

## Policies and institutions contributing to socially just transition

### Contribution to

**Session III: Forward-looking policy and strategies to enable a socially just transition (including addressing inequalities, promoting decent work): Recover better to ensure sustainable livelihoods, well-being, and dignity for all people.**

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### Introduction

Covid-19 has revealed the weakest links and blind spots of social and economic systems, particularly the health system within and between countries, and spotlighted the differences between them. On the contrary, responses to socio-economic consequences of Covid-19 were not much varied across the countries. Almost all countries moved away from austerity, and governments provided various relief packages, including furloughing, wage support, and subsidies and tax exemptions to businesses (IMF 2021). Revising budget to address the socio-economic impacts of Covid-19, low-income countries also address the socio-economic impacts of Covid-19. They established relief packages composed of wage support, tax breaks, food and social assistance, and support for the utility bills.

In advanced countries, longer-term plans and programmes for recovery have also been established. For instance, the EU established the Next Generation EU Recovery Instrument (NGEU), the 2021-2027 Multiannual Financial Framework (MFF), the European Central Bank's Pandemic Emergency Purchase Programme (PEPP), in addition to the temporary increase of public deficit goals for the Member States and the State aid framework to assist companies and businesses heavily impacted by the Covid-19 crisis. And the United States established the coronavirus relief and government funding bill (a part of the Consolidated Appropriation Act of 2021), Coronavirus Aid, Relief and Economy Security Act ("CARES Act"), the American Rescue Plan and the American Families Plan. Although all these policies and programmes were designed to respond to the social and economic consequences of Covid-19 and resulted in positive impacts on people in the short term, it is too early to tell how they affect society and the economy in the longer term.

Revealing the weakest links and blind spots of social and economic systems, Covid-19 has manifested the urgency of moving away from the business as usual and transforming our systems into more sustainable ones. Global crisis often unsettles basic ideas and assumptions about both meanings and drivers of development. And once we are past the current global crisis, there may well be new openings for activism, social pacts, public policy and debate on many critical issues associated with integrating "the economic", "the social", and the nature through a democratic process. How and with what policy ideas and options can we move away from the ideologies, doctrines, policies and institutions that generate and reinforce inequality and vulnerability? What new directions in policy can we propose to help countries onto transformative pathways? What ideas and policy alternatives can mobilize social forces to form political coalitions supportive of progressive change? What policies

and programmes can transform the systems that are vulnerable to pandemics into more resilient ones in times of crisis because they are more just, equitable and sustainable every day?

## Post-Covid-19 policies and institutions contributing to socially just transition

Evaluating and learning from policies and programmes need to move beyond simplistic reviews of the "success" or "failure" of how different countries address problems stemming from the pandemic. We need to identify factors that foster conditions that make countries less vulnerable to epidemics: a wide range of forces—political, corporate and religious ones, as well as bureaucracies and public advocacy—influence the requirements for prevention, care and treatment, and transmission of the virus (C.J.L. Collins 2006). To draw the lessons and insights, policymakers and practitioners also need to understand the role of political gamesmanship in determining decision making and responses to an epidemic and how an outbreak, in turn, may be politicized. These factors should be not obscured, as often happens when an analysis is done after the event (J. Collins and Rau 2005).

The nature of policies and programmes responding to pandemics can be roughly divided into two: palliative interventions targeted at the most vulnerable; and bolder transformative policies with the potential to change socio-economic and political structures. While both are needed in the throes of crisis, the latter is a more ambitious approach speaking to the transformative vision of the SDGs (UNRISD 2016).

1. The first policy element contributing to socially just transition is **targeting within universalism in service delivery**. Targeted ad hoc health interventions in response to specific diseases such as Covid-19 are a necessary element within systems that tend toward universalism (Ilcheong, Yi, Koechlein, and de Negri 2017). However, targeted interventions on their own are insufficient, inefficient and unsustainable for dealing with complex health problems in the 21st century. Covid-19 crisis has demonstrated again that universalism in health care, that is, access to quality, affordable, accessible health services, and protection from the economic and social consequences of illness, for all members of society, should be institutionalized in all countries.
2. The second element is **breaking down organizational, institutional and sector silos**. For instance, policy and institutional reforms responding to Covid-19 need to be undertaken in a broad range of policy areas beyond the health care sector since health determinants are best addressed through a comprehensive development strategy and multisectoral policy engagement (Cook, Zhang, and Yi 2013). In particular, in low-income countries, the health sector is unlikely to make significant strides toward a better system to address pandemics if isolated from a broader development strategy with complementary economic and social policies. Therefore, a sustainable approach to improve health must be embedded in a total commitment to the pursuit of comprehensive, universal or rights-based social policies backed up by fiscal and redistributive mechanisms.
3. The third element is policies **attentive to the increasing number of people with non-standardized employment**. The hardest hit in turbulent times of global crisis are most likely to be the world's two billion informal workers, about 60% of the total employed population, and their families. Amid the Covid-19 crisis, they were the ones exposed to the greatest risk of infection. They don't have the freedom or opportunity to work remotely from the virus

since their working conditions do not allow them to have that freedom. A long-term policy strategy to make every job decent is central to this element. One of the significant lessons we learn from the ordeal of Covid-19 is the importance of essential workers whose critical work has kept the country functioning. These essential workers have risked their health on the Covid-19 frontline (and sometimes have lost their lives), and the majority of these essential workers are low paid workers (with less than median wage) in many countries. Narrowing down the wage gap by increasing the minimum wage of these essential workers is one of the significant steps to make every job decent. Another way to narrowing down the income gap is to extend the scope of public provision of social services for all, which can significantly increase the disposable income of the low-income strata. These services, often called universal basic services can include shelter, nutrition, information, and transportation, alongside traditionally provided services such as health and education (Coote and Percy 2020; Gough 2020).

4. Regarding decent job agenda, the fourth element for socially just transition is establishing ***an enabling environment for political empowerment and representation through the organization of informal workers' unions***. Legal frameworks and policies to allow and facilitate the organization of informal workers, particularly at the community level. Policy supports for social and solidarity economy organizations and enterprises are longer-term solutions to mitigating the impact of pandemics on informal workers (Agarwala 2018; Jenkins et al. 2021).
5. Fifth, it is ***not enough to reject austerity and advocate for the Keynesian stimulus package and the welfare state in this era of climate change***. The ideas and practices of the welfare state and Keynesian economics have been strong weapons to resist or attack the neo-liberal austerity policy regime. Although the understandings, narratives and expectations about welfare state vary across the countries, one common thread is that welfare state is an institution to address poverty, illness and precarious living of people through the regulation and intervention of the state in the market mechanism. This common thread of understandings about the welfare state focuses on the disruptive role of markets in social and economic dimensions, not the environmental dimension. And this focus has been linked to the narrow or limited concepts of poverty, vulnerability and precarity (Singh and Bhusal 2014). They ranged from those in strictly monetary terms to those in social and economic terms, excluding environmental terms. If the welfare state were understood as an institution to realize a decent, dignified and fulfilling life or increase capability or freedom, the focus would have been to increase social command over a range of goods and livelihood assets necessary for freedom and decent life. It could have included institutions and policies related to the environment, one of the critical assets for a decent, dignified and fulfilling life. And the institution, policies and policy tools of the welfare state would have been more diverse than the conventional social institutions and policies associated with social security, social work, social welfare, social assistance, and social protection.

Keynesian economics and its policies were a countermovement to neoclassical economic doctrines, which preached that a market-based capitalist economy has an inbuilt mechanism to keep the economy in equilibrium. Responding to a situation of economic recession, it argued, the state needs to play an active role in providing stimulus to the economy, i.e. demand-driven economic development or growth. To those Keynes and those following his

thoughts, however, the critical problem of humankind was a combination of "economic efficiency, social justice and individual liberty", which does not concern the ecological crisis we face. And the policies based on Keynesian ideas still focus on accelerated economic growth rather than a more sustainable approach to development. In a way, competition between the Keynesian stimulus paradigm and austerity is about which one is more efficient in generating higher and maximum possible economic growth than achieving sustainable production and consumption<sup>1</sup>. A damaging consequence of failure to incorporate environmental concern into the design and implementation of policies for social welfare is particularly manifested by Covid-19. Policies to address climate change must be strengthened since climate change may alter the distribution of diseases by creating conditions favourable to the transmission of bacteria and viruses (Smith et al. 2014; Quammen 2012).

Therefore, one of the bold steps we have to take to move away from the business as usual or outdated concepts or paradigms and establish new concepts or paradigms. Indeed, welfare state intervention is still significant in the context of increasing inequality. And welfare states, particularly social democratic ones, are better positioned to deal with the development of the green or eco state. However, we can take one step further in the discursive struggle against austerity regimes. A concept of ***Eco-social welfare state or environmentally sustainable welfare state that combines ecological concerns with social welfare can be the one*** we can strategically hold upfront. Designing carbon taxes and policies to compensate for the regressive nature of carbon taxes in which the tax burden falls disproportionately onto poor households and policies to target emissions from personal transport combined with subsidized public transport can be one of the eco-social welfare state's concrete policy measures. And concepts such as Keynesian Green New Deal and Green Keynesianism, which combines Keynesian fiscal policies with environmental goals, can also help formulate a socially just transition strategy (Harris 2013; Goldstein and Tyfield 2018)<sup>2</sup>.

6. Sixth, at the subnational level, the hardest-hit regions will see both economic decline and increasing inequality, with the fiscal capacity of local governments stretched. ***Policies that facilitate and strengthen partnerships between local administrations and civil society organizations*** can help recovery at the grassroots level (Rolnik and Cymbalista 2004).

Rebuilding local economies will be a critical task post-Covid-19. The social and solidarity economy, deeply rooted in localized circuits of production, exchange and consumption, can play a significant role in rebuilding the capacity of local producers and communities to increase value-added and stimulate demand for locally produced goods and services (Ilcheong. Yi 2017).

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<sup>1</sup> Environmental Kuznets Curve hypothesis that certain forms of air and water pollution decline as the level of national income increase can be a challenge to this. But the findings about the relationship between pollution and economic growth is mixed. Furthermore, an important explanatory variable for the inverted U shape of EKC is the increased citizens' demand for a better quality of life, that is, political driver which is relate to the strategic move I advocate for in this commentary. (Inglehart 1995; Fiorino 2011; Kelly, Tovey, and Faughnan 2007)

<sup>2</sup> Goldstein, however, warns that Green Keynesianism can be also used as a concept to emphasize the aspect of commercially focused, privately developed green technology. (Goldstein and Tyfield 2018)

7. Seventh, ***alternative economic approaches to the capitalist market economy***, which can re-embed economy into society, are crucial to deal with social, economic and environmental problems, particularly in the context of increasing inequality in multiple dimensions. These economic approaches strengthen social trust rather than winner-takes-all style competition, particularly in villages and towns, which is a crucial element fostering community cooperation responses. Social and solidarity economy organizations can facilitate cooperation among local actors by building people-centred mechanisms to mitigate the impacts of disasters, including pandemics (Ilcheong, Yi 2017; Ilcheong Yi, Sohn, and Kim 2018). Even at the epicentre of the pandemic in northern Italy, social and solidarity economy organizations and enterprises have helped fill gaps in production, exchange and consumption created by the lockdown, arranging home deliveries of basic necessities produced locally to consumers confined in their homes.
8. The eighth element is financing for socially just transition. Financing issues, critical to any strategies and policies, can be divided into two in the context of sustainable development: socially sustainable finance and environmentally sustainable finance. The central question to the former is how to ensure equity and efficiency simultaneously, while the latter is about which sector should be financed. The ways to ensure equity and efficiency simultaneously can be diverse depending on the context. What is vital in establishing the strategy for socially sustainable finance is how we understand these two concepts. Many policymakers and commentators tend to assume the argument that there is a “big trade-off” in two concepts (Okun 1975). When economic growth is observed over the long term, however, the trade-off between efficiency and equality may not exist. In fact, many advanced welfare states demonstrate that equality is an important ingredient in promoting and sustaining growth. Interesting in the context of Covid-19 is that in history, inequality is often accompanied by the boom in the financial sector, overborrowing by the poor, increased debt, and financial crisis. Financing generating inequality tends to make a number of unsustainable factors, such as external shocks and external debt, come together to bring down efficiency and growth to an end (Berg and Ostry 2011).

Financing sustainable development is one of the essential issues for many governments which announced a long term plan for green growth, green economy or net zero carbon initiatives. There are many definitions of sustainability that guide system-level policies and institutions, but not many on the investment level. The EU’s taxonomy of green investment, which provides the technical criteria for determining “green”, is one of the notable signs of progress in guiding investors. For transformation, policies need to establish guidelines and criteria in various regulatory mechanisms that guide private sector economic entities.

## Concluding remarks

Policies and institutions should address not only practical and immediate but also strategic and long-term interests. Would those policies and programmes established amid the Covid-19 crisis signals the significant move away from the business as usual or express the intention to go back to the pre-Covid-19? Would there be any policy elements to contribute to transforming society, economy and environment? What elements would be the components constituting enabling environment for socially just transition? This short commentary aimed to offer ideas about the list of elements that have a great potential to transform society, economy and environment into more sustainable ones and explain how and why they would contribute to socially just transition.

We are still amid Covid-19, and designing and implementing policies to focus on the immediate challenges is inevitable. However, sooner or later, there will be a need to move from crisis intervention to strategic planning and adopting a balanced and adequately sequenced approach to socially just transition or transformation. I hope the elements listed above can be good reference points for discussing strategies and policies for a socially just transition.

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