

# Public Services International Brief:

## Social Protection Financing

Public Services International welcomes the international labour movement's initiative to explore innovative ways to finance social protection on the national and international levels. We are thus participating in the global conference organised by the International Trade Union Confederation and Friedrich Ebert Stiftung, for this purpose;

In this light, the following points are presented as a contribution to the discourse of the conference;

- 1** The point of departure which we all share is that Social protection is a human right<sup>1</sup>, which is key to achieving sustainable development, including reducing poverty and social inequality and building a more inclusive society. Consequently, governments are bound to take decisive actions nationally and internationally, to realise universal social protection<sup>2</sup>;
- 2** The “social protection is not affordable” argument is not tenable, as “there are alternatives even in the poorest countries”<sup>3</sup>. These include: re-allocating public expenditures; increasing tax revenues; expanding social security coverage and contributory revenues; eliminating illicit financial flows; using fiscal and foreign exchange reserves; managing debt i.e. borrowing or restructuring existing debt; and adopting a more accommodative macroeconomic framework;
- 3** There are definitely challenges to financing social protection. These, however, should be situated within a broader perspective of the neoliberal “consen-

sus”, with its pillars of cuts in social spending, privatisation and deregulation. Confronting the challenges to financing social protection requires that we strive for policy influence, which includes an alternative approach that clearly puts people before profit in the policy process nationally and internationally;

- 4** Ten years into the global economic and financial crisis, austerity measures have only worsened the sorry state of vulnerability of most of the human population, particularly in low and middle-income countries. It is thus essential for the trade union movement and civil society, to send a clear message that sustainable social protection financing is not only possible, but indeed necessary to ensure social stability and economic recovery. The voice of workers and the broader civil society movement must be loud in the development discourse and policy process in pointing out that only a rights-based approach can ensure this;



5 Thus, we need to be wary of “innovations in social protection financing”<sup>4</sup> which are firmly rooted in the logic of privatisation, such as Social Impact Bonds. It is presented as an “evidence-based solution”<sup>5</sup>. And Colombia’s launch of SIBs in 2017 was heralded as “an innovative PPP” means of social protection financing<sup>6</sup>. This reflects the increasing expansion of SIB projects as the new face of “privatisation by stealth”<sup>7</sup>. But, PPPs in general have “widespread shortcomings and limited benefits”<sup>8</sup> and should be rejected in our consideration of social protection financing;

6 PSI is committed to research work and policy advocacy in line with the ILO Transition from the Informal to the Formal Economy Recommendation 2015 (No. 204), particularly in the Latin American sub-region. The example of AMUSSOL in the Dominican Republic shows that “encouraging formalisation” is necessary for consolidating gains made in expanding social protection for workers in the informal economy<sup>9</sup>. Related to this is the centrality of public provision of social security for achieving universal social protection;

7 The 2019 World Development Report draft for example frames universal social protection as a response mechanism to the increasing number of people not covered by contributory schemes, due to the changing nature of work. But, the changing nature of work is not merely technical. Precarious work is becoming widespread precisely because safeguards of Labour Market Institutions have been rolled back over the last few decades. In essence, “universal social protection” as envisaged by the report, is more of a renewed form of “targeting” SP benefits and “social safety nets”, on one hand, and the IFIs expansion of SP to “social spending” on the other. Further, as the International Steering Committee of the Global Labour University correctly points out, “what is proposed in the draft Report effectively amounts to shifting the entire burden of financing social protection to nation state”, to the benefit of multinational enterprises;

8 The evidence abounds, as Ortiz et al (Op cit) stressed, that the major challenge confronting social protection spending is not so much lack of resources but rather public policy choice, including those inspired by international finance institutions conditionalities, and tacit support for profit over people by states. The artificial constriction of social protection financing has “been worsened by austerity and

earlier labour reforms, including freezing or lowering minimum wages, labour market deregulation, social security privatization and targeted social protection schemes”<sup>10</sup> ;

9 We thus urge concerted efforts in jettisoning supposed “innovative” ways that are not evidently situated within an anti-austerity, human rights-based logic. At the heart of social protection is the essence of our solidarity as human beings and the primacy of public financing and provision. It thus has to be hinged to other relevant areas of our work as unions, including tax justice and building people-centred development cooperation.

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1. Article 22 of the Universal Declaration of Human Rights
2. International Covenant on Social and Economic Rights, ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), SDG 1.3
3. Ortiz, I., Cummins, M. and Karunanethy, K., 2015. Fiscal space for social protection and the SDGs: Options to expand and social investments in 187 countries., ESS Working Paper 48, International Labour Office, Geneva <http://socialprotection.org/learn/blog/innovations-social-protection-financing-impact-bonds>
4. Sharma, A., 2017. Innovations in social protection financing: Impact Bonds. <http://socialprotection.org/learn/blog/innovations-social-protection-financing-impact-bonds>
5. Ortiz et al, Op cit.
6. <https://nupge.ca/sites/default/files/documents/Privatization-by-Stealth-Oct-2016.pdf>
7. <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=45153>
8. Ghesquière, H., 2016, Amussol: informal workers have access to social security in the Dominican Republic!, WSM Thematic Report Latin America No. 2, Wereldsolidariteit – Solidarité Mondiale.
9. <https://www.ohchr.org/Documents/Issues/Development/IEDebt/LetterWorldBankAugust2018.pdf>
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