**OHCHR Workshop: Session 2: “Critical reflection on progress, challenges and the future of economic, social and cultural rights”**

**Monday, 6 February at 15:00-17:00 CET**

**Question: How can countries heed the wake-up call that COVID rang (by revealing the huge coverage and adequacy gaps in social protection systems) in a fiscally-constrained context that we have today in many countries**?

**Responses by Shahra Razavi (after thanking OHCHR and the moderator).**

Let me first put your question in its context: The COVID-19 pandemic hit the world at a time when many countries had not yet recovered from the 2008 global financial crisis. After nearly a decade of fiscal austerity, most countries were struggling to address a range of challenges that have now been further exacerbated by the pandemic.

Like the 2008 global financial crisis before it, the pandemic underscored **the universal need for social security in a context where large numbers of people, especially those who were working informally, found themselves with no social protection to fall back on**.

According to ILO data, in 2020 when the pandemic hit the world, 53.1 percent of the global population, or 4.1 billion people, was not covered by social protection. To give you some specific components of this average, 73.6 percent of children globally were not receiving social protection benefits.

However (and this is my second point), the right to social security was recognized as a human right in the Universal Declaration of Human Rights, that is 75 years ago, in the aftermath of the ravages of World War Two.

Today, 171 States have committed to guaranteeing the human right to social security to everyone within their national boundaries by becoming a party to the International Covenant on Economic, Social, and Cultural Rights (1966). As such, States have the primary and overall responsibility to ensure the full realization of the human right to social security without discrimination through the design and implementation of rights-based social security systems that respect a number of overarching principles that are set out in human rights instruments and in international labour standards.

Hence, heeding the call of COVID means investing in social protection systems, extending coverage, guaranteeing its adequacy, and ensuring that social protection systems are rights-based. This means that States have a duty to create the needed fiscal space to enable the realization of this right. Comment No. 19 (of UN Committee on ESC Rights) says that States need to make every effort to use the maximum available resources to satisfy, as a matter of priority, the realization of the human right to social security, and periodically revise them as necessary.

So today, the question is no longer whether to build social protection systems. In fact, there is unanimity that universal social protection systems are a prerequisite for sustainable development. COVID-19 confirmed this. Moreover, **the social protection responses to COVID-19 have raised expectations that the gaps in social protection can be closed, and must be closed, in anticipation of the multiple crises the world is facing, not least the climate-related ones.**

**However (and this takes me to my third point), the alarm bell that the pandemic rung about the urgency of investing in universal social protection is today being muffled by the fiscal constraints that many countries, especially developing countries, are facing.**

Last year,Eurodad released a report exposingthe dangers of a post-pandemic austerity wave that is gripping the world, far more severe than the one that followed the global financial crisis. The report finds that 143 countries - including 94 developing nations - are implementing policy measures that undermine the capacity of governments to provide education, healthcare, social protection, and other public services.

**In this context, mitigating the risk of fiscal austerity will require renewed efforts to identify financing options. My final point is that countries have a range of options at their disposal to fund social protection and usually use a mix of schemes and financing mechanisms to achieve universal social protection.**

Some countries have extended social security finance by **increasing contributory revenues**. For example, Argentina, Brazil, and Indonesia simplified administrative procedures to enroll and pay contributions.

* + Others have implemented communication campaigns to show the positive impact of social security. This was the case in Japan, which introduced on-site pension lessons in schools and developed study tools.
  + In some countries authorities strengthened social security contributions collection by preventing fraud. For instance, in Oman, Saudi Arabia and Spain fraud detection systems were developed using data analysis, predictive analytics, and data exchange with other public agencies
  + While Mexico provided the employees monthly reports on the contributions made by the employers as a measure to address under-declaration.

**Other countries have increased their tax revenues**:

* + Examples include **voluntary tax compliance programmes** introduced in Argentina, Indonesia, Spain
  + Environmental taxes represent another opportunity to increase social protection finance
    - Estimates show that increasing the price of carbon emissions to EUR 30 per tonne of CO2 emissions (a conservative estimate of the social cost of carbon emissions) would generate additional revenues of about 5% of GDP in India, about 1% in Argentina, Australia, Brazil, Canada, Mexico, Turkey and the United States, and of about 0.5-1% in France, Germany, Italy, Japan, Netherlands, Republic of Korea, Spain, United Kingdom.
  + Fighting transfer pricing—the practice of shifting profits from countries with higher corporate taxation to those with lower taxation—is another option to increase tax revenues. Some countries still lack adequate legislation to counter this harmful practice. For instance, Switzerland has pledged to adhere to the OECD guidelines on transfer pricing, however, no formal implementation into Swiss law has been enacted. Conversely, many countries, such as Germany, have incorporated the guidelines into their legislation. The OECD regularly publishes transfer pricing country profiles to facilitate the exchange of information and determine the most effective legislation to end this unacceptable tax loophole. However, it is worth noting that the information is currently limited to only 68 countries.
  + The implementation of wealth taxes could serve as another solution for augmenting tax revenues. For instance, if a global wealth tax of 0.5% were to be levied on individuals with wealth exceeding 2 million USD, it would translate into 337 billion in tax revenue.[[1]](#footnote-2) This substantial amount, alone, would be sufficient to bridge 28% of the financing gap for achieving universal coverage of Social Protection Floors in 2020.[[2]](#footnote-3)

**Reducing illicit financial flows** is another avenue to unlock social protection finance. The ILO estimates that success in fighting illicit financial flows would alone free up more than ten times the annual total of official development assistance (ODA) disbursed and received across the globe.

Finally, while only States are parties to human rights treaties, enterprises, trade unions, employer associations, and associations representing social security beneficiaries have responsibilities in realizing the right to social security as an essential and integral component of the right to decent work. The international financial institutions (IFIs) too should take into account the right to social security in their lending policies, credit agreements, and other operations, so that the enjoyment of the right to social security, particularly by disadvantaged and marginalized individuals and groups, is promoted and not compromised.

In summary, today we have considerable unanimity on the need to build universal social protection systems if we want to move away from merely reacting to crisis upon crisis, to being able to pro-actively anticipate and equitably manage the different transitions that are pending – environmental, social and economic. Nearly all states have committed to guaranteeing the human right to social security to everyone within their national boundaries which means that they have a duty to create the needed fiscal space to enable the realization of this right. And all countries, including low-income countries, have options at their disposal to create fiscal space for social protection, especially if these efforts are positively enabled rather than hampered through coordinated measures by non-state actors, including IFIs, that have the obligation to take into account the right to social security so that its enjoyment is promoted and not compromised.

Notes in case questions are asked on financing gap:

* Comparing the cost of a set of benefits that could constitute a social protection floor with current spending on social assistance generates estimates of the financing gap to be closed if SDG targets 1.3 and 3.8 are to be achieved.
* L**ow-income countries** would need to invest an **additional** **US$77.9 billion or 15.9 per cent of their GDP** to close the annual financing gap in 2020
* **Lower middle-income countries** would need to invest an additional **US$362.9 billion or 5.1 per cent of their GDP**
* While **upper middle-income countries** would need to invest an additional **US$750.8 billion or 3.1 per cent of their GDP**
* When **all low, lower-middle and upper-middle income** countries are considered the financing gap to ensure universal social protection coverage stands at **1.2 trillion or 3.8 per cent of the GDP of these countries in 2020**.

1. World Inequality Database Wealth Tax Simulator, 2023. URL: https://wid.world/world-wealth-tax-simulator/ [↑](#footnote-ref-2)
2. Old estimate from Pachecho. [↑](#footnote-ref-3)