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COVID-19 reinforces the case for fundamental reform of our social protection systems

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Last week, I participated in a special virtual meeting of G20 Employment Ministers on the impact of the COVID-19 crisis and policy priorities. My

speech followed presentations by the International Labor Organization (ILO) and the Organization for Economic Co-operation and Development (OECD)

highlighting the scale of the impacts

(<https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/brief>

I underlined that the crisis is especially challenging for Middle- and Low-income countries. They lack the monetary and fiscal firepower of OECD

countries and structural weaknesses in their labor markets limit the effectiveness

of policy responses focused on formal workers and businesses. The crisis shows

the importance of strengthening labor market and social protection systems in

MIC and LIC settings to cover the “missing middle” who are ignored under the

status quo. [https://twitter.com/intent/tweet?](https://twitter.com/intent/tweet?text=The+crisis+shows+the+importance+of+strengthening+labor+market+and+social+protection+systems%3Fcid%3DSHR_BlogSiteEmail_EN_EXT&subject=COVID-19-reinforces-case-fundamental-reform-our-social-protection-systems/?cid=EXT_WBBlogTweetableShare_D_EXT&via=worldbank)

<https://www.worldbank.org/en/publication/wdr2019>) This was already a clear

need in the face of the changing nature of work

(<https://www.worldbank.org/en/publication/wdr2019>). Now, it has become urgent.

Immediate policy responses to COVID-19 should operate in three related spheres:

- *Firm-level interventions to help businesses to survive and retain workers.* In a crisis like this we need to protect jobs, not just workers. Keeping workers in employment even while firms are unable to operate prevents the destruction

of firm-specific human capital; avoids the “scarring” that unemployment spells imply for workers’ employability; and enables firms to ramp up quickly in recovery.

- *Income protection for those that lose their jobs / livelihoods.* We need to reduce the impact of the shock on workers and households, including informal sector workers that are not typically covered by unemployment insurance systems. This should form part of a strong counter-cyclical policy response to protect workers and maintain demand.
- *Alternative employment or employability support for those out of work.* Broader support may be more effective than financial support alone in preparing workers for recovery. Active labor market programs that are already established can be deployed at scale.

More details on possible labor market responses can be found in our paper:

Managing the Employment Impacts of COVID-19

(<https://www.jobsanddevelopment.org/wp-content/uploads/2020/03/Managing-employment-impacts-Covid-19-30March2020.pdf>) and in the associated Blog Series: Confronting the Jobs Impacts of COVID-19.


(<https://www.jobsanddevelopment.org/confronting-the-jobs-impacts-of-covid-19-coronavirus/>)

The short-term response has been impressive. As of April 23, 2020, 151 countries—including many MICs and LICs—had taken 684 social protection and labor-related measures

(<http://documents.worldbank.org/curated/en/383541588017733025/pdf/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures-April-24-2020.pdf>) in response to COVID-19. Of these, 412 are non-contributory social assistance programs, which cover informal workers who cannot be helped easily through wage subsidies. A further 179 use contributory social insurance programs; and 93 use wage subsidies, or adapt labor regulations or training schemes to support jobs and employability.

In the medium term, MIC and LIC governments may conclude that it is no longer acceptable to have fractured social protection and labor systems where most people fall through the cracks. COVID-19 highlights the importance of creating universal entitlements to health care and income support, in line with the “Universal Social Protection 2030” goal. We need population registers and digital payment systems that allow us to quickly reach the “missing middle” of informal workers, who are not covered by cash transfer systems but can experience severe income shocks in this type of crisis. That’s in line with what we recommend by our recent publication “Protecting All

(<http://documents.worldbank.org/curated/en/997741568048792164/pdf/Protecting->

All-Risk-Sharing-for-a-Diverse-and-Diversifying-World-of-Work.pdf)". To increase social protection coverage we also need a decisive shift towards financing models based on general taxation, instead of contributory systems based on payroll retentions and largely limited to formal sector workers. 

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[19-reinforces-case-fundamental-reform-our-social-protection-systems/?](https://twitter.com/intent/tweet?text=To+increase+social+protection+coverage+we+also+need+a+decisive+shift+tow)

[cid=EXT_WBBlogTweetableShare_D_EXT&via=worldbank](https://twitter.com/intent/tweet?text=To+increase+social+protection+coverage+we+also+need+a+decisive+shift+tow)) The bonus is that this reform would also reduce disincentives to the creation of formal jobs, which will help to increase productivity, job quality and economic growth across the board.

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