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Impact of the global financial crisis on social integration

Before this is published, the UN Commission on Social Development will have met and come to its conclusions on social integration. ICSW submitted to the Commission that the ongoing financial and economic crisis has become a social development crisis. The crisis is impeding the global community's ability to meet internationally-agreed development goals and in particular the 1995 Copenhagen World Summit for Social Development commitments of poverty eradication, full employment and social integration.

If your only source of information is the western financial media you would assume that the recession is over and all is well. Many citizens of the global North and the global South will not feel the benefits for many years.

This is the worst financial crisis since the Great Depression. It has converged with the food and fuel price fluctuations and looming climate change disasters to make it a triple threat to social development.

The traditional poor remain excluded. The global financial crisis has restricted even further their access to mainstream society characterized by affordable access to quality social services such as basic education, health care, safe water and sanitation and housing.

There is an added tragedy. We are witnessing a rise in the number of new poor and excluded. The new poor have lost their jobs or income as a result of the current crisis. These people had managed to climb above the poverty line but have now tumbled back below and outside of mainstream society.

The numbers

The UN estimates that up to 103 million more people will fall into poverty or fail to escape poverty because of the crisis.

In addition to the International Labour Organization's unemployment projections of from 210 million to 239 million unemployed worldwide, the numbers in vulnerable employment are even more staggering. In East Asia alone, there were around 12 times as many people in vulnerable employment as in unemployment.

Those affected

In developing countries as a whole, those most affected by recent job and income losses include: 'Flexible'/migrant/undocumented foreign workforce; Contract workers or overtime dependent workers; Retrenched workers at the lower occupational rungs; Agricultural sector workers and owners of small agricultural holdings; Manufacturing sector workers, unemployed graduates, new entrants and under-skilled workers; Self-employed, especially those severely affected by the ripple effects arising from the economic slowdown or recessionary conditions.

The response

What should be the immediate and longer term response? The answer lies in the fact that in this crisis, and the previous one, the poor and excluded are disproportionately affected because they have weak coping mechanisms.

National responses including subsidies that protect vital consumption items such as food and cooking fuel are useful, immediate anti-crisis measures.

A longer-term policy response is needed to avoid the need to rely once again on ad hoc emergency measures, which can, in some cases, exacerbate rather than mitigate negative effects.

The current global crisis is jeopardizing development gains. It is also forcing the expansion of focus from lifting people out of poverty to preventing people from falling into poverty. Poverty, unemployment, under-employment and vulnerable employment are forms of social exclusion.

Damaging responses

Most developing countries still do not provide adequate social protection for their citizens. As a result, millions are resorting to limited, often harmful, coping mechanisms, especially in times of crises, such as reducing meals, eating less nutritious foods, taking children out of school, selling livestock and other assets or borrowing money to feed their families.

In the case of sudden spikes in the price of food, the poor have to spend an even larger proportion of their income on food and will probably buy less food or food that is less nutritious.

Worse still, some are voluntarily selling or being forced to sell their labour and bodies in the trafficking trade, or what we call 'irregular migration'. This happened in the aftermath of the 1997 crisis and there are indications that the same is happening now, perhaps on a larger scale.

National responses and consequences

Enhancing the coverage of social protection is not only a moral imperative but also good economics. In times of crisis and uncertainty about the future, people tend to increase their savings to protect themselves from the risk of losing their jobs or suffering a loss of income. When millions of individuals react in the same way, they cause the crisis to deepen by decreasing aggregate domestic demand. Thus a behaviour that is natural and rational at the individual level is detrimental to the economy at the aggregate level. To reduce this adverse macroeconomic implication, it is necessary to induce a change of behaviour at the individual level. Therefore, enhancing the coverage of social protection will help people and economies. By providing a basic level of income support, social protection schemes make individuals feel more secure and less inclined to increase their savings to protect themselves from possible income losses in times of crisis, contributing to domestic demand and macroeconomic stability.

A social protection floor

The concept of a social protection floor corresponds to a set of basic social rights, services and facilities that the global citizen should enjoy. It can be seen as a core obligation of ensuring the realization of minimum essential levels of rights embodied in human right treaties. The social protection floor could consist of two main elements that help to realize these human rights:

Services: Ensuring the availability, continuity, geographical and financial access to essential services such as water and sanitation, food and adequate nutrition, health, education, housing and other social services such as life and asset saving information.

Transfers: Realizing access and effective demand for services by providing a minimum income and livelihood security through a set of essential social transfers, in cash and in kind throughout the life cycle (children, working life and older persons) paying particular attention to vulnerable groups.

ICSW is supporting the Social Protection Floor Initiative (SPF-I) – see <http://www.socialsecurityextension.org/gimi/gess/ShowTheme.do?tid=1321>. The lead agencies are the ILO and WHO. Most if not all UN agencies and the World Bank support the initiative. It is a great step forward in implementing programmes that will alleviate poverty. Prior to the opening session of the Joint World Conference in June 2010 there will be a special workshop on

the SPF-I. See the third announcement at www.swsd2010.org. ICSW proposes that the three owners of the conference, IASSW, ICSW and IFSW, adopt the SPF-I as one of 'The Agendas' of the conference.

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