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## **Financing Social Protection: Feminist Alternatives to Austerity**

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\* The views expressed in this paper are those of the author and do not necessarily represent those of the United Nations.

## 1. Introduction

The post-COVID world is facing a new wave of austerity, spiced with several elements. First, the state of public finances in many countries, especially in the global south.<sup>1</sup> Governments are facing the consequences of spending efforts to address the pandemic through public policies in health areas, but also sustaining the income of the most affected populations. In addition to the expansion of spending, countries are facing a limited recovery of their fiscal income, as economies are recovering slowly, in a context of uncertainty due to multiple conflicts and accelerating global inflation, particularly affecting energy and food prices.

Secondly, and related to the above, a new wave of sovereign indebtedness and debt crises. Debt exerts a disciplining power over national governments, on the one hand, because of the need to allocate resources to the payment of interest and debt maturities, and on the other hand, because of the conditionalities that emerge from credit agreements with international financial institutions.

Third, because decades of neoliberalism have gradually imbued institutions with the premises of austerity and fiscal consolidation. There is no longer any need for IMF conditionality for governments, even those that have to address major social needs, to adopt austerity as a principle of economic policy. This happens, in some cases, because of the conviction of those exercising such policies, and in other cases, because the institutions have incorporated regulations based on these principles, such as the commitment to inflation targeting to which many central banks subscribe.

The context of austerity is problematic from a feminist point of view. When governments restrict public spending, essential dimensions of social provision are affected. Austerity is not an entelechy. It takes shape in people's daily lives. Austerity also operates in a terrain characterised by gender gaps in its multiple intersectionalities. Thus, the impacts of austerity are unequal.

For example, the retrenchment of public investment in basic social infrastructure (provision of drinking water, sanitation, street lighting, transport, etc.) has concrete implications for material living conditions, unpaid work, the social organisation of care, urban (in)security and therefore also gender-based violence.

The restriction of spending on social services, such as education and health, has a double impact. On the one hand on households' access to public services in these areas. On the other hand, it has an impact on wage and employment conditions in these sectors, which are often feminised.

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<sup>1</sup> I use the term *Global South* in a political sense, in a reference that is not geographical but economic, to encompass countries that were historically subjected to processes of colonialism, that they continue to suffer today in renewed forms through the asymmetric power exercised by countries, international financial institutions and transnational corporations.

The reduction or freezing of spending on cash transfers affects the beneficiary population, whose access to these income support programmes is restricted, or who see the benefits they receive devalued. Given the high degree of feminisation of these programmes, the consequences on women's material living conditions and gender inequality gaps are obvious.

Finally, the austerity paradigm is accompanied by the promotion of the blended finance model. Without denying that private sector participation in development financing can be important, the proposed schemes, such as public-private partnerships, seem to operate more as a business opportunity platform for transnational corporations and large national companies than as a mechanism to alleviate pressure on public financing. Added to this are the controversial impacts that such schemes have in terms of access to services, prioritisation of investment areas, environmental dimensions, and governance.

The retrenchment of the state from its duties of social provision and the growing participation of the private sector in these areas lead to a sustained process of commodification of life. Access to basic goods and services for the guarantee of fundamental rights (such as health, education, access to medicines, etc.) increasingly requires resources for market exchange. In a context where the purchasing power of wages, pensions and social benefits is simultaneously deteriorating, what is taking place is a growing process of financialisation of life, where household indebtedness takes on a substantial dimension.

Confronting the narrative of austerity and thinking creatively about how social protection systems can be transformed and strengthened, and how funding can be secured to make this happen, is an inescapable element of any feminist agenda.

## **2. Social protection challenges**

The polycrisis world in which we live challenges the traditional designs of social protection systems. Evidence shows a stagnation, if not a reversal, of progress on poverty and basic living standards. Increasing proportions of the population are being excluded from any kind of protection and existing benefits are becoming less significant in household survival strategies. Intersectional inequality gaps are deepening and basic human rights are increasingly under threat.

One of the challenges that social protection systems face, is linked to changes in the world of work. The paradigm of formal wage employment, which in many southern countries was never the case for large sectors of the working population, now seems to be a model on the verge of extinction. In addition to traditional informal employment, made up of unregistered wage employment, employment in domestic services and a variety of self-employed jobs, from liberal professions to survival activities, there are now multiple platform jobs, from delivery workers to home carers. Besides, a set of self-employed occupations is emerging, that require high skills and make up a kind of “new working-class elite”, based on home-base jobs for transnational corporations.

On the other hand, pension systems, the heart of social protection schemes, are facing long-standing financial strains due to a combination of an ageing population, growing informality and falling wages. As a consequence, even with much heterogeneity between countries, it can be said that pension benefits are becoming increasingly scarce in their coverage and insufficient in their amounts. This leads to increasing poverty in old age and at the same time discourages affiliation to the pension systems. In many countries of the global South, the perspective is that the middle classes are seeking their own insurance through the accumulation of assets, and the popular sectors are resigned to suffering even greater hardship in old age than they already suffer in their working lives.

In a context where labour markets offer poor jobs opportunities and depressed wages, together with increasing social demands, cash transfer programmes are consolidating as a core dimension of social protection. The potential, but also the controversial aspects of these programmes have been widely studied. These programmes reach a sector of the population that is structurally excluded from quality jobs, subjected to the development of survival strategies that combine the perception of minimum benefits through these programmes with informal and precarious jobs, or self-employed activities with low productivity. The structural feminisation of these programmes reflects their gender bias and the deepening of intersectional inequality gaps.

Finally, another challenge for social protection systems is linked to the inclusion of care systems as a fourth. In Latin America, the paradigm of national care systems has advanced on public policy agendas. In several countries, we can see concrete progress, from regulations to the concrete implementation of care services. However, progress is slow and uneven, and in all cases the issue of financing appears to be a central obstacle to be faced.

All of the above highlights the need to discuss mechanisms for expanding the resources available to transform social protection systems in order to meet the challenges they face. It is by strengthening public finances and applying innovative and creative financing mechanisms that we can create the conditions for making progress along this path.

### **3. Challenges in social protection financing**

The transformative challenges of social protection systems matched with challenges on financing for social. From a Global South's perspective, these challenges can be summarised as follows: (i) tax structures that do not generate sufficient revenue and that in most cases are based on regressive tax systems; (ii) a high level of informal economy, which not only explains the insufficient revenue of the contributory components of social protection systems (due to the high proportion of informal employment), but also the low revenue of taxes and in part also their regressive profile; (iii) significant problems of tax abuses that generate large amounts of illicit financial flows; (iv) weaknesses in tax administrations, complemented by a certain lack of political will to exercise effective controls; (v) a social culture against paying taxes, partly derived from the delegitimation of the state as a result of its deficiencies in social provision; (vi) a high veto power

of the economic elites against tax reform projects that affect their interests. There is no doubt that it is essential to address these problems in order to build a possible and sustainable financing framework for social protection systems.

### **Feminist principles for social protection financing**

What would be the framework from a feminist perspective to address these challenges? What would it mean to build an efficient and fair financing scheme for social protection financing?<sup>2</sup> What are the principles for feminist taxation? We can list the following:

- A systemic vision: the financing scheme of the social protection system cannot be thought of in isolation, but rather in terms of its economic systemic. The way in which the financing scheme is designed can play a key role in favouring or hindering a certain development strategy, in promoting or inhibiting certain types of employment, and in consolidating or transforming certain structures of inequality. Therefore, when thinking about the financing scheme, it is important to consider the impact it will have on each of these systemic dimensions.
- A human rights paradigm approach: we can identify 15 human rights principles linked to taxation (Committee for the Advancement of Human Rights Principles in Tax Policy, 2021).
  1. The realisation of human rights must be a fundamental aim of tax policy.
  2. Obligations to respect, protect and fulfil rights require an active role and strengthening of the state, and limit state discretion in fiscal policy.
  3. States must ensure that their fiscal policy is socially just.
  4. States must ensure that their fiscal policy is environmentally sustainable.
  5. States should eliminate structural discrimination and promote substantive equality through their fiscal policy, mainstreaming the perspectives of discriminated populations in its design and implementation, and adopting affirmative action when necessary.
  6. States should promote substantive gender equality through their fiscal policy with an intersectionality perspective.
  7. Tax policy should be transparent, participatory and accountable. People have a right to fiscal information.
  8. States should take all necessary financial and fiscal measures to implement human rights, within a sustainable fiscal framework.
  9. States must ensure basic levels of economic, social, cultural and environmental rights as a priority in their fiscal policy.
  10. States must mobilise the maximum available resources to progressively achieve the fulfilment of economic, social, cultural and environmental rights.
  11. States must ensure that their fiscal policy does not lead to backsliding on the levels of protection achieved in relation to economic, social, cultural and environmental rights, even in contexts of economic crisis.

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<sup>2</sup> Some of these principles have already been raised in feminist tax justice agendas. See: Global Alliance for Tax Justice et al. (2021).

12. States are able, and sometimes obliged, to incentivise or disincentivise behaviour and correct externalities through specific tax policy instruments, and to adopt priority tax measures to guarantee human rights.
13. States and the international institutions to which they belong should provide international assistance and cooperation on fiscal matters, and create an appropriate global governance environment, to achieve the fulfilment of human rights.
14. Non-state actors, including corporations and intermediaries, have human rights responsibilities in relation to their fiscal behaviour.
15. States must prevent and adequately redress violations of human rights, whether civil, political, economic, social, cultural or environmental, related to fiscal policy.

Of this set of principles, those referring to the obligation to use the maximum possible resources, non-regressivity in their application, the guarantee of justice (including gender equality in its intersectionalities) and sustainability from an environmental point of view, can be clear guidelines for the necessary reforms in the financing structures of social protection systems.

- Distribution at the centre: understanding that the impact of fiscal policy is not only explained on the expenditure side (who receive the benefits of social protection systems), but also on the financing side (on whom the burden of financing falls), social protection systems financing schemes should not be biased, on the contrary, they should affect in a positive sense the structures that reproduce inequality. For this reason, progressivity of tax structures is very relevant.
- A life-centred approach: the financing scheme should take into account specific dimensions of the sustainability of life and operate in a way that counteracts the processes of precariousness, commodification and financialisation of life. Taking into account the care dimension (e.g., by thinking of specific financing schemes for care systems) and the environmental dimension (e.g., by incorporating specific taxes on extractive economic activities) is part of designing a feminist financing for social protection systems.

### **Feminist alternatives for social protection financing**

Given the challenges outlined above, it seems that we need social protection financing that moves towards a process of decoupling funding from wage contributions. Social insurance schemes are largely under threat in a context of increasing and sustained precariousness of working conditions. For this reason, the financing horizon should be built around taxes.

Transforming tax systems seems essential in order to simultaneously expand the possible financing of the social protection system, but also as a tool to address some of the systemic problems. The objective then would be to advance a series of comprehensive reforms that: i) increase revenue collection; ii) improve the distributive profile of tax systems, i.e. make them more progressive; iii) eliminate and avoid gender biases in taxation; iv) address the dynamics of accumulation of income and economic assets; v) discourage economic activities that threaten the sustainability of life (e.g. extractive industries or the financial sector). In this sense, a feminist agenda for tax justice that allows for the building of sustainable financing systems for social protection is in line

with the tax justice agendas that different civil society activists and advocates have been promoting around the world.<sup>3</sup>

To advance these progressive and transformative tax agendas, it is necessary to build power. Tax systems are an expression of power relations and their current profiles, at least in the global south, reflect the difficulties of affecting concentrated political and economic power. It is also necessary to challenge the dominant narrative of fiscal consolidation and austerity, understood almost strictly as a reduction in public spending. This narrative finds support in broad social sectors, which are subjected to regressive tax structures, and therefore perceive the burden of taxation to be excessive, but also suffer from exclusion from public policies, inefficient social provision and undeniable corruption in the management of public resources. All this feeds an anti-state and anti-tax narrative.

A first step in order to advance the necessary transformations needs to confront and to challenge these narratives. This requires deconstructing the myths surrounding fiscal and tax issues,<sup>4</sup> building the empirical evidence necessary to do so, and communicating adequately and massively. The second step is to incorporate these issues as priorities in feminist and social movement agendas. There are experiences in this regard that should be amplified, integrated and adapted to different contexts and levels of intervention (global, regional, national, local).

The third step is to have concrete reforms proposals, which are not one-size-fits-all recipes and will vary by country and region. The prioritisation or roadmap to be followed will also have to be adapted to the conditions of possibility in each case. From a Latin American perspective (which can certainly have some elements that can be extended to other regions of the global south), these reforms should include:<sup>5</sup>

- Improved taxation of income and wealth, including:
  - Expanding and improving the profile of personal income taxation:
    - by making them more progressive;
    - with a fairer treatment of the different sources of income (which currently tends to penalise income from work and benefit financial income); fairer does not mean equal for all, it means benefiting income from activities compatible with the sustainability of life, and penalising those that jeopardise it;
    - avoiding gender biases (which currently stem mainly from the differential treatment of income sources).
  - Expanding and improving taxation of corporate profits:
    - making it more progressive (with differential treatment for large companies and MSMEs);
    - eliminating the various and complex mechanisms that allow for corporate tax abuses;

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<sup>3</sup> See for example: <https://globaltaxjustice.org/> and <https://justiciafiscal.net/>.

<sup>4</sup> Rua (2023) synthesizes a series of discussions around 10 myths of fiscal issues.

<sup>5</sup> For the case of Latin America, some of these reforms can be seen in more depth in Gómez Sabaini et al. (2017).

- Implement, expand and improve wealth taxation: with taxes on inheritance, ownership of economic assets, etc.
- Improving indirect taxation:
  - Making it less regressive (e.g., through tax refunds to low-income sectors for certain consumption);
  - Implementing or strengthening taxes on harmful and luxury consumption.
- Implementing, improving and strengthening taxation of concentrated economic sectors:
  - At the least: large pharmaceutical industries; technology companies, banking and finance sector.
- Implementing, improving and strengthening taxation of extractive economic sectors.
  - Including mining, agribusiness, hydrocarbons, etc. but also extractivism of data.
- Improving tax administration:
  - Making it easier for tax clearance, but also strengthening the capacity to supervise and monitor.
- International tax cooperation including:
  - Implementing of a global minimum tax at reasonable standards;
  - Implementing of a flat-rate tax on financial gains;
  - Reforming transnational corporations taxes;<sup>6</sup>
  - Confronting illicit financial flows from illegal activities and tax abuses.

The enhancement of general revenues as the main mechanism for financing social protection can be accompanied by the design of specific financing mechanisms for certain social protection purposes. For example, the financing of pension systems can link social insurance components with general revenues to guarantee basic benefits; the financing of national care systems can link specific funds with general revenues<sup>7</sup>.

Beyond the possible and desirable alternatives in each context, it is important to move forward in the definition of clear objectives and the construction of roadmaps that, taking into account the political economy of the necessary reforms, establish priorities and successive steps towards transformative social protection horizons.

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<sup>6</sup> In this regard, see the proposals developed and promoted for a long time by the Independent Commission for the Reform of International Corporate Taxation: <https://www.icrict.com/>.

<sup>7</sup> For a concrete proposal for alternative financing schemes for national care systems see Scuro, Allemany and Coello Cremades (2022).



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