

► **Securing fiscal space for expanded social protection programmes**

International experience and policy considerations

PFACTS (Public Finance, Actuarial and Statistics Unit)
Social Protection Department, ILO Geneva

30 June 2020

Content

1. Introduction
2. Effects of the COVID-19 crisis on social security/protection systems
3. Responses to the COVID-19 crisis from the social protection perspective
4. Fiscal space for social protection systems during COVID-19 crises
5. Final discussion.

▶ Introduction

- ▶ The pandemic represents a public health challenge and has a very serious **economic and social impact**
- ▶ **Social protection systems** are an indispensable part of a **coordinated response**
- ▶ **Social dialogue and consultation** with the social partners are important for **coordinated policy responses**
- ▶ Countries with strong health and social protection systems can **react quickly** by expanding and adapting **existing protection mechanisms**
- ▶ Countries should prioritize support for **most vulnerable groups** to the crisis, including workers in the informal economy and social minorities
- ▶ The crisis has accelerated **social protection reforms**, prompting many governments to temporarily extend them by introducing extraordinary measures and laws
- ▶ Governments, in collaboration with the social partners and other stakeholders, should use this opportunity to **strengthen social protection systems**
- ▶ Ensuring sufficient **fiscal space** to maintain increased coverage is a major challenge

► Effects on social security systems

- 1. Reduction in revenue from contributions.** Unemployment, underemployment (reduction of working hours), temporary/partial exemptions from contributions; reduction of State transfers.
- 2. Increase in expenditure on some programmes:** unemployment, sickness benefits, pensions (light effect), children and family, non-contributory/social assistance), others.
- 3. Allocation of reserves.** In particular in unemployment insurance.
- 4. Pension systems.** Some impact on social security reserves in the short term; but little effect expected in the long term. In individual accounts' systems: impact on accumulated savings (benefits); in some countries there is pressure to return savings.
- 5. Health systems.** Some effect on expenditure (depending on the country). Developing countries with underdeveloped health systems have less installed capacity and need more resources to cope with the health crisis.

▶ Responses from Social Protection Systems

Seven areas of responses:

1. Health systems
2. Sickness benefits: ensuring income security during medical leave
3. Old age, disability and family benefits
4. Unemployment protection
5. Temporary change in the payment of social security contributions and taxes by companies
6. Income protection through social assistance, cash transfers and other supports
7. Special Family leave and other assistance policies

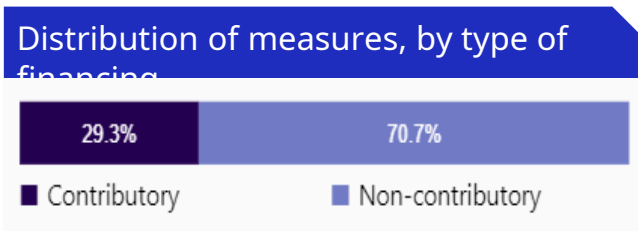
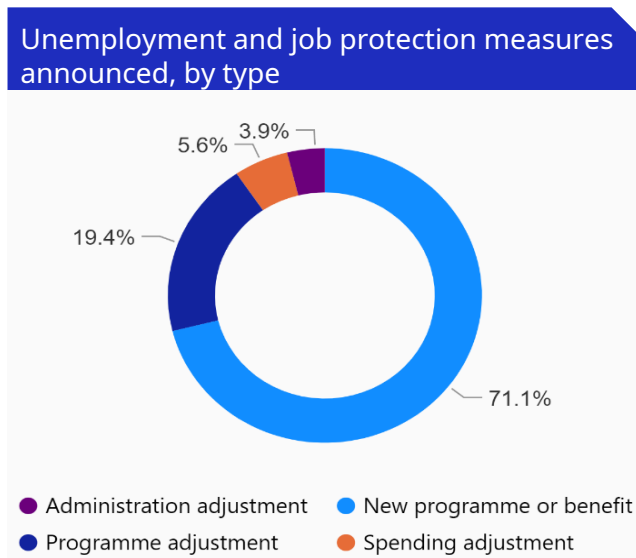
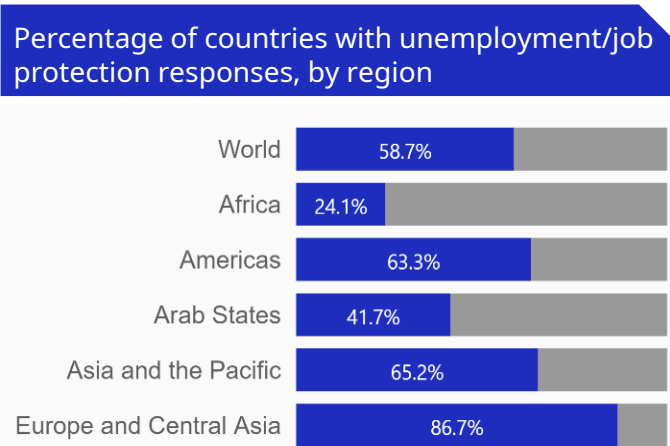


Social protection responses on unemployment and jobs protection

As of 16 June 2020, 1166 social protection measures were announced by 200 countries in response to the COVID-19 crisis. Around 25% of the measures are related to unemployment and job protection (284 measures),

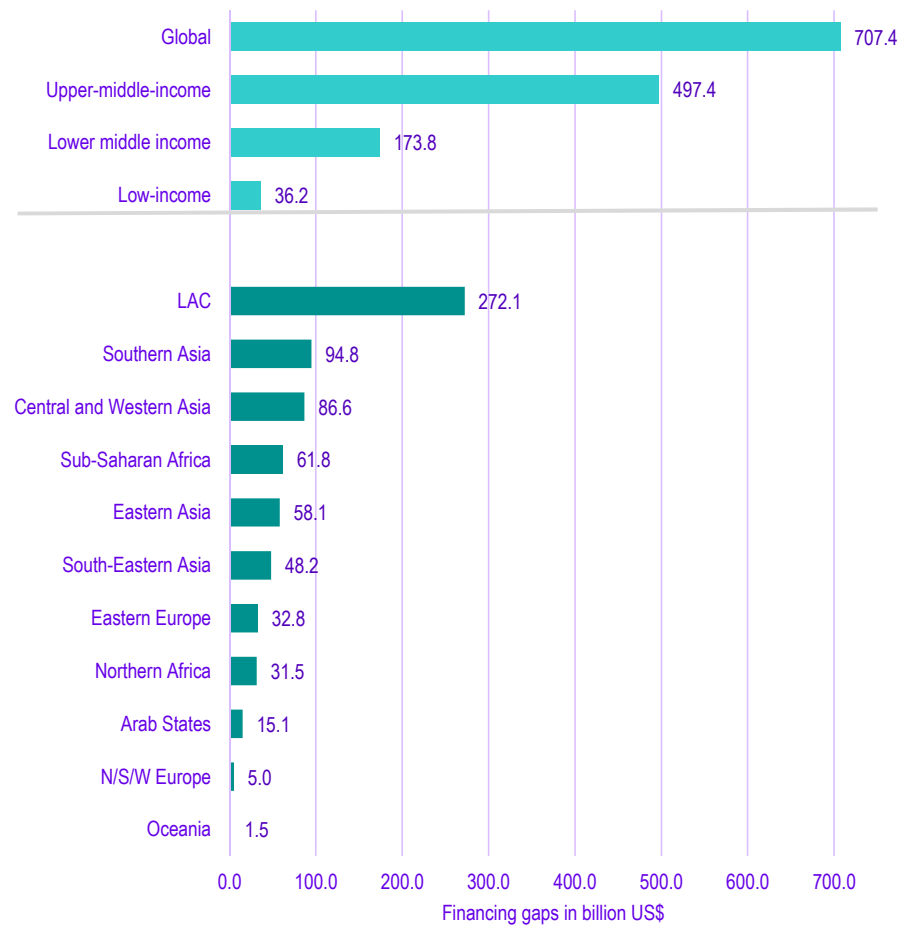
Top ten social protection responses to unemployment and income/jobs protection (number of measures)

Measure	Number
Introducing benefit for workers and/or dependents	82
Introducing subsidies to wage	82
Extending coverage	23
Increasing benefit level	14
Increasing resources/budgetary allocation	12
Relaxing or suspending eligibility criteria or conditionalities	12
Improving access/administration	10
Prohibiting laying off workers	9
Increasing benefit duration	8
Introducing part-time work/employment	8



Financing gap in social protection (excluding health), 2020

1. Financing gap in social protection floor (children, maternity, disability, and old age) in developing countries, 2020 (US\$ billion)
2. Financing gaps are concentrated in middle-income countries



▶ International financing commitments for health and social protection

US\$1.3 trillion

international pledges to respond to the COVID-19 crisis in various areas
(liquidity support, social protection, support to private and public and companies,
water and sanitation, etc.)

US\$46.9 billion

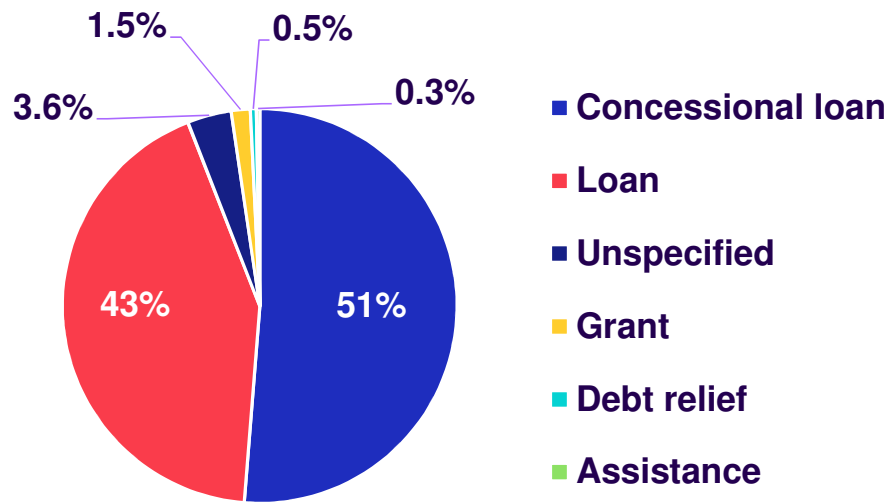
approved funds for social protection and health only

Source: ILO calculations based on data from various sources.

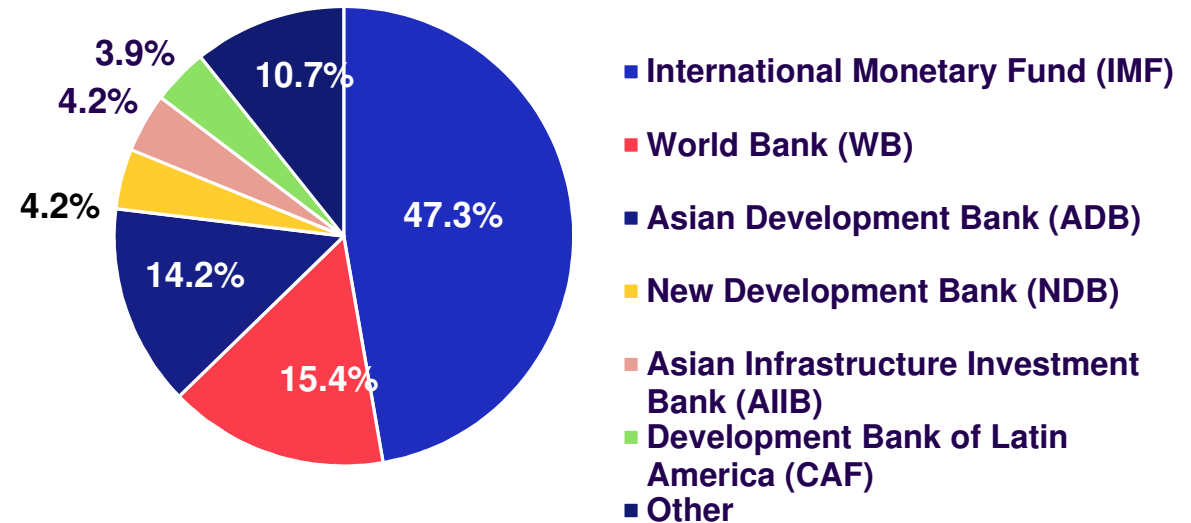
US\$46.9 billion

Total approved international funds for health and social protection

By modality of financing



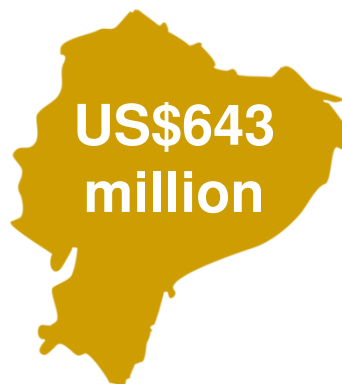
By institution



► **Examples: loans, concessional loans, grants and assistance**



Nigeria
(IMF)



Ecuador
(IMF)



Afghanistan
(WB)



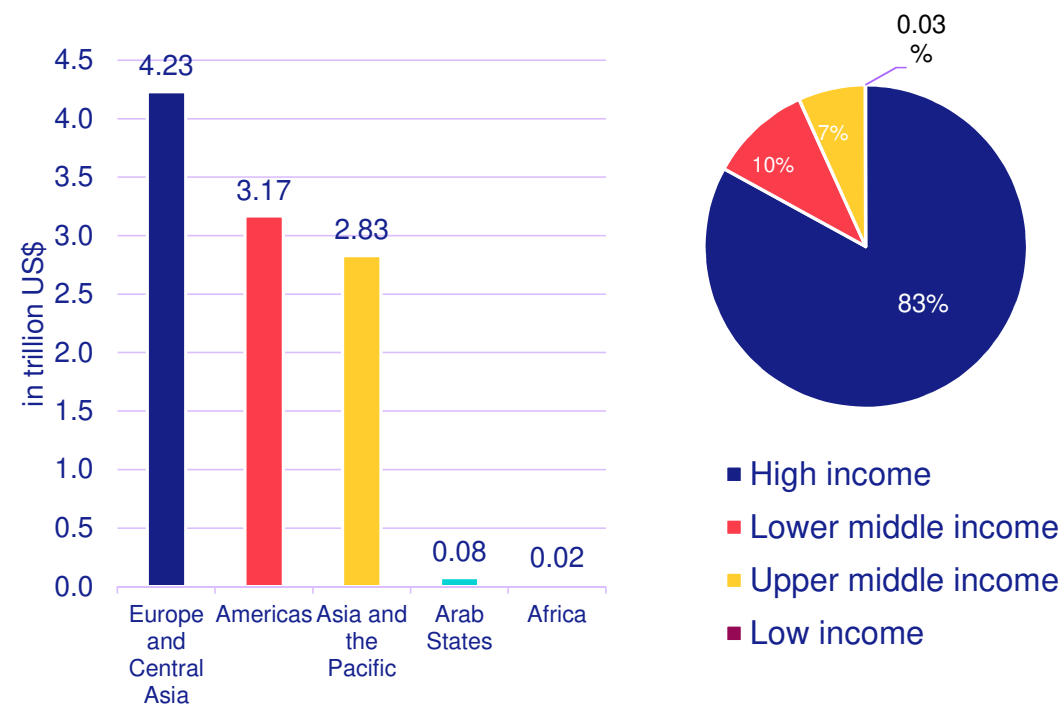
Georgia
(WB)

Domestic resource mobilization efforts for health and social protection

As of 5 June 2020, more than 193 countries have introduced domestic fiscal measures, totalling approximately US\$10.3 trillion

Most of these fiscal resources have been dedicated to the COVID-19 responses in high-income countries. Only 0.03 percent have been mobilized in low-income countries

Health and social protection feature most prominently among the COVID-19 response measures taken by countries.



Source: ILO calculations based on IMF COVID-19 Policy Tracker.

Short term fiscal expansion through increased borrowing

Thailand

In response to Covid-19, the Thai Government has approved a fiscal package totaling 9.6 percent of GDP or THB 1.5 trillion (~US\$48 billion). A significant part of the funds will cover increased health related spending as well as assistance for workers, farmers and entrepreneurs affected by COVID-19. About THB 1 trillion (~US\$32 billion) is expected to be financed through additional borrowing.

Similarly, countries such as Bhutan, Cyprus, Bulgaria and Honduras increased their levels of borrowing, while regional unions, such as the European Union and the Africa Economic and Monetary Union (WAEMU) have relaxed their fiscal deficit rules to allow countries in their respective regions more flexibility to respond to the urgent socioeconomic needs arising from the pandemic.

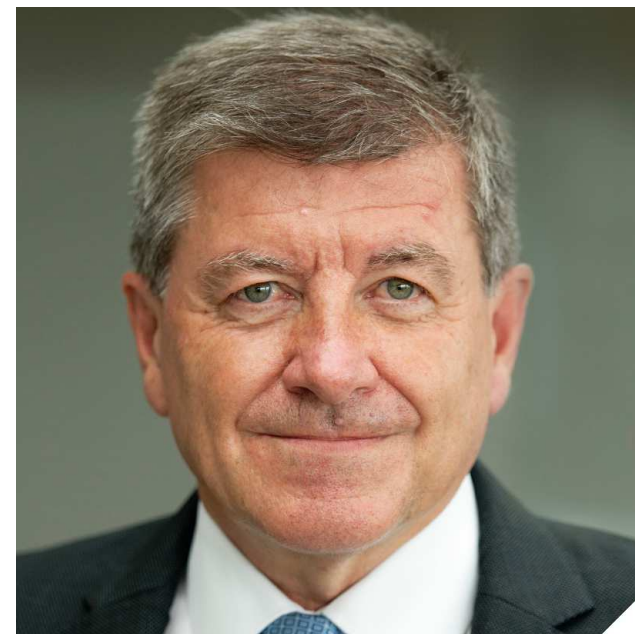


Final considerations

1. Respect for international labour standards in the field of social security
2. Ensure sustainable and equitable financing of social protection in times of crisis and post-crisis (e.g. responsible use of reserve funds). State commitment.
3. Social protection systems can play an important role in helping to overcome the crisis: economic stabilizer.
4. Preparing the future. Strengthening social security systems: solidarity; collective financing. Universal social protection floors (Universal Basic Income under discussion).
5. A better "new normal".

▶▶ The new normal must be a better normal”

- ▶ Guy Rider, Director-General of the ILO



The ILO Social Protection Monitor COVID-19 (interactive dashboard)

English Español Français Português Russian

Graphs Table

Updated on 02/06/2020

190

Countries

1092

Measures

Region or country/territory

Select region

Select country

Function of social protection

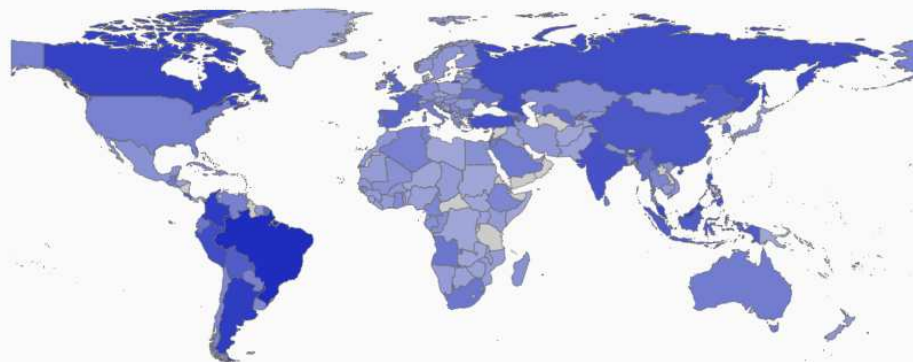
Select function

Social Protection Responses to COVID-19 Crisis around the World

Between 1 February and the present date, majority of countries and territories announced social protection measures in response to the COVID-19 crisis. The highest number of responses are reported in Africa, Americas and Europe and Central Asia, where over half of the countries have introduced these measures, followed by Asia and the Pacific, and Arab states. The figures represent information on the response rate by country, region, date of announcement, function of social protection and type of measure.

Reset

Countries with social protection responses



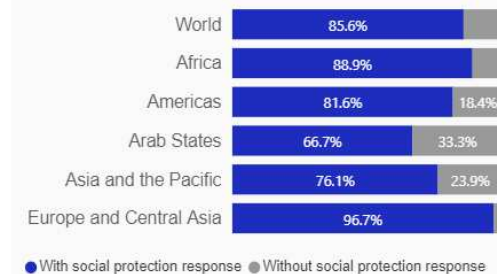
Colours range from minimum number of measures (light blue) to maximum (dark blue)

Global number of announced measures, by date

May 2020

Mon	Tue	Wed	Thu	Fri	Sat	Sun
				9	2	3
12	8	3	11	1	9	10
4	12	3	3	4	1	16
4	19	20	21	1	1	23
25	7	27	4	29	30	31

Share of countries with and w/o responses, by region



<https://www.social-protection.org/gimi/ShowWiki.action?id=3417&lang=EN>

▶ Visit the interactive dashboard of the COVID-19 Social Protection Monitor

<https://www.social-protection.org/gimi/ShowWiki.action?id=3417&lang=EN>
