

What really matters: Measuring government accountability and moving beyond GDP

ITUC Frontline Campaign Briefing
Democracies for People



ITUC CSI IGB

International Trade Union Confederation

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Foreword

Trust in democracy is broken

Even before Covid-19, governments presided over national economies and a global economic model that have failed working people and their families.

The 2020 ITUC Global Rights Index shows that democratic space is shrinking – 54 countries denied or constrained freedom of speech and assembly. Wages and social protection are declining, and unemployment and underemployment are high. Progress for women has stalled, and young people are worried they will not be able to achieve what previous generations took for granted.

More people go to bed hungry than the world claims to have lifted out of poverty – all this despite the world being three times richer than it was just twenty years ago. It is way past time to hold governments to account more strongly.

With massive inequality – income gaps, racial injustice and gender discrimination – we were already living through an age of anger with civil unrest and distrust in democracy. The effects on societies of inequality have been heightened by the destruction caused by extreme weather events due to climate change and by the choices associated with the best and worst impacts of technology.

And when 60% of the global workforce are in the informal sector, with no rights, no minimum wage and no social protection, and when precarious work afflicts up to 40% of those in formal employment, then the social contract is in tatters. Decent work for all working people must be the foundation for recovery plans.

It cannot be business as usual.

Indeed, the health and economic impact of Covid-19 on people and societies can only be addressed by looking beyond GDP.

An inclusive and more equitable future for the people of all countries requires a ‘Just Transition’ in all sectors of the economy.

Governments must act in the interests of the people, and the people want their governments to rewrite economic rules to promote growth with shared prosperity. To shift government policies, we need to measure what matters to people.

Measuring what matters

Robert F. Kennedy said, over half a century ago, Gross Domestic Product (GDP) “*measures everything, except that which makes life worthwhile*”.

Rebuilding strong democracies and inclusive economies will require governments to change their approach – to look beyond the narrow view created by measuring the gains and losses of a country’s GDP. They must broaden their view to measure what really matters.

To rebuild trust:

1. People must be able to see how the wealth of their **economy** is being used to facilitate jobs growth with a target of full employment and with equal economic participation of women and inclusion of young people.
2. **Living standards** must be based on minimum living wages and collective bargaining to guarantee decent jobs.
3. Universal **social protection** and quality **public services** must be the bulwark against poverty. And this must be with **fair taxation** – where corporations pay their share in the country where profit is earned – collected and invested in vital public services including free public education, vocational education and lifelong learning, free healthcare, childcare and aged care, and sustainable infrastructure.
4. Responsibility for the **environment**, net-zero emissions and biodiversity protection (with

ocean and water purity) must be high on the political and legislative agenda and accounted for in a government's annual accounts

5. Fundamental **democratic rights and freedoms**, including human and labour rights, must be enforced, including mandated due diligence with grievance and remedy.
6. **Engagement of people** must be guaranteed with voting rights and fair electoral boundaries and processes. Engagement must go beyond the ballot box through consultation, tripartite structures and social dialogue, along with other measures that respond to the voices of the community. Through these means the rise of authoritarianism will be checked and extreme right-wing groups will lose their appeal to those who feel excluded.

The ITUC has identified a dashboard of six indicators set out in this report against which people want to see progress. These indicators are the standards to which we must hold governments accountable in order to deliver a fairer world as we move beyond GDP. This is how we can reframe government planning and reporting.

Rebuilding trust in democracy is essential to realise the ITUC ambitions for a 'New Social Contract', including effecting an inclusive recovery from Covid-19 and a Just Transition for workers and communities as we act to stabilise the climate crisis.

The ITUC Frontline Campaign 'Democracies for People' will:

- Work with trade unions and their governments committed to transparency and accountability for the broad set of six indicators that ensure governance for jobs and shared prosperity, financing public services, ensuring human and labour rights and an inclusive social democracy.
- Advocate and support financing the Sustainable Development Goals (SDGs) as the best framework for global resilience, which includes decent work, public services, social protection, equality and climate justice.

- Campaign for the implementation the SDGs, and the International Labour Organization (ILO) Centenary Declaration will go a long way towards a new social contract and rebuilding trust in democracy.
- Work with trade unions to monitor and expose the breakdown in the trust in democracy in other countries.
- Support trade unions in organising for democracy and universal franchise.
- Build alliances with civil society committed to broadening democratic accountability by government.
- Promote reform of multilateralism to value and support inclusive social democracy that ensures transparency and accountability by government for inclusive rights-based societies.

As the basis for global action, this report sets out the critiques of GDP and analyses the elements of the six rebalancing indicators to inform government reporting and policies with national case studies.

It will take political will, but together we can shift the political debate for governments to measure what really matters and use this new government accountability to build trust in democracy.

The consequences of the collapse of democracy are too severe to ignore.

Sharan Burrow,
ITUC General Secretary

Why do we need to look beyond GDP?

One of the key factors contributing to the decline in trust in democracy is the predominant use of GDP by many economists and decision makers. They see it as a measure summarising the general health of an economy and society in just one number. They use this as the basis to develop policies with the aim of maximising GDP, while ignoring other key considerations such as wages and working conditions, living standards and environmental sustainability.

GDP explained

The reliance on the GDP indicator alone is deeply flawed, as it only measures the size of economic production without necessarily reflecting how growth is shared, whether growth is reflected in improvements to living standards, or if it is compatible with other important objectives, such as the reduction in carbon emissions. It is also clear that while GDP growth is often viewed as a prerequisite for economic development, in practice rapid growth often does not translate into sound development policies and does not lead to improvements in areas such as health, education, care, nutrition and poverty reduction.

The shortcomings of GDP as the primary indicator for assessing economic and social progress have been acknowledged by major international institutions, such as the Organisation for Economic Co-operation and Development (OECD) and the European Commission, and some countries have started to make use of complementary or alternative indicators to guide decision-making.

With the devastating economic impact of the Covid-19 pandemic certain to be underestimated if it is only measured as impact on GDP, it is more urgent than ever to build measures that are not misleading, as is the case with GDP alone.

Moving beyond GDP

A number of initiatives have been developed by individual countries, as well as by the international community, to make use of alternative or complementary indicators to GDP in order to inform policymaking. These include the UN's Human Development Index (HDI), the UN Sustainable Development Goals (SDGs) indicators and the OECD's Better Life Index.

However, despite the increasing global consensus on the shortcomings of GDP alone as an indicator for framing government planning, and the existence of such alternative frameworks, this has not translated into a fundamental change in approach in government policymaking. There are some notable exceptions in New Zealand, Scotland, Iceland and Wales, where the broader approach to the well-being of everyone is being explored in government priorities and budgeting.

Our global economic model, which is focussed on maximising GDP above all other considerations, has failed. A new social contract is urgently needed, and policymakers must look beyond GDP to consider well-being and the quality of life. They must ensure decent work and quality living standards, promote access to public services and social protection, take necessary measures to confront climate change and promote a Just Transition, protect democratic rights and freedoms and promote meaningful participation in society.

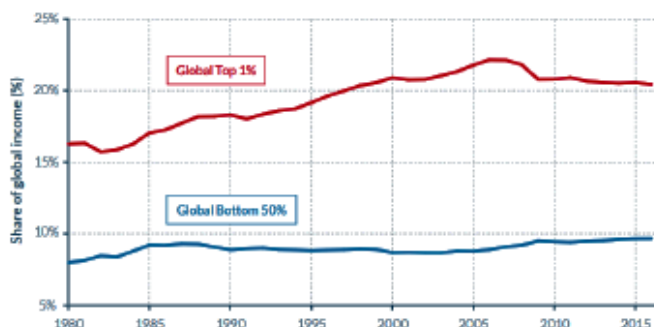
Moving from a single indicator to measure economic progress to a more balanced and comprehensive set of indicators would be a first, but necessary, step to place income and wealth distribution, well-being and sustainability at the centre of the policymaking agenda. It would contribute to restoring trust in the policymaking process and allow for the rebuilding of a very different global economic model to effect both recovery and resilience, which align people and the planet with economies and ensures resilience against future shocks.

Eight reasons GDP is an incomplete measure of economic progress

1. While GDP measures economic production, it fails to effectively capture how economic growth is distributed and who exactly benefits from this growth.

Moreover, growth rates of GDP do not say whether the increase in income that accompanies the GDP growth is broadly and evenly shared. Over past decades, the increased income associated with economic growth is being more and more captured by a select few, while the poorest half of the world's population have barely benefited from such growth. As the chart below demonstrates, the share of all global income generated going to the top 1% has increased substantially since 1980. In 2016, 22% of all global income generated was received by the top 1% of earners, compared to a mere 10% for the bottom 50%.

The rise in the top 1% versus the stagnation of the global bottom 50%, 1980-2016



Source: World Inequality Report (2018)

2. Such growing inequalities are indicative of an economic system that favours the wealthy and ignores the concerns of most people.

The ITUC Global Poll, surveying people from 16 countries across five different continents, found that more than seven out of ten respondents (71%) believe working people do not have enough influence on how the rules in the global economy are set and that the richest 1% of people have too much influence¹.

3. GDP as a stand-alone measure of economic performance also neglects to look at whether growth increases are reflected in improvements to workers' wages and working conditions.

In some countries, GDP growth has indeed been reflected in improvements in wages and living standards. It is also true that higher levels of GDP per capita tend to correlate with higher levels of health and education, higher wages and lower levels of poverty and unemployment. However, for many countries, GDP growth and higher levels of GDP per capita have not sufficiently translated into improvements in living and working conditions – and in past decades, GDP growth has greatly outpaced wage growth in most countries.

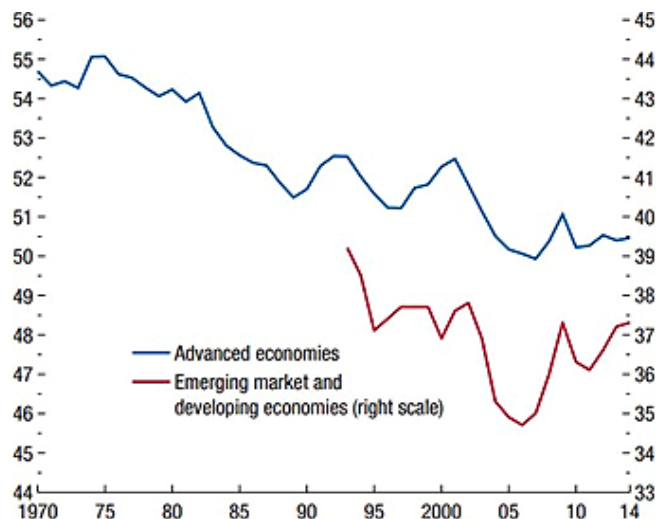
As shown below, the share of wages as a percentage of GDP (i.e., the labour income share) has substantially declined over past decades, in most advanced and emerging market economies, as wages have stagnated compared to productivity increases². The exception to slow wage growth has been, again, for top earners, who have seen their wages increase much more rapidly than wages in other income groups³.

4. Even before the onset of the Covid-19 pandemic, poor job quality and the proliferation of low-paid and precarious work had underpinned the decline of the labour income share.

Low or non-existent minimum wages, measures to casualise the labour market and efforts to restrict fundamental workers' rights have been regularly employed by policymakers to minimise labour costs and maximise profits at the expense of workers and their families – and such strategies have often been promoted by international organisations and financial institutions⁴.

In other words, in many countries, GDP growth is not being shared with the vast majority of working people through pay rises, but rather, it has often been pursued at the expense of workers' jobs and livelihoods.

Evolution of the labour share of income

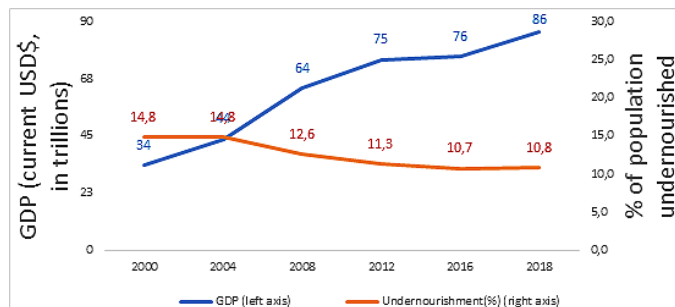


Source: IMF (2017) Drivers of Declining Labor Share of Income

5. While GDP captures the financial income that is generated by economic production, it fails to capture information about the wellbeing of workers and society as a whole.

Working conditions, poverty levels, and access to basic services such as health or education are all simply disregarded by national accounting. Over the past two decades, global GDP growth has nearly tripled, and GDP per capita has more than doubled⁵, while at the same time, the share of the people across the world who are undernourished has been reduced by a mere 4% (or by 28% overall), and progress on hunger reduction has stalled in recent years.

Global GDP (current USD, in trillions) and % of the global population undernourished (2000-2018)



Source: ITUC calculations based on World Bank data (GDP) and FAO data (undernourishment).

Note: 2018 undernourishment data are FAO projections.

As a further point of illustration, South East Asia has observed rapid economic growth over the past decade, with GDP increasing from \$1.1 trillion to \$2.5 trillion. However, an estimated 80% of people in the region still lack affordable services such as healthcare⁶. Likewise, the United States – with the highest levels of GDP in the world and among the highest levels of GDP per capita – in 2018 had 39.7 million people living in absolute poverty (around 12% of the population) and 27.5 million people lacking health insurance⁷. More recently, unemployment in the US reached 29.7 million despite the inadequate level of social protection provide by unemployment benefits in the country⁸.

6. GDP growth has not often translated into increased social investments.

Access to social protection – contributory or non-contributory – as well as basic services such as education and health remain a distant reality for a large share of the world's people. More than half the world lack access to social protection, and less than one third of the world's people are able to enjoy a comprehensive level of protection⁹. Social protection coverage has, moreover, significantly declined in some countries in recent years due to austerity measures, and the adequacy and sustainability of social protection systems have been called into question¹⁰. The widescale and rapid economic growth experienced globally over the last years should have been able to translate into rapid improvements to the livelihoods of the world's people, but this has not been the case.

7. The emergency of climate change has seriously called into question our current economic model of production and consumption, and in turn the use of GDP as the primary indicator to guide policymaking.

GDP neglects the environmental impact of countries' growth strategies by considering only the 'goods' being produced while not measuring the 'bads' – or negative by-products of such growth¹¹. Growth has often been pursued by countries through promoting environmentally damaging and resource-depleting activities, despite the fact that such strategies are unsustainable over the long term and pose major risks in terms of health, human well-being and even the long-term survival of life on earth.

Numerous studies show how an increase in GDP can often lead to an increase in resource depletion and energy use. While some countries have recently started to successfully decouple growth from carbon emissions¹², critics have, nevertheless, pointed out that such decoupling is often due to the outsourcing of environmentally destructive production processes to other countries¹³. To bring economic development in line with environmental sustainability and the protection of natural resources, an increasing number of economists have proposed to move away from our current linear production and consumption processes, which have an excessive GDP-growth focus, towards a circular economy¹⁴.

8. GDP largely neglects the contributions of the informal economy, and of women.

Unpaid and informal work, which are disproportionately performed by women, tend not to be included in GDP accounting, leading to an undervaluing by the indicator of women's contributions to the economy and broader society. Conservative estimates have shown that the unpaid work being undertaken by women across the world could amount to \$10 trillion of output per year, equivalent to around 13% of global GDP¹⁵. Informal workers account for over 60% of the global workforce, and in some countries this rate is significantly higher¹⁶. For example, the contribution of informal workers to the economy in India – who account for around 90% of the workforce – has been estimated to account for 62% of the country's GDP; however, this contribution is not counted in official estimates¹⁷.

Moving beyond GDP: Existing Initiatives at country and international level

Several countries have acknowledged that GDP is an incomplete measure of economic and societal performance and have explicitly decided to use alternative or complementary indicators to inform policymaking.

Belgium's national statistical institute is publishing complementary indicators to GDP based on the UN SDGs. Belgian social partners are currently discussing how to enrich the indicator set, which would help to further inform policy debates.

Bhutan has developed a Gross National Happiness (GNH) index, considering a number of domains including psychological well-being, health, time use, education, environmental sustainability and living standards, which it considers before GDP to inform policy.

The **New Zealand** Treasury Department must consider social and natural considerations and not only GDP in its economic planning.

Italy's budget law requires that 12 indicators, including on equitable and sustainable well-being, must be reported to the parliament every year before budget discussions.

Iceland and **Scotland** are developing wellness frameworks for government accountability.

Denmark's national statistical institute is regularly publishing a wide range of complementary indicators to GDP regarding the environment, living conditions, taxes, and public services, among others, to inform the policymaking process.

At the international level, the **Human Development Index (HDI)** developed by the UN is a composite indicator looking at countries' performance in the following domains: life expectancy for health, expected years of schooling and mean years of schooling, and gross national income per capita. However, in practice, this indicator tends to correlate strongly with GDP per capita.

The **UN SDG Indicators** have been developed to track progress towards countries' commitments towards the Agenda 2030 Objectives for Sustainable Development, cutting across a range of objectives including poverty reduction, gender equality, decent work and economic growth, health, nutrition, education, climate action and the reduction of income inequality.

Going beyond GDP: Six rebalancing indicators to inform government reporting and policies



Critics of GDP have rightly highlighted that what we measure affects what we do, and if measurements are limited or flawed, decisions may be distorted¹⁸. To address the divide between the measurement of economic and societal performance and the realities faced by working people and citizens, complementary measures to GDP are necessary, and measures need to be taken to incentivise governments to look beyond GDP-focussed policies. This point was reiterated by the ILO Global Commission of the Future of Work, which highlighted the need not only to develop supplementary indicators of progress – including those related to well-being, environmental sustainability, and equality – but also adapt policies and reshape business incentive structures¹⁹.

A new set of indicators

Unions propose a dashboard of indicators to complement GDP, which would capture the key elements of a well-functioning society and economy. This is all the more important in relation to employment, with the likely prospect of existing policies leading to yet more 'jobless growth'. Such indicators would cover the following:

- **Economy:** indicators capturing not just economic output, but also how income and wealth are distributed among the population, and how growth translates into more and better jobs. GDP can continue to be used as one

indicator, along with GDP per capita, though efforts should be made by governments to improve the GDP indicator in order to reflect valuable economic contributions that are currently not captured by GDP (e.g., unpaid care work, contributions of the informal economy). Moreover, additional economic indicators could include those measuring income inequality (e.g., Gini), the labour-income share, net job growth and gender inequalities in the labour market.

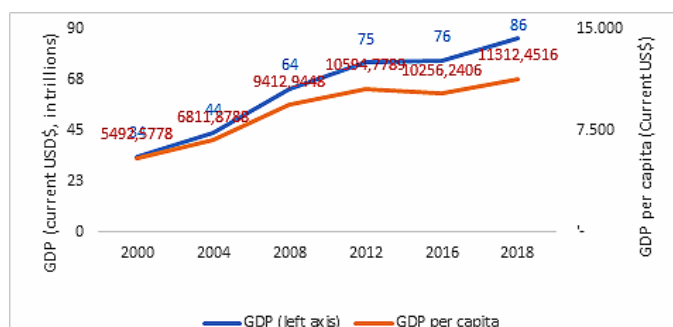
- **Living standards:** indicators capturing whether people have access to decent living standards. Such indicators could include the cost of living, average and median wages, wages growth, and minimum wages. Poverty rates would also be important, but such estimates need to be credible, nationally specific and based on the cost of living, rather than relying on the World Bank poverty line²⁰.
- **Tax, social protection and public services:** indicators capturing how resources are taxed among a population and invested in critical benefits and services. Indicators can include those that measure the progressiveness of taxation, social protection coverage, and access to essential public services, such as health, education, childcare and elderly care.
- **Environment:** indicators capturing environmental sustainability, which could include those tracking progress towards net-zero emissions, levels of pollution, and the existence of agreed Just Transition measures, among others. Workplace health and safety would also be important to take into account.
- **Democratic rights and freedoms:** indicators capturing the respect for fundamental human and labour rights, which could include the ITUC Global Rights Index, collective bargaining coverage and social dialogue, as well as a means of capturing migrants' rights. Workplace democracy measures could also be taken into account.
- **Engagement of people:** indicators capturing the extent to which citizens are engaged in the decisions that affect them, as well as the level of government transparency. This can include policy consultation, voting rights, the existence of tripartite institutions and processes, anti-corruption measures, among others.

An explanation of why each of these sets of indicators is relevant for moving government reporting beyond GDP is discussed in the six following subsections.

1. Economy

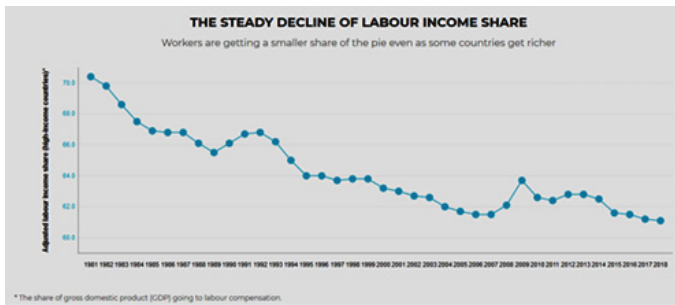
When examining the health of an economy, GDP provides important insight to policymakers, as it shows the total value of goods and services produced within a country, thereby providing an illustration of the economy's size. GDP per capita is also a useful indicator, as it shows the size of the economy in comparison to the size of the population – thus making it easier to compare if economic growth is rising in line with population growth and also making it easier to compare economies with different population sizes. **However, examining GDP and GDP growth alone are not capturing how the fruits of the global economy are being shared among the world's people.**

Growth of global GDP and GDP per capita



Source: ITUC calculations based on World Bank database (2018 data – latest available)

Both global GDP and GDP per capita have substantially risen over the last two decades; global GDP has nearly tripled and GDP per capita has more than doubled. **But during this period of rapid growth, wages have stagnated globally and have not kept pace with rising productivity.** Global real wage growth has fallen behind economic growth, rising only 1.6% in 2017, the lowest since 2008²¹, and the share of wages as a percentage of GDP has fallen dramatically across most countries²², as economic growth has not been shared with working people through pay rises.



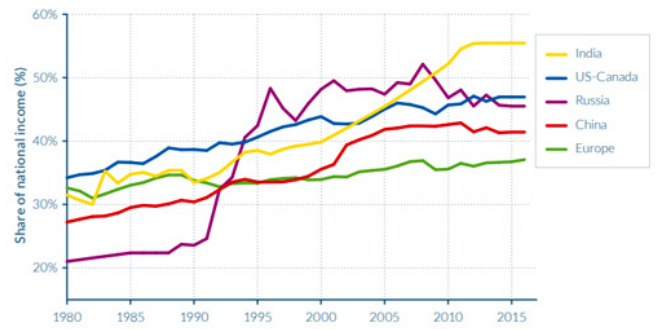
Source: ILO based on European Commission (AMECO data)

Global GDP growth has also not been accompanied by sufficient increase in job creation. According to the ILO, almost half a billion people lack adequate access to paid work or are underemployed, i.e., working fewer paid hours than they would like²³. Not enough jobs are being generated, and unemployment is projected to increase by around 2.5 million people in 2020 alone²⁴. And for those who are employed, job quality remains a major concern as low paid, precarious and informal jobs are on the increase in many countries.

Income inequality is high and rising in most countries. Currently, the world's 2,153 billionaires have more wealth than 4.6 billion people – 60% of the planet's population²⁵, and just 50 companies hold a combined wealth equivalent to that of 100 countries²⁶. For some, the Covid-19 pandemic has been a windfall, with Amazon boss Jeff Bezos increasing his wealth by \$13 billion in just one day, (20 July 2020). His personal wealth is now estimated at \$189 billion²⁷.

The top 10% of richest people hold an increasing share of the world's income (as shown in the chart below), while the middle class have seen their share of the global income decline to 38%, compared to 43% in 1980²⁸. Growing income inequalities are undermining social fairness, contributing to growing poverty and social exclusion, and threatening social cohesion²⁹. They are also undermining sustainable economic progress³⁰ and must be considered by policymakers when monitoring the size and health of economies.

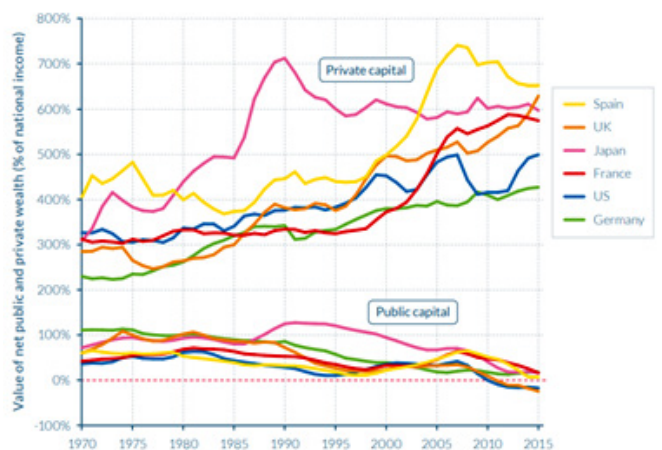
Evolution of the share of national income held by the top 10% richest people, selected economies



Source: World Inequality Report 2018 – based on WID world 2017

The rise in income inequality has coincided with a significant increase in private wealth in comparison to public wealth (i.e., total public assets minus debts) in recent decades. The World Inequality Report shows how countries' economies continue to become richer, but governments are becoming poorer. This is due to very large transfers of public wealth to private control in nearly all countries, whether rich or emerging and often in the context of privatisation policies³¹. Decreasing public wealth limits governments' ability to regulate the economy and its private economic actors – who are becoming increasingly powerful forces in the economy – and hinders the capacity of governments to redistribute income through labour market policies, taxes and social protection.

The rise in public capital versus the decline of private capital, selected economies



Source: World Inequality Report 2018 – based on WID world 2017

Gender inequalities in work and care are persistent across the world. Women are significantly underrepresented in formal employment and overrepresented in low-paid, precarious work due to unequal distributions of care work between women and men, lack of affordable quality care services,

gender stereotypes and discrimination. The current global labour force participation rate for men is 74%, while for women it is only 47%³², and women earn on average around 20% less than men for every hour worked.

Moreover, every day, women and girls around the world perform an estimated 12.5 billion hours of unpaid work, according to the ILO. This work is estimated to have a monetary value of \$10.8 trillion a year – around 13% of global GDP, or three times the size of the global tech industry³³. However, such unpaid care work is not counted in GDP calculations, nor is work in the informal economy, which covers 60% of the world’s workers, and in which women are disproportionately represented³⁴.

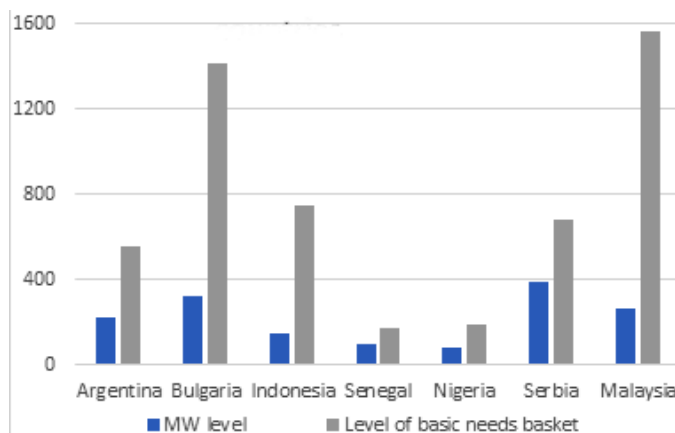
Crucial to tackling the gender gaps is major investment in care, which not only reduces the gaps, but stimulates job creation within, and outside, the care sector, mainly for women but also for men³⁵.

Governments must look to expose these economic inequalities through how they choose to measure economic success. This would act as a means of restraining some of the worst effects of being guided solely by measuring GDP.

2. Living standards

Millions of working people across the world are not earning enough to live in dignity. Low wages, and inadequate or non-existent minimum wages, make it impossible for workers to provide a decent living for themselves and their families. According to the ITUC Global Poll, 83% of people in 13 of the G20 countries believe that the minimum wage is not enough to live on. An estimated 300 million workers in emerging and developing countries currently earn less than \$1.90 per day, and a further 430 million workers in emerging and developing countries earn between \$1.90 and \$3.10 per day³⁶, with millions more living below what is needed for them and their families to live a life of dignity. For many governments, maintaining low labour costs through low wages has been a strategy to try to attract investment and pursue economic growth, but mounting evidence shows that such an approach neglects the negative impact of poverty wages on aggregate demand, productivity and formal employment³⁷.

Minimum wage levels vs. cost of living for an average family (in USD), selected countries



Source: ITUC regional minimum wage forums, national ministries
 Note: In the case of multiple minimum wages, the lowest one was selected. Cost of living baskets are calculated on the basis of an average-sized household.

Despite decades of successive global commitments to reduce poverty, it remains persistent across the world and is rising in some countries. While some international bodies, such as the World Bank, claim that poverty has reduced over recent years, national and regional estimates contradict these findings. A 2018 report from the UN Economic and Social Commission for Asia-Pacific highlights that 520 million people in the region are undernourished, and 1.2 billion people lack access to basic sanitation. Estimates from the UN’s Economic Commission for Latin America and the Caribbean’s (ECLAC) show that both poverty (29.6%) and extreme poverty (10.2%) have been increasing since 2012.

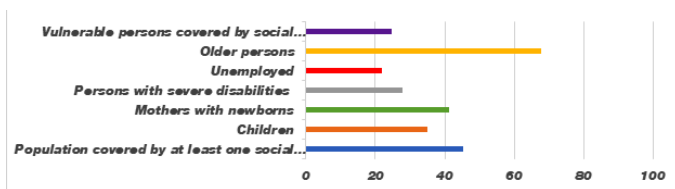
By measuring living standards, as opposed to only GDP, governments have nothing to fear. Raising wages, tackling poverty and improving overall living standards all have broad economic benefits. While employers often argue that raising the minimum wage would have negative effects on companies’ abilities to operate, thereby reducing jobs, the vast majority of literature has shown that minimum wages have little to no effect on employment³⁸. Studies in emerging economies, such as those of Brazil, Indonesia, India and South Africa, suggest that the minimum wage has either an insignificant or a positive impact on employment and a positive impact on poverty and income inequality³⁹. ITUC research has also shown that an increase in the minimum wage in order to ensure a living wage would represent a fraction of the profits made by the major corporations, where the profits for every worker in their supply chain can be as high as \$17,000⁴⁰. The OECD has, moreover, highlighted the increased skill use and higher

productivity that results from higher minimum wages, in addition to the reduction in in-work poverty⁴¹.

3. Tax, social protection and public services

Social protection is an internationally recognised human right; however, global coverage remains alarmingly low. Less than a third of the world's population are covered by comprehensive social protection systems, and less than half have access to at least one social protection benefit. Specific groups are disproportionately left out, such as women, migrants, informal workers, and those in precarious forms of employment – putting them at disproportionate risk of poverty and exclusion. Even when people do have access to social protection, benefit levels are often dismally low and insufficient for ensuring dignified livelihoods. Recent social security retrenchments, combined with the rise of non-standard forms of work, are further threatening the adequacy, coverage and financing base for social protection and leading workers to be increasingly vulnerable⁴².

Effective social protection coverage, global estimate, by population group (percentage)



Source: ILO World Social Protection Report 2017-2019⁴³

Government investment in public services – including healthcare, education and care services – plays a crucial role in reducing poverty and vulnerability, promoting health, skills development and employability, and supporting equal opportunities. However, public service provision is unacceptably low in many countries. Due to a lack of affordable healthcare, an estimated 800 million people spend at least 10% of their household income on out-of-pocket health expenditure, out of which 100 million are pushed into extreme poverty⁴⁴.

The availability of formal care services is also limited in many countries. Over 35.5 million children below the age of five are left at home without an adult due to a lack of alternative care options⁴⁵, and many more millions of women remain out of the labour market

because of lack of affordable care services⁴⁶. In 2016, 263 million children and young people were out of school, representing nearly one-fifth of the global population of this age group⁴⁷.

While some governments and international institutions often put forward the unaffordability of universal social protection and public services as a reason for cutbacks, or not expanding coverage, **evidence shows that extending social protection and public services is economically feasible in most countries.** Estimates from the Friedrich-Ebert-Stiftung show, for instance, that in the short term, 71 countries could achieve social protection floors for all by allocating an extra 2% of GDP or less. **Closing these finance gaps is, therefore, largely a question of political will⁴⁸.**

In addition to being affordable, investing in social protection and public services has broad benefits for communities and the wider economy. It has been shown to have positive effects on skills, employability and overall productivity⁴⁹. Formal care services for children and older people also remove a barrier to women entering and remaining in the labour market, which in turn further boosts tax revenue and social security contributions.

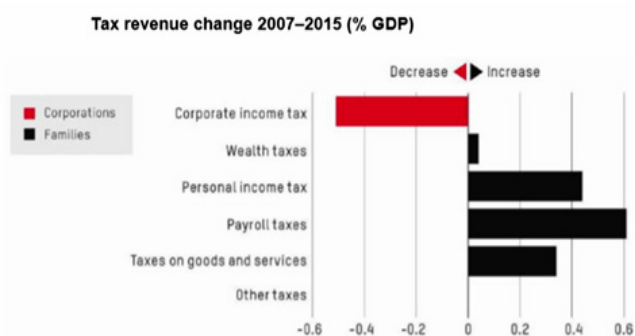
There are also wider macroeconomic benefits, including increased aggregate demand. Studies have shown that during the 2008 financial crisis, countries that had effective social protection systems were able to respond to the crisis better because such benefits cushioned consumption and prevented crises from getting worse. The cost of spending on social protection was typically half the economic cost of rising unemployment that could have happened⁵⁰.

Fair taxation is essential for ensuring a solid financing base for social protection and public services. In some countries, a higher tax burden is placed on the poorest income groups rather than the richest. For example, in Brazil and the UK, the poorest 10% of the population pays a higher share of their household income as taxes than the richest 10%⁵¹.

Tax rates for wealthy individuals and corporations have been reduced or have stagnated over recent years, compared to taxes on ordinary working people and families (see chart below). For example, the top rate of personal income tax in rich countries fell from 62 % in 1970 to just 38 % in 2013, and the average rate in poor countries is just 28 %⁵². Estimates from Oxfam

show that a 0.5% tax on the 1% wealthiest people alone could result in an increase in tax revenue that is higher than the annual spending needed to educate 262 million children out of school and provide the healthcare needed to save 3.3 million lives⁵³. In addition to redressing the long-established injustices in tax systems, new taxes, including ‘digital’ taxes on the super-profits of multinational digital behemoths, need to be introduced.

All responsible governments, looking to move beyond GDP, should measure their citizens’ access to social protection, the extent of investment in public services and the fairness of the taxation system. By doing this, some of the worst examples of social inequality can be exposed, challenged and overhauled.



Source: Oxfam (2019) Public good or private wealth

4. Environment

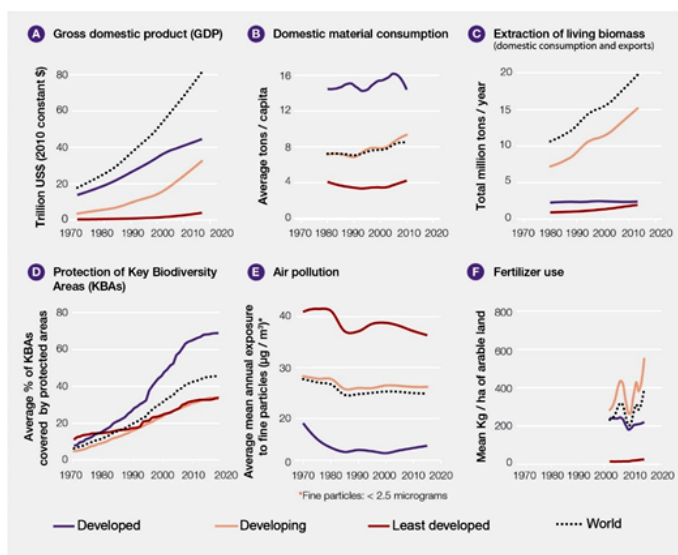
While economic growth has contributed to increased prosperity for some, especially in developed economies, the impact on the environment through natural resource use, pollution and waste generation has increased substantially. Unsustainable production and consumption patterns are calling into question our current economic model.

The sixth Global Environment Outlook (GEO-6) of the United Nations Environment Program came to the conclusion that the world is not on track to achieve the environmental dimension of the Sustainable Development Goals or other internationally agreed environmental goals by 2030, nor is it on track to deliver long-term sustainability by 2050⁵⁴:

- Past and present **greenhouse gas emissions** have already committed the world to an extended period of climate change with multiple and increasing environmental and society-wide risks.

- **Air pollution** is projected to continue to have significant negative effects on health and cause between 4.5 million and 7 million premature deaths annually by mid-century.
- **Biodiversity loss** from land use change, habitat fragmentation, over-exploitation and illegal wildlife trade, invasive species, pollution and climate change is driving a mass extinction of species, including critical ecosystem service providers, such as pollinators.
- **Marine plastic litter**, including microplastics, occurs at all levels of the marine ecosystem and also appears in fisheries and shellfish at alarming levels and frequency.
- **Land degradation** is an increasing threat for human well-being and ecosystems, especially for those in rural areas who are most dependent on land for their livelihoods.
- **Natural resources**, including fresh water and oceans, are often over-exploited, poorly managed and polluted.
- **Antibiotic-resistant infections** are costing more than 700,000 lives each year worldwide – a figure that was already predicted to increase greatly prior to the Covid-19 pandemic. The impact of the pandemic on health services is likely to push up that figure even more.
- The harmful impact of **inappropriate use of pesticides, heavy metals, plastics and other substances** is of significant concern, as such compounds appear in alarmingly high levels in our food supply.

There are important differences between developed, developing and least developed economies in terms of the environmental sustainability of their economies (see below figure)⁵⁵. Global GDP has risen fourfold in real terms, with the vast majority of growth occurring in developed and developing countries (A). Extraction of living biomass (e.g., crops, fish) to meet the demand for domestic consumption and for export is highest in developing countries and rising rapidly (B). However, material consumption per capita within each country (from imports and domestic production) is highest in developed countries (C). Overall protection of Key Biodiversity Areas is rising, being highest within developed countries (D); air pollution is highest in least developed countries (E), while the challenges of non-point-source pollution from the use of fertilizers are highest in developing countries (F).



Source: IPBES (2019) *Global Assessment on Biodiversity and Ecosystem Services*

With this clear and present threat to all life on earth, governments should consider additional measures, which could require changes to their citizens' way of life and which can keep their economy within planetary limits.

These measures should require the country to move towards net zero CO₂ emissions by 2050, reduce material use and reward a circular economy that cuts pollution and waste. This applies in the first place to the heavy consumers, which are mainly in richer countries.

Equally pressing is the need to measure moves to achieve a Just Transition. This should manage the change to consumption and production processes that are vital to reverse the threat of climate change. As an economy-wide process, it can produce the plans, policies and investments that lead to a sustainable future with full employment, decent work and social protection.

An effective Just Transition process requires social dialogue between governments, employers and workers' unions to develop the measures that build trust and guarantee secure income support for affected workers along with skills training and redeployment services. Already 80 countries have agreed to Just Transition measures as part of the UN Climate Action Summit⁵⁶ and the Silesia Declaration⁵⁷. However, implementation of these plans is urgently needed. Moreover, only a small fraction of countries have updated their nationally

determined contributions (NDCs) (their national plans on reducing greenhouse gas emissions as part of the United Nations Framework Convention on Climate Change) to include Just Transition measures.

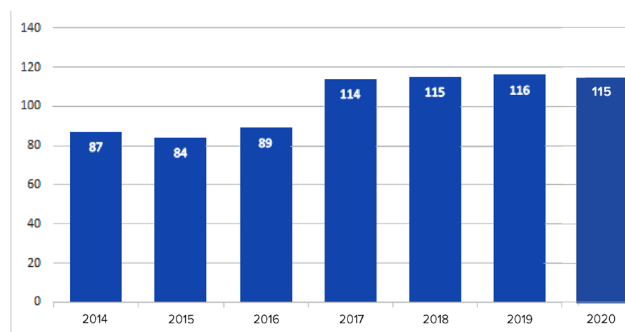
5. Democratic rights and freedoms

Democracy is in crisis around the globe and democratic space is shrinking steadily. The 2020 ITUC Global Rights Index exposes the systematic attempts to undermine freedom and democracy and shows how such violations have increased over the past six years. In 2020, 56 countries denied or constrained freedom of speech and assembly, while globally there is an alarming erosion in the commitment of governments to democratic processes and pluralism⁵⁸.

Trade union rights, including freedom of association, the right to collective bargaining and the right to strike, are particularly under attack. The breakdown of the social contract between working people, government and business has seen the number of countries that exclude workers from the right to establish or join a trade union increase from 92 in 2018 to 106 in 2020⁵⁹.

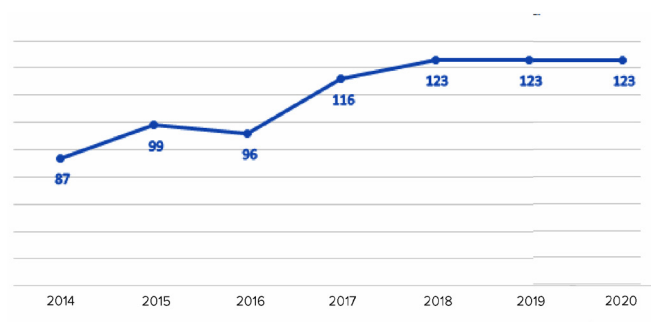
Furthermore, collective bargaining has come under pressure in many countries since the financial crisis of 2008. On average across OECD countries, collective bargaining coverage shrunk by a fourth, from 45% in 1985 to 32% in 2017⁶⁰. In 2020, serious violations of collective bargaining were recorded in 115 countries while 123 countries violated the right to strike⁶¹.

Number of countries where violations of collective bargaining rights have been reported



Source: ITUC (2019) *Global Rights Index*

Number of countries where violations of the right to strike have been reported



Source: ITUC (2019) Global Rights Index

Authoritarian, right-wing governments destroy democratic space, rights and freedoms, including freedom of speech, freedom of association and freedom of assembly. The 2020 Global Rights Index documents several countries that permit criminal prosecution under vaguely defined defamation laws against political dissidents and civil society activists, levelling accusations of corruption and reporting a worsening economic and political situation. Moreover, migrants and other minority groups have borne the brunt of recent state abuses in both democracies and authoritarian countries. Left unchecked, such violations threaten the freedom of entire societies⁶².

Trust in democracy is broken. Only one third of the world's people believe that their voice matters. Young people are giving up on democracy. Only 30% of Americans born in the 1980s think it is 'essential' to live in a democracy, while just 32% of European millennials see democracy as one of their top five most important social values⁶³.

Corruption corrodes the fabric of society. It undermines people's trust in political and economic systems, institutions and leaders⁶⁴. The 2019 Corruption Perceptions Index shows corruption is more pervasive in countries where big money can flow freely into electoral campaigns and where governments listen only to the voices of wealthy or well-connected individuals⁶⁵. In Latin America, for example, 90% of the economy is controlled by right-wing governments⁶⁶.

Meanwhile, the systematic dismantling of the foundations of democracy and the violent repression of protests put at risk peace and stability.⁶⁷ Repression and denial of access to justice is being used to silence the age of anger⁶⁸.

Democracy really matters – governments must put it at the centre of the ways they measure the success of their country. Recent protest movements in every region of the world have illustrated widespread, popular demand for better governance, and the deficit that exists between what people want and what governments are delivering.⁶⁹

By adopting better measures of democratic rights and freedom, countries can expect to develop economies and societies that are fairer than those judged by GDP alone. People want their governments to rewrite economic rules to promote growth and share prosperity. According to the ITUC Global Poll, 85% of people want to change the rules of the global economy. They want governments to act in the interests of people⁷⁰. Central to this is implementing the promises made in the ILO Centenary Declaration, which would ensure recovery and resilience in the global economy⁷¹.

To achieve this, governments will need to reframe planning and reporting to ensure accountability, transparency and respect for the rule of law. Strong democracies are built on these foundations. If people are not guaranteed voting rights and fair electoral boundaries and processes; if they are not engaged beyond the ballot box through consultation, tripartite structures and social dialogue; if other measures to capture the voices of the community are ignored, then the rise of authoritarianism will not be checked and extreme right-wing groups will continue to appeal to those who feel excluded⁷².

6. Engagement of people

Giving people a voice is vital to deepen trust in democracy. Almost 40% of people believe that governments do not listen to their voice or act on their concerns⁷³.

Other research suggests that the younger the person, the stronger the feeling and often the greater the experience of exclusion. While governments should accept responsibility for governing, in all strong democracies leaders must actively listen and respond to their citizens' concerns. Healthy democracies should facilitate a range of mechanisms to ensure their citizens and residents have a say in decisions that affect their lives. The challenge is how to do this beyond the ballot box so as to give a voice to people between elections and allow them to really engage with the issues.

Trade unions are the embodiment of engagement of people, both in their working lives and in society at large. Constraints on union organising and bargaining diminish this, but even where these rights are properly respected, there are additional ways to engage people.

Rather than only engaging in periodic, subjective measures of a country's 'success' – whether that be GDP or something else – governments should accept that democracies must be open, transparent and accountable at all times, and they must provide the means to achieve this. Where protest movements expose shortcomings and governments are forced to consider people's concerns, participatory processes must be designed to improve the quality of democracy.

Citizens juries/Citizen assemblies

One approach is deliberative 'mini-publics' – often called 'citizens' juries'. These processes are called juries because they are modelled on a court jury where people are selected to be a representative group of their peers to deliberate on an issue. These juries are also called 'mini-publics' because they are selected in a way to match the demographics of the affected community. Invitations are distributed randomly, and then from the people who register to participate, another representative, semi-random selection creates the final group. Studies show that the overwhelming majority of these people have not previously had the opportunity to participate in decisions that affect them. This is one way of deepening and extending democratic practice and giving communities a greater voice.

These mini-publics then meet over a number of sessions, with the support of rigorously independent, skilled facilitators, to hear from and question experts and work together as a community to identify the challenges, opportunities and solutions to problems facing their community. The aim is for the mini-public to develop a set of consensus recommendations to present to the decision makers. The regularity by which a shared community vision is reached is a striking feature of these democratic innovations.

Results show that this process achieves greater transparency in the processes of government by both deepening the quality of community engagement undertaken by decision makers and by giving those communities some direct ownership of the decision

making. This is highly valuable in securing decisions by government that best align with the real needs of communities. It minimises the risk of public policy being limited by biases among decision makers or ignored through lobbying by powerful interests.

Giving people a voice through the use of sortition – the representative selection of people from the community – is also gaining popularity for cities, community representation, allocation of work in some cooperatives and other consultation or representative mechanisms.

In **Australia**, local and state governments and statutory utilities are using citizens' juries to engage the community on issues such as policy priorities, [budgeting](#), [water pricing](#), [gender equity quotas](#) and [infrastructure planning](#)⁷⁴.

In **Ireland**, the government has commissioned a number of [citizens' assemblies](#) to advise on constitutional questions that have then gone to referendum, such as marriage equality, abortion reform and, currently, gender equality⁷⁵.

In **Belgium**, [regional governments](#) have established [citizens' assemblies](#) to sit alongside Parliament and advise on issues identified by citizens⁷⁶.

The **Citizens' Assembly of Scotland** (*Seanadh Saoranaich na h-Alba*) was established with 100 people in 2019 by the [Scottish government](#) to deliberate on three broad issues of Scottish society:

- What kind of country are we seeking to build?
- How can we best overcome the challenges we face, including those arising from Brexit?
- What further work should be carried out to give people the detail they need to make informed choices about the future of the country?

In **France**, following civil unrest, a coalition of 'greens and yellow vests' ('the citizens vests') published, in January 2019, an open letter calling on President Macron to set an assembly as a way out of the democratic, social and ecological crisis. This was a powerful call thanks to the presence of leading figures from the green and social movements. It resulted in 'the Citizens' Convention for Climate', consisting of 150 citizens invited from randomly generated phone numbers. This [citizens' assembly](#) was asked to formulate propositions to 'reduce the

French emissions of [greenhouse gases](#) by at least 40% compared to 1990, in a spirit of social justice'. Some 150 proposals have been formulated and submitted for action.

Digital engagement

While most deliberative processes are held face-to-face, there is an increase in online processes to engage younger people, people from across regions or countries and people who are unable or unwilling to attend face-to-face meetings. One platform that has been used for this purpose is [Synthetron](#), which was used as part of the initial [G1000 in Belgium](#)⁷⁷ and has engaged young people from eight countries for the [Global Youth Climate Pact](#)⁷⁸.

Online consultation mechanisms can potentially eliminate many of the barriers to including people's voices at all levels of governance. There is a growing number of governments including both a more transparent and broadly based approach to priority setting, budgeting and planning, with both deliberative consultation methods and public reporting on measures beyond GDP.

Wellbeing Governments

Scotland, New Zealand, Iceland, and Wales agree that 'development' in the twenty-first century entails delivering human and ecological well-being. As a collation of 'wellbeing governments' (WEGo)⁷⁹ they commit to:

- Collaborate in pursuit of innovative policy approaches to create wellbeing economies – sharing what works and what does not in order to inform policymaking for change.
- Progress toward the UN Sustainable Development Goals, in line with Goal 17, fostering partnership and cooperation to identify approaches to delivering well-being.
- Address the pressing economic, social, and environmental challenges of our time.

They are supported by the Wellbeing Economy Alliance⁸⁰, an NGO that is aligned with the ambitions of the ITUC Frontline to Rebuild Trust in Democracy and believes that the engagement of people is critical because social dialogue works.

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