

Initial ITUC contribution to the World Bank's Social Protection and Jobs Compass

The extension of social protection to all workers is a priority for the international labour movement. Social protection is an internationally recognised human right with an essential role in raising living standards and fostering sustainable development.

The International Trade Union Confederation (ITUC), representing 200 million workers across 163 countries, welcomes the World Bank's decision to design a Compass that updates the 2012-2022 Social Protection and Labour Strategy and continues the mission of building social protection systems. The ITUC welcomed and remains supportive of the Strategy, including the recognition of core labour standards and the role of trade unions, the emphasis on building systems in low-income and fragile or conflict-affected countries, and the attention to gender equality.

The Compass represents an opportunity for the Bank to update its position in light of the COVID-19 pandemic, just as the Strategy reflected the reality of the global financial crisis. This is also a moment to hone approaches to longer-term trends that have accelerated since 2012, including demographic change, inequality, transformations in the world of work, and climate change. There has been a recent focus at the Bank on adaptive social protection. The Compass can bring a more systematic and contextualized approach that helps countries respond quickly and effectively to shocks while not losing the strategic focus on building responsive systems that overcome fragmentation, even in the most difficult situations. The approach can also balance responses to external shocks with measures that help households respond to individualized disruptions.

Moreover, the Compass is an opportunity for the Bank to align with international frameworks and commitments, most notably international labour standards as well as the [International Labour Conference Conclusions on Social Security](#) agreed between governments, employers and workers in June 2021. The [Just Transition Declaration](#) recently adopted during COP26 and the [Agreed Conclusions of the 63rd Session of the UN Commission on the Status of Women](#) related to Strengthening Social Protection Systems and Sustainable Infrastructure for Gender Equality are also important to take into account.

This initial input puts forward some key policy priorities for the Compass. The ITUC requests and looks forward to substantive consultations in the drafting of the Compass.

Addressing persistent informality and closing social protection coverage gaps for workers in the informal economy

The 2012-2022 Strategy took a crucial step forward by recognizing the One-UN Social Protection Floor initiative, progress that was compounded by the [2015 Bank-ILO joint mission and plan of action](#) on universal social protection.

The ITUC welcomes indications that the Compass will be orientated around universal social protection, with a clear ambition of extending coverage to those who are currently left behind,

including workers in the informal economy. With around 60% of the global workforce estimated to be working in the informal economy, the ITUC and Bank agree that priority should be given to extending social protection as well as strengthening efforts to facilitate the transition from the informal to the formal economy.

Introducing social protection floors where they do not exist remains a matter of urgency, and ILO Recommendation 202 provides an important framework for designing such floors. In addition, expanding coverage of contributory social security schemes to informal workers can provide higher levels of protection, as well as broaden and bolster the collective financing base. Social security schemes should accordingly be rendered more inclusive to informal workers – for instance by introducing the possibilities for informal workers to make voluntary contributions. This can be complemented by subsidies financed through progressive and corporate taxation, to offset the low earnings for most workers in the informal economy. Country experiences, for instance in [Uruguay](#) and the [Dominican Republic](#), show that allowing workers in the informal economy to make contributions to social security systems can serve as a powerful incentive to register earnings and formalise their activities. Finally, ILO Recommendation 204 sets out a comprehensive framework for supporting the transition from the informal to the formal economy, detailing a wide range of incentives and enforcement measures.

Adapting social protection systems to a changing world of work

Strengthening social protection goes alongside measures to create quality jobs and strengthen access to decent work. High and persistent unemployment and inactivity in many countries is placing considerable demand on social protection systems, and results in high levels of poverty and social exclusion. The COVID-19 crisis has exacerbated job losses and significantly increased pressure on unemployment and social assistance benefits. The ILO has estimated that 255 million jobs were lost in 2020, and a further 125 million jobs are expected to be lost by the end of 2021. The Bank should urgently support job creation efforts in borrower countries through increased public investment, including in climate-friendly and labour-intensive sectors such as sustainable infrastructure and the care economy. Public employment programmes with adequate wages and decent working conditions can play an important role.

In addition to supporting job creation, the Bank should do more to ensure job quality and implement the conclusion of the 2012-2022 Strategy that “Upholding core labor standards, including child labor standards and equal opportunity at work, is a central area of this broader agenda, which relies on working multisectorally to help ease the multiple determinants of child labor and unequal opportunity at work.” We also recall the observation that “for SPL, the jobs focus is on enhancing those policy reforms, and facilitating those interventions that improve workers’ access to jobs, increasing their capability to reap the best returns from work. Examples of this are labor regulations and institutions that protect workers, while allowing them to make successful labor transitions—from school to work, or between jobs.”

The Compass should accordingly encourage regulation and policies to support decent wages and working conditions, including adequate minimum wages, occupational health and safety, maximum limits on working time, and fundamental labour rights, in line with the ILO Centenary Declaration on the Future of Work and drawing upon the Balancing Regulations to Promote Jobs manual.

Such measures can help ensure dignified work and rising living standards, reduce the demand on social protection systems, improve the attractiveness of formal work, and have broader economic benefits, including increased productivity and aggregate demand. It will be important to support governments in addressing the growth of non-standard precarious forms of work, recognizing the threat it poses to productivity and the quality of jobs. Appropriate measures include preventing regulatory arbitrage and eliminating financial incentives for firms to utilise precarious work, using enforcement tools to reduce disguised employment including misclassification of employment relationships, and introducing incentives for firms to provide secure working conditions and expand opportunities for those who are trapped in precarious work.

Ensuring a solid and fair financing base for social protection

The extension of social protection coverage must be accompanied by measures to increase fiscal space for social protection. Demographic shifts, high levels of debt, and major economic and employment challenges in many countries raise difficulties in creating a sustainable financing base. However, fiscal space measures have often excessively focussed on curbing social spending, rather than strengthening the financing base. Governments, employers and unions jointly agreed at the 2021 International Labour Conference that “Governments have a variety of means to create fiscal space and need to protect social security financing against disproportionate austerity measures constraining public social expenditure, weakening aggregate demand and making crises worse.”

This will require working across the Bank and with other international organizations and development partners to support domestic revenue mobilisation with an eye towards solid and fair financing bases for social protection. Financing strategies should be in line with the guidance set out in international labour standards and take into consideration the principles of solidarity and collective financing, as well as reflect the overall and primary responsibility of the state. More support can be given to borrower governments on progressive, corporate and wealth taxation that avoids regressive consumption taxes; tackling illicit financial flows, tax evasion and the avoidance of social security contributions; reallocation of public expenditures towards social protection without causing disruptions; and a fair division of contributions between employers and workers.

Finally, in line with the 2021 ILC Conclusions, the Bank should ensure that social protection floors are complemented with adequate and higher levels of contributory social security based on solidarity in financing and a fair division of contributions between employers and workers. Additional complementary pillars, including occupational and voluntary savings schemes, may exist; however they cannot be seen as a replacement for publicly organised social security based on the principles of solidarity and collective risk pooling. The 2012-2022 strategy focused on the central role of the state in pensions, moving beyond previous models that led to suboptimal private management and outcomes. The Compass should revitalise the Bank approach to inclusive, public pensions.

Gender responsive social protection systems

Gender-responsive social protection is key. Women tend to be disadvantaged in social protection systems, experiencing lower coverage rates and substantially lower benefit levels in many countries. In North Africa, for example, over 63 per cent of elderly men receive an old-age pension, as compared to 8 per cent of women. Within the European Union, women’s pensions are on average around 40 per cent lower than those of men. Women’s lower access

to social protection is strongly linked to women's underrepresentation in the labour market, over-concentration in the informal economy and precarious work, and unpaid care burdens. Tackling gaps in social protection requires reducing gender inequality in the labour market as well as recognising, reducing and redistributing unpaid care work. Measures can include crediting care work in social security contributions, investing in universal childcare and long-term care services, improving the conditions of paid care work, and offering remunerated parental leave for women and men. Finally, ensuring access to adequate non-contributory benefits is essential to avoid further feminisation of poverty.

Involving social partners in social protection processes

The forthcoming Compass should reinvigorate the Strategy's recognition of the importance of worker involvement in social protection policymaking and as a partner to the Bank. The Strategy noted "At the country level, civil society organizations, trade unions, and faith-based organizations are key actors in knowing the challenges, shaping opinion, and representing excluded groups. Effective social protection and labor policies will need open and mutual collaboration with all these stakeholders." We are committed to this endeavor.

As indicated in the Strategy, trade unions are an active part of building social protection systems including campaigning for the extension of social protection, negotiating in tripartite social protection committees and councils, monitoring the implementation of social protection reforms, and directly administering benefits and services in some countries. In many countries, trade unions have been especially active in campaigning and negotiating to expand social protection to informal workers, for instance in Kenya, South Africa, India, Ghana, the Dominican Republic and Argentina. Meaningfully involving workers' representatives in the planning, implementation and oversight of stronger social protection helps ensure that systems are adequately adapted to the needs of workers. This can also generate public awareness and acceptance of reforms, and foster trust in public institutions.

Tripartism remains an essential tool of policymaking and should be acknowledged in the Compass. Trade unions are actively working to organize workers in the informal economy and encourage employers' associations to follow the same path. Tripartism will be necessary to building effective and responsive social protection systems in a changing world of work.

Fostering a just transition to a low carbon economy

The Bank estimates that by 2030, over 100 million people could be pushed into extreme by climate change. Putting adequate social protection systems in place takes special urgency in this regard. In addition, major economic transformations will result from climate change mitigation, including decarbonisation-related job loss that will require income support, skills training and redeployment services. Governments should adopt just transition plans as part of their Nationally Defined Contributions (NDCs) and social protection must be an integral part of the approach. The World Bank should support governments in developing such plans on a tripartite basis, and help finance implementation.

Enhancing international cooperation and solidarity

While many governments have untapped potential to raise domestic resources for social protection, a number of countries face constraints that make it difficult to invest in social protection in the short term. Social protection financing gaps for low-income countries are especially acute; representing around 15 per cent of their overall GDP and 45 per cent of tax

revenue. The Bank should support enhanced international cooperation and solidarity for financing social protection.

At the international level, discussions are ongoing for the establishment of a Global Social Protection Fund. Such a fund could kick-start financing for countries that do not have capacity in the immediate term. The World Bank should support the development of such a fund and assist ongoing discussions around its architecture and financing base.

The Bank could also contribute to increased fiscal space to expand social protection through greater debt relief programmes and enhancements of debt sustainability analyses to fully reflect social protection and sustainable development needs. The rechanneling of Special Drawing Rights is also an important part of the puzzle, as universal social protection including floors contributes to greater stability and growth, and thereby helps avoid or minimize balance-of-payment crises.

The ITUC requests further dialogue on the Compass in early 2022.