

## **Social protection as an investment in people**

### **ESIP contribution to the activities of the High-Level Group on the future of social protection**

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The European Social Insurance Platform (ESIP) is following with great interest the activities of the High-Level Expert Group on the future of social protection and the welfare state in the EU launched by the European Commission. Social security institutions represented by ESIP play a key role in turning rights into reality for the EU's population, including in cross-border situations, by implementing national and EU legislation. They are also innovators who strive to improve their systems and services.

However, social protection systems are also faced with major long-term challenges which interact with each other and could jeopardise their future adequacy and sustainability. Digitalisation, changes in the labour market, the ageing of the population and climate change are putting social security systems under pressure. In addition to these four megatrends, the COVID-19 pandemic outbreak, during which social protection played an important role in the policy response to mitigate its socioeconomic impact, and the current geopolitical context have an important impact on the organisation and budgets of social security systems and their institutions.

In this context, we welcome the debate opened by the European Commission by setting up its High-Level Expert Group on the future of social protection and the welfare state in the EU and submit our recommendations below.

#### **General statement on the future of social protection**

Social protection is a necessary social investment in people, for the well-being of all and the social cohesion of society rather than simply expenditure. This perspective should be promoted across all policy fields. Adequate and effective access to social protection for all should be a priority.

There is an important paradigm shift occurring in many social protection systems in Europe with a focus on early intervention and prevention in addition to providing benefits after an insured risk has materialised. Indeed, investing in prevention in all social security branches, is both more efficient and effective. It allows reducing the likelihood of seeing a particular event affecting personal life materialise for the insured person and has the potential of reducing costs for social security institutions. In this regard, we welcome the life cycle approach taken by the High-Level Expert Group as it is important to intervene early and not leave anyone behind, with targeted strategies for different groups of population.

At the same time, the capacity of social protection systems to mitigate the consequences of the new trends they are faced with should not be overstretched. While social security systems can provide benefits and compensatory mechanisms, they are not able to fully compensate for inequalities. In addition, it should be acknowledged that due to higher complexity of rules, rights

and obligations in society as a whole, not all insured persons can follow or make use of their rights or understand their obligations. There is a need to prevent that this group fall by the wayside.

While social protection systems in the EU share common features, ESIP notes that there is a wide diversity of designs and financing mechanisms in social protection schemes across Europe.

Finally, when analysing each of the four megatrends identified by the High-Level Expert Group, ESIP recalls that these megatrends do not exist in isolation but interact and may reinforce each other, such as digitalisation and the changing world of work, or may help offset one another, such as the use of digital tools to better care for the elderly.

## Managing the impact of demographic change and an ageing population

### In early life

- Access to affordable and high-quality early childhood education and care (ECEC) is essential to support the inclusion of all children into society, including the most vulnerable, and foster their future autonomy and employability. It thus helps break the intergenerational cycle of poverty. Family policies and the provision of ECEC play a key role in ensuring the work-life balance and labour market participation of parents and contributes to tackling structural causes of child poverty. It also contributes to curbing demographic change by allowing families to have the children they wish to have. In addition, it generates additional social contributions and tax revenues from parents' increased work activity, which helps reduce the rising costs of dependent elderly care, performed mostly by women
- Health promotion should be integrated in early and further education programmes, in all forms of trainings and maintained throughout the entire working life.

### In working life

- In order to widen the contribution base and secure the financial sustainability of social protection systems in the face of an ageing population further measures should be taken to ensure a more inclusive labour market and to maintain the employability of an ageing workforce.
- Strengthened labour market integration is also a way to ensure greater social inclusion for the whole population through the provision of decent jobs with adequate social security coverage.
- In the scope of social protection, the promotion of healthy ageing and prevention of accidents at work and occupational diseases as well as the provision of reskilling and rehabilitation measures also plays a key role. Indeed, such measures ensure the active population is able to stay healthy and active and has options for finding another occupation, should they no longer be fit for their jobs, or to receive support to ensure decent living conditions should they be unfit to work in the long-term.
- Within pension systems, allowing for the combination of a work activity and partial retirement can be a solution to help support healthy and longer working lives for older persons.

### In old age

- As the demand for long-term care will increase due to a rapidly ageing population, innovative solutions allowing tailored and high-quality care for older people wishing to remain at home should be promoted. This could help reducing the burden of care on informal carers, especially women, and promote an adequate work-life balance if implemented appropriately as well as higher labour market participation. At the same time, social security institutions are also developing best practices to assist informal carers, including through programmes providing physical and mental support and guidance, and provide online resources on facilities, costs and reimbursement. The European Care Strategy should further help tackle this challenge.

### Making the most of the digitalisation of social security

- Digitalisation of social security itself can help improve the efficiency of our systems, by providing access to online services, bringing social protection systems closer to insured persons. The development of digital tools remains challenging with view to the lower digital literacy and/or access to equipment of parts of Europe's population. It should come as a complement of in-person, community-based services. EU-wide projects to improve information to mobile persons are also welcome, but sufficient support should be provided by the EU to help social security institutions to design and implement them.
- Allowing a more efficient cross-border exchange of information is necessary. Digitalisation in the field of social security can also take on a preventive and even predictive approach to fighting fraud before it occurs using a wide range of techniques.
- Availability to and access of digital solutions for healthcare and long-term care, especially in rural areas, should be a key priority and combined with community-based services. At the same time, there is a need to account for the digital divide and inequalities due to lower income, lower digital skills, lack of IT infrastructure or simple choice.

### Adapting to a changing world of work

- Higher labour market participation and employment rates are key to improve social security coverage of the working age population as well as to manage demographic change, including its impact on pension systems.
- Attention should also be paid to the effect of labour market polarisation as a consequence of digitalisation and automation of tasks in the field of unemployment. Medium skilled jobs are likely to be reduced by automation, leaving mainly high and low skilled jobs on the market. When medium skilled workers take up jobs below their skill level, they suppress the availability of these jobs for lower skilled workers, pushing them towards unemployment or inactivity. Governments and social partners should decide on structural solutions for these groups to avoid creating a 'lost' segment of the labour force, which would be entirely dependent on unemployment and other social security benefits.
- New forms of work linked to the increasing digitalisation of the economy, such as platform work or gig work may bring opportunities by allowing for more flexibility in generating income and supporting a more inclusive labour market. However, these workers should be

adequately covered, and social protection institutions need to have the means to collect information to verify their coverage.

- New forms of work, including telework, also challenge social security institutions especially as regards the determination of applicable legislation as it was done in the context of the Guidance Note on telework. This aspect should be taken into account when negotiating the revision of the social security coordination regulations and, in the meantime, a coordinated European approach on the matter should be provided, as it is foreseen in the working group set up by the Administrative Commission on this subject.
- Safe and healthy workplaces are crucial for people's wellbeing and healthy ageing, including a working environment that corresponds to their professional needs. In this regard, working time models and age-adjusted or adaptable workplaces play a decisive role for motivation, health and maintaining employability. Given the high demands of working life, as part of occupational health and safety, special attention should also be paid to the mental health of workers.

### Mitigating the impact of climate change and environmental challenges

- The most vulnerable among our societies are the most impacted by the consequences of climate change in terms of living conditions and employment. At EU level, the introduction of the Social Climate fund is an example of how we can put resources aside to help people to support social cost of the transition and secure social cohesion.
- Specific measures to support insured persons affected by a natural disaster or extreme weather conditions have been introduced in some social protection systems and the need for broader approach for addressing climate change within social protection could be explored. Furthermore, the resilience of social protection systems in the event of natural disasters needs to be improved.
- Within ESIP, we recently started a discussion process on the impact of climate and environmental changes on social protection, especially health insurance and the healthcare sector as financial pressure is expected to increase as a result of among others, air pollution, more severe weather events especially heat waves, the spread of new infectious diseases and the increased prevalence of allergies.
- At the same time, the healthcare and long-term care sector's own impact on the climate and environment needs to be reduced.
- Health insurance funds need support to be able to step up their action to address these changes, primarily by creating a solid database on the ecological footprint of global production and supply chains, e.g. medicinal products and medical devices. EU institutions have a role to play in this process (marketing authorisation, HTA, circular economy).
- The promotion of awareness-raising campaigns for the public, healthcare professionals and marginalised groups more likely to be affected have been developed and could also be further supported at EU level.

- ESIP will also investigate the challenges to occupational health and safety already posed by climate change, e.g. in terms of UV radiation and the danger of malignant diseases such as skin cancer, increased prevalence of allergies due to higher temperatures, dust exposure due to drought and an increasing risk of heat stress, associated with an increasing risk of accidents at work.



**ESIP – European Social Insurance Platform**

ESIP represents a strategic alliance of national statutory social security organisations in 17 EU Member States and Switzerland.

ESIP's mission is to preserve high profile social security for Europe, to reinforce solidarity based social insurance systems, and to maintain the quality of European social protection.

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*\*ESIP members support this position in so far as the subject matter lies within their field of competence.*