has commenced.

Fiscal support in the BRICS countries has been significant, particularly in terms of direct government spending, which exceeds the G20 average in the case of Brazil, China and South Africa (i.e. the government spending component only) (figure 9). The other countries have smaller fiscal support packages, including tax relief and credit enhancement. While it is too early to assess the impact of the fiscal stimulus in supporting employment and preventing poverty, measures will be needed for some time given the likely long and uncertain recovery. Policies will have to be adapted as the pandemic evolves and workplaces open up, though governments will need to continue to balance health and economic objectives for some time to come. Given the impact of the crisis on certain groups, sectors and regions, targeted measures will be needed to ensure that the crisis doesn't lead to long-lasting poverty and rising inequality.

⁴⁵ See ILO, [ILO Monitor: COVID-19 and the world of work. 6th edition](#), 23 September 2020.

⁴⁶ See World Bank, [Projected poverty impacts of COVID-19 \(coronavirus\)](#), 8 June 2020.

Figure 9. Fiscal support in BRICS countries in response to the COVID-19 crisis (% of GDP)



Source: CSIS G20 COVID-19 Fiscal Relief Tracker, CSIS Economic Program, Last Updated June 29, 2020

Promoting a job-rich and inclusive recovery from the crisis will, therefore, be a key priority over the coming months and years, which will require a combination of the employment policy measures that address both the pre-existing deficits and the challenges facing hard-hit sectors and groups, such as women, young people and businesses and workers in the informal economy. In terms of the latter, a key focus of the longer-term strategy will be to promote formalization of enterprises and workers in line with the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), which will help reinforce efforts to reduce inequalities and strengthen resilience in the labour market. Recent examples of formalization efforts include the expansion of labour laws in India to include informal workers (e.g. under the Code on Wages enacted in August 2019) and the use of a combination of incentives and enforcement for microenterprises to register in Brazil through rises through the *Simples Nacional* regime.⁴⁷

⁴⁷ ILO (2019) [Simples Nacional: Monotax Regime for Own-Account Workers, Micro and Small Entrepreneurs: Experiences from Brazil](#).

In addition, the ILO Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205) promotes a multi-track approach implementing coherent and comprehensive strategies for promoting peace, preventing crises, enabling recovery and building resilience that includes stabilizing livelihoods and income through immediate social protection and employment measures.

The BRICS countries had already made some notable steps towards these goals before the COVID-19 crisis. As highlighted during the BRICS LEMM in Brasilia in 2019, many actions have been taken by countries.⁴⁸ To build capacities, efforts have been made to promote lifelong learning (e.g. India's Skill India Initiative) and entrepreneurship (China), and narrow gender participation gaps (such as providing childcare facilities in the Russian Federation). Institutions have been enhanced (e.g. public employment service in the Russian Federation and China, labour regulations of new forms of work in South Africa, policies for older people in Brazil). China and India have placed a lot of emphasis on the green economy as reflected, for example, by the establishment of the International Social Alliance by India, which now has 121 member countries. South Africa's Green Economy Accord seeks to take advantage of opportunities in this sector. At the same time, Brazil's Digital Transformation Strategy (E-Digital) of 2018 strives to integrate various digital initiatives within a single policy framework.

The intersection of the impact of the COVID-19 crisis and the ongoing future of work trends due, in particular, to technological progress and climate change, will arguably define the key employment policy priorities over the coming years. To this end, the ILO Centenary Declaration for the Future of Work (2019) provides guidance on shaping a new generation of national employment policies, which link the COVID-19 crisis response and the longer-term goal of moving towards a better future of work, through its human-centred approach with a focus on investing in people's capabilities, labour institutions and decent and sustainable

⁴⁸ ILO (2019) Promoting Decent Employment for a Sustainable Social Security System, Short Paper Prepared for the 1st EWG under the 2019 Brazilian Presidency of the BRICS.

work. In this regard, South Africa is currently in the process of developing a national employment policy that corresponds to the notion of a new generation of national employment policies, which seek to actively address the country's employment challenges, especially as they arise as a result of the COVID-19 crisis. South Africa has also increased the Employment Tax Incentive by R750 per month per employee as part of the country's Covid-19 relief effort.

Recent examples and good practices from the social protection side

Complementing their employment policies, BRICS countries have actively used social protection policies to support the structural transformations of their economies and to reduce poverty. Such policies have contributed to significant progress in the extension of social protection, using a combination of contributory and non-contributory schemes and programmes, such as social insurance and tax-financed schemes, particularly where they have been implemented in a gender-responsive way.⁴⁹ This section reviews some successful examples and good practices of social protection policies in BRICS countries for extending social protection coverage to protect workers in all forms of employment, and building social protection systems, including with regard to recent policy responses to the COVID-19 crisis.

These examples demonstrate the capacity of social protection systems to adapt to change and support the recovery from the crisis. The challenge for national social protection systems will be to transform temporary measures into a sustainable reinforcement of their social protection systems, that can provide an adequate level of social protection for workers in a changing world of work,

⁴⁹ ILO (2019): World Social Protection Report, *ibid.*

including those in the digital economy⁵⁰, and contribute to decent work and inclusive growth.

Extending social insurance coverage to uncovered groups of workers

All BRICS countries rely on social insurance as a core element of their social protection systems, and have made efforts to progressively extend coverage to previously unprotected groups of the population through a combination of non-contributory and contributory schemes.⁵¹ Extending social insurance coverage to uncovered groups of workers is essential, as such coverage usually provides higher levels of protection than non-contributory, tax-financed schemes.⁵² It is also an essential component of policies to facilitate the transition of enterprises and workers from the informal to the formal economy, as reflected in ILO Recommendations No. 202 and 204. In addition, social protection policies can also play an important role in facilitating a just transition towards environmentally sustainable economies and societies for all.⁵³

As COVID-19 unfolded, BRICS countries have used their social insurance schemes to protect lives and help attenuate rises in poverty and income insecurity that otherwise would have been more pronounced if no action were taken.⁵⁴ At the same time, the crisis revealed weaknesses in the existing social protection system

⁵⁰ See e.g. ILO (2018) [Innovative Approaches for Ensuring Universal Social Protection for the Future of Work](#). Issue Brief Prepared for the 2nd Meeting of the Global Commission on the Future of Work; C. Behrendt, Q. A. Nguyen, U. Rani (2019) "Social Protection Systems and the Future of Work: Ensuring Social Security for Digital Platform Workers." [International Social Security Review](#) 72 (3): 17–41.

⁵¹ ILO and ISSA (2018) Moving towards a Universal and Sustainable Social Security System in the BRICS; ILO and OECD (2020) Ensuring Better Social Protection for Self-Employed Workers, Paper Prepared for the G20 Virtual EWG Meeting, Riyadh, 8 April 2020.

⁵² ILO (2019) [Extending Social Security Coverage to Workers in the Informal Economy: Lessons from International Experience](#); OECD and ILO (2019) [Tackling Vulnerability in the Informal Economy](#). See also <http://informaleconomy.social-protection.org>.

⁵³ See ILO (2015) [Guidelines for a just transition towards environmentally sustainable economies and societies for all](#); ILO (2018) [World Employment and Social Outlook 2018: Greening with Jobs](#), especially Chapter 4.

⁵⁴ ILO and OECD (2020) The Impact of the COVID-19 Pandemic on Jobs and Incomes in G20 Economies, Paper prepared for the G20.

that needed to be urgently closed by ad-hoc measures, such as with regard to unemployment protection (including employment retention schemes)⁵⁵, sickness benefits⁵⁶ and the extension of coverage to workers in the informal economy, including the self-employed.⁵⁷

In Brazil, the extension of social protection coverage achieved prior to COVID-19, for example through rural pensions or the introduction of simplified tax and contribution collection mechanisms for certain categories of micro-enterprises⁵⁸, increased the capacity of the social protection system to respond to the COVID-19. Unemployed workers and micro-entrepreneurs (both formal and informal) who lost their earnings could apply for a means-tested three-month emergency benefit. Those not yet registered in the national single social protection register can enrol through a website or phone application. The health insurance administration (*Agencia Nacional de Saude Suplementar*) included COVID-19 tests in its mandatory coverage plans.

Thanks to earlier investment in social health insurance and its health system, China integrate prevention, testing and treatment measures for COVID-19, including telemedicine, into healthcare benefit packages. These policies were facilitated by China's earlier efforts in extending health coverage to residents of rural areas.⁵⁹ Further, unemployment benefits were extended to those registered in the scheme but who had not yet completed their mandatory one year of contributions.

⁵⁵ ILO (2020) [Unemployment Protection in the COVID-19 Crisis: Country Responses and Policy Considerations](#). Social Protection Spotlight.

⁵⁶ ILO (2020) [Sickness Benefits during Sick Leave and Quarantine: Country Responses and Policy Considerations in the Context of COVID-19](#); ILO (2020) [Sickness Benefits: An Introduction](#).

⁵⁷ ILO (2020) [Extending Social Protection to Informal Workers in the COVID-19 Crisis: Country Responses and Policy Considerations](#); ILO (2020) [COVID-19 Crisis and the Informal Economy: Immediate Responses and Policy Challenges](#); ILO and OECD (2020) "Ensuring Better Social Protection for Self-Employed Workers, Paper Prepared for the G20 Virtual EWG Meeting, Riyadh, 8 April 2020.

⁵⁸ ILO and ISSA (2018) Moving towards a Universal and Sustainable Social Security System in Brazil.

⁵⁹ ILO and ISSA (2018) Moving towards a Universal and Sustainable Social Security System in China.

In South Africa, the Unemployment Insurance Fund compensated affected workers through a new national disaster benefit.⁶⁰ This included domestic workers and agricultural workers who have been brought under unemployment insurance coverage through earlier reforms.⁶¹ A flat-rate benefit equal to the minimum wage of US\$200 per employee was paid for 21 days to cover part of the national shutdown period or up to a maximum period of three months. If an employee is sick or unemployed for longer than three months, the normal unemployment benefits apply.

In the Russian Federation, sickness benefits were increased to reach at least the level of the minimum wage of 12,130 roubles (US\$162) per month. These benefits were also prolonged without beneficiaries having to complete any additional qualifying procedures. In April, the minimum unemployment insurance benefit was increased to 12,130 roubles per month for those who lost their jobs after 1 March 2020. For those who were registered unemployed before 1 March 2020, the minimum unemployment benefit has been increased threefold, to 4,500 roubles. Additional payment amounting to 3,000 roubles per child is provided to unemployed with children up to 18 years of age. This arrangement had been announced as temporary, but was extended in summer 2020.

Strengthening tax-financed mechanisms to ensure a social protection floor for all

Providing a nationally-defined social protection floor ensuring at least basic social security guarantees is key to protecting those most in need, and to preventing or at least reducing poverty. Non-contributory social protection schemes, usually financed by general taxation, are key to closing coverage gaps

⁶⁰ ILO (2020) [Unemployment Protection in the COVID-19 Crisis: Country Responses and Policy Considerations](#); ILO (2020) [Social Protection Responses to the COVID-19 Pandemic in Developing Countries: Strengthening Resilience by Building Universal Social Protection](#).

⁶¹ ILO and ISSA (2018) Moving towards a Universal and Sustainable Social Security System in South Africa.

and ensuring at least a basic level of protection for everyone, in accordance with Social Protection Floors Recommendation, 2012 (No. 202).

Such tax-financed social protection schemes include both non-means-tested schemes covering large categories of the population (such as universal child benefits in the Russian Federation or the universal health care system in Brazil), and means-tested schemes targeted at population living in poverty (such as China's Dibao social assistance scheme or Brazil's Bolsa Família scheme). Combining features of both types of schemes, South Africa's social grants are a special case: although they include a means-test, they cover the large majority of the respective target groups, with more than two thirds of older persons receiving an old age grant, and four out of five children benefiting from child support grants.⁶²

The capacity of tax-financed schemes to prevent, or at least reduce poverty depends on three key factors: their extent of coverage, the adequacy of their benefits, and the extent to which benefits are actually being used by the eligible population. For example, while social assistance schemes play an important role in improving the well-being of those benefitting them, narrowly targeted programmes often exclude a large share of those they intend to target, especially where it is not possible for people to ask for their reassessment in case their situation changes. This is why many countries prioritize tax-financed schemes that cover broad categories of the population, such as universal child benefits or old age pensions, which tend to reach more people in need than narrowly targeted programmes and have lower administrative cost.⁶³ However, to fulfil their objectives in terms of the prevention of poverty, benefit levels need to be set at an adequate level.

⁶² The child support grant in South Africa, covering 11.7 million poor children in 2015, equivalent to 85 per cent of the target group, has shown to have a positive developmental impact on children and their families. While the benefit is currently means-tested, plans to universalize the grant could help include currently vulnerable children that are excluded from the programme. The Older Persons Grant has reduced old-age poverty from 55.6 per cent in 2006 to 36.2 per cent in 2011.

⁶³ ILO and UNICEF (2019) [Towards Universal Social Protection for Children: Achieving SDG 1.3](#).

BRICS countries used their tax-financed schemes to respond to the challenges posed by COVID-19, and further extended and adapted them to meet the most urgent needs. This included both the allocation of funding to extend the coverage of universal benefits and social assistance.

For example, China increased the level of social assistance benefits for vulnerable population groups. Local governments were instructed to increase the benefit levels provided under the national social assistance scheme (Dibao) for either all beneficiaries or those who were infected, depending on the province.

India paid a top-up of Rs1000 (US\$ 13) to all beneficiaries under the National Social Assistance Program for elderly, widows and person with a disability receiving social pensions (approximately 35 million beneficiaries). 87 million farmers who are beneficiaries of the Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) programme received a top up of Rs2000 (US\$ 26.50) for three months. At the state level, new temporary benefits were introduced. For example, Uttar Pradesh provided a new benefit to workers who lost their job, and Kerala provided advance payments of old age, widow or disability pensions and transfers to self-employed and informal workers. Wages under the Mahatma Gandhi National Rural Employment Guarantee scheme (MGNREGS) were also moderately increased from Rs180 (US\$ 2.38) to Rs202 (US\$ 2.67).⁶⁴

Brazil's Bolsa Família programme played a key role during the crisis, ensuring access to nutrition, health, education and skills, prevent child poverty and ensure better opportunities for the next generation. While the funding had been reduced before the COVID-19 crisis, it was again increased, so that the programme can continue to provide an important source of income for nearly 48 million persons.⁶⁵ In addition, in some federal states, additional cash transfers

⁶⁴ ILO and ISSA (2018) Moving towards a Universal and Sustainable Social Security System in India; ILO (2020) [Social Protection Responses to the COVID-19 Pandemic in Developing Countries: Strengthening Resilience by Building Universal Social Protection](#).

⁶⁵ <https://g1.globo.com/economia/noticia/2020/03/16/ministerio-da-economia-anuncia-novas-medidas-para-reduzir-impacto-do-coronavirus-veja-lista.ghtml>.

were provided to families who had normally benefited from school feeding programmes.

The Russian Federation significantly enhanced its social assistance and family benefit provision.⁶⁶ All social benefits and special entitlements were extended for six months. In April a universal one-off cash transfer of RUB 10,000 (US\$136) was disbursed to all children aged 3–16. In July, an additional universal one-off cash transfer of RUB 10,000 (US\$136) was paid to families for each child under 16. Families eligible for the Maternity Capital benefit received an additional 5,000 roubles (US\$63) for 3 months (April-June) for children aged 0-3, and the programme was also extended to previously ineligible mothers. In 2020, Maternity Capital has been extended to 1st born child (USD 5,825), and increased for 2nd and 3rd (USD 7,708). Families are guaranteed a state subsidized mortgage interest rate at 6.5%, land for house building and other benefits, to improve living conditions.

The South African social grants system was used to channel additional income support to recipients. Child support grant beneficiaries received an extra R300 in May and an additional R500 each month from June to October. All other grant beneficiaries received an extra R250 per month for a period of six months. In addition, a special Covid-19 Social Relief of Distress grant of R350 a month is being paid for six months to individuals who are currently unemployed and do not receive any other form of social grant or benefit under the Unemployment Insurance Fund.

⁶⁶ ILO and ISSA (2018) Moving towards a Universal and Sustainable Social Security System in the Russian Federation.

Conclusion: The case for a more systematic coordination between employment and social protection policies for poverty reduction

Progress to prevent, or at least alleviate, poverty requires more and better quality jobs. Transformation of the economic structure, in particular a transition to higher value-added sectors, can lead, with appropriate policy measures, to the creation of productive employment and a reduction in poverty. At the same time, investment in social protection, including health protection and income transfers, such as pensions, as well as education, is necessary to provide equal opportunities and protect from the risk of falling into poverty.

As the previous sections have demonstrated, employment and social protection policies both play a key role in poverty reduction, yet their potential could be exploited even more by further strengthening the coordination between these policies and promoting integrated policy frameworks in line with previous BRICS Labour and Employment Ministers' Declarations.

The close link between employment and social protection policies has been a recurrent theme in the deliberations of the BRICS Employment Working Group. LEMM Declarations have highlighted this strong link and the commitment to decent work and universal social security systems.⁶⁷ The BRICS countries have recognized the important link between employment and social protection policies for reducing poverty and achieving inclusive growth in various national development plans⁶⁸, such as the China's 13th Five-Year Plan (2016-20) for the

⁶⁷ See above footnote 1.

⁶⁸ ILO (2019) Promoting Decent Employment for a Sustainable Social Security System, Short Paper Prepared for the 1st EWG under the 2019 Brazilian Presidency of the BRICS; ILO (2019) [Universal Social Protection for Human Dignity, Social Justice and Sustainable Development](#): General Survey Concerning the Social Protection Floors Recommendation, 2012 (No. 202).

Development of Human Resources and Social Security and the South Africa's National Development Plan 2030.⁶⁹

BRICS countries already dispose of large public employment programmes that combine employment objectives with income support. For example, India's Mahatma Gandhi National Rural Employment Guarantee Schemes provide employment opportunities and a basic level of income security to the rural population.

One of the areas that would benefit from integrated policy frameworks relates to a better coordination between unemployment protection and active labour market programmes.⁷⁰ These play an essential role in fostering a quick recovery from the crisis, supporting the structural transformation of the economy, facilitating labour mobility and supporting the re-skilling of the labour force. South Africa's Unemployment Insurance Fund (UIF) includes a [labour market activation programme](#) to promote the creation of employment opportunities, skilling and re-skilling, enhancing the employability of UIF beneficiaries, supporting return-to work; and its [Expanded Public Works Programme](#) was established to provide basic income security and temporary work and skills development opportunities for the most vulnerable groups of the population, such as unemployed, poor and persons with disabilities. China's unemployment insurance funds are also used for training purposes and other active labour market measures. Going forward, such initiatives could be further developed to further enhance their contribution to poverty reduction and supporting structural transformation of the economy. Having in mind that integrated employment and social protection services, including public employment schemes, are channelled through institutions, attention should be paid to

⁶⁹ See P. Benjamin and A. Cawe (2020) A Review of the NDP in Meeting its Labour Market Objectives: Progress Report, National Planning Commission, ILO and NDP.

⁷⁰ ILO (2020) [Unemployment Protection in the COVID-19 Crisis: Country Responses and Policy Considerations](#); C. Peyron Bista and J. Carter (2017) [Unemployment Protection: A Training Package and Good Practices Guide: Experiences from ASEAN](#).

strengthening their capacity and funding, staff skills and innovative policy implementation tools.

The lessons already learnt from the COVID-19 policy responses (and earlier crises) also highlight the importance of a close coordination between employment and social protection policies in establishing and scaling up employment retention measures in times of crisis. While countries have used different institutional arrangements to channel the necessary resources to support employers in retaining their employees, and workers to have income security in times of crisis (short-time work benefits, temporary wage subsidies), they demonstrate the key importance of a well-coordinated policy and delivery framework.⁷¹

In order to fully reap the benefits of a more integrated approach, coordination between employment and social protection policies should be strengthened at all levels, including in the formulation, implementation and monitoring of strategies and policies, as well as at the operational level, such as through one-stop shops for employment services and social security.⁷² Particular attention should be given to designing such policies in a gender-responsive and inclusive way. This can create a virtual cycle of integrated policies for decent work.

Another area that offers significant potential for an integrated policy approach are policies to promote better access to child care and long-term care. Such policies, if designed well, potentially have a positive effect on gender equality and women's employment and social protection.⁷³ More broadly, such policies are key in responding to demographic change.

⁷¹ ILO (2020) [Unemployment Protection in the COVID-19 Crisis: Country Responses and Policy Considerations](#); ILO (2020) [Temporary Wage Subsidies](#).

⁷² ILO (2013) *Coordinating Social Protection and Employment Policies: Experiences from Burkina Faso, Cambodia and Honduras*: EU/ILO Project on Improving Social Protection and Promoting Employment.

⁷³ See ILO (2017) [World Social Protection Report 2017-19](#), *ibid*; ILO (2018a) [Care Work and Care Jobs for the Future of Decent Work](#); ILO (2019) [A Quantum Leap for Gender Equality: For a Better Future of Work for All](#). Geneva: International Labour Office); ILO and WIEGO (2020) [Extending Childcare Services to Workers in the Informal Economy: Policy Lessons from Country Experiences](#); ILO (2019) *Promoting Decent Employment for*

The COVID-19 crisis has reinforced the need for integrated approaches to employment and social protection as a means to protect incomes and jobs, especially for those hard hit by the crisis, including women, youth and those in the informal economy. As countries move towards reopening their economies, these measures are equally important to promote an inclusive and job-rich recovery with a longer-term vision of creating a more equitable, sustainable and resilient labour market. These longer-term goals are juxtaposed against the impact of the future of work trends that predated the COVID-19 crisis and have, in many ways, accelerated as a result of the pandemic (e.g. digitalization). For this reason, the ILO Centenary Declaration for the Future of Work 2019 provides guidance to addressing the rapid changes witnessed in the labour markets of the BRICS countries and beyond through investing in human capabilities, institutions of work and decent and sustainable work.