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Social and economic response to the COVID-19 pandemic

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Objective

- COVID-19 pandemic has resulted in a massive loss of life and an unprecedented economic crisis with far-reaching social impacts
- Aim to provide a synthesis of reports and assessments on the social and economic response in the past months, and complement analyses that focus on the health aspect of the pandemic response
- Overview of major publications from international organisations and academic/think tank reports across various aspects, including education, social protection, tourism, transport, migration, and fiscal response

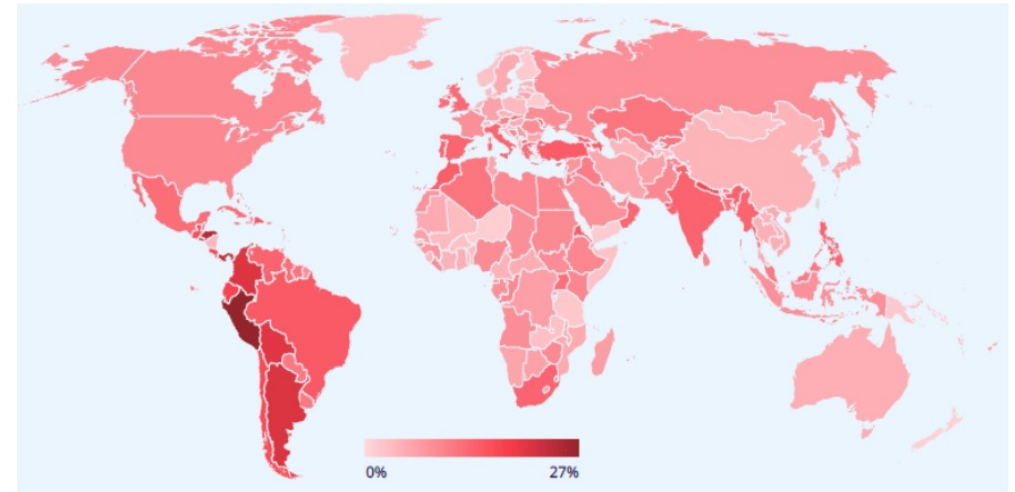
Education

- Global losses in access to education due to the pandemic pose significant challenges to human capital and are exacerbating education disparities
- Losses in access to education were more severe in LICs, where students missed an average of 69 days of instruction, compared with 15 days in advanced economies
- About 24 million learners are at risk of not returning to school, of whom almost half are in South and West Asia and sub-Saharan Africa
- Over 11 million girls may not go back to school after the COVID-19, due to greater burden on girls in households struggling with economic hardship
- Many countries did not allocate any funding to education in their fiscal responses, and 2/3 of LICs and LMICs have cut their public education budgets
- UNESCO, the UNSG, and many NGOs have called for the mobilisation of international resources and the maintenance of ODA to protect public spending on education

Social protection (1/2)

- Deep impact on the jobs, livelihoods and well-being of workers and their families
 - COVID-related restrictions particularly affect informal workers in contact-intensive services
 - Lower-income economies tend to have a lower share of jobs that can be done remotely
 - In 2020, 8.8% of global working hours were lost, equivalent to 255 million full-time jobs – half due to employment loss and another half due to reduced working time

Fig 1: Working hours lost around the world in 2020 relative to the fourth quarter of 2019 (%)



Source: ILO Monitor: COVID-19 and the world of work. Seventh edition.

Social protection (2/2)

- Critical challenge for policymakers as they needed to address workers' and households' concerns
 - Relative size of fiscal stimulus compared with the labour market damage is much smaller in developing countries than in high-income countries
 - HICs distributed an average of \$874 per capita for social assistance, compared to \$4 per capita in LICs
 - Few social protection measures have targeted specifically women's economic security or provided support for unpaid care
- Increased risk of human and labour rights abuses
 - Increasing evidence from ILO and UNICEF shows that child labour increased, with girls particularly vulnerable to exploitation in agriculture and domestic work
- ILO has reaffirmed the importance of International Labour Standards (e.g. balanced wage policies) in protecting the human rights of workers
- Going forward, the UNSG and ILO have highlighted the need for coordinated global efforts to create decent and productive jobs for all as the foundation of recovery

Tourism

- Worst year on record in 2020 and one of the most affected sectors
 - 1 billion fewer international arrivals in 2020; a 74% drop compared to 2019
 - Nearly 62 million jobs in the tourism sector were lost, despite job support schemes
 - Contribution to global GDP suffered a drop of 49.1% in 2020, compared to the 3.7% GDP drop in the overall global economy
- Many organisations (e.g. UNWTO, ICAO, IATA, WTTC) have highlighted the importance of international cooperation on border management and travel restrictions and protocols to restart international mobility

Transport

- Limited coordination between countries in curtailing travel and closing borders, also impacting on the delivery and availability of essential goods
- A number of international organisations (e.g. WCO, IRU, OTIF, OSJD, IMO, ICAO and UN regional commissions) have called for more effective international coordination
 - Between border agencies, custom administrations and transport authorities
 - Between different transport modes, to ensure supply chain continuity
- IMO called for coordination to exempt seafarers from travel restrictions and implement the recommended framework of protocols for safe crew changes
- ICAO called for coordinated international approach to the treatment of air crews (and has established Public Health Corridors)

Migration

- Travel measures and border closures have had far-reaching impacts on migrants and travellers worldwide
 - • By mid-July 2020, IOM estimated that the pandemic had left nearly 3 million people stranded, sometimes without consular assistance or sufficient resources to meet basic needs
 - Socioeconomic vulnerability of migrant workers who often work in sectors negatively affected by national lockdowns
 - Increased dependence of many migrants on intermediaries and facilitators, from employment agencies to smugglers
- • UNSG and the UN Network on Migration have called for the suspension of forced returns during the pandemic and the full respect of the rights of people on the move

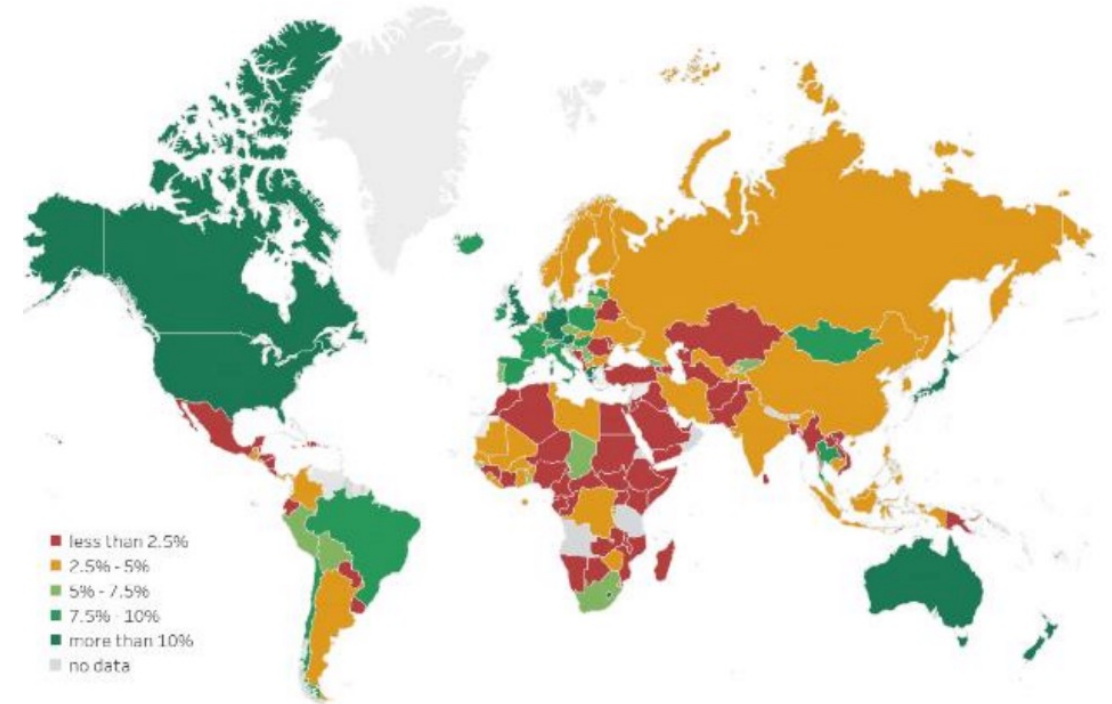
Fiscal response (1/4)

- IMF has highlighted the importance to ensure LMICs have adequate access to international liquidity to continue needed health, social, or other infrastructure spending.
- Emergency financing to 86 countries equivalent to over \$110 billion; lending to SubSaharan Africa in 2020 was 13 times more than the annual average
- Agreed to present formal proposal of a \$650 billion allocation of special drawing rights (SDRs) to boost liquidity
- G20 finance ministers established the Debt Service Suspension Initiative (DSSI), which has delivered more than \$5 billion in relief to more than 40 eligible countries
- G20 countries agreed to a Common Framework for Debt Treatments beyond the DSSI - bringing in non-traditional official bilateral creditors to a common set of agreed terms on restructured debts

Fiscal response (2/4)

- Resources to contain the pandemic and cushion its severe health, social and economic consequences are unequally distributed across countries
 - In 2020, advanced economies provided fiscal policy support equivalent to about 24% of their GDP, compared to just 2% in LICs

Fig 2: Additional Spending and Forgone Revenue (% of 2020 GDP) in Response to the COVID-19 Pandemic



Source: IMF Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic

Fiscal response (3/4)

- UNSG called for a range of actions to create fiscal space for crisis response:
- Voluntary reallocation of SDRs from countries with sufficient international reserves to countries facing persistent external deficits or emergencies
- Fresh concessional financing by meeting ODA commitments
- Broaden the scope of the DSSI to include MICs that have been seriously affected by the crisis
- Other proposals from think tanks and academics:
 - Step up financing by the IMF (e.g. step up concessional lending window – Poverty Reduction and Growth Trust, new vaccine financing window, allow great access to regular lending facilities, sovereign bonds)
 - Link debt treatment under the Common Framework to instruments that explicitly support health preparedness, or other debt for health swaps
 - Structural initiatives to deepen capital markets in developing economies (e.g. support for impact bond issuance)

Fiscal response (4/4)

- Going forward, the IMF has estimated that low-income countries need around \$200 billion until 2025 to step up their response to the pandemic
- Need for coordinated withdrawal of fiscal support to reduce the risk of economic downturn, inflation or impacts on trade imbalances
- IMF has also highlighted a “unique opportunity to rethink and fix the international tax system”
- Stronger international cooperation to limit profit shifting and tax evasion in the longer term (e.g. global minimum corporate tax rate)
- Question of efficient taxation solution as it relates to multinational digitalized companies

Conclusion

- The Independent Panel for Pandemic Preparedness and Response notes that “COVID-19 has been a pandemic of inequalities and inequities”
- Extent of social and economic mitigation measures very much depend on the effectiveness of other pandemic preparedness and response capacities
- Importance of international coordination, cooperation, and obligations:
- Upholding existing international instruments in the context of pandemic (e.g.
- international labour standards, right to education, human rights of people on the move)
- Strengthened international coordination and policy alignment (e.g. common protocols in relation to mobility, common approach to treatment of seafarers and aircrews)



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