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Special issue: Social security, inclusive growth and social cohesion

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Introduction: Social security, inclusive growth and social cohesion

Roddy McKinnon

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Abstract This special issue selectively addresses the relationship linking social security systems, inclusive growth and social cohesion. Inclusive growth and social cohesion are viewed as political expedient and necessary goals for national economies. The desirability of their attainment reflects political pragmatism, the “social contract”, as much as it does a commitment to the wider emancipative goal of social justice. The International Social Security Association (ISSA) has often paraphrased these assertions to argue that there can be “no social justice without social security”. Of course, progress achieved towards the realization of the goals of inclusive growth and social cohesion should be equally beneficial for the adequacy, sustainability and coverage of social security systems. The aim of this special issue is to unpack and better understand the nature of this relationship.

Keywords social security schemes, social development, economic development, social cohesion, economic growth, social contract, international

Introduction

This special issue of the *International Social Security Review* selectively addresses the relationship linking social security systems, inclusive growth and social cohesion. Inclusive growth and social cohesion are political expedient and necessary goals for national economies. The desirability of their attainment reflects political

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pragmatism, the “social contract”, as much as it does a philosophical commitment to the wider emancipative goal of “social justice”. At the multilateral level, the Preamble to the Constitution of the International Labour Organization affirms that social justice is essential for “lasting peace”. The Annex to the same, the Declaration of Philadelphia, affirms social justice to mean “all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity”. The International Social Security Association (ISSA) has often paraphrased these assertions to argue that there can be “no social justice without social security”. Of course, progress achieved towards the realization of social justice, which encompasses the goals of inclusive growth and social cohesion, should be no less beneficial for the adequacy, sustainability and coverage of social security systems. Despite the certainty and vigour of these statements, the aim of this special issue is to unpack and better understand certain aspects of the nature of the relationship linking social security, social cohesion and inclusive growth.

Common goals of national systems of social security protection

The goals of national social security systems are many and are rooted in the philosophical framework and political expediency that has guided the institution of social security programmes and the choice of financing mechanism for these.[1] Specifically, for the covered population, common goals of social security systems include affordable insurance, risk pooling, income replacement, income redistribution and poverty alleviation. More generally, the goals of social security systems seek to manage the labour market and life cycle risks faced by the covered population. When viewed as a dynamic risk management tool to address labour market and life cycle risks, social security systems seek to prevent downside risks, mitigate (offer income protection from) downside risk events when they do occur, and proactively rehabilitate and appropriately reinsert (include) the covered person in social and economic activity.

As such, an important number of the goals of social security protection are aimed at covered individuals, often to meet shorter-term needs, be they recurrent risks, such as personal (idiosyncratic risk) short-term health issues for example, or less frequent and potentially longer lasting emergency events, such as the household breadwinner becoming unemployed. Of course, emergency events may also affect simultaneously a greater number of individuals (covariate risk),

1. For a fascinating and erudite analysis of the importance of the financing mechanism for the objectives of social security systems, see Scholz (2016).

requiring a wider application of different public policy responses to address the needs of the affected community. At the national level, social security systems are essential counter-cyclical economic stabilizers (ISSR, 2010).

These goals also combine and co-exist with longer-term collective undertakings, especially in terms of social security's insurance risk pooling and income redistribution functions across the life course. Depending on how a social security programme is financed (e.g. the relative importance of employer and employee contributions vis-à-vis public social expenditure) as well as the extent of its population coverage and the generosity of its benefits, different social security programmes make, in relative terms, different but important long-term contributions to reducing inequalities and alleviating and preventing poverty. Research findings suggests that these outcomes are achievable without there being a trade-off of lower economic growth (Cammeraat, 2020).

In some social security systems, at the sectoral, regional and national level, there is equally an obligation that social security programmes should embody wider goals, such as political participation. In this regard, "Bismarckian" social security systems are characterized by the tripartite management of social security programmes – in contrast to the State-dominated centralized approach of "Beveridgean" systems. At the level of the "community", social security systems and progressive systems of taxation may be referred to as the embodiment of solidarity, permitting a degree of income redistribution from higher income groups to lower income groups. In some national settings, the social security system may also be regarded as the unifying "glue" that helps to bind together the "national community" that may be geographically dispersed as well as multicultural or linguistically diverse. Thus, the benefits and services of a national social security system may help to mitigate differences as well as inequalities in society and contribute to societal stability. Such stability is desirable not only as a social and political outcome, but is essential for strengthening productive economic activity, maintaining aggregate demand and facilitating inclusive national development.

The manner in which different countries prioritize and actively pursue the various possible goals ascribed to national social security systems differs. For all countries, it is important to assess periodically the effectiveness of the social security policy choices and delivery mechanisms, in particular to remain responsive to the evolving national and global context. Regardless of national differences, the accepted wisdom is that all social security systems make important contributions to two specific outcomes: social cohesion and inclusive growth – the focus of this special issue. In turn, improved and lasting outcomes in terms of social cohesion and inclusive growth should make important contributions to the political, social and financial sustainability of social security programmes. Moreover, and to borrow from the contribution to this special issue by Burchi, von Schiller and Strupat, the expectation will be that the "willingness to pay" social contributions will be strengthened and will embrace a larger share of the working population and, more generally, contribution compliance will be higher. This may be most important in developing economies seeking to encourage increased levels of formal employment and to sustainably extend access to adequate social security protection, objectives most clearly expressed in the United Nations Sustainable Development Goals 2030 agenda.

Defining the concepts

With the adoption of the ILO's Recommendation concerning national floors of social protection, 2012 (No. 202), the classical definition of "social security", as set out in the ILO's Social Security (Minimum Standards) Convention, 1952 (No. 102) and ILO social security standards more generally, was updated. Following the adoption of the Recommendation No. 202, this journal published in 2013 a special double issue: *The role of national social protection floors in extending social security to all* (ISSR, 2013). That special issue was concerned primarily with the global necessity of coverage extension, but the accompanying message presented therein, and a key policy justification for the former, was one of the essential contribution made by social security protection to the goals of social and economic development in more and less developed economies. In other words, the important truth is that the appropriate extension of social security protection goes hand in hand with social and economic development. Countries do not first have to become "rich" to have social security.

A key discussion that accompanied the adoption of Recommendation No. 202 related to the concepts of "social security" vis-à-vis "social protection". Prior to 2012, these concepts often were perceived as mutually exclusive; for instance, social protection was "often used to describe measures addressing only the needs of the most vulnerable and excluded in particular. Sometimes "social security" was seen as a select and thus a non-universal component of "social protection" reserved only for those in a formal employment relationship". The expectation was that Recommendation No. 202 would "alter this outlook by having set out clearly, once and for all, that the terms "social security" and "social protection" are actually part of the same social policy concept" (Hagemejer and McKinnon, 2013, p. 9). In this regard, the multiple overlapping goals of the different branches and programmes that collectively constitute national systems of social security protection, as well as the progressive and dynamic ambition to build comprehensive and adequate coverage for all upon national "floors" of social protection, support this assertion.

Nonetheless, it is fair to say that the concept of "social security", and especially so in relation to social protection, can still mean different things to different people.

The contributions to this special issue similarly reveal that the concepts of social cohesion (see Burchi, von Schiller and Strupat in this issue) and inclusive growth (see Barrientos and Malerba in this issue) can be interpreted in more than one way. Intuitively, this is not surprising, but it underlines that defining clearly the focus of any research project is important, not least for deriving the meaning to be taken from the research's conclusions.

The content of this special issue

The first article, "Social protection and revenue collection: How they can jointly contribute to strengthening social cohesion", by Francesco Burchi, Armin von Schiller and Christoph Strupat, considers the question of how social protection and revenue collection are often regarded as potential drivers of social cohesion. The article discusses, first, the concept of social cohesion and endorses one specific definition. It then uses the concept of the "fiscal contract" (i.e. how much its members can expect to benefit from State action and how much they expect to contribute to it through paying taxes) as the theoretical lens to examine the potential joint effects of social and revenue collection policies on social cohesion. The authors illustrate three main mechanisms through which these policies can have positive or negative impacts on the different components of social cohesion (namely, trust, inclusive identity and cooperation for the common good) and conclude that policy-makers in particular should accord greater attention to these. The authors also discuss the challenging question of strengthening the domestic tax base in low- and middle-income countries. Seeking to reduce dependence on the use of donor financing, a linked objective is to create a virtuous cycle in the interaction between social and revenue collection policies: to increase the accountability of public expenditure decisions, including for higher social protection spending, which in turn may encourage higher tax compliance as a manifestation of stronger social cohesion.

The second article, "Social assistance and inclusive growth", by Armando Barrientos and Daniele Malerba, addresses inclusive growth, and does so from the perspective of the role of social assistance benefits in the context of low- and middle-income country labour markets. In low- and middle-income countries, labour is the principal asset of low-income groups. The question of how the receipt of social assistance cash transfers may affect the labour market activity as well as the productive capacity of low-income groups and, therefore, have an influence on inclusive growth, is an important one. To answer the question, the article revisits the findings reported by a number of impact evaluations of social assistance in low- and middle-income countries. Barrientos and Malerba observe that most studies have tested for the potentially adverse labour supply incentive effects of social assistance transfers, but these have failed to find supportive evidence. The article, by highlighting the findings of an extensive international literature, concludes that well-designed and well-implemented social assistance programmes can contribute positively to inclusive growth.

The third article, “Reinvigorating the social contract and strengthening social cohesion: Social protection responses to COVID-19”, by Shahra Razavi, Christina Behrendt, Mira Bierbaum, Ian Orton and Lou Tessier offers the perspective of the Social Protection Department of the International Labour Office. The authors observe that policy developments witnessed across recent decades have resulted in a weakened social contract in many countries. Growing inequalities in wealth distribution, persistent structural inequalities facing marginalized and vulnerable populations and labour market trends towards greater levels of informality, for instance, challenge the achievement of the goals of social cohesion and inclusive growth. They also act to reduce trust in public institutions; significantly, this includes those delivering social protection. Nevertheless, in the current context of delivering policy responses to the COVID-19 pandemic, States have relied heavily on social protection institutions to deliver a variety of pre-existing and emergency social protection measures to support household income, aggregate demand and economic activity. Countries with comprehensive systems of social protection have been more able to respond rapidly to the social and economic challenges. Framed by the unprecedented challenges presented by the COVID-19 crisis, the article provides a detailed international overview of how national policy actions have helped support social cohesion and mitigate economic shocks. In the absence of these measures, projections suggests that the negative effects of the crisis on national economic activity and social cohesion would have been more severe. Based on recent international experience, and looking forward to possible exit scenarios from the current crisis, the article asserts that the lasting realization of progress towards the goals of social cohesion and inclusive development, the “social contract”, requires continued investment in social protection and the achievement of universal and adequate coverage, as defined by the ILO’s social security standards.

The fourth article, “China’s social security response to COVID-19: Wider lessons learnt for social security’s contribution to social cohesion and inclusive economic development”, by Xiaoyan Qian, provides a national case study of China. As the article informs, China has adopted an array of special social security measures in response to the spread of the COVID-19 virus. In seeking to mitigate the pandemic’s negative social and economic impacts, the emergency social security measures enacted have included the reduction, exemption and deferral of social security contributions by employers, the extension of benefits coverage for employees, and the provision of more accessible e-services by social insurance agencies. Importantly, there has been a strengthening of occupational safety and health prevention measures, not least for front-line social security administration staff. While preliminary assessments suggest these different measures have supported public health objectives and social cohesion and helped minimize economic shocks, the article presents proposals that seek to improve the longer-term contribution made by the Chinese social security system to social cohesion and inclusive economic development. In this regard, one proposal is to seek to evaluate the performance of ad hoc emergency measures, and then to create the means to institutionalize and make permanent those deemed effective. The proposals, in line with the objectives of China's Social Insurance Law of 2010, seek to enable a fair sharing of the benefits of development and promote social harmony and stability.

A future uncertain

The articles in this special issue address different aspects of the relationship linking social security protection, social cohesion and inclusive growth. Indirectly, the articles also address how social security systems contribute to the realization of the emancipative goal of social justice and, thus, the fulfilment of the "social contract". The articles offer a reminder that the global community's goal of achieving universal and adequate social security protection, as framed by human rights' discourse and the United Nations Sustainable Development Goals 2030 agenda, is work in progress. The objective of realizing stronger outcomes as regards social cohesion and inclusive growth was a challenging issue for many countries prior to 2020. It is likely that this is now even more so, and for a greater number of countries. As a public health challenge, the COVID-19 pandemic is affecting productive economic activity, employment and the livelihoods and income security of a great number of households, and in turn negatively affects revenue collection and the financial health of many social security programmes. These negative effects may yet worsen, especially with regard to rising unemployment. The pandemic has also acted to highlight persistent and deep structural inequalities in society, including inequalities in access to adequate social protection. At the global as well as national level, all these factors threaten the pursuit of the achievement of – or, in some instances, may actually reverse progress towards – specific key social and economic objectives and, more generally, the Sustainable Development Goals.

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Social protection and revenue collection: How they can jointly contribute to strengthening social cohesion

Francesco Burchi, Armin von Schiller and Christoph Strupat

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Abstract Social protection and revenue collection are often regarded as potential drivers of social cohesion. The article joins this debate, providing three main contributions. First, we carefully discuss the concept of social cohesion and endorse one specific definition. Second, we propose using the concept of the "fiscal contract" as the key theoretical lens to understand the often neglected potential joint effects of social protection and revenue collection policies on social cohesion. Third, we illustrate three main mechanisms through which these policies can have positive or negative impacts on the different components of social cohesion and highlight the relevance of these for policy-makers deliberations.

Keywords social cohesion, social protection, collection of contributions, fiscal policy, public finance, taxation, international

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This article draws upon the DIE-GDI briefing paper entitled *Revenue collection and social policies: Their underestimated contribution to social cohesion* (Burchi, Strupat and von Schiller, 2020).
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Introduction

Over recent years, societies around the world have been increasingly under pressure as they face multiple challenges arising out of international trends, such as international migration; climate change and environmental degradation; health crises, such as the current COVID-19 pandemic; ageing of the population; and rising income inequality. In this context, the concept of social cohesion, understood as an important driver of stability, peace and economic success (Easterly, Ritzan and Woolcock, 2006; African Development Bank, 2015; Dhéret, 2015), has attracted attention in the policy and academic debate. Policy-makers and academics have tried to understand the meaning and measure the degree of social cohesion in societies, as well as evaluate changes in its levels as a consequence of international trends. There is wide agreement that social cohesion is paramount to cope more effectively with the pressures emanating from these societal changes and to do so without generating major social conflicts.

Still, we know surprisingly little about social cohesion. In particular, there is a lack of consensus on what social cohesion actually is, and which policies can contribute to enhance it (Schiefer and van der Noll, 2017). At the same time, there are increasing expectations that social policies, in particular social protection policies, should contribute to enhance social cohesion (Evans et al., 2019; Valli et al., 2019; Koehler, forthcoming), though this is rarely mentioned as one of their primary objectives.[1] In most cases, these policies, such as those concerning social protection and revenue collection, are traditionally geared towards other outcomes. Nonetheless, researchers and policy-makers are increasingly certain that there are effects on social cohesion that should not be ignored. Accordingly, the question of how to maximize the potential positive effects of social policies on social cohesion, as well as how to minimize the risks of potential negative ones, is of central importance for researchers and practitioners.

In this article, which contributes to this special issue on social security, inclusive growth and social cohesion, we take a sectoral perspective and look at the social cohesion enhancing potential of social and revenue collection policies. We discuss in detail how, in the interaction between these policy sectors, there is great potential to increase social cohesion. However, this potential is often not

1. Based on the definition provided by UNRISD, in this article the term "social policy" means "public interventions that aim to guarantee adequate and secure livelihoods, income and well-being, and that enable all individuals to strive for their own life goals". Social policies include social protection, education, health and labour market policies. In this article we more often refer to social policies, however, social protection is an important sub-set of social policies, especially in developing countries.

fully realized due to being addressed from a too narrow analytical perspective, from either the revenue collection or expenditure side of the budget.

Revenue mobilization and social policies are intrinsically intertwined. It is impossible to consider either of these policy fields independently of the other. Without sufficient domestic revenue, more ambitious social policies that enable countries to reach international goals, such as those of the United Nations 2030 Sustainable Development Goals agenda, cannot be achieved. Donors can help in financing social policies, but these will not be sustainable – neither technically nor politically – if, in the long run, the financing of these systems is not based on own-generated revenue. This is especially a problem in sub-Saharan Africa, where social safety nets are predominantly – and in countries such as the Central African Republic and the Democratic Republic of Congo, entirely – financed by donors. Indeed, in their analysis on Africa, Beegle et al. (2018, p. 35) find that:

> On average, governments finance 46 per cent of program spending, development partners cover the other 54 per cent …. The share of development partners is higher in lower-income countries, in fragile and conflict-affected states, and in humanitarian crises. Given the fiscal constraints facing many governments, development partner support is likely to be crucial for bringing programs to scale in most countries.

In the short term, donors will continue to play a central role in financing the social system. The question is how to change these dynamics in the long run. In this regard, increasing the acceptance of citizens to pay taxes and fees, thereby strengthening revenue collection, is crucial. This outcome will hinge upon citizens' perceptions of "what" they can expect to get in return for their contribution. Hence, the design and content of social policies, as well as the perceptions of whether the benefits and costs are distributed fairly among all taxpayers, are pivotal, showing how the interaction between these sectors goes in both directions.

However, most technical discussions restrict themselves to either the revenue or social policy design questions. This is highly problematical, as it hinders the development of an integrated perspective on public financial management[2] and ignores detrimental effects on the effectiveness and efficiency of fiscal systems due to interlinkages between social policy and revenue generation. Moreover, this narrow view fails to consider all the far-reaching consequences that decisions in the public finance field have on the social and political realm. In particular, the

2. See for instance the Good Financial Governance concept promoted by the German Federal Ministry of Economic Cooperation and Development (BMZ, 2014).

(positive and negative) potential effects on the goal of strengthening social cohesion through their impact on the "fiscal contract".

Concretely, in this article we stress the role that social protection and revenue policies play in this field and describe the causal mechanisms through which the interplay of these policies can influence social cohesion.

The article is organized as follows. The next section presents the concept of social cohesion endorsed in the article, as a fundamental step to precisely discuss causal mechanisms. We then introduce the concept of the fiscal contract, as a crucial conceptual bridge to bring together social and revenue policies. This is followed by a discussion of the mechanisms by which social policies and revenue collection can affect the fiscal contract and, thereby and ultimately, our main focus of interest, social cohesion. We then offer our conclusions.

Conceptualizing social cohesion

Over the last two decades, consideration of the term "social cohesion" has become important in policy circles (OECD, 2011; Marc et al., 2012; Lefko-Everett, 2016). One of the reasons for this is that with increasing income inequality in different parts of the world, monitoring the status of social cohesion at country level is viewed as central to predict and, where possible, adapt policies to prevent internal conflicts and war (Schiefer and van der Noll, 2017). In all these policy discussions, social cohesion carries a positive connotation, and is thus universally viewed as a desirable outcome. However, a clear, shared understanding of social cohesion is missing. To understand how social policies and revenue mobilization can influence social cohesion it is important to have a clear conceptualization of the phenomenon. Therefore, we provide a brief overview of the different definitions of social cohesion given in the available academic and policy literature and identify the one that is most theoretically sound and fits best the purpose of the present article.

The concept of social cohesion has a long history in the sociology and social psychology literatures (Chan, To and Chan, 2006; Lefko-Everett, 2016). There is agreement that the pioneer of this concept was the sociologist Emile Durkheim (Durkheim, 1893), who identified solidarity and shared loyalty among individuals as the two central pillars of social cohesion. The early work on social cohesion focused on *togetherness* as the main – if not the only – element of cohesion. Scholars, thus, mostly analysed the preconditions that a society should fulfil in order to maintain social order. They were mostly interested in questions, such as what brings individuals together and what motivates individuals to belong to groups and remain in such groups (Moreno, 1937; Festinger, Back and Schachter, 1950; Back, 1951). It should also be highlighted that the bulk of this literature focused almost entirely on high-income countries, such as Canada, Germany and the United States.

Subsequent theoretical and empirical works have substantially expanded the view of social cohesion and focused also on low- and middle-income countries (Chan, To and Chan, 2006; OECD, 2011; Langer et al., 2017; Lefko-Everett, 2016). In a review article, Schiefer and van der Noll (2017), while stressing the lack of a common definition of social cohesion, identify six macro "ingredients" of social cohesion visible in these studies. Let us consider the first three: i) social relations between individuals and between groups, which also includes trust among members of the society and trust towards institutions; ii) identification with, and feeling of belonging to, the social entity such as a group or a country; iii) orientation towards the common good: in a cohesive society people should not act only for personal interests, but should also be committed to the needs of the larger collectivity.

More controversial are the remaining three elements identified by Schiefer and van der Noll (2017): iv) "shared values", while some argue that uniformity in the values shared ensures better social interactions, others argue that a cohesive society should be one that is able to deal with the coexistence of people/groups with different values in a peaceful way (Jeannotte et al., 2002; Spoonley et al., 2005); v) "quality of life", as explained by Schiefer and van der Noll (2017), "[c]onceptually, this dimension of social cohesion reveals the greatest lack of clarity", and terms such as quality of life and social cohesion are often treated as synonyms; and, finally, in some studies, vi) "(in)equality" among individuals or groups (see, for instance, OECD, 2011; Langer et al., 2017).

We also have major concerns in considering these latter three attributes. As argued by Chan, To and Chan (2006), much research has focused on the "means" deemed as important to improve social cohesion, rather than on social cohesion per se (the end). One clear example offered by Chan, To and Chan, (2006) concerns reducing inequality. This is problematic, as definitions are supposed to reflect what the phenomenon is – or is not –, rather than how it could be enhanced: this implies strong value judgments and may give biased orientation to policy-makers on which factors they should work on (Burchi and De Muro, 2016). In line with this, we support the proposal of Chan, To and Chan, (2006) for a "minimalist definition" of social cohesion. This also allows to study empirically how certain phenomena, such as inequality, influence social cohesion; having inequality as part of the definition would not allow such an exercise.

In moving towards a definition of social cohesion that meets the above criteria, it is important to also distinguish between the "horizontal" and "vertical" dimensions. While early studies stressed almost exclusively the horizontal dimension – that is, the relationship between individuals and between groups – more recent studies also recognize the importance of the vertical aspect (e.g. Marc et al., 2012; Chan, To and Chan, 2006; Fonseca, Lukosch and Brazier, 2019). Vertical relations refer to relations between individuals and the State (Marc et al., 2012) or, more generally, between individuals and institutions, which regulate the living together of people (Chan, To and Chan, 2006; Fonseca, Lukosch and Brazier, 2019). This is very important, as different groups of people as well as institutions are all members of society. In contemporary mass-based social orders, it is unlikely that a society will be cohesive if most people live peacefully with one another yet do not recognize, for example, national political institutions. Moreover, the addition of the vertical dimension permits to distinguish more clearly between social cohesion and social capital. Without the vertical dimension, it may be argued, the differentiation between these two concepts is often blurred.

Bearing in mind the above considerations, this article adopts the definition recently developed at the German Development Institute (*Deutsches Institut für Entwicklungspolitik* – DIE), according to which "social cohesion refers to both the vertical and horizontal relations among members of society and the State as characterized by a set of attitudes and norms that includes trust, an inclusive identity and cooperation for the common good" (Leininger et al., forthcoming). This definition entails three attributes, each of which is examined using both dimensions, horizontal and vertical. The attributes are:

1. *Trust* is frequently viewed as an important component of social cohesion (Chan, To and Chan, 2006; Dragolov et al., 2013; Langer et al., 2017; Schiefer and van der Noll, 2017). It comprises two aspects, generalized trust and institutional trust (Fukuyama, 2001; Zerfu et al., 2009; Langer et al., 2017). Generalized trust is the "ability to trust people outside one's familiar or kinship circles" (Mattes and Moreno, 2018, p. 1). This is also sometimes referred to as "bridging trust", as it may act as the "bond that people share across a society and across economic and ethnic groups, religions, and races" (Rothstein and Uslaner, 2005, p. 45). This type of trust captures the horizontal dimension. In turn, institutional trust concerns trust regarding "formal, legal organizations of government and State, as distinct from the current incumbents nested within those organization" (Mattes and Moreno, 2018, p. 2), and thus refers to the vertical level.
2. *Inclusive identity* recognizes that individuals have several identities, some super-imposed and some more freely chosen. A socially cohesive society is one in which individuals with different identities can co-exist in a peaceful way and where some particular identities are not dominant over the overall collective identity. In other words, different group identities are tolerated, recognized and protected. However, in order to conceive a society as cohesive, it is necessary that people feel first of all part of a

broader entity (e.g. the nation) that is more than the sum of individuals and that bridges different identities of a society.

3. *Cooperation for the common good* understands cooperation to refer to the positive social interactions within society, while the common good (*Gemeinwohl* in German) refers to the conception of the material and immaterial living conditions of a collectivity (Fraenkel, 1964). A society where many people and groups cooperate for interests that go beyond (and sometimes even conflict with) those of the individuals involved (van Oorschot and Komter, 1998) is considered as having a high level of social cohesion. This attribute is therefore strictly related to the concept of "solidarity", which pushes an individual to "act in view of ends which are not strictly his own, to make concessions, to consent to compromises, to take into account interests higher than his own" (Durkheim, 1893). While the importance of cooperation among individuals and groups (horizontal dimension) has been stressed in the past, this definition incorporates also vertical cooperation (Chan, To and Chan, 2006). Individuals cooperate with the State through participation in public life and civic engagement (Acket et al., 2011; Chan, To and Chan, 2006; Jenson, 2010; Schiefer and van der Noll, 2017).

Linking social cohesion to social and revenue policies through the fiscal contract

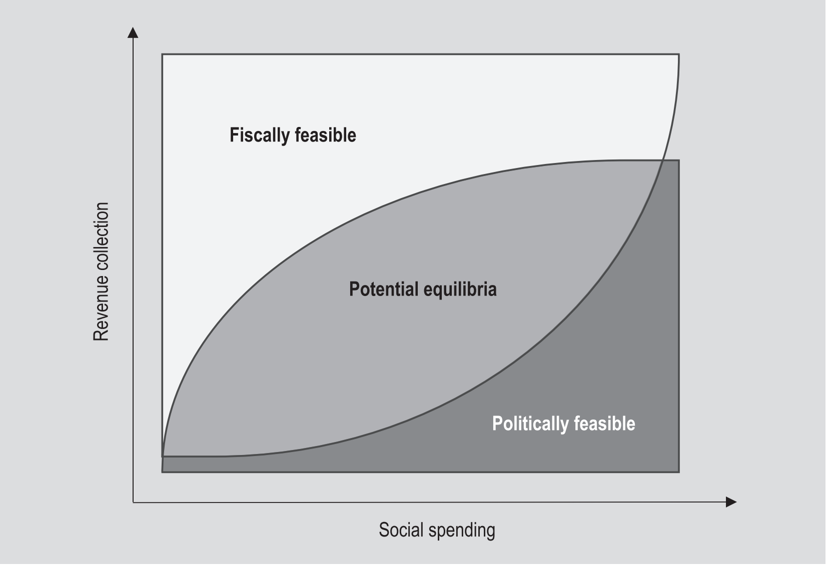
In order to link social cohesion to social and revenue policies it is useful to adopt the concept of the fiscal contract (Timmons, 2005). The fiscal contract, in essence, alludes to the common understanding in a society of how much its members can expect to benefit from State action and how much they expect to contribute to it through paying revenue.

The fiscal contract can be conceived as an equilibrium position in a society with respect to the size and nature of the fiscal system. Such fiscal contracts are mutually beneficial, as citizens receive improved governance while the government receives larger, more predictable and more easily collected revenue (Levi, 1988). The content of the fiscal contract defines a level of exchange of revenue for public services between taxpayers and the government. It has an individual and an aggregated dimension, as it will not only influence the aggregate level of revenue and spending, but also who finances and benefits individually from State interventions. Naturally, the net fiscal effect for individuals will vary tremendously in a society. In terms of content, the fiscal contract also varies greatly between countries: between countries with more or less developed welfare states. For example, more developed welfare states usually have their equilibrium set at high levels for both revenue and social spending, while others, for instance many developing countries with less comprehensive national systems of social protection, have a low revenue-low social spending equilibrium (Mosley, 2015).

Fiscal contracts reflect political and social power relations in a society, which limit the scope of the revenue-social spending equilibria that are politically feasible at the individual and at the aggregated level (Figure 1). This also implies that, to a certain degree, a fiscal contract can be implicit and imposed against the will of some citizens, and that, although they tend to be quite stable, fiscal contracts can evolve over time (Bird, Martinez-Vazquez and Torgler, 2008).

Fiscal contracts at the aggregated level can be characterized along two dimensions (Burchi, Strupat and von Schiller, 2020). The first is the level of *endorsement*, that is, the number of people and groups that at least accept – but, ideally, proactively sustain or support – the prevailing fiscal contract. In practice, it is impossible to have a fiscal contract unanimously supported. To what extent a person supports the fiscal contract depends, first of all, on their perception of the net fiscal effect on their own living standards. This could also include perceived indirect returns, in terms of social stability and peace generated by higher social spending. People, however, may also support the fiscal contract for less "individualistic" reasons: they may care about the conditions of the poor, even though they are not themselves poor (Berens and von Schiller, 2017).

Figure 1. *Fiscal contract as equilibrium*



Source: Authors' elaboration based on Burchi, Strupat and von Schiller (2020).

The second dimension of the fiscal contract is the level of *involvement*, that is, the share of the population involved as tax-payers and/or beneficiaries of social policies. Unlike in high-income countries, in low- and middle-income countries the level of involvement can be quite low: often, many citizens do not have much routine contact with the State, which tends to be only marginally present in their daily lives (e.g. for a description regarding Africa, see Herbst, 2014).

The two dimensions do not necessarily go hand in hand. For example, some societies may not value comprehensive welfare states, which are characterized by a high level of involvement.[3] In this situation, the level of endorsement will decrease at a higher level of involvement.

The level to which the fiscal contract is endorsed and the level to which the different actors are involved plays a fundamental role in shaping social cohesion. Broadly speaking, higher levels of these two dimensions are associated with higher social cohesion. In this sense, to the degree to which revenue collection policies and social protection policies affect these two dimensions of the social contract, they will also affect social cohesion. Consequently, we first discuss the most promising causal mechanisms linking these policies to a change in the fiscal contract. Then, we discuss how these measures are connected to social cohesion.

How social policies and revenue collection affect the fiscal contract

Fiscal contract theories suggest that the State will be responsive to the interests of those who contribute revenue by prioritizing the spending they favour. Empirical evidence for high- and middle-income countries shows that countries that rely predominantly on extracting revenue from low- and middle-income earners provide more social benefits than States that rely more heavily on taxing high-income earners (Timmons, 2005). This empirical evidence underpins the fiscal contract logic that States provide services in exchange for revenue.

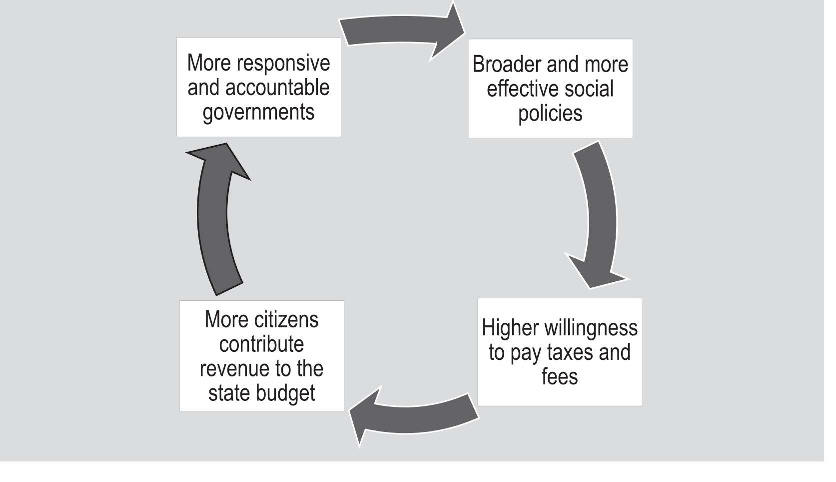
Due to a less stringent connection between domestically collected revenue and the delivery of social protection, this logic is less plausible for developing countries. One fundamental issue is the relevance of donor financing in many countries, as already highlighted, but also the fact that the linkage between revenue collected domestically and the provision of social services is less strongly emphasized and discussed. This blurs the connection between social spending and revenue collection. In fact, some have argued that aid can have a negative effect on fiscal bargaining and the development of a more inclusive fiscal

3. A conventional example in this context are liberal welfare states characterized by modest social protection policies targeted to a large extent towards the poor (Esping-Andersen, 1990, pp. 26-29). For a general account focusing more on developing countries, see Wood and Gough (2006).

contract (Eubank, 2012). Following this line, we argue that in these contexts, development interventions on social spending and revenue collection can have a major impact on the fiscal contract by triggering a virtuous cycle that strengthens it (Figure 2).

The virtuous cycle can be initiated from several angles. First, starting from the social policy side, introducing new social policies or expanding and improving already existing ones may improve perceptions of their benefits. In turn, this can increase beneficiaries' willingness to pay taxes and fees and, thus, raise revenue. In this vein, Ali, Fjeldstad and Sjursen (2014) analyse Afrobarometer data from four countries and show that the provision of public services is positively correlated with tax compliance. Similarly, results from a field experiment in Argentina show the positive effects of public service provision (Carrillo, Castro and Scartascini, 2016). In the field experiment, sidewalk construction or renovation was randomly assigned through a lottery to property owners who had complied with the payment of their property tax during the previous year. Winners of this lottery show consistently a statistically significant higher tax compliance rate than their peers. The winners not only complied more regularly with their tax obligations but were also more likely to pay taxes on time. The rewards for paying taxes also had some spill over effects on the neighbours of lottery winners. Thus, it would appear that people who do not directly benefit from public services may also exhibit a willingness to pay taxes. For instance, it might be that some people who are not directly eligible for social protection programmes, in particular those whose personal circumstances place them just above the eligibility criteria for income-tested or means-tested social

Figure 2. *The virtuous cycle in the interaction between social and revenue policies*



Source: Authors.

assistance benefits, may be in favour of a “safety net” in case their living standards deteriorate. Well-functioning social policies and public services, ideally financed from the public budget, and even when targeted at the poor, may be supported, or at least tolerated, by the better-off. This is especially the case when the better-off perceive the importance of reducing inequality and poverty for societal stability, and are aware that they are benefiting from these polices. Expanding social programmes, thus, can increase the level of involvement in the fiscal contract. Furthermore, the protective function of social protection programmes can increase endorsement of the fiscal contract as many non-beneficiaries might potentially benefit from the safety net in future times of hardship.

Second, the virtuous cycle can also be started by interventions on the revenue side. Broadening the tax base, meaning increasing the number of taxpayers and reducing the size of the sometimes very large unregulated informal sector, can affect social policy and the fiscal contract through two main channels. On the one hand, it will lead to an increase in the amount of revenue collected, and thereby increase the potential budget for social policies.[4] On the other hand, a broader tax base increases involvement in the fiscal contract, as new taxpayers will have more intense interaction with State institutions. People asked to contribute can be expected to have stronger incentives to monitor and enquire about what is being done with their money (Paler, 2013; Bird and Zolt, 2015). This can initiate a process that strengthens demand for government accountability and responsiveness in the use of public resources (Martin, 2016; de la Cuesta et al., forthcoming; Weigel, forthcoming). In order to respond to this pressure, the government will be more inclined to accommodate the needs of those who have started contributing (Timmons, 2005). Ultimately, because new taxpayers can be expected to be poorer on average than those already registered and paying taxes, governments will be more eager to expand social policies towards groups previously excluded, resolving the first loop of the virtuous cycle. If people perceive that the fiscal contract expands the amount of revenue spent on social protection in a direction that mirrors more closely their preferences, then their attitude towards compliance with tax duties should improve (Ali, Fjeldstad and Sjursen, 2014) and this, in turn, may increase the level of endorsement of the fiscal contract.

4. Kato (2003) argues that the expansion of indirect – not particularly progressive – taxes was essential to generate the sufficient amount of funding to sustain the expansion of the welfare states in high-income economies. Taxing the wealthy more concretely certainly has a large potential. However, studies such as Ravallion (2010) show that given the levels of poverty in developing countries, in many countries the required marginal tax rate to be applied to the “rich” (defined as those with incomes above the US dollar poverty line) that would be needed to generate the revenue able to eradicate the poverty gap among the poor would be prohibitive. For instance the majority of countries in sub-Saharan Africa would need 100 per cent marginal tax rates or greater (Niño-Zarazúa et al., 2013).

Third, as emerges from the discussion above, how the fiscal contract is perceived is fundamental to understand its support within society. Hence, education and communication campaigns can be expected to play a significant role in shaping support and compliance with revenue policies. Ali, Fjeldstad and Sjursen (2014) also show that knowledge and awareness of the revenue collection system is correlated positively with tax-compliance attitude. It seems that, especially in contexts where information is poor and perceptions of unfairness of the fiscal system are high, more information and transparency may help improve endorsement of the fiscal contract. Certainly there will be cases where the negative perceptions held by citizens are legitimate; however, in other cases they will be based on broadly shared misconceptions about the use of public funds and where the funding actually comes from. The level of endorsement may decrease as a result of widespread perceptions that other members of the society free-ride and evade paying the revenue to be levied (Fjeldstad and Semboja, 2001). Similarly, simple mistrust generated by the inability to access reliable information about the public budget can be expected to reduce endorsement. In support of this point, Evans, Holtemeyer and Kosec (2019) provide evidence indicating that high-information environments magnify the positive effects of conditional cash transfers on trust and perception of government responsiveness. Yet, information is neither a panacea nor a sufficient condition. In their review of the existing literature on the effect of information campaigns (broadly defined) on service delivery, Kosec and Wantchekon (2020) point out three necessary conditions that have to be present for information to have an effect: "the information must be relevant to the individual, the individual must have the power to act on it, and the individual must have the incentive to act on it".

The entry points for public administrations eager to communicate information are hence multiple, and include informing taxpayers on the actual functioning of the revenue system, more general campaigns in schools, as well as initiatives focusing on transparency regarding the use of resources and how cost and benefits are distributed among citizens.[5] These activities can stimulate public debate and lead to a change in people's perceptions about the performance as well as the fairness of the system. This requires that public institutions provide more information about the policies implemented, whom they reach, how much they cost and how they are financed. It also entails ensuring adequate monitoring and evaluation capacities, and setting up a transparent procurement system. More transparent and efficient management of the public budget can liberate resources, which could be spent to further strengthen the implementation of social policies, including social protection programmes, or allow a reduction of

5. For a list of measures ongoing in Africa from the tax side, see Mascagni and Santoro (2018).

the tax burden for individual groups or society in general. All of this will contribute to a higher level of endorsement of the fiscal contract.

These three described mechanisms can improve the level of endorsement for and the level of involvement with the fiscal contract, which can ultimately affect social cohesion. Initiatives that lead to more support for the existing fiscal contract, or its reformulation into one that garners more support, can contribute to developing and strengthening a common identity and mutual trust across individuals and different societal groups. More widespread support among a group indicates that a growing number of citizens share a common understanding of how members of a society are linked and the degree to which they have rights as well as responsibilities towards each other and towards the State. In this line, higher endorsement will be linked to better horizontal relations among members of society, as well as more constructive relations between the State and society. Only as far as this reformulation triggers a relationship in which the State is able to deliver on expectations, the positive effect on the vertical relationship will increase. The time lag for a positive effect on the vertical dimension can be expected to be shorter for the third set of measures. If education and communication campaigns are effective, perceptions that had undermined the vertical relation, might change rapidly.

Fiscal contracts with high levels of involvement are also expected to contribute to social cohesion. Expanding the level of involvement will naturally increase interaction in society and will reach out to people that live independently of the State. This touches upon politically and socially sensitive issues, which increase the possibility of confrontation but can also be used as focal points to find compromises and agreements leading to more cohesive societies. Thus, similarly to the effect of increasing endorsement, expanding the level of involvement can force and facilitate dialogue between groups and, if properly managed, lead to the development of a common vision and identity. Interaction and exchange create significant opportunities to bridge trust gaps between societal groups if healthy public debate accompanies the process.

In this sense, fiscal measures can be expected to affect all attributes of social cohesion and do so on both dimensions (vertical and horizontal). In particular, the more direct effects should be expected on the vertical dimension and for the attributes of *trust* and *cooperation for the common good*. Certainly, effects on horizontal relations are also to be expected, but these are probably more indirect as they are triggered by increased interaction and demand for coordination. Similarly, fiscal measures can contribute to enhancing inclusive identity, but will take more time to materialize. Supporting a common understanding and higher endorsement of the fiscal contract can support national identity if the diverse groups in society have an agreement on the shared fiscal contract. However, identity seems to be the least volatile attribute of the three: it can remain stable also in periods in which both *trust* and *cooperation for the common good* rise.

Overall, we conclude that social and revenue collection policies can affect social cohesion directly and indirectly, as well as being positively and negatively affected by the fiscal contract. In this regard, policy-makers should not only focus on this debate from the perspective of how to improve social cohesion, but also acknowledge the potential unintended negative effects of certain measures. For, example, fiscal contracts that lack endorsement and are imposed against the will of society (or larger groups of it) will be perceived as unfair. Resistance will increase and the vertical relations between society and the State will deteriorate in particular, undermining social cohesion. The same can occur with regards to the horizontal dimension, if specific groups in society perceive that they are being treated unfairly compared to others.

Conclusion and policy implications

Social cohesion is increasingly seen as a major factor to help achieve sustainable development and to deal with external shocks that put societies at stress. In fact, the view that "without social cohesion, it will be difficult to attain the SDGs [Sustainable Development Goals] – in particular the objective of leaving no one behind" (Verbeek and Dill, 2017), is gaining centrality in policy discussions.

Several factors could potentially influence social cohesion. Ultimately, policies in any sector, by influencing the interaction of citizens with the State, as well as interaction among citizens, affect social cohesion. However, there are policy fields that appear particularly relevant in these discussions. Social protection systems, by defining who is eligible to benefit from social policies (and who is not), as well as revenue policies, by defining who should pay, how much and when, certainly belong to this list of key policy fields.

The article has sought to contribute to this debate by first presenting a concept of social cohesion and then discussing how social policies and revenue policies can affect social cohesion through the fiscal contract.

Reform in these policy fields can theoretically boost social cohesion, but may also harm it. Consider, for instance, a narrowly targeted social protection scheme. It may be the case that the target population will benefit, as defined by the terms of the main goals of the programme, but these measures may exacerbate social disintegration as a consequence of the stigma deriving from being eligible to receive these benefits (see, for example, Burchi and Roscioli, forthcoming; Li and Walker, 2016; Roelen, 2017). Social cohesion is not perceived to be the primary goal of social policy measures. This article is motivated by the consideration that too little debate has taken place regarding the expected causal links connecting social policies and revenue policies and their final contribution to social cohesion. Without a clear conceptual framework, it is not possible to discuss theoretically whether and to what extent both policies can contribute to social cohesion, just as it is impossible to test it empirically.

We have identified three mechanisms that, specifically in the context of low- and middle-income countries, can initiate a virtuous cycle that leads to better public social spending and more revenue collection, both key necessities in many developing countries.[6]

First, increasing the effectiveness and/or the coverage of social policies can initiate the virtuous cycle from the social policy angle. Higher coverage can be achieved by implementing social policies that are universal and lead to equal opportunities for all. One example would be the implementation of a universal basic income (Gentilini et al., 2020; Loewe, 2020). Second, from the revenue collection side, broadening the tax base is the most promising avenue. A particularly good place to start seems to be to reduce tax exemptions granted to taxpayers often with the goal of attracting investors, but which on average have been assessed to have doubtful effectiveness (IMF et al., 2015). This would also help to reduce the tax system's complexity and the opportunities for corruption associated with the discretionary granting of exemptions (Moore, 2015, p. 165). Property taxation is a particularly under-used source of revenue in developing countries. Better use of this potential – a potential that is increasing because of growing urbanization globally (Fjeldstad, Ali and Goodfellow, 2017) – is a particularly promising avenue. Third, as a cross-cutting issue rather than a policy reform, it is essential to increase the transparency of the policy and administrative processes and stimulate public debate around the fiscal system to make sure that the social cohesion enhancing potential of policies materializes. This can be achieved through information campaigns about the policies realized, including their costs and financial sources, or through an improvement of the monitoring and evaluation system.[7]

We consider that much of the potential of the three mechanisms lies in improving the situation along the vertical axis of social cohesion. Attributes of trust in government institutions as well as openness to cooperate with State organizations will potentially improve. The sense of common identity will be improved as well, but probably will require more time. Less evident is the potential of the described policies to enhance the horizontal dimension of social cohesion. Benefits may emerge from more inclusive and transparent policies that enable everyone to understand who is actually benefiting.

6. See, for instance, European Commission (2015).
7. In this regard, the *ISSA Guidelines on Good Governance in Social Security Administration* is particularly useful for policy-makers.

Hence, all these measures can act to start the cycle, which may be virtuous, but which just as easily may become vicious. The potential for positive effects on social cohesion is high. Yet, if the expectations of citizens are not fulfilled, or if the socio-political process that accompanies a change of fiscal contract is conflictual, the effects of such measures may be negative. Poorly performing social policy systems can erode citizens' willingness to contribute revenue to the public budget, creating a situation where the revenue base is lowered and endorsement declines. Similarly, revenue systems perceived as being unfair will perform ineffectively and generate lower revenue, making it impossible for social systems, including social security protection, to expand. Hence, measures in the fiscal area, regardless of whether these are on the revenue or the social policy side of the budget, need to be closely coordinated with the broader governance agenda. Reforms in the social policy and revenue collection policy fields alone will not be sufficient if required changes to the institutional set-up and the underlying power and incentive structures remain unaddressed. Distributive conflicts can arise and escalate quickly when persons or groups are asked to contribute more, or when only some are accorded access to services. Thus, fostering transparency and public debates alongside policy measure is key to minimize the potential disruptive effects. Also, it is essential to underline that all the cited mechanisms, in order to be effective, need to be accompanied with a minimum level of State capacity.

Overall, while an expectation of a positive effect of the described measures on social cohesion is plausible, we should not ignore the potential for unintended negative effects. It is also crucial to think carefully about the causal impacts that any planned measures could have and to anticipate potential problems. In this article, we have presented a first step towards understanding the effect of social policy and revenue collection policies on social cohesion. In particular, we encourage further research along three paths. In order of priority, the first consists of consolidating the discussion around the conceptualization and measurement of social cohesion. The second consists of discussing in detail all the potential effects of measures in the social policy and revenue mobilization fields on social cohesion. The third consists of testing empirically the validity of our theoretical claims. The agenda is clear and the relevance of the topic obvious. We hope this article represent a first contribution to help take this research forward and encourage further work in this important area.

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Social assistance and inclusive growth

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Abstract The expansion of social assistance in low- and middle-income countries raises important issues for inclusive growth. Labour is by far the principal asset of low-income groups. Changes in the quantity, quality, and allocation of labour associated with social assistance will impact on the productive capacity of low-income groups and therefore on inclusive growth. The article re-assesses the findings reported by impact evaluations of social assistance in low- and middle-income countries to address this issue. Most studies have tested for potentially adverse labour supply incentive effects from transfers but have failed to find supportive evidence. The article highlights findings from this literature on the effects of social assistance on human capital accumulation and labour reallocation. They point to the conclusion that well-designed and well-implemented social assistance contributes to inclusive growth.

Keywords social assistance, poverty, standard of living, social development, economic development, developing countries, international

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Introduction

Social assistance has become the main social protection institution in low- and middle-income countries in terms of reach. This raises important issues for inclusive growth. Labour is by far the principal productive asset available to low-income households. Upgrading the productive capacity of low-income and vulnerable households will ensure their incomes grow as fast as, or faster, than better off groups. A feature of recent social assistance design is the attention paid to combining consumption subsidies with efforts to improve the productive capacity of vulnerable households. The article reviews and re-assesses the findings from impact evaluation studies on the labour market outcomes associated with participation in social assistance programmes with the aim of throwing light on the latter's contribution to inclusive growth.

The review comes in two parts. The first part addresses the question of whether social assistance generates adverse labour market incentives and therefore impacts inclusive growth negatively. Following the canonical labour economics literature in high-income countries,[1] studies in low- and middle-income countries have tested for short-term adverse labour supply incentive effects from social assistance transfers. Overall, available evaluation studies have failed to find adverse labour supply effects. There is an emerging consensus on this finding.

The second part addresses the issue of whether social assistance can have positive effects on the productive capacity of low-income groups. Impact evaluation studies have paid less attention to this issue. This is in part due to their focus on short-term effects, often dictated by the nature of experimental data. However, paying close attention to the findings on human capital outcomes and on the reallocation of household labour from this literature will provide important insights into the potential contribution of social assistance to inclusive growth.[2] For example, studies have found measurable effects on the accumulation of productive capacity, especially by children (Baird et al., 2013; Duflo, 2003; Glewwe and Kassouf, 2012); and on improvements in the allocation of productive resources within households (Barrientos and Villa, 2015; Posel, Fairburn and Lund, 2006). They indicate that participation in social assistance programmes supports the augmentation and reallocation of productive capacity.

1. For an excellent account of the canonical view see (Moffitt, 2002).
2. Inclusive growth can be defined as growth "that enables the poor to actively participate in and significantly benefit from economic activity" (Kakwani and Pernia, 2000, p. 3). Inclusive growth is by definition poverty reducing. A more restrictive definition of inclusive growth (Ravallion and Shen, 2003) requires that the standards of living among low-income groups grow faster than the standards of living of better off groups, reducing income inequality between these groups. In this more restrictive definition, inclusive growth is poverty and inequality reducing.

Improvements in the productive capacity of low-income households are a requisite for poverty eradication, inclusive growth and equity.

Our approach is to examine available findings from impact evaluation studies of social assistance programmes. We rely on the information provided in published meta-analysis and systematic reviews on the effect of social assistance. Meta studies review, harmonize, and synthesize the vast and growing body of evidence emerging from the evaluation literature.[3] Where meta studies are not available, we rely on the information provided by an additional database of evaluation studies collected for this purpose. Where relevant, particular studies are selected to illustrate the weight of the evidence emerging from these studies.

The main conclusion emerging from this review is that well-designed and well-implemented social assistance supports labour market outcomes as well as improvements in the productive capacity of disadvantaged groups, and can therefore contribute to securing inclusive growth. The remainder of the article is organized around three main sections. The next section traces the rapid expansion of social assistance in low- and middle-income countries since the start of the century. We then offer a summary review of findings on the effects of social assistance participation on adult labour supply. The third section highlights findings on social assistance effects on productive capacity and on reallocation of labour resources. A conclusion gathers the main points and speculates on the impact of the COVID-19 pandemic on social assistance and inclusive growth.

Social assistance expansion

Disadvantaged groups in low- and middle-income countries are seldom covered by insurance[4] and labour market policies (Castañeda et al., 2018). Social assistance, defined as budget-financed rules-based transfers to disadvantaged groups with the aim of addressing poverty, is the most significant component of social protection systems in terms of reach.

In low- and middle-income countries, with few exceptions, social assistance is provided through large-scale programmes targeted on vulnerable population

3. The systematic reviews and meta-analysis used are: de Hoop and Rosati (2014) and Dammert et al. (2018) for child labour; Banerjee et al. (2017) for adult labour supply; Bastagli et al. (2019) for overall effects on different dimensions; Baird et al. (2014) for school attendance; Tirivayi, Knowles and Davis (2016) and Veras Soares et al. (2017) for the interaction between social protection and agrictulture programmes; Kabeer and Waddington (2015) for the economic impacts; Hidrobo et al. (2018) for the ownership of (rural) productive assets; and Gentilini and Adhikari (2018) for migration. Other reviews have also been considered such as García and Saavedra (2017) for education outcomes and Angelucci (2012) for migration.

4. The term “insurance” is used here in preference to social insurance to capture the variety of institutions in low- and middle-income countries as regards the manner in which pension and health-care benefits are mandated, financed, administered and governed.

groups. Social assistance programmes vary significantly across countries and regions, but four main types can be distinguished (Barrientos, 2007). *Pure income transfers* provide regular transfers in cash to households or population groups facing poverty and vulnerability. Their main objective is to support consumption to population groups, especially to those who are vulnerable, for example through old-age and disability transfers. *Employment guarantees* provide regular transfers in cash or in kind to vulnerable household on condition that household members provide labour. These are permanent entitlements (in contrast to short-term public works). *Conditional income transfers* provide transfers in cash and services to vulnerable households conditional on compliance with schooling, nutrition, or health-care access requirements (Barrientos, 2019). They support household consumption while at the same time encouraging improvements in productive capacity. *Integrated anti-poverty programmes* consist of multidimensional interventions packaged to support vulnerable households. They often include direct intermediation services by welfare workers.

Social assistance has shown a rapid expansion in low- and middle-income countries since the turn of the century. Table 1 shows trends in social assistance types for low- and middle-income countries (Barrientos, 2018).

A feature of the expansion of social assistance in low- and middle-income countries is the significant number of impact evaluation studies carried out to provides quasi-experimental evidence on their effectiveness. Meta studies have processed, summarized and harmonized the findings from evaluation studies (see footnote 3). In this article, the focus is on findings on reported findings on the labour outcomes of social assistance programmes.

Adult labour supply

By and large, impact evaluation studies examining the labour supply outcomes associated with participation in social assistance programmes in low- and

Table 1. *Reach of social assistance in low- and middle-income countries (millions)*

	2000	2005	2010	2015
Pure transfers	50.9	156.4	254.0	365.4
Employment guarantees	0.5	13.0	257.2	185.9
Conditional income transfers	31.4	94.8	167.6	208.2
Integrated programmes	12.1	37.1	103.4	83.1

Note: Reach measures the population benefiting from social assistance, including direct and indirect beneficiaries (recipient's co-residents).

Sources: Social Assistance in Low and Middle Income Countries database (SALMIC); Barrientos (2018).

middle-income countries have tested for potential short-term adverse impact on overall labour supply (Alzúa, Cruces and Ripani, 2013; Eyal and Keswell, 2008; Filho, 2008; Foguel and de Barros, 2010; Freije et al., 2006). This focus is in line with canonical labour economics research on the effects of transfers on work incentives in high-income countries (Blank, 2002; Feldstein, 1987; Moffitt, 2002).

The vast majority of studies on low- and middle-income countries, across regions and programmes, finds no statistically significant systematic effects on the labour supply of adult participants. This applies to both the intensive (hours) and extensive (participation) margins (Bastagli et al., 2019). See Table 2, which reports on the main findings.

This literature focuses mainly on aggregate individual labour supply effects. A handful of studies pay attention to differences in participant socioeconomic conditions, context and programme design. Barrientos and Villa (2015), for example, find increases in the labour supply of single mothers with young children. They suggest that labour supply effects vary across population groups. Larger and statistically significant labour supply effects are found for specific age categories. Labour supply effects of transfer receipt are stronger, and negative, for older persons in receipt of social pensions (Galiani, Gertler and Bando, 2016). The strongest results apply to labour supply effects associated with programme participation by children, especially where programmes incentivise school attendance or explicitly discourage child labour (de Hoop and Rosati, 2014). Child labour will be discussed in more detail below.

Productive capacity

While programme evaluation studies have focused primarily on (short-term) adult labour supply effects, they also document secondary effects on labour and human development outcomes. These secondary effects throw light on intra-household labour resource reallocation and augmentation responses crucial to improvements in productive capacity. This section presents findings on children's human development and labour supply, sectorial reallocation of labour, and migration.

Child labour supply and human development

With few exception, impact evaluations find that anti-poverty transfers reduce child labour, at both the intensive and extensive margins (de Hoop and Rosati, 2014) while leading to increases in school attendance and enrolment among social assistance beneficiaries (Cooper et al., 2020; Manley and Slavchevska, 2019). Table 3 reports on these findings. The reduction in labour supply appears to be more pronounced for boys. Lower baseline labour force

Table 2. *Income transfer effects on adult labour supply*

Meta-study	Programme (country)	Outcome	Group	Treatment effect	95% confidence interval
Aluúa, Cruces and Ripani (2013)	PRAF (Honduras)	Whether working	Female	–0.01	(0.035; –0.055)
		Whether working	Male	–0.005	(0.030; –0.040)
	RPS (Nicaragua)	Whether working	Female	–0.02	(0.039; –0.079)
		Whether working	Male	–0.009	(0.030; –0.048)
	PROGRESA (Mexico)	Whether working	Female	–0.02	(–0.002; –0.038)
		Whether working	Male	0.003	(0.032; –0.026)
	PRAF (Honduras)	No. of hours worked (among those working)	Female	1.84	(–0.777; –4.457)
		No. of hours worked (among those working)	Male	0.493	(1.710; –0.724)
	RPS (Nicaragua)	No. of hours worked (among those working)	Female	–5.668	(2.399; –13.735)
		No. of hours worked (among those working)	Male	–1.475	(2.051; –5.001)
	PROGRESA (Mexico)	No. of hours worked (among those working)	Female	0.184*	(0.400; –0.032)
		No. of hours worked (among those working)	Male	–0.015	(0.095; –0.125)
Skoufias and Di Maro (2008)	PROGRESA (Mexico)	All work (nov. 99)	Male 18-55+	0.006	(0.022; –0.010)
		Salaried work (nov. 99)	Male 18-55+	0.025	(0.070; –0.020)
		Self-employed/family business (nov. 99)	Male 18-55+	–0.007	(0.032; –0.046)
		All work (nov. 99)	Female 18-55+	–0.006	(0.018; –0.030)
		Salaried work (nov. 99)	Female 18-55+	0.001	(0.013; –0.011)
		Self-employed/family business (nov. 99)	Female 18-55+	0	(0.020; –0.020)

(Continued)

Table 2. *Income transfer effects on adult labour supply* - Continued

Meta-study	Programme (country)	Outcome	Group	Treatment effect	95% confidence interval
Banerjee et al. (2017)	PRAF	Worked last week		–0.0295*	(0.003; –0.062)
	Tayssir	Worked last week		–0.0097	(0.035; –0.054)
	PPPP	Worked last week		0.0096	(0.039; –0.020)
	PAL	Worked last week		0.0135	(0.043; –0.016)
	PKH	Worked last week		–0.0043	(0.012; –0.021)
	RPS	Worked last week		–0.0202	(0.013; –0.053)
	Progresa	Worked last week		–0.0089	(0.006; –0.024)
	PRAF	Hours worked per week		–0.51	(0.901; 1.921)
	Tayssir	Hours worked per week		–0.48	(1.48; –2.44)
	PPPP	Hours worked per week		0.37	(1.938; –1.198)
	PAL	Hours worked per week		1.15	(2.875; –0.575)
	RPS	Hours worked per week		–1.17	(0.5352; 2.875)
	Progresa	Hours worked per week		–0.34	(0.6596; 1.340)

Note: *Significant at 10%; ** Significant at 5%; ** Significant at 1%.

Source: Authors' elaboration.

Table 3. *Income transfer effects on child labour supply*

Study	Programme (country)	Outcome	Group	Treatment effect	95% confidence intervals
Barrera-Osorio et al. (2011)	SCAE (Colombia)	No. of hours worked last week	Grade 6-10	–0.804***	(–0.0396; –1.5684)
		No. of hours worked last week	Grade 11	–7.349***	(–4.501; –10.197)
Edmonds and Schady (2012)	BDH (Ecuador)	Paid employment	Children age 11–16 at baseline	–0.099	(0.007; –0.205)
		Unpaid economic activity		–0.187	(–0.042; –0.332)
		Economic activity (paid employment or unpaid economic activity		–0.245	(–0.090; –0.400)
		Unpaid household services		0.024	(0.153; –0.105)
		Any work (economic activity or unpaid household services		-0.08	(0.000; –0.160)
Covarrubias et al. (2012)	Social Cash Transfer Programme (SCTP) (Malawi)	Children doing household chores	All children	0.077**	(0.122; 0.032)
		Hours spent family farm/nonfarm business		0.161**	(0.259; 0.063)
		Domestic work outside the household		–0.074***	(–0.074; –0.074)
		Paid domestic work outside the household		–0.077***	(–0.077; –0.077)
		Hours spent on domestic work outside the household		–0.261***	(–0.261; –0.261)
Del Carpio et al. (2016)	Atencion a Crisis (Nicaragua)	Total labour hours	All children	–2.119***	(–1.295; –2.942)
		Total labour hours	All children	–1.144**	(–0.184; –2.104)
Skoufias et al. (2001)	PROGRESA (Mexico)	Whether working	Girls 12-17	–0.023*	(0.002; –0.048)
		Whether working	Boys 12-17	–0.047**	(–0.003; –0.091)
UNC (2016)	Social Cash Transfer Programme (SCTP) Malawi)	Child labour		–0.090***	(–0.037; –0.143)

Note: *Significant at 10%; ** Significant at 5%; ** Significant at 1%.

Source: Authors' elaboration.

participation by girls in rural areas implies that girls reduce time spent on household chores to compensate the increased time spent at school, as found in Skoufias et al. (2001), among many others.

The largest reductions in child labour are found in evaluations of conditional income transfers in Latin America where programme design conditions ensure that substitution effects (increased time spent at school works to reduce time available for paid work) move in the same direction as income effects (raised disposable income increases the reservation wage), as modelled by Rubio-Codina (2010). Table 1 shows statistically significant reductions in different indicators of paid child labour across studies. The estimated coefficients are not directly comparable as they compare treatment and control groups on different indicators. Conditional income transfers show consistently favourable effects in reducing paid work by children (Del Carpio, Loayza and Wada, 2016). Effects are also stronger when programmes are targeted explicitly on children or include implicit conditions (UNC, 2016). Aside from Mexico's *Progresa,* indicators capturing unpaid work or household chores are positive for participant children compared to the control group.

Favourable effects on child labour are statistically significant but smaller in size for pure income transfers in Africa. Transfer programmes linked to investment in physical assets in sub-Saharan Africa and Asia fail to induce a reduction in child labour (de Hoop, Groppo and Handa, 2019). A plausible explanation, grounded on theory, is that the returns to child labour increase given household investment in physical assets (Covarrubias, Davis and Winters, 2012).

Labour supply effects of conditional income transfers on siblings not receiving, or not eligible for, transfers provide some interesting insights reinforcing the findings on direct participants. Transfers accompanied by schooling conditions generate strong incentives for eligible children to enrol in school. Non-participant or non-eligible siblings benefit from improve household income but are not subject to compliance with schooling conditions. In theory, sibling responses would depend on the possibility that eligible and non-eligible children within a household can act as substitutes in the household labour allocation. Lincove and Parker (2016) find favourable (negative) labour supply effects among non-eligibles in Nicaragua. Barrera-Osorio et al. (2011) show that, within the same household, a child targeted by transfers is more likely to attend school, and work less, than a sibling who is not targeted. Interestingly, non-beneficiary siblings are less likely to attend school than are children in non-beneficiary households.[5]

5. Filmer and Schady (2011) find no impact on the school enrolment of a beneficiary's ineligible sibling for a Cambodian programme.

Studies focusing on the longer-term labour effects of participation in social assistance programmes have a better chance of capturing improvements in productive capacity, but they are scarce and show mixed findings.[6]

Most studies of long-term effects focus on the oldest programmes in Latin America. Barham, Macours, and Maluccio (2017) find that the *Red de Protección Social* (RPS) programme in Nicaragua increased boys' schooling and learning outcomes, their engagement in off-farm work and subsequently their income. Molina Millán et al. (2020) estimate that, for the case of Honduras: "[b]oth early childhood exposure to the nutrition and health components of the CCT as well as exposure during school-going ages to the educational components led to sustained increases in human capital"; even if the positive effects are more limited for the indigenous.

They also find positive effects on the probability of international migration. By contrast, Araujo, Bosch and Schady (2017) find mixed results on education (positive effect on attendance, insignificant on learning outcomes) and no significant impact on labour market outcomes in the context of the Ecuador's *Bono de Desarrollo Humano* (BDH) unconditional transfer. Baez and Camacho (2011) and García et al. (2012) find that Colombia's *Familias en Acción* (FA) improved school attendance, but not test scores. In a related study from Colombia, Barrera-Osorio, Linden and Saavedra (2019) find that a conditional income transfer in Bogotá increased enrolment in tertiary education.[7] Finally, two recent studies analyse the long-term effects of Mexico's *Progresa* conditional cash transfer. Parker and Vogl (2018) find young adults who participated in the programme show better educational and labour market outcomes, geographic mobility, and household economic conditions. Kugler and Rojas (2018) find that the effects of delayed implementation might not be significant where effects are cumulative, leaving the length of exposure as the only viable strategy to identify longer-term programme effects. They find that the average person exposed to *Progresa* for 8 years "is 36.6 per cent more likely to be employed … and earning 5 more pesos per hour than an individual never exposed to the programme" (Kugler and Rojas, 2018, p. 26). Therefore, aside from being scarce, available studies are also inconclusive even in relation to some critical outcomes.

Conditional income transfers increase human capital investment in terms of schooling, but it remains uncertain whether programme participation translates into improved productive capacity and labour outcomes. In fact, overall, the

6. Molina Millán et al. (2019) define long-term effects as "those that both: 1) are related to the accumulation of human capital; 2) are observed after beneficiary children have reached a later stage of the life–cycle". They focus on two life cycle transitions: from early childhood to school, and from school to adulthood.

7. The programme in question is called *Subsidios Condicionados a la Asistencia Escolar* (Conditional Subsidies for School Attendance).

effects of transfer programmes on final education and health outcomes (such as cognitive abilities, as measured by test scores, and health status) are inconclusive (Bastagli et al., 2019).

Sectoral labour reallocation

Social assistance transfers might lead to a reallocation of household labour supply by adults aiming to raise their productivity. Several studies show that adults invest in on- and off-farm business in response to income transfers, engaging in more productive activities (Bandiera et al., 2017; de Brauw et al., 2015; Hidrobo et al., 2018; Skoufias, Unar and Gonzalez de Cossio, 2013). Some studies find a shift in labour supply from on-farm to non-farm work (Asfaw et al., 2014; Gertler, Martinez and Rubio-Codina, 2012; Maluccio, 2010; Tirivayi, Knowles and Davis, 2016). Successful labour and asset reallocations by vulnerable households can be risky. A conditional income transfer in Nicaragua reduced such investments, a result attributed to poor rural transportation (Maluccio, 2010). Bianchi and Bobba (2013) find that asset investments from income transfers are themselves motivated to a greater extent by insurance motives than by the easing of credit constraints.

As to whether social assistance transfers encourage shifts in labour supply between formal and informal employment, we report key findings in Table 4.

This is an important issue because informality has implications for future earnings and productivity (Levy, 2008). Maintaining eligibility for programme transfers might generate incentives for participant households to remain in informal employment. In Brazil, social assistance eligibility is based on an income test, and income from informal employment is less traceable (Firpo et al., 2014). Several papers document a negative effect on formal employment in Latin America (de Brauw et al., 2015; Garganta and Gasparini, 2015; Gasparini, Haimovich and Olivieri, 2009). Yet, receipt of transfers might facilitate formal employment where it can support longer job search. Pure income transfers in South Africa are associated with a shift to formal employment (Tondini, 2017; Tondini, Ardington and Woolard, 2017).

Migration

Another labour outcome to consider is whether income transfers affect migration, both labour and non-labour induced. The relevance of migration in the context of social assistance is that migrants seek work in better and more productive jobs than the ones available locally (Sabates-Wheeler and MacAuslan, 2007). Theoretically, income transfers can reduce migration if transfers from social assistance and the

Table 4. *Income transfer effects on sectoral reallocation*

Study	Programme (country)	Outcome	Group	Treatment effect	95% confidence intervals
De Brauw et al. (2015)	*Bolsa Familia* (Brazil)	Hours worked in formal sector	Total,18–69	-7.98***	(-5.016; -10.944)
		Hours worked in formal sector	rural,18–69	-0.369	(3.880; -4.618)
Garganta and Gasparini (2015)	Universal Child Allowance for Social Protection (AUH) (Argentina)	Probability of becoming formal	Unemployed and informal workers, aged 18–70	-0.0695***	(-0.037; -0.102)
Gasparini et al. (2009)	*Programa Jefes de Hogar* (PJH) (Argentina)	Share of individuals with a formal job in year 2	Adults	-0.034***	(-0.010; -0.058)
Tondini (2017)	Child Support Grant (CSG) (South Africa)	Informal if employed, 2011	Mothers, non-White only	-0.0223**	(-0.000; -0.044)

Note: *Significant at 10%; ** Significant at 5%; ** Significant at 1%.

Source: Authors' elaboration.

Table 5. *Income transfer effects on migration*

Study	Programme (country)	Outcome	Group	Treatment effect	95% confidence intervals
Ardington et al. (2009)	SA-OAP (South Africa)	Migrating internally	Female members (17-51)	0.051**	(0.078; 0.035)
		Migrating internally	Male members (17-51)	0.034**	(0.063; 0.011)
Angelucci (2015)	PROGRESA (Mexico)	Y=1 if US migrant	Individuals 14-40	0.0037**	(0.007; 0.000)
		Y=1 if US migrant in household	All eligible households	0.0067**	(0.0123; 0.0010)
Rubalcava and Teruel (2006)		Work related migration, all	All individuals	8.11***	(9.22; 6.99)
		Work related migration, male	All individuals	9.02***	(12.51; 5.53)
		Work related migration, female	All individuals	6.28***	(7.18; 5.38)
		Work related migration, different country	All individuals	0.69***	(0.94; 0.44)
		Work related migration, different state	All individuals	1.94***	(2.21; 1.67)
		Work related migration, United states	All individuals	0.86***	(1.04; 0.68)
Azuara (2009)		Migration 2000, short run	All villages	-0.149***	(-0.130; -0.169)
		Migration 2005, long run	All villages	0.299***	(-0.268; -0.330)
Stecklov et al. (2005)		Migrating internally	Treated households	-0.003	(-0.008; 0.002)
		Migrating to US	Treated households	-0.002***	(-0.004; 0.000)

Note: *Significant at 10%; ** Significant at 5%; ** Significant at 1%.

Source: Authors' elaboration.

potential remittances are considered as substitutes. If, however, the two income flows are considered as complementary, migration should increase. This applies where regular income transfer can be used to finance migration.

The evidence is mixed (Gentilini and Adhikari, 2018). Table 5 summarizes the main findings. A positive effect of transfer receipt on migration has been documented for pure income transfers in South Africa (Ardington et al., 2016; Ardington, Case and Hosegood, 2009), but also for conditional income transfers (Angelucci, 2015). The effects are relatively small. *Progresa* in Mexico reduced migration to the United States, while no effect was documented on internal migration (Stecklov et al., 2005).[8] Gentilini and Adhikari (2018) find that programme design is helpful in explaining the apparent contradiction in the findings. Some programmes implicitly prevent migration as they require participation in local activities and services. Conversely, other social assitance programmes enable migration by decreasing travel costs or through design features that require compliance with schooling conditions, which involve spatial mobility in practice. Studies focusing on migration effects among younger groups find that Mexico's *Progresa* reduced boys' migration by 2 percentage points, while no effects were found for girls (Behrman, Parker and Todd, 2008). This suggests that boys continue schooling at home instead of migrating to look for a job.

Overall, the findings reported in this section throw light on whether social assistance leads to improvements in productive capacity. They show that the most significant labour outcomes associated with social assistance are not to do with adult labour supply, but with the reallocation and augmentation of the productive capacity of disadvantaged households. They highlight the role of social assistance in supporting inclusive growth especially in the medium to long term.

Conclusions and COVID-19

This article has interrogated the findings from the evaluation literature on social assistance with the aim of assessing the latter's contribution to inclusive growth. Paying close attention to the findings from impact evaluation studies of social assistance transfers, the article:

- confirms that social assistance transfers do not generate adverse labour supply incentives in low- and middle-income countries;
- highlights welcomed improvements in the productive capacity of vulnerable households, through reductions in child labour, sectoral labour reallocation, and spatial labour reallocation

8. Angelucci (2015) finds the opposite effect using an alternative, and less robust, methodology.

These findings point to the conclusion that well-designed and well-implemented social assistance programmes contribute to inclusive growth.

The discussion presented in the article is based on findings from impact evaluation studies on social assistance programmes, collected and harmonized by available meta studies. Without seeking to rehearse current debates on the merits and demerits of experimental studies, two methodological comments are of relevance. Evaluation studies of social assistance based on quasi-experimental methods contribute important knowledge on adverse labour supply effects. Robust findings indicate that social assistance has not generated adverse effects on work incentives. Experimental studies have paid less attention to household labour responses leading to improved productive capacity. Choices over research methods have implications for the knowledge they generate. In this case, studies have privileged research on short-term labour supply responses. Even so, the findings from this literature highlight human capital accumulation and labour reallocation. Social assistance effects on productive capacity are perhaps best studied with longitudinal data. This suggests the need for complementary data collection and analytical methods.

The main policy implication suggested by the discussion in this article underlines the significance of social investment in securing inclusive growth and sustained reductions in poverty and inequality. Social assistance programmes in low- and middle-income countries will maximize their effectiveness by combining policies supporting consumption and supporting investment in productive capacity. On paper, there are few trade-offs in consumption support and social investment objectives. Improved nutrition in childhood, for example, should advance both objectives. Context is important too. Social pensions advance social investment where pensioners co-reside with schoolchildren. In practice, policy-makers might feel inclined to make fine judgements in balancing consumption support and social investment objectives, especially in response to electoral competition. The findings discussed in this article show that social investment is key to social assistance's contribution to inclusive growth.

The COVID-19 pandemic places this discussion on balancing social assistance objectives in sharp relief. The pandemic threatens to undo many of the gains in poverty and inequality reduction experienced by low- and middle-income countries this century. At the time of writing, the health crisis was the main focus of policy-makers. Minimizing the loss of life has required restrictions on social interaction directly affecting economic activity. There is consensus in early studies that low-income and informal groups particularly face rising unemployment and loss of earnings. Social assistance programmes have figured prominently in governments' efforts to mitigate the threat to livelihoods among vulnerable groups. A "live database" of government social protection interventions indicates that social assistance accounts for the majority of responses (Gentilini et al., 2020). Pre-existing programmes have helped protect the incomes of vulnerable groups and their institutional infrastructure has greatly facilitated the implementation of emergency assistance to other population groups made vulnerable by the health crisis.

The COVID-19 health crisis and its global reach pose unprecedented challenges for the economies of low- and middle-income countries. All the indications are that the health crisis will be followed by a sizeable global recession. Disruption to global and domestic supply chains, drastic contraction in foreign and domestic capital investment, and large increases in private and public debt prefigure trade and macroeconomic adjustments with large-scale employment effects.

The primary role of social assistance in the health crisis has been to support the income and livelihoods of vulnerable groups and to support governments' emergency assistance to informal and unemployed workers and their families. A global recession will highlight the social investment role of social assistance, its capacity to protect and improve the productive capacity of vulnerable groups – the subject of this article. Recovering human development losses associated with school closures and health-care gaps due to COVID-19 and protecting human capital investments during the envisaged global recession for vulnerable groups will become top priorities. They will require a push for expanding the reach and scope of social assistance in low- and middle-income countries.

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Reinvigorating the social contract and strengthening social cohesion: Social protection responses to COVID-19

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Abstract The COVID-19 pandemic has exposed the vulnerability of those who are inadequately covered by social protection in more and less developed countries alike, and has exacerbated the fragility of a social contract that was already under strain in many countries. A weak social contract in the context of an exceptional crisis poses a very real risk to social cohesion. Nevertheless, many States have reasserted themselves as the guarantor of rights by protecting public health and incomes. By sustaining these measures, economic recovery will be supported which will help minimize risks that may weaken social cohesion. However, this is a fast-moving, inherently unstable and protracted crisis. Social protection stands at a critical juncture. Decisive policy action will be required to strengthen social protection systems, including floors, as one of the cornerstones of a reinvigorated social contract.

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Introduction

After the last global catastrophe – the 2008 financial crisis – the international community unanimously reaffirmed the human right to social security by adopting the International Labour Organization's (ILO) Social Protection Floors Recommendation, 2012 (No. 202). In doing so, countries pledged to guarantee at least a basic level of social security, including access to health care and income security over the life cycle for all, as part of their national social protection systems, and to progressively ensure higher levels of social protection.

As the COVID-19 crisis makes clear, not nearly enough progress has been made with regard to this pledge. Quite the contrary, many countries entered the COVID-19 crisis with an eroded social contract (ILO, 2016b). Over the past three decades, global trends have witnessed persistent and deep poverty and growing levels of inequality and income insecurity that have destabilized trust in public institutions and weakened social cohesion. Understood as a multidimensional concept, social cohesion encompasses both distributional concerns (such as poverty; as well as class, gender and racial inequalities) as well as participation and representation (Babajanian, 2012).

Yet, though this has meant that many countries were ill-prepared to face a health, economic and social crisis of such an unparalleled scale, there has nonetheless been unprecedented government action, including social protection measures, that have aimed to protect individuals' health and incomes against its negative consequences, while contributing to stabilizing the economy and employment (ILO, 2020a). The COVID-19 pandemic has served as a wake-up call, alerting the global community to the urgency of accelerating progress in building social protection systems, in particular social protection floors to guarantee at least a basic level of social security to all (ILO, forthcoming (d)). This is true to not only tackle the adverse social and economic consequences of the COVID-19 pandemic, but also to repair the fragile social contract, tackle the rise of poverty, inequality and economic insecurity, restore public trust in States, and prepare societies for future crises, most urgently the risks posed by climate change, natural resource depletion and environmental degradation.

A fragile social contract even before the crisis

Rising levels of inequality have undermined the social contract

The COVID-19 pandemic has put into stark relief the pre-crisis challenge of adapting an already fragile social contract to a changing world. The forces reconfiguring the global context are manifold, comprising globalization of trade and finance, the financialization of the economy, technological changes and new forms of work, pervasive informality and poor working conditions, and the privatization of public services. These forces, together with less income tax progressivity and the relative shifting of the tax burden from capital to labour, framed by a context of often fragmented social protection measures and weak labour market institutions, have contributed to rising levels of inequality, stagnating real wages and income insecurity (Berg, 2015; Global Commission on the Future of Work, 2019; ILO, 2016b). Economic gains have been disproportionately captured by the richest: for example, between 1980 and 2016, the richest 1 per cent of the global population captured around 27 per cent of income growth, while the share for the bottom 50 per cent was around 12 per cent (Alvaredo et al., 2017, p. 13). Furthermore, the share of global income earned by workers vis-à-vis the share gained by capital has declined, while disparities in workers' earnings have also widened (ILO, 2019c). More than 60 per cent of the employed population work in the informal economy, most of them under difficult conditions and without social protection (ILO, 2018b). The promise of upward social mobility and equal opportunities has not been realized for a generation of youth who can no longer expect to enjoy higher living standards than their parents or find decent work. Gender inequality persists in households, labour markets and with regard to care work (ILO, 2018a and 2019a) and, on average, women enjoy less social protection coverage than men. In addition, deep inequalities shape access to quality health care, high-quality education and technologies, as well as resilience to unforeseen shocks (UNDP, 2019).

Social protection's capacity to contain and reduce inequality and poverty in diverse countries has been critical for fulfilling and renewing the social contract

For Member countries of the Organisation for Economic Co-operation and Development (OECD), taxes and in particular social transfers reduce market inequality by approximately one quarter on average, although their equalizing effect varies widely across countries (OECD, 2015 and 2018). Historically, countries with a strong political focus on egalitarian social policies and comprehensive, universalistic and "decommodifying" social protection have tended to enjoy lower income inequality and higher social cohesion than others (Esping-Andersen, 1989; Green and Janmaat, 2011). Evidence indicates that there is much less income inequality in countries with high social expenditure than in countries with lower levels of social expenditure, and that the combined effects of taxes and transfers are critical in reaching a more equitable income distribution (Cantillon, 2009; ILO, 2014; UNDP, 2019). A rigorous review of 165 studies on the impact of non-contributory cash transfer programmes in low- and middle-income countries on a variety of outcomes showed that these transfers contribute to reduced poverty indicators; with overall positive effects on health, education and labour market outcomes (Bastagli et al., 2019). Studies also show that individual programmes can have a significant impact on reducing inequality. Brazil's *Bolsa Família* transfer and other programmes under *Brasil sem Miseria* were responsible for 13 per cent of the decline in inequality in Brazil between 2001 and 2011 (OECD, 2013). In addition to these distributional aspects, social protection can have positive effects on social relations, reinforce relationships of trust and reciprocity, and promote voice, accountability and gender equality (Babajanian, 2012).

While a "social turn" in the 1990s exhibited a renewed interest in social protection in the global South, it has not been sufficient to build a strong social contract

Crises, regardless of causation, have sometimes triggered progressive social change. The creation of welfare states in Europe after the Second World War is a prominent example. This was an unprecedented leap forward for social protection, which contributed to social cohesion during the "golden years" of welfare capitalism (Esping-Andersen, 1989). However, with the emergence of the so-called high neoliberalism of the 1980s and 1990s and a suite of policies advanced by the "Washington Consensus", many countries, with a few exceptions, drifted towards the privatization and liberalization of social policy in the late 1990s in the wake of structural adjustment policies (UNRISD, 2016).

By the end of the twentieth century, concerns about poverty and to some extent inequality became more pronounced, and resulted in a further "social turn", and a shift in ideas and policies. This turn reasserted the need to counteract the rationale of neoliberal and trickledown economics and its consequences and introduce policies that addressed the structural determinants of poverty and inequality (UNRISD, 2016). However, this shift was not accompanied by a commensurate transformation of macroeconomic and social policy. Instead, social policy was often palliative. It neglected to address structural and systemic hurdles and deficiencies linked to chronic underdevelopment and pervasive poverty. Instead of building universal and comprehensive social protection systems, many developing countries pursued limited “safety nets”. Typically, these have relied on conditional cash transfer (CCTs) programmes and other narrowly targeted cash transfers and public works programmes. CCTs have been critiqued for deepening social tensions, as behavioural conditions may place an additional burden on recipient households. Conditionality can be particularly onerous for women who are already time-pressed, and CCTs in the worst case reinforce traditional gender roles (Bastagli et al., 2019; Cookson, 2018; Fultz and Francis, 2013). Moreover, the deleterious impact on social cohesion of the narrow poverty targeting synonymous with “safety nets” is well documented (Brown et al., 2018; Kidd and Wylde, 2011). This provides strong evidence for more inclusive and universal social protection (ILO, 2017; ODI and UNICEF, 2020). Social cohesion may be at risk if social protection benefits fail to reach poor individuals, if those who receive benefits may be stigmatized and if eligibility conditions are not clear enough for people to understand why they do or do not receive benefits (Mkandawire, 2005).

Policies of austerity since the 2008 global financial crisis have undermined the efficacy of the social turn leaving many countries ill-prepared for the COVID-19 pandemic

Periodic financial and economic crises in recent decades have hampered social contracts (World Commission on the Social Dimension of Globalization, 2004). While crises can be transformative, the outcomes of recent crises are mixed in terms of progressive policy shifts. For example, the 1997 East Asian financial crisis ushered in significant positive transformations in the social protection systems of the affected countries, most notably in the Republic of Korea (Woo-Cumings, 2007). However, while the political underpinnings of policy change conducive to social reform – contestation, social mobilization and coalition politics – are energized in the context of crises, the nature of demands and the responsiveness of elites can vary considerably, rendering the outcome far from pre-determined (Utting et al., 2012). The policy response to the 2008 global financial crisis is a case in point. Some countries, such as China and Viet Nam, invested significantly in fortifying their social protection systems, which arguably boosted their resilience and enabled them to cope better with the current pandemic. However, many countries, after an initial short-lived period of fiscal expansion in 2008–09, adopted austerity policies, and approximately a quarter of developing countries reduced expenditures to below pre-crisis levels (Ortiz et al., 2015). This flies in the face of countries’ voiced political commitment to universal social protection, such as the adoption of ILO Recommendation No. 202 in 2012, and the recent UN Political Declaration on Universal Health Coverage (23 September 2019). These expressions of intent have not yet translated into solidarity-based financial commitments. Previous pandemic responses are also instructive: while some ushered profound reductions in inequality, these were often fleeting and the gains not sustained (Scheidel, 2018). Thus, there are reasons to presume that the COVID-19 pandemic responses may not be different.

The developments outlined in this section reflect a profoundly changed relationship between States, markets and citizens. They have challenged a shared understanding of how power, opportunities, and resources should be distributed to achieve social justice, as well as a common understanding of which principles should guide economic and social arrangements to this end. The failure to distribute the gains of development equitably is dividing societies, and fuelling resentment and distrust. These developments have also undermined trust in public institutions – already eroded by the 2008 financial crisis (OECD, 2020a) – and, ultimately, act to weaken social cohesion. The ensuing social tensions and insecurities have provided fertile ground for the rise of exclusionary, xenophobic and misogynistic groups that are threatening democratic values and institutions (United Nations, 2019). The effects of the COVID-19 pandemic may further compound these pre-existing challenges, and do so in ways yet to be fully understood.

The COVID-19 pandemic and its socioeconomic fallout

The COVID-19 pandemic represents a major public health challenge generating serious economic and social impacts that are likely to persist for some time. It is the first time in modern economic history that governments have deliberately imposed restriction on economic activity to protect people's health. This is explained in part by the exceptional nature of the crisis and because many national health systems were not prepared for a pandemic. By August 2020, over 24 million people had contracted COVID-19 and over 844,000 people had died as a result (WHO, 2020). Beyond those immediately affected, COVID-19 has resulted in full or partial lockdown measures affecting almost 2.7 billion workers – around 81 per cent of the world's workforce – in early April 2020 (ILO, 2020c). The repercussions on the economy and employment have been significant. The International Monetary Fund (IMF) projected a sharp contraction of the global economy by 4.9 per cent in 2020 and estimated that global gross domestic product would be 6.5 percentage points lower in 2021 than in the pre-COVID-19 projections (IMF, 2020b). According to the latest global estimates, employment declined significantly, as measured by a 14 per cent decline in working hours for the second quarter of 2020 relative to the last quarter of 2019 (equivalent to 400 million full-time jobs) (ILO, 2020a). Furthermore, in 2020 alone, up to 100 million people may be pushed into extreme poverty, measured as living below $1.90 per day in 2011 PPP (World Bank, 2020), thereby reversing progress towards the Sustainable Development Goals. The World Food Programme has warned that heightened food insecurity will affect millions of more people in low- and middle-income countries, resulting in significantly increased morbidity (WFP, 2020).

The effects of the pandemic have been highly uneven, reinforcing existing inequalities and social cleavages. Those who are better off are more likely to have secure employment and savings to draw on, access to social protection and health coverage, and are better able to quarantine themselves while continuing to work remotely (Oxfam, 2020; United Nations, 2020a). Evidence from previous crises suggests that these led to higher levels of income inequality as measured by the Gini coefficient, or larger income shares at the top of the distribution (Furceri et al., 2020). In Latin America, the most unequal continent, the Gini index is expected to increase as a result of the pandemic by between 1.1 and 7.8 per cent in several countries in the region (United Nations, 2020c). Furthermore, the limited progress achieved in gender equality over past decades is at risk of reversal. Seventy per cent of workers in the health and social work sector are women and in the absence of adequate occupational safety and health (OSH) management systems, including protective equipment, they face an elevated risk of infection, in many countries without access to paid sick leave (ILO, 2020d). Women also tend to work disproportionally in sectors that are severely affected by the crisis, such as domestic work, retail and cleaning, and face a significant risk of losing their jobs and incomes as a result of the lockdown and often lack effective social protection coverage (ILO, 2020a). In addition, the closure of childcare services, schools and long-term care homes has particularly adversely affected women, having shifted a greater share of the provision of care for young children and frail elderly persons onto families. Finally, confinement has seen emerging evidence of increased intimate partner violence and sexual abuse directed against women and girls (UN Women, 2020). COVID-19 also exposed major systemic weaknesses in the quality of long-term care provision.

COVID-19 lockdowns and a prevailing environment of uncertainty have combined with existing social injustices to stimulate significant protests worldwide, including protests in Chile against lockdown-food shortages, high unemployment, and costly social services, and demonstrations in Ecuador against IMF-supported austerity cuts (Ortiz et al., 2020). Most indicators of the outlook for social peace look poised to deteriorate as a consequence of the pandemic, and some observers predict that Europe may experience an increase in political instability, possibly including riots and general strikes (Institute for Economics and Peace, 2020).

Against the backdrop of an already fragile social contract, the next section examines how social protection has supported social cohesion, by helping to mitigate the adverse social and economic consequences of COVID-19.

Shoring up the social contract: Social protection responses to COVID-19

Social protection systems have been an indispensable part of a coordinated policy response to the global pandemic and profound recessionary crisis. Many States have intervened decisively to ensure that people can effectively access health care, without creating additional hardship, while supporting job and income security for those most affected.[1]

To protect lives and contain the spread of the virus, States have suspended economic activity, necessarily accepting the possibility of an economic recession of unprecedented magnitude. In the span of only a few months, many countries have enacted fiscal stimulus and social policy responses on a scale rarely seen. These policy responses, their unevenness across countries and shortcomings notwithstanding, have saved many lives and been critical for maintaining public confidence and social cohesion. Preliminary estimates suggest that in the absence of policy interventions, COVID-19 would have resulted in 7 billion infections and 40 million deaths globally in 2020 (Walker et al., 2020). It is reasonable to assume that without State action, mortality rates would have been much higher, health services may have been unable to cope, and social unrest and anomie would have been even greater. The lack of preparedness of many health systems worldwide has been a heated subject of debate, often owing to major under-investment.

In response to the exceptional scale of this crisis, countries have put in place extraordinary fiscal responses, and in the G20 countries, at least, far greater than in 2008/9. Fiscal stimulus packages in G20 countries were equivalent, on average, to 4.5 per cent of GDP as of 17 April 2020, compared to 1.4 per cent of GDP in the 2008 financial crisis (Battersby et al., 2020; ILO and IILS, 2011). The social protection and employment policy response has also been significant. Countries that had comprehensive and adequate social protection systems for all in place prior to the crisis could quickly mobilize the needed support, and scale up and adapt operations. This was especially visible in the areas of sickness benefits, unemployment protection, benefits for families and older persons, as well as social assistance. In the absence of comprehensive measures, countries have

1. Unless mentioned otherwise, country information in this section is referenced in two briefs (ILO, 2020e and 2020h), drawing on national sources and existing compilations (Gentilini et al., 2020a). Please refer to these briefs for a full account of sources.

sought to adopt emergency or ad-hoc measures. Between 1 February and 12 August 2020, nearly all countries and territories introduced – or announced their intention to do so – a combined total of 1,364 social protection measures to address the COVID-19 crisis (ILO, 2020k). These included a range of measures across different branches and for different population groups, drawing on a combination of resources from social insurance, the general government budget and other sources. The policy response has facilitated access to health care, protected jobs and mitigated income losses.

Safeguarding and extending social health protection mechanisms during the crisis

Many countries took measures to enhance effective access to health care, close gaps in social health protection and extend financial protection. This included channelling additional fiscal resources into the health system to enhance the availability, accessibility, acceptability and quality of health services for all (ILO, 2020d), for example in the Philippines and Thailand. To optimize institutional and staff capacity, Spain and the United Kingdom temporarily bolstered public provision by commandeering private health facilities and placing them under public regulation. In other countries, such as China, prevention, testing and treatment measures, including telemedicine, were integrated within healthcare benefit packages. Other measures have included enhancing financial protection against health-care expenses, safeguarding and extending coverage of existing social health protection mechanisms, and ensuring the universality and continuity of such coverage, such as guaranteeing treatment for foreign residents, as occurred in Thailand.

Ensuring income security during sick leave through sickness benefits

Sickness benefits allow workers to stay at home to recuperate until they recover – protecting their own health and, in the case of communicable diseases, the health of others (ILO, 2020g). Many countries also ensured the payment of sickness benefits in cases of quarantine or self-isolation, to help prevent the spread of the virus (Austria, France, Germany, United Kingdom, Viet Nam). Waiting periods for the payment of sickness benefits were eliminated in some countries (Australia, Canada, Portugal) and others waived the requirement to submit a sickness certificate (Austria, Japan).

Many countries extended sickness benefits to workers who would not otherwise be entitled, financed from the general government budget (Germany, Ireland, Portugal, United Kingdom). One emerging challenge from COVID-19 is that symptoms may be chronic for some people (Rayner et al., 2020) and persist beyond the periods covered by sickness benefits. This underscores the importance of ensuring protection beyond the crisis period, with recourse even to long-term disability support for those most severely affected.

Preventing job losses and providing unemployment protection to those who have lost their jobs

Unemployment protection schemes have been used widely to cope with the devastating employment impact of the crisis (ILO, forthcoming (c)). This has included measures to support enterprises in retaining workers, with the accompanying aim of preventing unemployment, through employment retention benefits, such as short-time work benefits or partial unemployment benefits (Denmark, Dominican Republic, Germany, Italy, Japan, Malaysia, Netherlands and Thailand). Unemployment benefits have played an important role in ensuring income security for workers who have lost their jobs, in some cases this has also included self-employed workers (Australia, Ireland, Philippines). One-off emergency payments have been made to laid-off workers ineligible for unemployment insurance (Australia, Italy, Japan). Governments have also facilitated access to employment services, including job-matching, skills development and active labour market policies to support jobseekers in finding a new job (Hong Kong (China), Republic of Korea), including through online job counselling and job mediation (Belgium, Estonia and Malaysia) (ILO, 2020a and 2020f).

Adapting public employment schemes

Public employment programmes can act as functional equivalents of unemployment protection schemes by guaranteeing a minimum number of workdays and/or wages for equivalent days of work to support income security (ILO, 2017 and 2020i). Ethiopia amended its Productive Safety Net programme to allow participants to receive an advance three-month payment and at the same time waived work obligations for that period. Rwanda temporarily waived work requirements for participants in its main public work programme while continuing to pay the cash transfers, to respect physical distancing. The Philippines introduced a public employment programme that focuses on workers' sanitizing and disinfecting their homes and the immediate vicinity. In addition, to mitigate the adverse impact of quarantine policy on certain workers, the programme has provided its 220,320 participants with the highest prevailing regional minimum wage for up to 10 days.

Ensuring income security for old-age provision

In view of the acute vulnerability of older persons to COVID-19, ensuring the continued adequacy as well as adjusting the delivery mechanisms of old-age benefits have been important policy responses. Some countries advanced the payment of old-age benefits (Argentina, Peru and Ukraine). This larger sum of money supported the satisfaction of urgent needs and reduced the upfront income shock. However, in order to prevent subsequent hardship, it may also be necessary to increase benefit levels to avoid a deferred income-security shock. Other measures have included ensuring effective access to health care and reducing the physical exposure of older persons when collecting benefit payments. To support the spatial distancing protocol and reduce older persons' potential exposure to the virus, social pension recipients in Algeria were permitted to elect proxies to collect their entitlements.

Providing income support and access to social services for persons with disabilities

Many countries bolstered existing provisions for persons with disabilities. This was critical given the pre-existing barriers and inequalities that constrain persons with disabilities and which COVID-19 accentuates (ILO and IDA, 2019; OHCHR, 2020; UNPRPD, 2020). Countries provided income security by maintaining the adequacy of existing disability pensions (Argentina, Hong Kong (China), Peru, Singapore). Others introduced an emergency cash payment in addition to in-kind benefits and existing cash transfers (Bolivia and Egypt), temporarily increased benefit levels (Bahrain doubled the disability pension), and adapted access to social services including care and support for persons with disabilities (Australia, France). The United Kingdom suspended conditions and sanctions for a limited three-month period for the disability dimension of its main income support measure, Universal Credit. Some persons with disabilities also benefited from improved opportunities for telework and employment retention schemes.

Providing family benefits and introducing exceptional family leave and care policies

More than 100 countries have provided explicit support to address the socioeconomic impacts on children and their families. Key response measures have been universal child benefits and other child benefits, as well as utility cost waivers and food assistance. Mongolia and South Africa significantly increased the value of their main child benefit. Canada provided a one-off child bonus

(CAD 300 (USD 225)) as did Germany (EUR 300 (USD 350)), both of which were paid in addition to their main child benefit. The conditionalities attached to family benefits were suspended in the Philippines and Guatemala. Uzbekistan temporarily extended the duration of eligibility for its social allowances for low-income families with children by an additional six months from June, by postponing the recertification process.

With the closure of schools, universities and childcare services in more than 100 countries, impacting more than 800 million children and youth (UNESCO, 2020), family leave policies moved to the centre of attention (UNICEF, ILO and UN Women, 2020). Governments expanded special family leave to support working parents affected by school closures (France, Italy). They have also subsidized employers providing paid family leave (Japan) or provided cash transfers or vouchers for babysitting or other childcare services, especially for health-care workers (Italy, Poland, Portugal, Republic of Korea). Childcare facilities for the children of health-care workers (Austria, France, Netherlands) have been ensured, while those who provide long-term care for older family members, who are particularly vulnerable to COVID-19, have been supported (ILO, 2020k).

Protecting workers in the informal economy by extending coverage

Providing support to the 1.6 billion workers in the informal economy significantly affected by lockdown measures and/or working in the hardest-hit sectors has been challenging (ILO, 2020f). Policy-makers have had to pursue innovative policies to provide rapid support to affected workers in all forms of employment.

Viet Nam's crisis response included providing cash transfers to individuals who had lost their earnings but were ineligible for unemployment insurance, including categories of workers with typically high informality risks, such as street vendors and waste pickers. In addition, a cash transfer was provided to family businesses with tax declaration revenues of less than 100 million dong (USD 4,200) per year that suspended their activity. This measure should potentially reach both formal and informal workers in these small enterprises. Costa Rica introduced a new emergency benefit (*Bono Proteger*) that provided, for three months, a monthly benefit of 125,000 Costa Rican colones (CRC) (USD 220) to employees and independent workers (both formal and informal) who lost their jobs and livelihoods, and CRC 62,500 (USD 110) to those who were working reduced hours. Namibia's Emergency Income Grant provided a one-off benefit of 750 Namibian dollars (USD 41) to support workers who had lost their jobs and did not benefit from any other grant. Brazil provided the possibility for those not yet registered in the national single social protection register to enrol through a website or phone application. This allowed access to a means-tested three-month emergency benefit for unemployed workers and micro-entrepreneurs (both formal and informal). Ecuador put in place a special COVID-19 “contingency benefit”, directed at both infected and otherwise affected workers in the informal economy and their families, to be distributed through the channels of existing social assistance programmes.

Extending provision to migrants and the forcibly displaced

Migrant workers face significant challenges in accessing social protection with respect to health care and income security in countries of origin, transit and destination. Consequently, the ILO has stressed that governments must give due consideration to the specific needs and acute challenges of migrants (ILO, 2020j) and the forcibly displaced (ILO, 2020b) in the context of COVID-19. Many migrant workers live in overcrowded environments, without access to basic sanitation and limited space to practice physical distancing and apply basic prevention measures. These conditions have increased the share of COVID-19 cases among the migrant population, as in the case of Singapore (Hah, 2020) – an example that illustrates how the vulnerability of one group heightens the vulnerability of all.

Some countries have made efforts to extend health care and social protection benefits to migrants. Residence permits were extended for three additional months to ensure broad access to health care (France and Spain). Migrants were provided with medical services, including medical check-ups for COVID-19 and quarantine services, free of charge (Qatar). The status of non-nationals, including asylum-seekers with pending applications, were temporarily regularized giving them certain rights and support, including health care, social support, employment and housing (Portugal). Some countries extended existing or new benefits to those not yet covered, benefiting migrant workers. For example, Ireland’s new unemployment payment is paid to employees and self-employed workers for a maximum of 12 weeks, benefiting students, non-European Economic Area nationals and part-time workers aged 18–66 who have lost their employment due to the pandemic.

Extending or introducing new social assistance benefits for vulnerable population groups

In China, local governments were instructed to increase the benefit levels of their national social assistance scheme (*Dibao*) for either all beneficiaries or those who were infected, depending on the province. Indonesia increased the benefit amounts of its affordable food programme by one third for nine months. Ireland and the

United Kingdom relaxed eligibility criteria to increase coverage of their main low-income support measures. Additional support for particularly vulnerable populations, such as homeless persons was provided in countries such as El Salvador, France and Spain. Cabo Verde extended for one month its poverty-targeted Social Income for Emergency Inclusion Programme (*Rendimento Social de Inclusão Emergencial*) from 4,500 households to an additional 2,788 extremely poor households with at least one child aged 15 or older, providing 5,500 Cabo Verde escudos (USD 54). The crisis has expedited much-needed reform in Spain (Alston, 2020), introducing a new Guaranteed Minimum Income (*Ingreso Mínimo Vital*) programme in May 2020 (Government of Spain, 2020). This marks an important extension of provision for 2.3 million people (Gómez, 2020) comprising low-income workers, the unemployed and other vulnerable groups.

Where national social protection systems were inadequate, some humanitarian interventions attempted to fill urgent gaps during the COVID-19 crisis. Building government capacities to provide social protection to their populations is essential for long-term recovery strategies. For example, the Somalian Government launched the *Baxnano* programme to provide – for the first time – cash transfers to 1.3 million poor and vulnerable households. As part of the Government's vision to move away from humanitarian interventions and provide social protection benefits, the programme is implemented by the Ministry of Labour and Social Affairs, in close collaboration with the World Food Programme and the United Nations Children's Fund. Iraq also introduced a temporary monthly grant (USD 253) to support various groups that have been adversely affected by the nationwide curfew. Introducing social protection provisions can also be a means to signal the intention to commence and build elements of a social contract and support social cohesion. While several countries considered to be in conflict or fragile have introduced new measures, it is of concern that some highly fragile humanitarian settings such as the Central African Republic and Yemen still lack any COVID-19 social protection measures.

Exceptional, society-wide generalized one-off universal payments and emergency universal basic income

Universal one-off payments to whole populations were disbursed in Hong Kong (China), Serbia, Singapore and the United States to support aggregate demand and mitigate the economic shock. There has also been much debate on the need for an emergency-universal basic income. To date, only Tuvalu has implemented such a response (RNZ, 2020).

Temporarily waiving the payment of social security contributions

In order to alleviate the liquidity constraints that enterprises face, many governments have temporarily waived or suspended the payment of social security contributions and taxes, or taken other measures to allow greater flexibility in this regard (ILO, 2020e; OECD, 2020b). Measures taken, included allowing enterprises, and in some instances employees, to postpone the payment of social insurance contributions and taxes (China, France, Hungary, Thailand, Viet Nam). The loss of contribution revenues can represent a challenge for social insurance administrations in periods of increased demand for benefits and commensurate higher expenditure. Unless compensated by transfers from the general government budget in the short or medium term, there is a risk of a post-crisis increase in contribution rates or a reduction in benefits, or both.

Can the crisis-induced social protection response repair the social contract?

The COVID-19 pandemic has provided a strong push for more inclusive social protection in a situation where narrow targeting and tightly monitored conditionalities were not practicable and where it was necessary to urgently bridge coverage gaps, especially for informal workers. The scale and ubiquitous deployment of social protection as a response are unparalleled. This has helped to attenuate rises in poverty and income insecurity that otherwise would have put social cohesion under greater stress. However, the majority of social protection measures that governments have implemented are temporary, typically intended to last for three months (Gentilini et al., 2020b). This is of concern, given the continued propagation of the pandemic and the likelihood of a protracted crisis. If multiple waves of virus breakout occur and if further lockdowns are unavoidable, then it is conceivable that countries will have to prolong, extend, increase or introduce new benefits to protect their populations against health and income shocks.

From a bird's eye view, arguably, COVID-19 has propelled social protection towards an important juncture. Will governments pursue a "high road" strategy that deepens the expansion and institutionalization of the temporary social protection measures they have adopted, while building participatory mechanisms for programme design and accountability, as part of a broader effort to promote decent work, human rights and social justice? Taking this road could build public trust in State institutions and reinvigorate the social contract. Alternatively, will countries pursue a "low road" strategy and limit their efforts to minimalist "safety nets" and stopgap measures, leaving large gaps in protection, shoehorned into macroeconomic policies that favour fiscal austerity at the expense of counter-cyclical measures needed to resuscitate decent work?

The COVID-19 crisis has exhibited tentative evidence that a high-road strategy is possible

The crisis has shown that States are capable of acting in the interest of all their citizens, and they can meaningfully fulfil their role as duty bearers. While civil society has mobilized extensively to practice mutual aid in many countries, the crisis has underscored the primacy and legitimacy of the State. Only the State could act decisively to protect health, income and jobs on the scale that has been required, and ensure macro-economic and social stability. Moreover, some States have acted with determination to assert their authority over practices of private enterprise and finance viewed to be not in the public interest, reaffirming norms underpinning the social contract. For example, Denmark barred companies operating in tax havens from access to employment retention benefits, and prohibited the use of its stimulus to fund the payment of dividends or share buybacks in 2020–21 (The Australia Institute, Nordic Policy Centre, 2020). In a similar spirit, the French government made a USD 11 billion bailout to Air France conditional on reducing domestic CO2 emissions by 50 per cent by 2024 (Jaeger, 2020). However, many countries have introduced stimulus measures that were not explicitly pro-social in conditioning how such support for enterprises should to be utilized.

The crisis has impelled a push for more universal approaches. The pandemic has clearly demonstrated that only universal access to health coverage can guarantee access to health care and effectively contain COVID-19. Those countries relying on individual schemes rather than solidarity-based generalized social health protection schemes have experienced tremendous difficulties coping with the crisis. Moreover, narrow targeting and problematic proxy-means tests in income-support programmes have shown to be clearly inappropriate in a context where large parts of the population are vulnerable and administrative capacity is constrained, even more so than in non-crisis times (Brown et al., 2018). The examples of modest temporary extension towards more universalistic provision during this crisis support this observation (i.e. as occurred in Cabo Verde and Uzbekistan). Conditionality, strongly advocated by some actors prior to the crisis, has had some of its critical shortcomings illustrated, and the widespread suspension of benefit conditionality during the crisis was a prudent policy approach. The income security of those covered by these programmes was maintained, but without the need to fulfil conditionality requirements that could risk exclusion, virus contraction or propagation to others.

There are also some signs that the crisis may have reinforced discursive shifts, already underway before the crisis, within the international financial institutions (IFIs) towards universal approaches to social protection. Emblematic of this shift is the World Bank’s engagement in the Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals (USP2030), its growing interest in universal basic income (UBI) (Gentilini et al., 2020c), and the IMF’s guidance on safeguarding social expenditure (IMF, 2019). The World Bank has spoken of the merits of “universal entitlements to health care and income support” and the need to reach the “missing middle” (Rutkowski, 2020), i.e. those not covered by social insurance or social assistance. The IMF has recognized the logic of universal responses, at least in the short term (IMF, 2020a). The extent to which the shift in rhetoric has any bearing on IFI operations on the ground – in particular, the macroeconomic policy advice accompanying loans offered to borrowing countries and the promotion of a limited “safety nets” approach – remains to be seen.

Observable also is a strengthened revalorisation of the important role of social protection, as well as of redistribution and social contracts more generally (Zamore and Phillips, 2020). Renewed public and political awareness of the importance of social protection emphasizes that adequate social protection and health care should be available to all, throughout their lives, in order to manage labour market and life-cycle risks as well as shocks, such as health pandemics. This should include workers in all forms of employment, including the self-employed and those in “new” forms of employment (ILO, forthcoming (a); Behrendt et al., 2019). In a similar fashion to the revalorisation of social protection, there have been positive perception shifts in the world of work too. A case in point is the recognition of “essential workers”, which includes a large percentage of women working in care services whose work is often under-valued and subject to a financial penalty, a “care penalty” (England and Folbre, 1999). The crisis has exposed “decent work” deficits, and underscored the need for essential workers to not only receive higher remuneration and social recognition, but also to enjoy better employment conditions and social protection. This would allow care workers to more fully lead dignified lives while helping to deliver essential services.

There has been growing interest in UBI as an emergency stability measure during the crisis (Cooke and De Wispelaere, 2020; ECLAC, 2020; Gray Molina and Ortiz-Juarez, 2020). These proposals indicate a desire for a remodelled social contract and for income security to be the bedrock of such a contract. However, there is uncertainty about the contribution of these proposals to building long-term comprehensive social protection systems. The principles embodied in the ILO Social Protection Floors Recommendation, 2012 (No. 202) provide a useful tool to evaluate their potential with regard to the adequacy of provision, equitable and sustainable financing, and policy processes (Ortiz et al., 2018) to ensure that they are anchored in human rights and international social security standards, rather than providing a "safety net". These principles are also useful in providing a platform for the coordination of social policy sectors (health, social security, social care), which is indispensable for tackling multi-dimensional crises and ensuring social cohesion.

However, policy trend lines indicate a low-road exit is also possible

Evidence of a "low road" option unfolding is visible in the failure, to date, of calls for solidarity at the global level to translate into concrete action. Current financial pledges and actual commitments to lower-income countries are woefully inadequate. IFIs and development partners have announced various financial packages to help low- and lower-middle income countries tackle the socioeconomic fallout of the crisis, amounting to USD 1.3 trillion as of 1 June 2020. However, only a small share (USD 46.9 billion) of the total pledges has been effectively approved and allocated to support countries in the areas of social protection and health (ILO, forthcoming (b)).

Current COVID-19 responses are delicately balanced, and without a continuation of support for social protection expenditure and a prolongation of emergency measures, many countries face the possibility of a "cliff fall" scenario, whereby emergency social protection support ends prematurely and abruptly before the crisis is exited. This would leave many people highly vulnerable to a loss of income security, as well as creating negative effects for social cohesion and the social contract. For instance, the exceptional additional USD 600 a week emergency unemployment benefit provided in the United States (US), which provided vital income support to 25 million US citizens, ended on 31 July 2020 (Politi and Williams, 2020). After a period of delay and uncertainty, on 12 August, a presidential executive order (United States Department of Labor, 2020) enabled a new, albeit less generous measure, of an additional USD 400 a week payable to a smaller number of recipients. Overall, federal expenditure on unemployment benefits in August fell by nearly half compared to July (Politi, 2020).

More generally, ILO analysis indicates that social protection contraction measures have occurred already across a range of different countries irrespective of their income levels (ILO, 2020k). This trend resonates with the broader experience of previous crises, the first signs of recovery from which prompted calls for fiscal consolidation and, in some cases, austerity.

Policy considerations and recommendations to pave a high-road recovery strategy from the COVID-19 crisis

With the aim of promoting a human-centred recovery that contributes to social cohesion and inclusive growth, and which reinvigorates the social contract, the following policy observations and recommendations are proposed.

Accelerate progress towards universal social protection

A rights-based approach that is anchored in human rights and international social security standards, with the State as the guarantor of these rights, is essential to reinforce national social protection systems (ILO, 2020e; United Nations, 2020a and 2020b). The coordination of social protection policies with health and employment policies, including employment promotion and active labour market policies, should support and help sustain economic recovery. Inclusive social dialogue at the country level will be essential for informing policy decisions and resource allocation geared to extending social protection. The COVID-19 crisis has confirmed that the need for social protection is universal, reinforcing the call for universal social protection systems, including floors. The crisis has shown that accelerated effort is required in particular to extend social protection to those who are not yet or inadequately covered, including workers (and their dependants) in "non-standard" forms of employment, self-employment and "new" forms of employment (Behrendt et al., 2019; ILO, 2016a and 2019b; OECD and ILO, 2019). Enshrining programmes in national legislation can overcome the limitations of ad hoc and fragmented approaches, and ensure their sustainability and inclusiveness.

Ensuring the sustainable and equitable financing of social protection in times of crisis and beyond

It is imperative that countries sustain their social protection measures and levels of social spending when the immediate health crisis subsides, to ensure that people are protected against subsequent adverse economic and social consequences that may materialize. Equitable financing also implies that revenues must be raised in a progressive manner, to avoid, for example, increased value added taxes on basic consumption items, and by reducing possibilities for tax avoidance as well as preventing tax evasion. Furthermore, because crisis response measures have included the temporary suspension or reduction of social insurance contributions and taxes, appropriate measures will have to be taken to ensure the financial sustainability of social protection systems, while guaranteeing the adequacy of the benefits they provide.

Preparing for future crises

It is critical that social protection systems are well prepared to respond to crises, whether these relate to epidemics, economic shocks or climate change. This requires continuous investments in expanding the reach and adequacy of universal social protection systems.

However, there are serious coverage gaps in many national social protection systems. Governments, together with the social partners and other stakeholders, should strengthen their social protection systems, including floors, as a cornerstone of their national social and economic policy architecture, to fully meet their role in protecting all people over the life course, as and when needed (ILO, 2019d).

In particular, the comparative advantage of a universal and comprehensive social protection system "for all" is that it is automatically primed to protect all those affected by a shock, and agile enough to adjust when required, regardless of the shock's nature or cause. In the event of a complex, fast-moving and unpredictable crisis, such as COVID-19, universal approaches are more effective than narrowly targeted ones. To support this view, one need only consider instances where targeting capacity is limited due to imperfect information and administrative constraints, and a very high proportion of the population is vulnerable.

The case for reinvigorating the social contract, with social protection as a core element

The COVID-19 crisis has confirmed social protection's vital role as a social buffer and economic stabilizer. Countries with more developed social protection systems should be better able to exit and recover from the crisis. Renewed public and political awareness of the importance of social protection offers a window to mobilize the resources needed to invest in social protection systems. By making progress as regards the promise to achieve universal social protection by 2030, and by protecting and promoting human rights, States could strengthen the social contract (USP2030, 2019). This will also better ensure preparedness for future crises, including those risks related to climate change, natural resource depletion and environmental degradation.

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China's social security response to COVID-19: Wider lessons learnt for social security's contribution to social cohesion and inclusive economic development

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Abstract China has adopted an array of special social security measures in response to the spread of the COVID-19 virus, to mitigate the downside social and economic impacts caused by the pandemic. Measures include the reduction, exemption and deferral of social security contributions by employers, the extension of benefits coverage for employees, and the provision of more accessible e-services by social insurance agencies. The article points out that a preliminary assessment of those measures would suggest that they have played a key role in supporting social cohesion and in stabilizing the economy. In a critical manner, the article compares the measures adopted in China with those of other countries, and identifies how China could learn from international practice and experience. Finally, and based on recent Chinese experience, the article presents proposals that seek to improve the longer-term contribution made by the Chinese social security system to realize the goals of social cohesion and inclusive economic development. As set out in China's Social Insurance Law of

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2010, the social security system should not only support a fair sharing of benefits of development, but also promote social harmony and stability.

Keywords social security administration, economic and social development, social cohesion, prevention, China

Introduction

As one consequence of the rapid spread of the COVID-19 virus, 2020 is likely to be remembered as a calamitous year in the history of human social and economic development. Globally, significant efforts to control the pandemic have been made and, more recently, to revive economic activity. National government policies and measures have played a positive role in protecting public health and in mitigating the negative social and economy impacts of the virus (Li and Li, 2020). At the same time, there are clear signals that the global mechanism of response to major public emergencies needs to be improved.[1]

Social security is particularly important to mitigate an array of downside risks and to support social cohesion and human dignity. The COVID-19 crisis context underlines the importance of the conventional roles of social security programmes to provide necessary social protection for all, support enterprises to retain and upskill their employees and to promote inclusive economic development, not least through supporting household consumption. The more comprehensive and flexible social security policies and programmes are, the more likely that they will be able to respond effectively to crisis situations, such as contributing to the mitigation of the downside social and economic risks presented by the COVID-19 pandemic.

The COVID-19 pandemic underlines that much remains to be done for the People's Republic of China (hereinafter referred to as "China") to further extend social security coverage and improve the delivery of social security benefits and services. This article discusses mainland China's social security measures dealing with the COVID-19 pandemic, analyses identified policy effects and the challenges, and offers broader longer-term proposals for improving the social security system and its implementation. As a contribution to this special issue, these proposals seek to accompany the ambitions of China's Social Insurance Law of 2010, which stipulates that the social security system should not only support the fair sharing

1. See, for example, the analysis by the Graduate Institute Geneva.

of the benefits of social and economic development, but also promote social harmony and stability.[2]

China's social security response to COVID-19

The outbreak of COVID-19 in China came at a time when millions of people were travelling, many by public transport, for family reunions to celebrate the Chinese New Year. This made the situation particularly challenging. The number of people infected by the virus rose sharply in a short period. To seek to contain the outbreak, the city of Wuhan was "locked down" on 23 January 2020, and restrictions imposed on many public transportation services across the country. In many instances, people who had travelled home to celebrate the Spring Festival[3] were unable to return thereafter to their places of work.

To respond to the unprecedented challenges posed by what at this stage was a national epidemic, there were no specific previous lessons or experiences for China to draw on. Nevertheless, as part of its response, the Chinese government brought substantial adjustments to its social security programmes. In particular, these included, on the one hand, policies to support and protect employers and workers and, on the other hand, measures to improve the implementation and delivery of social security and health benefits and services. For example, the reduction, exemption and deferral of social insurance contribution payments were made possible for employers. In turn, administrative operations were adapted, including the wider application of online technology to ensure the uninterrupted and client-centred delivery of benefits and services. The latter not only sought to protect people's health and control the rapid spread of the epidemic but, in due course, these initial emergency actions also came to be regarded as "pilots" for subsequent system improvements as well as the management of system change.

Within these two broad areas, we can highlight seven specific targeted responses instituted by the Chinese authorities.

2. See full text in English.
3. The Spring Festival, also called Chinese New Year, begins on the last day of the year according to the lunar calendar, the evening of which is called *Chuxi*. In 2020, *Chuxi* fell on 24 January. There is a week-long holiday according to the national holidays schedule and it is common for people to return to their hometown before *Chuxi* for family reunions. Traditionally, the Lantern Festival on 8 February (15 January, according to the lunar calendar) marks the end of Spring Festival, and people would then return to work. However, in practice, because the official holiday lasts for one week only (in 2020, from 24–30 January) most people return to work in a week.

Adjusting social insurance payments

The adjustment of the social insurance payment policy offered an unprecedented range of "relief and postponement" measures. On 20 February 2020, the Ministry of Human Resources and Social Security (MOHRSS), the Ministry of Finance (MOF) and the State Administration of Taxation (SAT) jointly issued a notice on the phased reduction and exemption of social insurance premiums for enterprises,[4] which stated that:

- From February, micro-, small- and medium-sized enterprises (MSMEs) are exempted from employer contributions under old-age insurance, unemployment insurance and work injury insurance programmes (known as the "three social insurance programmes") for up to 5 months in all provinces, i.e. until June 2020.
- In Hubei Province, the epicentre of the epidemic in China, all enterprises are granted exemption from social insurance contributions for up to 5 months. In other provinces, employer contributions to the three social insurance programmes may be reduced by half for large enterprises and other units (excluding government agencies and institutions) for a period of up to 3 months.
- For individual-owned enterprises insured in the form of units, the exemption policy is the same as that for MSMEs. Private non-enterprise units, such as social organizations, need only pay half of the employer contributions under the three social insurance programmes.
- Insured units, including public institutions that participate in the basic old-age insurance programme, that have serious production and operational difficulties due to the pandemic may request for the payment of their social insurance contributions to be deferred.
- The implementation period for the payment of deferred payments shall be within 2020, and the period of deferred payment shall not exceed 6 months in principle. No fines for previously unpaid contributions shall be charged during the period of deferral. In addition, a social insurance subsidy policy has been established. In practice, the government will refund all employer contributions to the basic old-age insurance, basic medical insurance, and unemployment insurance for enterprises that employ disadvantaged groups, hire college students who have been unemployed for two years after graduation, or develop public welfare jobs. In principle, the refund period shall not exceed three years. The refund period can be extended to five years for workers who have difficulty finding jobs and who will reach the legal retirement age in less than five years. At the same time, the scope of benefits is extended to workers in flexible employment. On 23 April 2020, MOHRSS and MOF jointly issued a notice on the list of employment subsidy policies and the first batch of local online

4. See MOHRSS (in Chinese).

application platforms,[5] stipulating that employees engaged in flexible types of work can also receive social security subsidies.

The medical insurance contribution can also be reduced and exempted partially. On 21 February 2020, the National Health Security Administration (NHSA), MOF and STA jointly issued guidance on the phased reduction of basic medical insurance premiums for urban employees,[6] giving local authorities the right to make decisions based on the fund's balance, given that the medical insurance is financed on a pay-as-you-go basis. First, beginning in February 2020, the payment of medical insurance premiums could be reduced by 50 per cent for a maximum period of five months. Second, customized policies were possible for different provinces. In principle, premium reduction can be implemented if the pooling fund's cumulative balance can cover more than six months of payments. For provinces that do not have a sufficient cumulative balance yet have a heightened need for a reduction in premium payments, it is up to the local government to decide and guide the overall planning. For employers' payments that could not made on time because of the national epidemic, employers can postpone the payment after consulting the relevant institutions, with no fine for late payments and no effect on individual rights. The postponement period shall not exceed 6 months.

Globally, the continuing negative social and economic impacts of the pandemic have demanded that emergency measures adopted by countries be further adapted (IMF, 2020).[7] In China, to sustain the support to both employers and individuals, MOHRSS issued a new notice jointly with MOF and SAT on 22 June 2020, extending the period of the application of favourable measures on social security for an additional six months.[8]

Implementing comprehensive online social insurance services to minimize exposure to risks

MOHRSS issued an urgent notice on 30 January 2020, immediately after the Spring Festival, to make three announcements.[9] First, it required all social insurance agencies to provide e-services, wherever possible, to facilitate the reduced movement of social security staff and the general public in public offices, to thus minimize the risk of cross-infection. Online platforms have become the main service channel, enabling employers and employees to complete social insurance

5. See MOHRSS (in Chinese).
6. See NHSA (in Chinese).
7. A recent report by the International Monetary Fund (IMF, 2020) projects global growth at –4.9 per cent in 2020, 1.9 percentage points below the April 2020 forecast.
8. See MOHRSS (in Chinese).
9. See MOHRSS (in Chinese).

registration, pay premiums, transfer benefits, claim benefits, and so on. Second, the MOHRSS announced the establishment and upgrade of a unified National Social Insurance Platform. Agencies across the country have been encouraged to make the fullest use of this. Employers and the covered population can also access services through mobile apps and a WeChat (mobile messaging system) public account. The documents and procedures necessary for benefit applications and claims have been simplified. Third, local agencies are required to improve social insurance public office hygiene management. All those entering a public office, including agency staff, are obliged to accept to undergo a temperature test and to wear a mask before entering. The public office shall be equipped with a dedicated space for the observation of persons suspected of showing symptoms of having contracted COVID-19. If suspected cases are identified, such persons shall be placed in isolation immediately. The Health and Epidemic Prevention Department are tasked with dealing with suspected cases and to ensure the health and safety of both customers and social security front-line staff.

The medical insurance agencies also launched measures to optimize the work process, innovate the service model, reduce personnel gatherings, and facilitate the delivery of services. On 2 February 2020, NHSA issued a notice on optimizing medical insurance services to prevent novel corona-virus pneumonia infections,[10] which required health care agencies at all levels to ensure that the insured population enjoy all medical insurance benefits in a timely manner. Specifically, the notice outlined that:

- Contact-free services via Internet, mobile apps, call centres, and mailing are adopted for routine service items.
- Urgent cases are dealt with promptly. A fast-track green channel be established for COVID-19 patients, including the authorization of contracted medical units, fund settlement and transfer. In particular, doctors and health workers have privileged access to receive treatment if they display COVID-19 symptoms.
- Special services are provided for vulnerable groups. People who have chronic diseases, such as hypertension or diabetes, may be given prescriptions for medication for up to three months, to minimize their need to visit medical centres.
- The payment of medical insurance fees can be reasonably extended, and the submission deadline of monthly medical and pharmaceutical expense statements by designated medical institutions can be extended according to their actual financial situation.
- The medical insurance agencies can settle and allocate funds in advance, according to the system data, and appropriately extend the reimbursement time limit for medical expenses incurred in 2019.

10. See NHSA (in Chinese).

Creating a new online platform to ensure that enterprises and workers can claim unemployment insurance benefits in a timely and convenient manner

According to the Unemployment Insurance Regulation,[11] unemployment insurance is provided mainly through local public employment service agencies (PESA). Unemployed workers are eligible to claim benefits provided that they are registered with PESA, are actively looking for jobs and participate in vocational training.

In response to the labour market impacts of the pandemic, China launched an online application system for unemployment insurance benefits, and relaxed eligibility criteria. The period of entitlement for receiving benefits was extended – if an unemployed person is due to reach legal retirement age in one year and cannot find a job, he or she will receive the benefit until retirement. For insured persons who are unemployed but do not meet the conditions for receiving benefits, they can receive unemployment allowance for up to six months, which is paid at up to 80 per cent of the unemployment insurance benefit rate. Temporary price subsidies, offered in 2020 as a part of the unemployment benefit, were doubled from March to June.[12] Furthermore, the policy regarding the unemployment insurance premium refund was adjusted. On 5 February 2020, MOHRSS issued a notice jointly with the Ministry of Education (MOE), MOF, Ministry of Transportation (MOT) and the National Health Commission (NHC) on enhancing employment during the period of epidemic prevention and control.[13] This notice clarifies the new policy regarding the unemployment insurance premium refund, specifically:

- MSMEs are eligible to receive the refund if their layoff rate is lower than the local urban survey unemployment rate of the previous year, while previously the reference was the registered urban unemployment rate. Those enterprises with less than 30 employees can apply for a refund if the percentage of workers laid-off is no more than 20 per cent.
- The eligibility conditions are relaxed further for Hubei Province – all enterprises may apply for the refund if the layoff rate is lower than the national survey unemployment rate of the previous year. Local governments are authorized to design local policies and measures based on the local situation. By the end of March 2020, all provinces and some large cities had established the new online platform to operationalize the premium refund, and reached out to enterprises

11. See Central People's Government of the People's Republic of China (in Chinese).
12. The temporary price subsidy for unemployed workers is provided as part of the unemployment benefit with the aim of mitigating changes in the consumer price index (CPI). During the COVID-19 lockdown, the prices of household goods increased because of factors such as interrupted transportation as well as reduced levels of production.
13. See MOHRSS (in Chinese).

by sending text messages and calling by phone and other means of communication to make the policies and measures widely known. By June 2020, the refund could be administered using mobile apps in all cities.

Opening up a green channel for work-related injury protection for medical and related staff

From the outset of the lockdown announced by Wuhan City, MOHRSS, together with MOF and NHC, issued a notice on special protection policies for health staff and medical workers fighting against COVID-19.[14] The notice requested local authorities to establish a fast-track service for health staff and medical workers with an assessed work injury as regards COVID-19 prevention, control and treatment, including swift work injury identification, medical treatment, benefit delivery and medical expense reimbursement.

Promoting the "Internet plus" medical insurance service and including telemedicine in medical insurance coverage

On 28 February 2020, NHSA and NHC jointly issued guidance on facilitating the "Internet plus" medical insurance service.[15] This online follow-up service, provided by accredited medical institutions, for common and chronic diseases, can be included in the payment scope of the medical insurance fund.

- The insured can acquire e-prescriptions from online medical institutions, receive medicines from offline distribution, and enjoy medical insurance reimbursement.
- The medical insurance department should strengthen cooperation with online medical institutions. The diagnosis, treatment, and drug fees are settled directly online. Similar to the way that the insured person swipes their health card to buy drugs in person at the hospital, they only need to bear the cost of their individual co-payment part.
- In order to prevent illegal behaviour, such as claiming for fictitious medical services, measures such as an online real identification system for medical treatment and prescription audit are required to ensure the safety of medical insurance funds.
- Local medical insurance agencies must sign a contract or agreement with service providers. An explicit agreement is required concerning the service scope, conditions, settlement standard and method, and prescription audit standards for both online and in-person services. Medical insurance agencies also have to

14. See MOHRSS (in Chinese).
15. See NHSA (in Chinese).

coordinate with the designated medical institutions to ensure that the online medical insurance settlement is achieved. Easier access to services offers the insured a one-stop service for diagnosis, medicine purchase and delivery.

Allowing for arrears of payments to the housing provident fund

In the early 1990s, China implemented a housing provident fund system. In practice, tax-exempt fees are paid jointly by employers and employees, and these are mainly used for house purchase loans by employees. By the end of 2019, China had accumulated 16.9 trillion yuan (CNY) in its housing provident fund, had authorized withdrawals of CNY 10.4 trillion, and helped nearly 54 million people to pay loans to buy houses.

On 21 February 2020, the Ministry of Housing and Urban-rural Development (MHURD), MOF and the People's Bank of China (PBOC) jointly issued a notice on the housing fund policy responses to COVID-19[16] giving guidance regarding the support offered. The notice detailed that:

- Enterprises can apply for the deferral of contribution payments to the housing provident fund before 30 June 2020. During the period of deferred payment, the time of deposit is calculated continuously, which shall not affect the normal withdrawal rights and application for housing provident fund loans by each employee.
- For employees, especially front-line medical staff and epidemic prevention and control personnel, and employees who need to be isolated or are temporarily affected by the pandemic, there will be no overdue charge if the housing provident fund loan cannot be repaid normally before 30 June 2020. As regards employees who are under financial pressure to pay rent, the amount of withdrawal can be increased and the withdrawal time can be flexibly arranged.
- Enterprises in areas severely affected by the pandemic can decide to pay contributions to the housing provident fund voluntarily before 30 June 2020 on the premise of full consultation with employees. In the case of the continued payment of contributions, the proportion of the full contribution to be paid can be determined independently; in the case of the suspension of contributions, the time of deposit shall be calculated continuously, which will not affect normal housing provident fund withdrawal rights and applications for loans.

Strengthening social assistance to guarantee the basic livelihood of poor people

On 7 March 2020, the Central Committee on Epidemic Prevention and Control issued a notice on further strengthening social assistance for people in poverty

16. See Government of the People's Republic of China (in Chinese).

during the period of epidemic prevention and control.[17] This notice requires that the social assistance benefit level is adjusted simultaneously with changes to the consumer price index, to guarantee the basic livelihood of families living in poverty. Local authorities should give greater priority to poor people and those in receipt of subsistence allowance who are diagnosed with the COVID-19 virus, by providing financial support from the temporary relief fund. Community groups, social organizations and social workers have played an important role in delivering the service. In addition, a telephone hotline was established for social assistance claims. Hubei Province arranged social assistance for all vulnerable families and individuals, to guarantee their daily necessities. The central government transferred CNY 156 billion in the form of an assistance subsidy to local authorities. Furthermore, the CNY 3.71 billion from the temporary price subsidy fund was distributed to vulnerable groups, benefitting more than 81 million people.

The impact and influence of China's special social security response measures

It is still too early to evaluate the full impact of the special social security measures. Nevertheless, based on previous experiences and especially their short-term effects in the event of a crisis, special measures are deemed essential and typically bring positive results. At present, at least four outcomes are observable.

The basic livelihood of the population has been guaranteed

The pandemic prompted the Chinese government to enforce the strictest prevention and control measures. The majority of workplaces and public places, with the exception of some essential services, were closed temporarily, schools were shut down, and the economic activity of the transportation, catering, accommodation and tourism sectors and other industries came almost to a standstill. A huge number of working people lost their regular income, and the livelihoods of those diagnosed with the COVID-19 virus as well as of those families already living in situations of poverty became particularly difficult. Unemployment insurance benefits, unemployment relief benefits and social assistance-type benefits have provided basic income security. By the end of April 2020, 3.45 million enterprises had received about CYN 46.5 billion in the form of the unemployment premium refund.[18] The full reimbursement of expenses for COVID-19 diagnosis and treatment by the medical insurance

17. See Sina news (in Chinese).
18. See MOHRSS (in Chinese).

programme will mitigate the financial burden of those infected, and the refund of the unemployment insurance premium encourages enterprises to retain workers in employment. According to NHSA statistics, the per capita medical expenses of patients diagnosed with mild symptoms are CYN 21,500, while those of patients with severe symptoms are CYN 150,000; none of which is required to be paid by individuals. As of 6 April 2020, the medical insurance settlement of newly diagnosed and suspected COVID-19 cases in 31 provinces (districts, cities) of China accumulated to a total cost of about CYN 1.486 billion, and the medical insurance payment was CYN 900 million, which covered 66.6 per cent of the total cost. The part of the cost that is not covered by the basic medical insurance fund may be supported by the serious illness insurance and medical assistance programme. As a last resort, if necessary, the cost will be met by government budget support provided by both central and local governments.

Market entities, especially MSMEs, were supported

The reduction, exemption and deferral of social insurance contributions lowered the operating costs of enterprises. It is estimated that about CNY 510 billion may have been saved by enterprises by June 2020 in respect of normal expenditures on old-age, unemployment and work injury insurance contributions. In addition, the partial reduction of medical insurance contributions has helped enterprises save about CNY 150 billion. Besides, as stated previously, the government will refund all employer contributions to the basic old-age insurance, basic medical insurance, and unemployment insurance for enterprises that employ disadvantaged groups, hire college students who have been unemployed for two years after graduation, or develop public welfare jobs. Moreover, more than 50 online platforms have provided free training courses to help workers upskill and reskill. Enterprises that have organized training courses for their workers during the pandemic will receive a refund through the skills upgrade subsidy.

Social insurance services have become more accessible and efficient

In recent years, China has been actively facilitating the adoption and application of digital technology in social insurance administration. To some extent, the pandemic has catalysed this process. Many provinces and cities have been obliged to shift rapidly to providing online services wherever possible. In this regard, two developments are worthy of mention. One is the online review and authorization of unemployment insurance benefit claims, the other is the extension of medical insurance reimbursement to telemedicine. Both of these administrative reforms had been discussed prior to the pandemic as an objective, but their implementation had faltered previously for a number of reasons.

The social security system as a whole has been improved

Realizing the improvement of the social security system is a constant preoccupation. As highlighted by the examples above, some measures that had been proposed previously, but which had remained difficult to implement, were finally realized.

In regard of these, we can offer a little more detail. First, the objectives of the unemployment insurance programme were expanded from the original focus on guaranteeing the income security of the unemployed to also include job retention and skill training initiatives. On 29 May 2020, a joint notice was issued by MOHRSS and MOF,[19] on expanding the coverage scope of unemployment insurance. This also lays the foundations for future law amendments. Second, the coverage of the employment subsidy was extended. In addition to employers who hire poor groups of "40/50 people" (i.e. men aged in their "fifties" and women aged in their "forties") or who provide public welfare jobs, the subsidy can also be received by enterprises that employ graduated college students who have been unemployed for two years after graduation. A third change is the scope of medical insurance reimbursement. There had been an unresolved discussion on three issues: whether telemedicine could be covered, how to make it convenient to prescribe drugs for patients with chronic diseases, and whether expenses of special diseases should be fully reimbursed. Driven forward by the challenges presented by the crisis, these three issues were finally addressed.

Of course, there remain different views in China on whether all these practices are appropriate and whether they will leave a legacy. Some measures are inconsistent with the current Social Insurance Law, Unemployment Insurance Regulation and other laws and regulations. Some measures, such as the exemption and reduction of social insurance contribution, go against the rights and obligations of the principle of reciprocity upheld by social insurance system. In addition, there are concerns about creating such a large social insurance funding gap, which may cause intergenerational injustice. Nevertheless, Chinese government officials remain confident about the social insurance system's financial sustainability.

According to official statistics, the total income from social insurance contributions was CNY 8.1 trillion in 2019, while the expenditure was CNY 7.5 trillion. The surplus for year 2019 was CNY 0.6 trillion, while the accumulated surplus reached CNY 9.4 trillion. The emergency response policies

19. See MOHRSS (in Chinese).

in 2020 may have reduced employers' contributions by about CNY 700 billion by June, without having much impact on the overall fund surplus, although there will be less revenue in year 2020.

The income of the medical insurance fund in 2019 was about CNY 900 billion and expenditure was CNY 700 billion, leaving a surplus of around CNY 200 billion. By the end of 2019, the accumulated surplus of the medical insurance fund was CNY 1.3 trillion, which is sufficient to cover expenditures for about 22 months; although in practice the accumulated surplus is managed by different provinces and cities. About 86 per cent of the social pooling units of the medical insurance fund, including provinces and cities, have a surplus fund to support more than six months of expenditure. The emergency response policies allowed employers to halve their medical insurance contributions for up to five months. In this respect, the total accumulated surplus of the medical insurance fund should be sufficient and the programme should be sustainable.

Having said that, one of the biggest challenges China faces is how to redistribute the fund and how to improve the social pooling level. The level of surplus funds held by provinces and cities can vary greatly. Some have a huge surplus while others have a deficit due to differences in population structure, level of economic development and other historic factors. China does not yet have a unified national social insurance system; currently, pension and health funds are pooled and managed at a provincial or lower administrative level. The central government, by means of a central fund adjustment system, has made great efforts to coordinate with those provinces that have a fund surplus to support the financing of expenditure in other provinces and cities. In the meantime, the aim of building a unified basic social insurance system nationwide has been set and the reform plan is a matter of important discussion.

Similarities and differences between China and other countries regarding social security response to COVD-19

In 2020, countries around the world have taken many special measures to deal with the pandemic. Although the specific practices have their own characteristics, the objectives are the same, mainly covering three aspects: providing social protection to guarantee basic livelihoods; reducing social insurance expenditure to ease the burden on enterprises; and supporting enterprises to minimize lay-offs and guarantee basic employment. Common actions include extending coverage, relaxing benefit entitlement conditions and improving social security services through a shift to e-services.[20]

20. Detailed specific country measures are reported by the International Social Security Association (ISSA, 2020).

In terms of the specific measures introduced, there are differences between China and other countries.

- Many countries gave various subsidies to individuals in cash, while China had no such cash subsidies.
- Some countries have provided cash benefits, such as sick leave. In France, sick leave benefit is payable in case of infection, isolation or having specified diagnosed symptoms. Germany provides sick leave benefits for quarantined or semi-quarantined personnel. Some countries, such as Germany, Ireland, Portugal and the United Kingdom, significantly expanded the scope of coverage to self-employed workers (ILO, 2020).
- A number of countries provide special benefits for caregivers, including those caring for the elderly and children. For example, France provides special subsidies for caring for children at home, and Germany has special family subsidies for children. China does not have a similar benefit programme for caregivers.
- Most countries implemented legal procedures and launched special measures in the form of bills, while China mostly promulgated special measures in the form of State Council or ministerial documents. As discussed above, China adopted an array of social security response measures through joint ministerial notices. The different impacts of different measures in different countries is to be expected. This article has sought to focus on the impact of measures introduced in China. Nevertheless, two important questions remain to be addressed more fully for China: how to improve household consumption patterns, and how to institutionalize the recently adopted measures.

A common argument is that cash subsidies improve people's confidence and willingness to consume. In fact, some Chinese local authorities issued consumption coupons, such as cultural consumption coupons in Beijing and supermarket consumption coupons in Hubei through online platforms. However, these "online" measures led to complaints, since online coupons are not distributed evenly in society, and they had a limited purchasing scope. There are proposals to integrate some response measures into regulation or law. From the perspective of China's national conditions, the introduction of these emergency, ostensibly short-term, policies through ministerial documents and notices has been rapid and their implementation effective. However, special measures in the form of laws and regulations would have a stronger long-term effect and they could be replicated more easily if, and when, similar crises occur in the future.

Proposals to further improve the design of China's social security system

Certainly, the social security measures taken by the Chinese government to deal with the pandemic were introduced rapidly and have been considered effective, as has been recognized by the Chinese population. Retirees, for instance, saw their pension benefits increase by 5 per cent. However, the implementation of special emergency measures in China and their comparison with policies from other countries shows that public expectations regarding the roles of social security have heightened and that there is need for further improvement. To a certain extent, these special measures have led to a realization that some temporary emergency measures could be – and should be – institutionalized and made permanent.

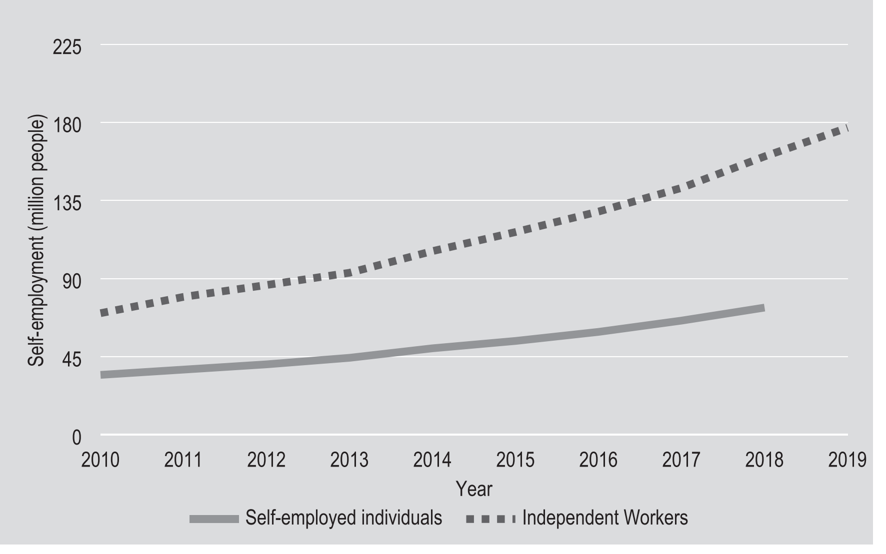
Further extend social insurance coverage to include people engaged in flexible employment, including the self-employed, platform workers and part-time workers

By the end of 2019, 967 million people had been covered by China's basic old-age insurance, 255 million by work injury insurance, 205 million by unemployment insurance, 1.354 billion by medical insurance, and 214 million by maternity insurance.[21] These figures reveal that, except for medical insurance, there is a large gap in insurance coverage, especially for work injury insurance, unemployment insurance and maternity insurance. Therefore, many people do not receive adequate social protection and neither do they have access to the special response measures, especially those workers in flexible employment. China's Social Insurance Law[22] was implemented before the rise of the platform economy and the gig economy, and great changes have taken place in China's employment structure since 2010. For instance, the proportion of employees in the tertiary sector has increased dramatically, from less than one third in 2010 to nearly half in 2019. Meanwhile, the number of self-employed workers in urban areas has almost doubled, increasing from 12.88 per cent in 2010 to 24.05 per cent in 2019 (Figure 1).[23]

The Fourth Plenary Session of the 19th Central Committee of China's Communist Party in 2019 proposed to "adhere to and improve the urban and rural people's livelihood security system",[24] which is regarded as an important part of the national governance system, with an emphasis on "inclusive, basic and minimum protection". The government should seize the opportunity to speed up the expansion of the social security system and incorporate those workers in flexible employment into the current social protection system.

21. See National Bureau of Statistics, National data (in Chinese).
22. The Social Insurance Law (in Chinese) was promulgated on 28 October 2010, and came into force on 1 July 2011.
23. See National Bureau of Statistics, National data (in Chinese). There is no data on how many rural people work as self-employed in China.
24. See news announcement (in Chinese).

Figure 1. *Number of urban self-employed, 2010–2019*



Establish a crisis response mechanism to ensure that social security policies can be developed and implemented in a timely and orderly manner

In response to crises, China has adopted emergency measures for the social security system on four occasions since the beginning of this century: the Severe Acute Respiratory Syndrome Coronavirus 2 (SARS) in 2003; the 2008 global financial and economic crisis; the earthquake in Wenchuan (Sichuan Province) in 2008; and, most recently, the COVID-19 pandemic. These experiences underline that special social security measures in response to crises are not only necessary but, when they are appropriately designed, financed and delivered, offer an effective response. On each of these occasions, emergency measures were discussed and proposed in an ad hoc manner, i.e. after the crisis had arisen and without prepared institutional procedures. Moreover, while a great deal of effort was spent on ensuring coordination among different ministries and agencies, less effort was spent on conducting impact assessments of what was done following the crisis period. Although such crises are small probability events, there are an increasing number of crisis-inducing factors, and a social security crisis response mechanism should be established as part of a comprehensive risk management strategy.[25] For the social security system, the circumstances and conditions for the

25. For a discussion of these issues, see McKinnon (2002).

implementation of special measures should be clearly set, as well as clear procedures and guidelines for the introduction of such measures. In addition, the effectiveness of all measures should be reviewed and evaluated, not only in the implementation process but following the crisis. Last but not least, a toolbox of special measures could be built up from past experiences.

Speed up legal amendments and formally include effective crisis response measures into law

Inadvertently, the emergency implementation of special measures to address a crisis event may be considered as a test or pilot that subsequently may help social security policy-makers and administrators to evaluate the necessity and feasibility of formally instituting such measures. All necessary and feasible measures to improve the social security system can be institutionalized by amending the necessary legislation. In this regard for China, at least three aspects should be considered:

- *Expanding the function and coverage scope of unemployment insurance*. In line with the practices found in other countries, to accompany the traditional unemployment benefit, the fund should be used to also support job retention and to provide a vocational skills allowance. Rural migrant workers should enjoy the same access to benefits as urban employees, provided they affiliate with the system.
- *Extending the scope of medical insurance reimbursement*. The online diagnosis and treatment, prescription, drug purchase and other telemedicine services should be covered by the medical insurance fund, as long as all basic eligibility requirements are met.
- *Extending coverage to workers in flexible employment*. Over the past few years, the number of workers in flexible employment has increased rapidly in China, and the trend will very likely continue. As a proxy for flexible employment, Figure 1 shows the rise in the numbers of independent and self-employed workers. A comprehensive and inclusive social security system should cover such workers based on both domestic and global experiences. Moreover, some provinces and cities have already explored such measures in pilot programmes and shown these to be feasible.

Explore the introduction in China of a system of temporary wage subsidies for partial working by learning from international experience

European countries have experience of using temporary wage subsidies for partial working. Perhaps the best-known example is Germany's *Kurzarbeit* (or short time work allowance). Such subsidies were shown to be effective during the 2008 financial and economic crisis, and again in response to the COVID-19 pandemic, as they enable employers to retain jobs, help employees earn incomes, and help preserve valuable workforce skills and talent. There is growing international interest in this type of response. Wage subsidies have accounted for a significant proportion of the labour market measures adopted by countries in 2020 (Li and Li, 2020). China should consider introducing a similar system and use it alongside the existing unemployment insurance premium refund, which already covers insured enterprises. Thus, a large number of workers who are not eligible for unemployment insurance benefit could also enjoy similar benefits.

Pay more attention to the capacity building of social security agencies

Responses to the pandemic have highlighted once again the important role of social insurance agencies. No matter how well policies are designed, they cannot benefit the public to the full without their complete and successful implementation. To support policy implementation, three proposals are offered. First, there is an urgent need to improve the application of digital technology to provide online access to social insurance benefits and services and to enable client administration and other core business processes to be conducted online. Second, the online administrative process needs to be simplified to make it more readily understandable and user-friendly. Third, social insurance agencies need to invest in capacity building, including to ensure that their online platform infrastructure is well established and staff are adequately trained.

Spill-over and linkage effects should also be considered in national policy-making. The COVID-19 pandemic has lasted longer than initially expected, spread on a large scale, developed in multiple regions at different periods, and negatively affected the entire economic system. When designing policy responses, government should not only consider the needs of enterprises of different sizes and in different sectors, but also develop responses to target specific industries and population groups. For instance, the accommodation and catering, transportation, tourism and entertainment sectors, as well as other service industries, were those hardest hit. Foreign trade industries, which are highly globalized, face many complex factors. In addition, the duration of the impacts of the pandemic remains unknown – this will depend on the pandemic's evolution in all countries.

Most policy responses in China were initially expect to end in June 2020. However, to sustain the support to employers and households, MOHRSS issued a new notice jointly with MOF and SAT on 22 June 2020 to extend the application of special social security measures for an additional six months. It is worth restating that the joint MOHRSS and MOF notice of 29 May 2020 to expand coverage under unemployment insurance has also lain the foundations for further legal amendments. In the context of the current uncertainty about how long it will take for the pandemic to be controlled, this is important. It is essential that China's social insurance system has the ability to adapt to the challenges that confront it, not least to meet the ambitions of the 2010 Social Insurance Law to support economic development and promote social harmony and stability.

Conclusion

China has adopted unprecedented intensive social security response measures to mitigate the negative social and economic impacts caused by COVID-19. The measures have sought to support individuals, households and enterprises by guaranteeing basic livelihood, improving skills, retaining jobs and providing financial assistance, thus demonstrating the unmatched and irreplaceable role played by social security in promoting social cohesion and supporting inclusive economic development, not least so during periods of crisis.

Yet, the implementation of interim emergency measures has also acted to highlight the coverage gaps to be filled by the social security system, even though the basic social protection floor has generally been established in China. The 2010 Social Insurance Law has set out the aims of social security, to ensure that people share the benefits of economic development and that it contributes to promoting social harmony and stability. However, there is still unequal coverage and, indeed, access to social protection. This inequality in access has been seen more clearly. In addition, the current focus on implementing emergency response measures has not been accompanied by the equally important need to evaluate and review the success of these measures. Doing so would better ensure the administrative and financial effectiveness of these measures and permit important policy and programme design lessons to be drawn.

Regardless, the interim crisis response measures have provided, to some extent, ad hoc pilot studies regarding the necessity and feasibility of some policy innovations. In particular, they have provided guidance on implementing sought after improvements to the social security system, including developing a more dynamic role for unemployment insurance, widening the possibilities for medical insurance reimbursement, and extending coverage to workers in flexible employment. Besides, improved access channels to social security services have shown to be extremely important, especially during this public health crisis.

Overall, China has explored effective social security measures to respond to the COVID-19 pandemic, and this has offered opportunities to draw lessons for the future. The Chinese government should not only focus on timely and targeted social protection measures, coordinated through the joint efforts of ministries, but seek to develop a process whereby these measures are more fully evaluated and reviewed, to improve future policy responses to crises. The process of evaluation should also help identify those interim measures that could be institutionalized, to thus better enable the social security system to fulfil its mandated role in supporting social cohesion and inclusive economic development.

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