

Guillermo Tolosa, IMF Resident Representative's opening remarks at ILO Seminar on Social Protection Floor in Aghveran, Armenia

Since 2008 the global economy has suffered serious dislocations. Firms have gone bankrupt, sovereigns have had problems to honor commitments with creditors and their citizens, and people have lost jobs and homes. The nature and severity of these problems have varied around the world, but there is one common pattern: those who usually take the worst part are the poorest, most vulnerable segments of society. They were the first ones to be fired from their jobs (often consequently losing health insurance plans) as they usually have limited skills, and firms feel they can be easily replaced at a later more favorable phase of the cycle. They were the first ones to lose their homes, as they have limited financial buffers and necessary education to understand the contracts they got into. Four years after the crisis many of them are still suffering, without jobs and with difficulties to finance their housing and other needs.

Their problem is a global problem, and as such deserves a global response. In this context, proposals such as the Social Protection Floor from the ILO deserve the greatest attention. International organizations have realized this for some time now, and at the IMF we have started cooperation with ILO from a historic joint conference that took place in Norway in 2010.

Social protection and income distribution do not only address the most important legacy of the “Great Recession”, they also make sense as a more permanently feature of policy framework: they are central for social justice and peace, and are sound measures from a macroeconomic perspective automatic stabilizers cushioning the impact of crises on people while maintaining aggregate demand. They help workers and their families to overcome poverty and social exclusion. By securing a minimum of dignity, they also help unleash potential and bold search of new opportunities without being paralyzed by the specter of extreme poverty. Also, in the long term, as suggested by an IMF study by Ostry and Berg, reduced inequality and sustained growth have proven to be two sides of the same coin. Countries with fairer income distribution are more likely to increase growth resilience and the duration of growth spells.

At the IMF we have partnered with ILO in a variety of countries as diverse as El Salvador, Benin and Vietnam to calculate the cost of SPF, and have proved that they are generally not expensive. Also, when fiscal resources appear to be overly limited, there is generally considerable room to create savings in areas of the budget. For example, in the current context of high food and fuel prices, it is commonly the case that the government ends up subsidizing consumption across the board, including those that do not need it, instead of targeting those most vulnerable. Even if savings cannot be found, it is usually the case that it is still possible roll out a version that can then be extended and scaled up at a later stage.

In our various programs around the world, including in Armenia, the IMF has made sure that social programs are, at a minimum, not affected by the generalized push for austerity. We look forward to continue to work with our partners from international organizations and in the government to also make sure we find ways to also increase their effectiveness. I am convinced this seminar will be a great contribution on this quest.