

## Emerging trends in times of instability: new challenges and opportunities for social security

### Introduction

To understand the origins of the financial and economic crisis we need to examine the world-wide imbalances caused by globalization, controversial choices in monetary policies, high-risk financial innovations and the limitations of existing regulations. The discussion of these destabilizing factors casts doubt on the model of economic development based on the “Washington Agreement”. The market is no longer considered to be the best mechanism for the allocation of wealth and the mere fact of freeing the forces of that market is no longer synonymous with a general increase in standards of living (Growth is Good for the Poor). The dissemination and promotion of the principle of individual responsibility and private mechanisms based on capitalization, instead of contributory and compulsory social insurance systems run by international financial institutions, has today come face to face with its own limitations (Delcourt, 2009): the financial impact of the crisis on social security in terms of the depreciation of reserve funds and pressure on expenditure, is considerable.

This crisis has also revealed the growing number of challenges involved in today’s situation: demographic ageing, globalization, the transformation of the world of work, population movements, changes in family structures, global warming and a crisis concerning values (i.e. solidarity, equity, social cohesion, etc.). The pressure created by these economic, socio-political, cultural and environment factors requires appropriate and rapid responses from political decision-makers.

### *Facing the challenges of an evolving population structure*

The first theme is the consequences of a new demographic context for social security policies. There has been a fundamental change in population structure in recent years, which varies in relation to national levels of development. Societies are ageing in the industrialised countries leading to the emergence of a significant group of senior citizens with a full capacity for work although outside the labour market, while societies in countries in the South are now characterized by their youthfulness, with a plethora of young workers and pressure towards emigration. These upheavals are forcing social security systems to rapidly adapt their programmes to meet the needs of an expanding migrant population which is often working under precarious conditions, and which will continue to grow as the gaps between societies widen. The industrialized countries will need to adapt to a redefinition of work and retirement.

Globally, these elements must be taken into account in social security policies which are able to anticipate and integrate socio-economic contexts which differ from those in existence when they were introduced, focussing more on emerging groups of vulnerable individuals such as the very old and fragile, new entrants to the labour market – marked by a particularly high unemployment rate – or migrant populations.

The population has aged rapidly in many countries because of longer life expectancy, particularly as a result of the improved health status of the elderly population and a lower fertility rate; this adds to the difficulties facing ex-

tended families and other traditional structures which provide support for the elderly; structures which were already losing ground under the pressure of urbanisation, globalisation and increased mobility.

In many cases, “old age” is synonymous with a lower standard of living for old people and their families (Barrientos, Gorman and Heslop, 2003) [1].

This is even more striking in developing countries where social protection systems are some distance from providing cover for the entire population and informal care is being undermined by the rapidity of economic, social and demographic changes.

Such a situation is untenable in the context of the emergence of a long-life society with one third of its population over 60 years of age. Over and above measures aimed at prolonging longer life expectancy with no modification of the age of retirement, has thus led to the emergence of a new population group known as “seniors”, who have full work capacity but exist outside the labour market.

Longer life expectancy challenges the entire cultural model concerning the management of age and social periods. It raises the issue of the respective roles of the various generations in our societies, of their place in the production of wealth and in systems for the transfer of resources, and also that of new forms of solidarity, which could unite them (Guillemard, 2008) [2].

At the other extreme lies the problem of “young people”: Faced with the consequences of the financial and economic crisis and the increasing prevalence of a highly productive economy in an ever more global and competitive world, current strategies to combat the increasing precarity which affects new entrants to the labour market are coming under pressure. More precisely, the future of knowledge-intensive economies depends on increased cognitive skills; as a result the unemployment rate among young people who leave school prematurely is three times higher than among those with higher education certificates. Fur-

thermore, in the perspective of a life-cycle, workers with a relatively low level of education are more likely to find themselves living in poverty after retirement.

The Organisation for Economic Co-operation and Development (OECD) also emphasizes the heavy price paid by young people, in spite of the important role played by social protection systems as automatic stabilisers, which reduce the impact of the economic downturn. Statistics available up to the second trimester 2009 reveal a significant increase in unemployment for young people in the OECD zone – an average of up to 18 per cent of the active population compared with 14 per cent in the previous year (OECD, 2009) [3].

Under these conditions the challenge facing vocational activation and reintegration programmes is to avoid deviating from their original aim, which was to renew the skills of the workforce without interruption or unemployment. In the context of a global knowledge revolution, another urgent need is to enable social policies to go beyond remedial measures to take the form of preventive action based on a social investment approach: this would mean concentrating social efforts on preventive measures focusing on childhood rather than on fighting social exclusion once it has become a reality.

Finally, within this context of structural change, a new vulnerable population group is emerging, namely: migrants. According to United Nations estimates, in 2009 more than 210 million people, (i.e. 3.1 per cent of the world’s population) live outside their country of birth. Between 20 and 30 million of them were “illegal” immigrants (UNDP, 2009) [4].

The attraction of high-income countries for migrant workers due mainly to the perception of increased economic opportunities that they are able to offer combined with a demographic transition characterized by the rapid ageing of the population in those countries, which in turn is likely to increase the demand for foreign labour, increases the flow of international migration.

In light of these developments, it is urgent to identify the social security needs of migrant populations mainly active in sectors (agriculture, construction, domestic work, education, health care, hotel and catering, manufacturing) where flexible working conditions have taken a particularly strong hold. An increasing number of women emigrate on their own; they now represent almost half the international migrants and face specific problems of protection.

In addition, given the increasing number of obstacles preventing the movement of labour from one country to another, irregular migration and trafficking in human beings are increasing, placing human rights and the working rights of migrant workers in jeopardy. New arrivals find themselves in a vulnerable situation. There are many barriers and they often entail-deferring access to the formal social security system of the host country for several months or even years.

In order to remain viable, social security systems will have to rely on the dynamics created by these new developments, focussing increasingly on the new vulnerable population groups while at the same time creating new finance mechanisms.

### ***Facing the challenges of multiple crises confronting the world today***

The second theme is the emergence of new intellectual concepts underlying the reform of social policies. Changes in social security paradigms is a subject which can certainly not be ignored in a global context affected by multiple crises, the most recent example of which is the current economic and financial crisis. The consequences of an increasingly unstable world (high unemployment, continued existence of the informal sector, increased poverty and vulnerability, etc.) underline the importance of reinforcing the legitimacy of social security policies. The latter must find the necessary resources to compensate for the inadequacies of the labour market and informal redistributive mechanisms, to pursue economic development through dynamic policies and to extend its coverage.

In a context of multiple crises, this means that it must first concentrate on universal reinforcement of the legitimacy of social security in order to enable the development of a new paradigm based on the concept of solidarity, as a foundation for future reform. Demographic changes and changes in family structure, upheavals on the labour market, the financial crisis and its economic corollary are challenging economic models based on a market economy, growth, and social policy options, which underline individual responsibility and the performance of the money market. These developments offer an opportunity to reinforce the legitimacy of social security both as an essential proactive component of a “good society” and as a collective measure to provide assistance for the population concerned and improve its welfare – alongside the challenge of creating more dynamic social security through renewal of its basic parameters.

This conceptual “revolution” is of prime importance in consideration of strategies aimed at introducing finance mechanisms to ensure that social security is sustainable in the long term and to guarantee the success of recent innovative policies to improve and extend social security cover.

The recent collapse of the market and the negative performance of investments have made financial portfolios more fragile; increased unemployment has reduced income from contributions, while expenditure on benefits has increased (ISSA, 2009) [5].

The financing of social security systems is thus confronting not only the steadily increasing precarity of the labour market, the stabilisation of unemployment rates at relatively high levels, but also new challenges which differ widely from those of recent decades, including the ageing of the population and a related increase in medical care (ISSA, 2010) [6].

In the long term, the economic and financial crisis may lead to the reassessment of the roles and scope of many national social security systems. However, in the short term many social security schemes are facing a challenge in terms of maintaining their financial equilibrium.

Nevertheless, although the financial and economic crisis may have weakened the financial status of many social security programmes, it has also revealed the essential role played by social security systems both as mechanisms to provide replacement income and as intervention strategies, which can help counteract an economic downturn. In seeking to attenuate the effects of increased unemployment, reduced transfers of funds and increased poverty, governments have recognized and exploited the great capacity of social security institutions. In addition to their efforts to stimulate global demand and encourage job creation, decision-makers have also recognized that social protection schemes provide a reliable and effective way of providing an income for individuals and families.

Although there is wide consensus on what is expected of social security systems – extension of cover and the provision of adequate benefits – these objectives can only be attained by guaranteeing the financial viability of benefit programmes in the medium and long term.

Furthermore, reflection on the conceptualisation of new paradigms for social security also involves recognising that the extension of social security cover constitutes one of the most complex challenges facing social policies today. As mentioned above, approximately three quarters of the world's population live in a state of "social insecurity". On one hand, the industrialised countries are under strong pressure to reduce workers' cover in a context of international competition, job precarity and demographic ageing. On the other, developing countries are making progress in extending the provision of universal cover for old people and the needy, but the informal sector is expanding and poses a threat to all policies aimed at a real extension of social security.

In Latin America, cover has gradually been reduced and according to estimates now benefits approximately 40 per cent of all employees. Social security programmes in that region are mainly contributory programmes. This means that they are based on the principle

of a stable and well-established labour market, which has a direct impact on their capacity to provide and extend cover. The result is generally lower rates of cover in rural areas, in the informal sector, among the self-employed and among women, who participate less in salaried economic activity while carrying out most of the domestic tasks for no payment (ISSA, 2010).

Considerable progress has been made in countries in Asia and the Pacific in extending the cover provided under existing programmes or those recently introduced. However, in many countries and in particular those with low incomes, only 5 to 10 per cent of the population benefit from social security cover (ISSA, 2009).

In Africa, health cover is a priority issue: 38 countries located in Sub-Saharan Africa lie at the bottom of a list concerning estimated life expectancy drawn up by the CIA public library for 2008. Four of these countries have a life expectancy of less than 40 years, and 20 others have life expectancies of 40 to 50 years.

This makes it even more necessary to carry out a real paradigmatic aggiornamento of the relationships between the state, society and the market to enable social policies to face up to the multiples crises which mark the world of today.

### ***The impact of major emerging trends on social policies and on forthcoming social security challenges***

The last subject is major emerging trends, including medical and environmental, technological and geo-political issues; our objective will be to identify and analyse major challenges facing social security in the near future. In other words, the objective in this case will be to identify what is at stake for social security administrations in the five, ten or even twenty years ahead and to develop a vision for the future which will enable them to respond to these difficulties when they arise.

Among these new tensions, new pandemics in a rapidly developing environment and the major scale of environmental problems are

coming increasingly to the fore and have now become unavoidable issues of concern. Their importance is such that they imply a rethink of social security architecture in order to respond to the new expectations that arise out of these changes.

This is even more obvious in developing countries where the social protection systems are far from providing cover for the entire population and informal care is being undermined by the rapidity of economic, social and demographic changes. This further increases the need for all the actors in the social security community to consider what strategies to adopt, for both existing schemes and new programmes, in order to assess the impact of these exogenous factors on social security programmes and to produce the appropriate responses.

Furthermore, social security cannot ignore the technological innovations, which will inevitably represent a major challenge for its institutions. The computerised era has transformed society: its citizens have greater and more complex expectations and problems to deal with. Faced with these new demands, social security administrations must take the initiative to make changes which reinforce the role of technology but which must at the same time enhance the coherence of the programmes and the services they provide.

The current economic downturn may enable these institutions to take a balanced look at their activities and create a window of opportunity for changes, which could help them become more efficient and better organised in the long term. Administrations have the opportunity here to introduce innovations, which could help them confront the new reality of an increase in the number of case-loads to be processed with reduced resources.

They need to find ways of optimizing the value of existing programmes and services while developing new strategies able to meet both staff needs and user requirements through the development, for example, of the permanent participation of citizens in the design of policies and programmes.

Finally, the presence of new economic powers on the international scene constitutes an important element and one which social security will have to learn to deal with in coming years: the new distribution of geo-political power will probably lead to changes in the approach to social security and contribute towards the creation of new frames of reference for social policies.

From now, onwards the “European” and “Anglo-Saxon” models will find themselves confronting the approaches of newcomers to the international scene. Brazil, Russia, India and China, for example (the BRIC countries) could take issue with existing social security models in light of their own values and principles and participate in the dissemination of original social security policy models that will find a place in countries with different levels of income and institutional architectures.

Medical and environmental, technological and geo-political evolution will fashion a new future for social security and redefine the approach to the vital questions of the extension of social protection cover, demographic ageing and the increasing informality of the labour market. In these circumstances, both ongoing and future reforms must not fail to consider these developments.

### **Conclusion**

In order to provide a proper response to the reform processes currently under way throughout the world, it is of prime importance for social security bodies to reaffirm their status vis-à-vis the task which historically lies behind the development of their role: that of providing protection against the possible realization of certain risks; in order to do this, social security must be in a position to anticipate appropriate responses to future issues; in an unstable environment, social security programmes have a key role to play both in alleviating the sometimes disastrous impact of current upheavals and in participating – through the allocation of replacement incomes – in maintaining levels

of consumption in the face of so many crises; they must also participate in the development of individual potential and productive capacity in order to make people less vulnerable to risk and to encourage social integration.

Faced with the need for a wider definition, the ISSA (International Social Security) has developed the concept of “Dynamic Social Security” based on integrated, proactive and innovative social protection, the main aim of which is to create long-lasting and accessible systems. This approach is intended not only to provide protection, but also to encourage preventive measures and to facilitate reinsertion in order to build socially inclusive and economically productive societies. Another basic point is that only efficient social security will be able to ensure the political stability and social legitimacy of the programmes, which are indispensable for their success.

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#### Түйін

Әлеуметтік саясаттың дәстүрлі түсінігі әлеуметтік саланың (білім беру, денсаулық сақтау, әлеуметтік қорғау және мәдениет) салаларына қысқартылды. Дегенмен, адам дамуының проблемалары мен мүмкіндіктерінің ауқымы осы шеңберден асып кетеді, демек, макроэкономикалық және демографиялық даму үрдістерін, еңбек нарығының жағдайы мен зейнетақымен қамтамасыз ету проблемаларын түсінбей, әлеуметтік дамуды талқылау. Бұл проблемалар әлеуметтік саясатпен тығыз байланысты, өйткені олар адамның дамуының негізгі шарттары мен нәтижелеріне әсер етеді.

*Түйін сөздер:* зейнетақымен қамтамасыз ету, әлеуметтік сақтандыру, зейнеткерлік жас, әлемдік тәжірибе, демографиялық проблема, қартаю.

#### Аннотация

Традиционное понимание социальной политики сводится к отраслям социальной сферы (образование, здравоохранение, социальная защита и культура). Однако круг проблем и возможностей для развития человека выходит далеко за эти рамки, поэтому невозможно обсуждать социальное развитие без понимания макроэкономических и демографических трендов развития, ситуации на рынке труда и проблем пенсионного обеспечения. Рассматриваемые проблемы тесно переплетены с социальной политикой, поскольку затрагивают ключевые условия и результаты развития человеческого потенциала в рамках экономического кризиса и мировых трендов финансового сектора.

*Ключевые слова:* пенсионное обеспечение, социальное страхование, пенсионный возраст, мировой опыт, демографическая проблема, старение.