

Response from the International Trade Union Confederation (ITUC) to the World Bank's Social Protection and Jobs Compass

The International Trade Union Confederation (ITUC), representing 200 million workers across 163 countries, would like to acknowledge the World Bank's commitment towards extending social protection, outlined in its recent publication, 'Charting a Course Towards Universal Social Protection: Resilience, Equity and Opportunity for All', otherwise known as the Social Protection and Jobs (SPJ) Compass. Ensuring universal social protection to all workers is a longstanding priority for the international labour movement. Social protection is an internationally recognised human right and it plays an essential role in supporting and raising living standards and fostering social and economic development. The ITUC shares the Bank's objectives for fostering greater equity, resilience and opportunity, as set out in the report, and agrees with the Bank that the lack of social protection for the majority of the world's workers in the informal economy is a challenge that needs to be urgently addressed. The ITUC equally welcomes the fact that the Compass stresses the need to improve the adequacy of benefits to ensure adequate livelihoods for workers, as well as the availability and quality of key services including health and care services for children, the elderly and people with disabilities. The ITUC also appreciates the emphasis in the Compass on the need to strengthen social protection financing, both at the domestic and international levels, and acknowledges that the World Bank as one of the largest providers of official development assistance (ODA) for social protection - support which has increased substantially over recent years.

The ITUC nevertheless has a number of considerable reservations to some of the policy messages of the SPJ compass, as well as the rigor of the analysis underpinning some of the policies proposed. The ITUC in particular regrets that the vision for 'universal social protection' put forward by the bank appears to deviate from international labour standards and internationally agreed understandings of the concept, as outlined in the [Tripartite Resolution and Conclusions on Social Security](#) adopted at the International Labour Conference in 2021. The Bank's vision of universal social protection appears to prioritise the extension of targeted non-contributory social assistance at the expense of social security, when both forms of support serve distinct and complementary functions. The ITUC fully agrees with the Bank on the importance of extending social protection floors, guaranteeing all workers social protection irrespective of contributions, in line with [ILO Recommendation 202](#). The ITUC however disagrees with the Bank's critique of social security schemes, especially pensions, as an undue burden on public finances and 'regressive' in nature.

The ITUC likewise disagrees with the role that private finance appears to play in the Bank's vision of the compass, as well as the use of voluntary and private schemes – which appear to be considered as an 'alternative', rather than a complement, to publicly organised social security. In this regard, the ITUC would like to reiterate that social protection is an internationally recognised human right, and governments have an overall and primary responsibility to deliver on that right; they cannot outsource their responsibilities to the private sector. The Bank's messages on social security moreover deviate from the provisions of [ILO Convention 102](#), a legally binding instrument setting out minimum standards on social security that has been ratified in 63 countries.

Despite the World Bank's important contribution to financing social protection in developing countries, the Compass moreover provides no indication of how the Bank could contribute to the financing and implementation of the UN Global Accelerator for Jobs and Social Protection for Just Transitions. The Compass also does not make any mention of the potential for a Global Social Protection Fund to mobilise and coordinate international financing for social protection, despite ongoing discussions for the establishment of such a fund at international level, and wide public support from trade unions, civil society organisations, and a number of governments.

Finally, the ITUC would also like to note that the development of the SPJ Compass involved a significantly less extensive internal and external consultation process compared to official World Bank strategies, including the Social Protection and Labour Strategy 2012-2022, which this Compass is replacing. While the ITUC appreciates that the Bank outlined its general views on the Compass in meetings of the SPIAC-B, USP 2030 and in a dedicated meeting with trade unions, we regret nevertheless that the Bank declined to share a concrete draft of the Compass within the Social Protection Inter-Agency Cooperation Board (SPIAC-B), the key vehicle for steering coordination and coherence at the international level between various UN bodies, international financial institutions and bilateral development agencies working on social protection.

A more detailed assessment from the ITUC on several aspects of the Compass are set out below:

- ***Addressing persistent informality and closing social protection coverage gaps for informal workers***

The ITUC welcomes the fact that the SPJ Compass sets out the objective of universal social protection, with a clear ambition of extending coverage to those who are currently left out including informal workers. With around 60% of the global workforce estimated to be working in the informal economy, the ITUC considers that priority should be given to extending social protection to informal workers, as well as strengthening efforts to facilitate formalization. The Bank underlines the importance of introducing adequate non-contributory social security guarantees where they do not already exist, and the ITUC fully shares this view and would like to emphasise that these guarantees must be in line with ILO Recommendation 202 on Social Protection Floors.

The ITUC appreciates that the Bank provides some examples of how informal workers have been included within existing social security systems, allowing for higher levels of income protection and more comprehensive coverage against risks, as well as broadening and bolstering the collective financing base. The SPJ Compass is nevertheless vague about the measures that governments can take to effectively foster the transition from the informal to the formal economy. [ILO Recommendation 204](#) sets out a comprehensive framework for supporting the transition to the informal to formal economy, detailing a wide range of both incentives and enforcement measures, which should be considered part and partial of an approach to reduce the vulnerabilities of informal workers and support the financing base for social protection.

- ***Strengthening domestic and international financing***

The Bank rightly underlines that the extension of social protection coverage requires that governments to allocate sufficient fiscal space for social protection. Demographic ageing, high levels of debt, and major economic and employment challenges in many countries raise legitimate questions about how to ensure a sustainable financing base. The ITUC appreciates that the Compass emphasises the need for governments to allocate sufficient fiscal space for social protection, including through increasing tax revenue. The ITUC appreciates that the SPJ Compass underlines the variety of ways that governments can increase tax revenue to strengthen social protection and highlights the potential for strengthening the progressiveness of taxation in order to allow tax-related financing to be achieved in a fair manner. It is also positive that the SPJ Compass highlights how some countries have made use of innovative instruments, such as a financial transactions tax in Brazil and natural resource taxes in Mongolia and Bolivia. The ITUC however regrets the critique of ‘payroll taxes’, or social security contributions, as an ineffective mechanism for financing social security, suggesting that high labour costs could be a barrier for formal employment. Empirical evidence in Eastern Europe has shown that the reduction of social security contributions did not achieve their objectives of increased employment, but rather further created stresses on the adequacy, coverage and financing base for social protection systems.

The SPJ Compass also points to the role of the international community in financing social protection. It underlines the very low levels of existing official development assistance (ODA) going towards social protection, which in the ITUC’s view must be urgently redressed. In this respect, the ITUC has specifically called for at least 7% of official development assistance (ODA) to be allocated to social protection. Moreover, despite the important contribution of the World Bank to financing social protection in developing countries, the ITUC regrets that the Compass provides no indication of how the Bank could contribute to the financing and implementation of the UN Global Accelerator for Jobs and Social Protection for Just Transitions. The Compass also makes no mention of the potential of a **Global Social Protection Fund** to mobilise and coordinate international financing for social protection, despite ongoing discussions for the establishment of such a fund at international level, and wide public support from trade unions, civil society organisations, and a number of governments. In the ITUC’s view, the World Bank should support the development of such a fund and contribute to ongoing discussions around its architecture and financing base, including within the Global Partnership for Universal Social Protection.

- ***Addressing the sustainability of social security***

The ITUC moreover regrets that the Compass critiques spending on contributory social security systems, particularly pensions, which is portrayed as significantly more expensive to social assistance. This comparison, however, is like comparing apples to oranges. Social security schemes tend to cover a much larger proportion of the population than social assistance, thereby enabling collective risk pooling and, when well-designed, such schemes allow for solidarity between income groups. Pension expenditure is also higher compared to other forms of benefits because pensions are meant to provide income security to workers over a number of years, compared to benefits for other contingencies that are generally shorter in duration (e.g., unemployment spells, maternity leave). Finally, as compared to social assistance, social security is generally funded, at least in a large share, by employer and employee contributions, which are essentially workers’ deferred wages.

The Bank’s proposals to enhance sustainability of pension systems mainly involve reducing public subsidies to social security, strengthening the link from contributions to entitlements through defined-contribution schemes, as well as strengthening the role of voluntary and private pensions. Such measures, however, would substantially risk undermining the solidarity of social security schemes, erode the financing base by considerably reducing or eliminating employers from making contributions, and would likely lead to lower levels

of adequacy and coverage of pension schemes. The ITUC moreover wishes to remind the Bank of the **ample evidence on the effects** of reforms for individualised accounts and pensions privatization in Latin America and Eastern Europe has demonstrated that such reforms have been greatly ineffective, both in terms of ensuring the adequacy and coverage of benefits, as well as ensuring the sustainability of public finances.

- ***Adapting labour markets to reduce vulnerability***

Reducing vulnerability requires more than only social protection; strengthening social protection must go hand-in-hand with measures to create quality jobs, ensure adequate wages and improve access to decent work. High and persistent unemployment and inactivity in many countries is placing considerable demand on social protection systems, as well as resulting in high levels of poverty and social exclusion. The SPJ Compass rightly acknowledges the importance of active labour market policies and skills training measures as a complement to social protection, in order to support employability and enhance workers' opportunities to higher skilled and more productive employment, however the onus of addressing unemployment appears to focus on the individual, rather than on the broader structural forces at play. The Compass disregards in particular the measures that governments can take to create new, quality jobs, such as proactive industry planning, public sector job creation, and public investment – including in labour intensive sectors with strong social and environmental dividends, such as infrastructure, care and the green economy. Moreover, while the Bank acknowledges that work will need to be done to support workers adapt to new industries in the context of climate change, supporting a **Just Transition** to a low-carbon economy entails a comprehensive approach; combining social protection, education and training, redeployment, and industry policy – and must be underpinned by social dialogue.

The ITUC likewise has considerable reservations in the Compass with regard to the messages around labour market flexibilisation and deregulation. The Compass acknowledges the inexistence of minimum wages around the world and inadequacy of labour market regulations to provide effective protection for workers. The Compass moreover acknowledges that minimum wages do not appear to create a burden on employment in most cases, but nevertheless suggests that in some cases labour regulations are 'excessive' and threatening employment. Moreover, while the ITUC appreciates the Bank's acknowledgement of collective bargaining processes for shaping labour reforms, it disagrees with the message that governments could consider reducing the scope of labour protections to a 'basic level', and to only provide additional levels of protections through collective negotiations, namely at firm and industry level. The ITUC moreover disagrees with the Compass's emphasis on 'contractual diversity', given that the proliferation of non-standard forms of work has undermined workers' rights and protections in the labour market, has further contributed to the informalization of work, and has exacerbated coverage gaps for social protection. It is important that the Bank support governments in preventing regulatory arbitrage and eliminating financial incentives for firms to make use of precarious work, cracking down on the misclassification of workers, and improving incentives for firms to provide secure working conditions.

The ITUC will continue to engage with the Bank in its work on social protection, both at the international- and country-levels. Moreover, as the World Bank is currently in the process of developing its next Jobs Flagship, the ITUC stands ready to dialogue with the Bank to address these concerns and support the Bank in formulating proposals for creating quality jobs and enhancing decent work opportunities.