
Introduction: Major challenges and reform options

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The changing world poses many challenges to public policies, including social policies – among them social protection policies, which are the main focus of this handbook. Here, in this part of the handbook, we take on a number of these challenges: demographic changes and their interaction with social protection policies; roles of social protection in coping with the consequences of the COVID-19 *pandemic* (both topics discussed in Chapter 39 and 43 by *Woodall*); the challenges of *globalisation* (discussed in Chapter 40 by *Betz*) and the limitations it imposes on state sovereignty and its ability to decide on the size of publicly funded programmes, in particular social protection; challenges to labour markets and social effective protection coverage posed by *automation and digitalisation of businesses* (discussed in Chapter 41 by *Gassmann*) and, last but not least, potential roles of social protection in facilitating population's adjustments to *climate change* (discussed in Chapter 42 by *Malerba*).

There are many interlinkages between demographic changes and social protection policies. Decreasing mortality rates (resulting from significantly improved access to health-care services, progress in health care to better diagnoses, cures for diseases and improved public health and other social services to more effectively prevent diseases) cause *people to live longer*, which may mean longer working lives and delayed retirement but may mean also that people are for longer periods in need of support – both in terms of income security and of old-age care services. Improving living standards in general and better social protection in old age in particular *decrease fertility rates*. This makes families smaller, which may result in higher investments into children's standards of living, provision of better care and education, but means also lower capacity of younger generations to support the older ones. The *role of extended families* and of small communities in providing support to elderly persons in need is declining. *Roles of women in the labour market* are changing – with consequences for child-care patterns and fertility itself, but also for gender patterns of social protection coverage and types of protection needed. In addition, *migration* affects significantly demographic structures but also many other aspects of life, including demands for social protection interventions.

Globalisation brings increasing migration flows, and these will grow despite all the barriers put in place by the richer and more stable countries, unless and as long as the income and living standards gaps between the rich and poor parts of the world close significantly. Social protection policies have a major role to play in addressing global inequalities. At the same time, social protection policies have to change to ensure non-discriminatory protection of migrant workers. Globalisation, through capital flows and resulting tax competition and other related phenomena, reduces significantly *sovereignty of nation states* in pursuing their fiscal policies. This limits the degrees of freedom in ensuring fiscal space for the desired social spending. Paradoxically, at the same time, the need for social protection spending increases: the need to address economic restructuring and resulting social impacts of globalisation. In particular, social protection policies are the main tools to cushion the *impacts of structural adjustments* of the economies: disappearing workplaces and jobs, increasing unemployment and increased needs for requalification and retraining. And – last but not least – it is more and more obvious

from the global developments in the first two decades of the twenty-first century that without social protection policies effectively cushioning negative impacts of globalisation, all gains from globalisation will be lost, and the globalisation process might be blocked by *trade wars and populist policies*.

Traditionally, social protection was based to a large extent on employment-related entitlements to benefits. Due to widespread and persisting *informality* this is seen as an obstacle to close the coverage gap in many countries of the Global South (but not only there). At the same time globalisation and global competition, together with automation and digitisation of businesses, push many employers into the seemingly easiest options of making employment relationships as flexible as possible (to increase their freedom to hire and fire) and cutting labour costs by moving away from longer-term employment relationships (associated with high levels of workers' protection but also with costs of paying social security contributions and other so-called non-wage labour costs) into *short-term temporary contracts, zero-hour contracts, disguised employment relationships in the form of dependent self-employment, so-called business-to-business contracts, etc.* At the same time automation may gradually be eliminating certain types of jobs and reducing employment in some labour market segments, possibly creating other jobs but certainly creating the need for restructuring of employment and skills. Reduced opportunities of stable employment with employers driven by cost reduction and short-term profit maximisation concerns, coupled with cost-lowering business opportunities created by digitalisation, lead to the emergence of new types of businesses. These offer new ways of providing work services by individuals but still require the introduction of equally innovative approaches in areas of legislation concerning taxation and contributory social security coverage and in the design of contributory schemes. The main choice for the future of work in the changing world is thus between increased informality and precariousness and reduced occupational safety and social protection of workers and increased enforcement of new or adapted legislative social protection frameworks and scheme designs, ensuring decent work in all its forms, independently from the status of the dependent worker and type of business involved.

Social protection has a major role to play in assisting, facilitating and cushioning all kinds of economic and structural adjustments in the economies resulting from demographic changes, from the global spread of diseases like COVID-19, from globalisation processes, from changes which technological progress, including automation and digitisation, brings to the ways business activities are performed as well as from climate and other environmental changes.

Social protection has a particularly important role to play with respect to environmental, social and economic changes resulting from *climate change*. As currently most visible impacts of the progressing climate change are affecting countries with underdeveloped social protection systems, there is an urgent need to progress in these countries into developing comprehensive national social protection systems with a universal social protection floor component (as in the commitments of the Sustainable Development Goals), prioritising all kinds of protection aimed at compensating climate change-related employment and income losses, ensuring affordable access to essential and adequate-quality health and medical care, supporting and facilitating necessary changes and restructuring (migration, housing, unemployment and labour market policies). Expansion of social protection in these countries should be harmonised with all other *disaster prevention* and management policies – which may also win necessary political will within the political economy context.

As shown in Chapter 42 on climate change, social protection schemes potentially bring key mechanisms helping the world's population to successfully adjust to the changing demographic, climate, social and economic environments. However, these mechanisms work only if countries have well-developed, comprehensive social protection systems with universal coverage. This was very clearly shown during the COVID-19 pandemic which started in 2020. Countries with well-developed, comprehensive and universal national social protection systems could manage much better both the public health implications of the pandemic as well as the economic and social crisis caused by associated lockdowns and other preventive measures. The conclusion is that we need our social protection systems to be flexible and modern enough to adjust to the new emerging challenges we are all facing in the twenty-first century, but equally we need these systems to be universal in coverage and comprehensive in terms of meeting the needs and protecting against the risks and contingencies we face. And taking into account that it is still the minority of the global population which may enjoy access to such comprehensive social protection systems, there is much to be done in terms of national and global fiscal and policy effort to change the situation and make all people in the world better prepared to face present and forthcoming challenges.