

## The burden of COVID-19 : urgent need for social safety nets

Montesclaros, Jose Ma. Luis P.; Caballero-Anthony, Mely

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*Global Health Security*

## **The Burden of COVID-19: Urgent Need for Social Safety Nets**

*By Jose Ma. Luis Montesclaros and Mely Caballero-Anthony*

### **SYNOPSIS**

*The lockdown policies to fight COVID-19 have caused massive economic disruptions, seriously affecting poorer income groups that live on a hand-to-mouth existence. Policies to keep countries safe from pandemics must come with clear and timely social safety net programmes to protect these vulnerable groups.*

### **COMMENTARY**

UP UNTIL 11 March 2019 when the World Health Organisation (WHO) declared COVID-19 a global pandemic, government responses mostly focused on [preventing](#) further disease spread by imposing restrictions on travel and movements of people. These border controls and lockdowns have caused tremendous economic disruptions.

COVID-19 is bringing about a global '[economic contagion](#)'. In fact, G7 countries of the United States, Canada, France, Germany, Italy, the United Kingdom and Japan have committed '[to do whatever it takes, using all policy tools...](#)' to prevent both types of global threats.

### **Dire Economic Consequences**

[Signs](#) show a COVID-19-induced global economic recession is imminent, with widespread travel bans, cancellations of major events and conferences, prohibitions of mass gatherings and shutdowns of cities and other areas. The stock market prices in several major economies have plunged severely and massive job layoffs seem inevitable.

A [study](#) by the Asian Development Bank (ADB) in early March 2020 surveyed 24 Asian countries to establish the impacts of the pandemic. It found that the region stands to lose 5.7 million jobs in the best-case scenario, but this could easily balloon to 35 million jobs under what they deemed a 'hypothetical' worst-case scenario.

Yet, even this worst-case scenario is conservative considering that the ADB assumed only a 50% decline in outbound tourism from China, and in tourism revenues in other developing economies in East and Southeast Asia. These did not explicitly include declines in South and Central Asian countries. It is not inconceivable then, given nationwide lockdowns and community quarantines imposed in multiple countries, for COVID-19 to cause a complete lull in travel for all countries.

Economic effects extend beyond the tourism sector. When people do not leave their homes and spend, businesses suffer badly, leading to closures and bankruptcies. Quarantine policies affect supply chains, effectively halting factory production. COVID-19's economic damage will likely exceed the 2% decline in domestic consumption assumed in the ADB's study.

### **Who Bears the Burden of COVID-19?**

These economic consequences are the collateral costs which society needs to pay to contain the COVID-19 threat. While the 'greater good' still lies in fighting the disease than in preventing recession, the problem lies in the fact that these costs are borne differently across class and income groups within countries.

Unlike the middle class and above who may suffer some discomfort in their inability to move around, the situation is starkly different for daily-waged households and those who live from hand-to-mouth. In their case, not being able to work also means not being able to eat and meet their other basic needs. Poorer households thus face a bigger share of the burden if they do not have sufficient income to ride out the economic downturn caused by quarantine measures.

In fact, further analysis using ADB's data shows that the hardest hit are individuals working in lower-wage economic sectors. The two hardest hit sectors, where most job losses occur, are in the agricultural, mining and quarrying sectors (34%), followed by hotels, restaurants and other personal services sector (23%).

In the majority of countries studied, incomes in these two sectors were well below national average; for instance, in China, agriculture, mining and quarrying wages were close to half the national average wage, while hotels, restaurants and other personal services wages were less than a third of the national average.

Worst hit are those working in the '[gig economy](#)', as well as vendors and others in the informal sector, who have little or no protection or safety nets which include income support or direct cash transfers, food aid, and healthcare.

### **Helping Business and Workers**

The domino effects of COVID-19 on the health of economies have put governments in the spotlight, particularly their different approaches in dealing with health and economic concerns.

Australia's state of Queensland is planning to release US\$[16.5 million](#) to help businesses affected by COVID-19 measures while trying to convince the larger federal government, which thinks otherwise, to do the same. In contrast, New Zealand is allocating US\$[5.2 billion](#) for affected businesses, with another US\$2 billion for income support and health.

Apart from providing funding to businesses, a more challenging issue is whether governments should focus spending on expanding healthcare system capacity (for disease surveillance, mitigation, developing vaccines) or providing additional social safety nets too.

The US previously focused on the former, with US\$[8.3 billion mostly for](#) the healthcare system, but recently announced an US\$850 billion – US\$[1 trillion](#) budget that doubles also as an economic stimulus package that supports individuals and small businesses badly hit by the crisis.

The UK, while previously an outlier with its 'herd immunity' approach, has also [about-turned](#) and in fact, already integrated US\$[14.5 billion](#) to deal with the outbreak, in its annual budget. Singapore is currently [mulling](#) wage support, in addition to the initial US\$2.8 billion stimulus in its annual budget. Meanwhile, Malaysia is allocating US\$27 million to give US\$[137](#) per month to an estimated 33,000 employees earning below US\$915 who could be forced to take unpaid leave.

### **Urgently Needed: More Social Safety Nets**

Debates on whether safety net policies should be strengthened or not become moot and academic when one examines the gravity of the situation. For poorer populations, the risk of contracting or spreading COVID-19, and the painfully palpable certainty of not eating, is not a matter of choice.

The desperation to go and find work could potentially trigger further infections, since lower-wage individuals are often concentrated in the 'high contact' sectors especially hotels, restaurants and other personal services. Clearly, there is a need for governments to urgently put in place safety nets now.

It is necessary for government agencies to cooperate and collaborate with civil society to target the groups requiring immediate assistance. Business conglomerates have to join in to provide the minimum safety nets for workers while longer-term policy measures are designed and implemented. Neglecting the plight of vulnerable groups will result in heavier political and social costs in the long-term.

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*Jose Ma. Luis Montesclaros is Associate Research Fellow with the Centre for Non-Traditional Security Studies (NTS Centre) at the S. Rajaratnam School of International Studies (RSIS) Nanyang Technological University, Singapore (NTU), and Mely*

*Caballero-Anthony is Professor of International Relations at RSIS and Head of the NTS Centre. This is part of a series.*

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**Nanyang Technological University**

Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798  
Tel: +65 6790 6982 | Fax: +65 6794 0617 | [www.rsis.edu.sg](http://www.rsis.edu.sg)