The EU’s most promising export

By Olivier De Schutter and Magdalena Sepúlveda - Today, 04:10 CET

Support for social-protection schemes should be a focus of EU development policy

Social protection has been both the hero and the villain in the narrative of the European Union’s economic crisis, and recent data from Eurostat, the EU’s statistical office, has only added fuel to the fire: spending on social protection in the EU's 27 member states rose by around 10% between 2007 and 2010, accounting for as much as 30% of gross domestic product by the end of the period.

Many see this social burden, coupled with a lack of competitiveness, as the cause of the ballooning public debt. But the rise in social spending is the mark of a system responding to extra need – and preventing people slipping from hardship into dire poverty. It is as economies falter that social protection comes into its own.

It is the effectiveness and popularity of this safety net that has driven millions of Europeans onto the streets to defend it in the face of austerity programmes. Most Europeans want to see action against budget deficits and sluggish growth, but not at the expense of pensions and benefits.

A 2012 Pew survey showed that while most Americans consider it more important for the state to get out of people’s way than to guarantee that nobody is in need, around two-thirds of Spaniards, French and Germans, and 55% of Brits, prioritise a state that guarantees collective well-being. The crisis has emphasised that social protection is now a badge of European identity. It must therefore be a constant in Europe’s economic plans.

Another European value to have emerged during the crisis is enduring support for development. Some 85% of EU citizens still believe it is important to help developing countries.

In combining these two elements, a new European Parliament report is perspicacious. The report on the impact of the financial and economic crisis on human rights – drafted by the conservative Latvian MEP Inese Vaidere and given its first consideration by MEPs in mid-December – calls for the EU to help developing countries create social-protection schemes.

Nearly 80% of the world’s poorest have no access to state protection from the effects of unemployment, illness, or disability – not to mention crop failure or soaring food costs. Their basic rights – and survival – are on a knife-edge.

The injustice seems all the greater because, for as little as 2% of global GDP, basic social protection could be provided to all of the world’s poor.

What, then, are the barriers to social protection in the developing world, and how could the EU help to export a right that has proved so important for so many Europeans?

Some emerging countries have taken major strides already. India now guarantees 100 days of employment per year at a statutory wage for all adult members of rural households, and Brazil's Bolsa Familia cash-transfer scheme supports the incomes – as well as health and education outcomes – of millions of households.

But for other countries, particularly the least-developed countries, economic constraints prevent even the first steps being taken.

Drought, floods, disease epidemics and spikes in food prices can afflict large population groups, as well as slashing national tax and export earnings, in a
way that that compounds the economic challenge of providing social protection.

Global solidarity is needed to break the deadlock. The Global Fund for Social Protection that we have proposed, and which the Vaidere report backs, would allow the least-developed countries to draw on international funding to meet the basic costs of putting social protection in place, while the fund could also be called upon to underwrite these schemes against the risks of excess demand triggered by major shocks.

The World Bank, the G20, Unicef and the International Labour Organization have all called for social protection to go global. By making social protection a key focus of its development policy, the EU would answer those calls, fulfil its human-rights obligations, and stimulate – and harvest – the multiplier effects of supporting incomes in developing countries.

It would also help to spread the social values that have served Europeans well in good times and bad.

Olivier De Schutter is the UN Special Rapporteur on the Right to Food. Magdalena Sepúlveda is the UN Special Rapporteur on Extreme Poverty and Human Rights.

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