

Why We Need Social Protection

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Abstract: This is the first in a series of four policy guides developed to support policymakers and practitioners in Asia and the Pacific in their efforts to strengthen social protection. This first guide explains the basic principles of why social protection is needed. The second guide explains the critical steps in designing a social protection scheme; the third focuses on the effective implementation of tax-financed social protection; and the fourth guide discusses options for financing social protection.

Keywords: Social protection, Ending hunger, Ensuring healthy lives, Ending poverty, Ensuring inclusive, quality education, labour market.

Social protection refers to a set of policies to help women, men and children reach or maintain an adequate standard of living and good health throughout their lives. In its most basic form it should comprise of the following:

- 1 basic income security for children, providing access to nutrition, education, care and other necessary goods and services;
- 2 basic income security for persons in active age who are unable to earn sufficient income, including in cases of sickness, unemployment, maternity and disability;
- 3 basic income security for older persons; and
- 4 essential health care for all, including maternity care, that meets the criteria of availability, accessibility and quality.

Social protection is a human right, grounded in the right to social security, and enshrined in the Universal Declaration of Human Rights (1948). This means that States have an obligation, under international human rights law, to guarantee a minimum level of social protection and that all individuals hold the right to social protection. In many countries this right to social protection is enshrined in the Constitution, including Bhutan, Indonesia, the Maldives and Uzbekistan while others have social protection firmly anchored in their national legislation, such as China, Iran and Mongolia. The level of social protection an individual can claim depends on the national context. At a minimum, social protection should be enjoyed without discrimination and provide a basic level of benefits to enable individuals and families to acquire at least essential health care, basic shelter and housing, water and sanitation, food and basic education. If a country cannot

provide even the minimum level of protection from its available resources, a core group of social risks and contingencies could be chosen, while the country strives to progressively increase coverage. A rights-based approach makes social protection a human right, not a matter of charity, needs, kindness or compassion. A rights-based approach to social protection means that central human rights principles of equality and non-discrimination, participation, transparency and accountability should be applied in the design, implementation, monitoring and evaluation of social protection systems. Social protection also contributes to the realization of several other human rights, such as the right to an adequate standard of living, the right to education and to the highest attainable standard of health.

PROMOTING ECONOMIC GROWTH AND DECENT WORK

Informal workers make up 60 per cent of the labour force in Asia and the Pacific.³⁴ Workers in the informal economy have no, or insufficient, access to any form of social protection, including health care, benefits in case of injury, sickness, maternity or old age. Social protection has the potential to reduce insecurity for workers and help to formalize employment contracts, thereby promoting decent work. Social protection is an investment in human capital, a prerequisite for economic growth as successful economies depend on the quality of their workforce. Social protection contributes to better health for workers resulting in increased productivity, expanded income opportunities and the injection of cash into communities and economies. Schemes such as disability benefits also help persons with disabilities to access the labour force by addressing the additional costs they face in accessing the labour market. Countries need to invest in the capacity and skills of children and youth in preparation for entry into the labour market. Yet, across Asia and the Pacific many children, more than 30 per cent in South Asia,³⁵ are set back by stunting, impacting their cognitive development and ability to perform well at school. Social protection creates a virtuous cycle driving economic growth by building a strong and productive work-force and stimulating economic activity. It can also protect against shocks and crises, facilitate necessary structural adjustments to the economy and stimulate local and national markets by injecting cash (Figure 2). As we will see below, social protection also strengthens social cohesion and provides an important tool to tackling inequality.

REDUCING INEQUALITY WITHIN AND AMONG COUNTRIES The gap between rich and poor is growing in Asia and the Pacific. In most countries, the richest 10 per cent is earning at least 10 times the income of the poorest 10 per cent. The five countries with the highest wealth inequality in the world are all in Asia and the Pacific.³⁹ Social protection has proven to be an effective measure to tackle income inequality and unequal access to opportunities. Cash transfers and taxes have been found to significantly reduce income inequality, as measured by the Gini coefficient.⁴⁰ In OECD countries, the Gini coefficient—where 0 is perfect income equality and 1 is perfect income inequality—is reduced by about 28 per cent. In Denmark the Gini coefficient without social protection and taxes would be 0.4, while social protection alone reduces the Gini coefficient to 0.29, and after taxes it is reduced further to 0.25.⁴¹ In developing contexts, one study in Latin America found that direct transfers alone reduced the Gini coefficient in several countries by one to nine per cent.⁴² Universal programmes have been found to be the most effective in bringing down inequality. For example, in Brazil, the nearly universal system of old age pensions has reduced inequality by 12 per cent.⁴³ In Georgia, cash transfers have reduced the Gini coefficient from 0.41 to 0.36, with 75 per cent of the reduction attributed the country's universal pension.⁴⁴ Another example is Namibia, where the universal benefits for older persons and persons with disabilities together reduced inequality by 4.4 per cent.⁴⁵ 9Why social protection is critical for ... Several countries have recognized the link between poverty and vulnerability to environmental degradation, and have accordingly developed social protection programmes aimed at tackling both issues. As China's forests were threatened by human activity, the government in 1998 introduced a logging ban for the most threatened areas, laying off one million state forest workers. A combination of new social protection schemes and labour market policies, with 32 million rural households receiving cash to perform conservation

activities, led to a massive reversal of the rapid deforestation and the reforestation of 27 million hectares.⁵⁰ Brazil's Bolsa Verde compensates poor families affected by policies to reduce deforestation, providing monthly cash benefits as compensation for environmental services, combined with business and training opportunities for sustainable production from natural resources. South Africa's "Working for Water" scheme similarly combines the creation of work opportunities with improving water management.⁵¹ In the long term, social protection can also promote environmental sustainability as cohesive societies tend to care more for the common good, including the environment. Social protection allows families to better plan for their future, invest in productive assets and use land in a way that can have a more positive impact on the environment.

There is a growing recognition that high levels of inequality inhibit national economic growth. The IMF estimates that when the net Gini coefficient is over 0.27, inequality starts to harm growth. Yet, in many countries across Asia and the Pacific, the Gini Coefficient is much higher and often rising.⁴⁶ However, income inequality is only one aspect of inequality. Inequality of opportunity—that is, unequal access to chances to improve people's socioeconomic outcomes—is equally important. Social protection can help to effectively address inequality of opportunity, which has economic dimensions (e.g. unequal access to decent jobs, financial services, land ownership etc.), social dimensions (e.g. unequal access to health care, education, nutrition, political participation, etc.) and environmental dimensions (e.g. unequal access to water, sanitation, clean fuels, electricity, etc.). There is evidence that inequality among individuals often is transmitted from parents to their children, creating intergenerational inequality traps. Social protection can have a transformational impact and help to break this trap by increasing access to the opportunities closely linked to the three dimensions of inequality. Social protection is effective in addressing the economic dimensions of inequality as discussed above. It can also be effective in addressing the social and environmental dimensions of inequality through reversing the intergenerational inequality of opportunity trap by ensuring the provision of adequate healthcare and education; and by enabling women, men and children to access clean water, sanitation and energy.

The environment in the Asia-Pacific region is under severe pressure. To produce one unit of GDP, the region requires twice the input of resources compared to the rest of the world,⁴⁷ consumption and waste are growing and greenhouse gas emissions in the region are increasing at around a 4 per cent per year.⁴⁸ SDGs 12, 13, 14 and 15 focus on protecting the planet, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change. By reducing poverty and vulnerability as well as income and social inequalities, social protection can contribute to environmental sustainability. A positive correlation has been shown between government expenditures on social protection and countries' Environmental Performance Index (EPI), indicating that countries that invest more in social protection fare better on the 20 indicators measured.⁴⁹ In the short-term, social protection can build resilience to catastrophic climate change and environmental shocks by increasing adaptive capacity of those that rely on common goods, such as forests, oceans, rivers and lakes as well as weather-dependent livelihoods. Social protection programmes around the world therefore increasingly integrate climate resilience as a core component. 10 10Why social protection is critical for ... Contribute to the State Social protection State Citizens ...

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Universal social protection strengthens social cohesion and stability, fostering peaceful, just and inclusive societies. Social protection helps to achieve this mainly through its contributions to building a social contract between the members of society and the State, in which each party has obligations and is accountable to the other (Figure 3). Social protection that reaches all women, men and children in a country shows people that governments are investing taxes on their behalf. This contract of mutual obligations, where citizens and residents pay taxes to the State and receive benefits and services in return, strengthens the trust between society and the State. This has positive impacts, such as encouraging workers and business owners to pay tax and employers to formalize employment contracts. It also contributes to stability and social cohesion. High levels of inequality, and lack of access to social protection and decent jobs is closely linked to social exclusion. Recent examples of popular uprisings, such as the Arab spring, illustrate how lack of trust in the State, high inequality and discontent with the socioeconomic situation can fuel and exacerbate social instability and lead to social unrest. Social protection promotes social cohesion and the integration of marginalized groups. Countries have used social protection as a means to increase trust in society and promote social cohesion to foster peace. For example, during the civil war in Nepal, a universal pension was introduced in 1997—one of the few government schemes that the Maoists allowed to be delivered in areas they

3 SOCIAL PROTECTION AND THE SOCIAL CONTRACT controlled — demonstrating an important link to the State. Following the end of the civil war, the pension was significantly expanded as a peace dividend and it remains an important scheme that is accessible to all citizens without discrimination, once they reach the age of eligibility. Another example is in South Africa, where the new African National Congress government, following the fall of apartheid, offered all citizens access to old age and disability benefits on an equal basis, whereas previously the white population had received a much higher level of transfer. This helped generate stability and gave the black population a concrete link to the State.⁵²

How can social protection reduce the impact of shocks?

Asia and the Pacific bears the brunt of the world's large-scale disasters, and experienced 155 disasters in 2015 alone, with an estimated 6,721 fatalities and around \$32 billion in economic damages.⁵³ Major shocks and crises, such as natural disasters and external economic crises, can cause significant damage to individuals and to national economies, in particular if the families affected resort to damaging coping strategies, such as selling their productive assets. Social protection programmes can increase household resilience to shocks. In Nicaragua, for example, families on the Red de Protección Social scheme were better able to cope with a sharp drop in coffee prices during 2001/02, maintaining household expenditures while those not on the programme struggled.⁵⁴ In Ethiopia, 60 per cent of households on the Productive Safety Net Programme avoided selling assets to purchase food when experiencing a shock.⁵⁵ With social protection families can bounce back to higher productivity more quickly once the crisis dissipates, offering a significant boost to the economy. Furthermore, the existence of an effective national social protection system reduces the often huge cost of providing emergency support following crises, which is good for national finances.

SOCIAL PROTECTION IS AFFORDABLE

Evidence at hand shows that countries do not have to be rich to invest in social protection and indeed, social protection is affordable for low-, middle- and high-income countries. In fact, the

link between a country's wealth and its level of investment in social protection is weak. When today's high income countries started investing in social protection, they were much poorer than many countries in Asia today. For example, in 1820, when England invested 2.5 per cent of its GDP in poor relief programmes, its GDP per capita was US\$2,800 (PPP). Today, Viet Nam's GDP per capita is US\$6,400 and investments in social protection, excluding health, are at 2 per cent of GDP. In the Philippines, GDP per capita is US\$7,700 and it invests 0.9 per cent of GDP in social protection, excluding health.⁵⁶ Countries in Asia and the Pacific spend an average of only 7.9 per cent of GDP on social protection, including health. While some countries in the region, such as Japan, spend approximately 20 per cent of GDP, most countries spend less than 5 per cent. Countries in Europe and Latin America spend 21.6 per cent and 8.9 per cent, respectively. As a whole, Asia and the Pacific falls well below the global average of 10.2 per cent of GDP spent on social protection, including health.⁵⁷ See Figure 4 for more details.

Did you get that?

KEY TAKEAWAYS FROM THE POLICY GUIDE "WHY WE NEED SOCIAL PROTECTION"

Social protection refers to a set of policies to help women, men and children reach or maintain an adequate standard of living and good health throughout their lives. In its most basic form it should comprise of the following:

1 basic income security for children;

2 basic income security for persons in active age who are unable to earn sufficient income;

3 basic income security for older persons; and

4 essential health care for all. Social protection is a human right, grounded in the right to social security, and enshrined in the Universal Declaration of Human Rights (1948). Throughout Asia and the Pacific 60 per cent of all women, men and children lack adequate social protection. It would require an investment of only 0.81 per cent of Gross Domestic Product (GDP) in the region to bring everyone in the Asia-Pacific up to the international poverty line of \$3.10 a day. Countries do not have to be rich to invest in social protection. Social protection is affordable even to low-income countries. \$ 0.81% 60% 15Did you get that? 15Did you get that?

SOCIAL PROTECTION IS CRITICAL FOR ... Ending poverty through programmes, including cash transfers, designed to reduce vulnerabilities throughout the lifecycle and to share wealth among society.

Ending hunger through regular and reliable cash transfers that allow people to buy nutritious, healthier food and increasing their daily caloric intake.

Ensuring healthy lives by increasing access to affordable health care and also to nutrition, clean water, sanitation and basic shelter.

Ensuring inclusive and quality education by enabling families to absorb the costs to send children to school.

Achieving gender equality and empowering women and girls through supporting the redistribution of unpaid care work and increasing women's participation in paid employment outside their home.

Promoting economic growth and decent work by boosting economic growth through investing in human capital, reducing insecurity for workers, and injecting cash into communities. Reducing inequality within and among countries both in tackling income inequality and unequal access to opportunities.

Protecting the environment by building resilience to environmental shocks and promoting environmental conservation.

Promoting peaceful and inclusive societies by strengthening social cohesion and building a social contract.

Conclusion

While large social protection gaps remain in Asia and the Pacific, there is a strong rationale for governments in the region to step up to the challenge and close the gaps. Investing in inclusive social protection is good for people, planet, prosperity, peace and, in the spirit of strengthened global solidarity of the Agenda 2030, for partnership. The good news is that social protection is not only affordable but also good for economic growth. Committing to social protection is committing to leave no one behind.

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2. The terms social protection and social security are often used interchangeably and covers both social assistance and social insurance. See for example ILO, World Social Protection Report 2017–19 (Geneva, 2017).
3. The right to social security is also recognized in several other human rights instruments, including the International Covenant on Economic, Social and Cultural Rights, the Convention on the Elimination of All Forms of Racial Discrimination, the Convention on the Elimination of All Forms of Discrimination Against Women, the Convention on the Rights of the Child and the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.
4. The Asia-Pacific region covered by ESCAP comprises: Afghanistan; American Samoa; Armenia; Australia; Azerbaijan; Bangladesh; Bhutan; Brunei Darussalam; Cambodia; China; Cook Islands; Democratic People's Republic of Korea; Fiji; French Polynesia; Georgia; Guam; Hong Kong, China; India; Indonesia; Iran (Islamic Republic of); Japan; Kazakhstan; Kiribati; Kyrgyzstan; Lao People's Democratic Republic; Macao, China; Malaysia; Maldives; Marshall Islands; Micronesia (Federated States of); Mongolia; Myanmar; Nauru; Nepal; New Caledonia; New Zealand; Niue; Northern Mariana Islands; Pakistan; Palau; Papua New Guinea; Philippines; Republic of Korea; Russian Federation; Samoa; Singapore; Solomon Islands; Sri Lanka; Tajikistan; Thailand; Timor-Leste; Tonga; Turkey; Turkmenistan; Tuvalu; Uzbekistan; Vanuatu; and Viet Nam.
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