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Developing the social security system to enhance inclusivity amid multidimensional changes

Khadija Ishak

PhD in Public Finance, University of Amenokal Hadj Moussa Ag Akhamouk-Tamanghasset, Algeria

Abstract---We aim through this research paper to show that the inclusivity of the social security system is constantly declining, and this is because the assumptions on which it was built have become inappropriate for the changes that affected the labor markets due mainly to technological development and the expansion of informal work in addition to the demographic transition and economic crises. Health and climate changes and it has been shown that in order to remedy these changes and build a social security system that responds to the changes taking place at various levels with greater flexibility, a new social contract should be adopted through which eligibility criteria are changed and inclusiveness is enhanced.

Keywords---Social security, Labor market, Informal employment, Social contract, Inclusiveness.

1. Introduction

Throughout their lives, people face various crises, including risks related to their ability to work, such as unemployment, illness, disability, and old age, which render them unable to support themselves and their families. This situation has created a sense of insecurity, leading to the need for protection against life's sudden circumstances. As a result, the social security system was established as a mechanism to provide income support and healthcare. Over time, it has become a human right and a social and economic necessity.

However, the continuous changes in labor markets, along with economic, health, and environmental developments, and demographic shifts, have led to a gradual decline in the scope of coverage. Consequently, the development of the social security system has become essential to maintaining societal stability and

effectively and efficiently addressing citizens' needs. Based on the above, we formulate the following research problem:

How can social security systems be developed to make them more adaptable to multidimensional changes?

Importance of the Research:

The importance of this research lies in identifying the changes that have impacted various sectors, which in turn have affected the efficiency of the social security system, leading to a reduction in the number of people covered under this system. This pushes us to think about ways to develop the system to meet all needs, thereby improving citizens' living standards, maintaining social stability, and reducing poverty and unemployment rates.

Objectives of the Research:

Through this research, we aim to:

- Highlight the philosophy upon which the social security system is based and the historical background that led to its emergence;
- Clarify the various changes that have created the need to reconsider the assumptions upon which the social security system is based;
- Identify the steps and measures taken by various countries in their attempts to adapt social security systems to multidimensional changes.

Structure of the Research:

To answer the research problem and present the ideas progressively, we divided the research into three parts. The first part addresses the primary goal and objectives of social security. The second part discusses the various changes in labor markets, as well as economic, health, climatic, and demographic transformations, which have necessitated a reassessment of the effectiveness of social security systems.

2. The Primary Objective of Social Security:

2.1. The Philosophy and Historical Background of Social Security:

The social security system refers to a government program that provides financial and social protection for citizens against financial risks related to retirement, disability, death, and unemployment. The concept of social security involves collecting financial contributions from insured individuals and employers and distributing them to those entitled to social benefits, including retirees, persons with disabilities, families of deceased workers, and others.

The concept of social security dates back to the 19th century, when it was linked to the rise of the labor movement in Europe and North America. The primary goal of this movement was to improve working conditions and the quality of life for workers in their societies.

At that time, work was often dangerous and insufficient to provide a decent living for workers and their families. Workplace injuries and illnesses frequently left workers disabled and unable to continue working. The labor movement called for the establishment of a system that would provide protection for workers and ensure them a steady income in the event of their inability to work.

In the early decades of the 20th century, governments in North America and Europe began adopting this idea and established social security systems to provide protection for workers and their families. This included compensation for work-related injuries and support in cases of disability, old age, or death.

After the fall of the Soviet Union and the dissolution of socialist states, social security systems are now implemented in advanced capitalist countries through three main systems. Capitalist theorists attempt to integrate these into one unified social security system. These systems are (Ajamiya, 2002, p. 864):

Government Social Insurance System:

This system is based on collecting specific insurance premiums from employees and employers. It guarantees the legal right of the insured to receive pensions, compensation, and medical services in legally specified cases. It is established by government legislation, which also ensures its enforcement. This system is mandatory for employers and covers a wide range of workers.

Private Social Security System:

This system is established by organizations, associations, and employers and is not guaranteed by the state. It is implemented by private insurance companies and sometimes by employers. An example of this is work injury insurance in most states of the United States. This system aims to generate profits, as seen in insurance companies, and helps employers avoid paying taxes on portions of income. It also assists workers deprived of wages, as seen in the systems implemented by labor unions.

Government Welfare System:

This is the most widespread social security system. It involves government welfare provided by state agencies from general tax revenues without collecting premiums from workers or employers. However, the right to receive this aid is not legally guaranteed and does not represent a personal right of the worker. Thus, eligibility for this aid depends on an assessment of need, as determined by the designated officials. Additionally, this system often requires the recipient to repay the aid if the reasons for receiving it no longer exist.

Over the decades, the concept of social security has evolved to become an integral part of the economic and social systems of many countries around the world. Today, social security is considered a fundamental right for citizens in these countries.

2.2. Objectives of the Social Security System:

The social security system aims to achieve the following objectives:

- Care for the working-class groups.
- Maintain the workforce and free it from the sense of job insecurity.
- Combat disparities between social classes and ensure a fair redistribution of resources.
- Promote the virtue of work and foster professional ethics.
- Provide an alternative income when a person's income is disrupted due to illness, old age, or unemployment.
- Ensure an alternative income for the worker's family after their death.
- Increase employment opportunities.
- Enhance productivity and raise wage levels.
- Develop and grow the national economy.

2.3. Key Elements that Should be Present in Social Security Systems According to the Rights-Based Perspective:

The following are some key elements that should be present in social security systems according to a rights-based perspective:

- **Inclusivity:** The social security system must aim to provide inclusive coverage for all emergencies and life circumstances that threaten people's ability to earn an income and maintain an acceptable standard of living. This includes assistance in cases of unemployment, illness, disability, pregnancy and childbirth, old age, support for children of the poor, and subsistence aid.
- **Accessibility:** Social security should be accessible to anyone who needs it.
- **Adequacy and Appropriateness:** The level of benefits provided by the various systems must be sufficient and appropriate. The amount of assistance depends on the type and rules of the social security system. For example, in some social insurance systems, the amount of benefits is tied to the contributions paid. However, benefits under need-based social assistance programs must be at least sufficient to ensure that beneficiaries do not fall below the minimum subsistence level or the clearly defined poverty line. Moreover, the type of benefits must be appropriate to the specific risk or emergency, such as extending maternity benefits to cover the necessary period for childbirth and infant care.
- **Respect for Equality:** Social security programs must not discriminate unjustly against any individual based on race, gender, sex, religion, political opinion, national or social origin, descent, or economic and social status. This includes both direct and indirect discrimination.
- **Respect for Procedural Guarantees:** Reasonable and fair rules and procedures must be established to determine who qualifies for social security programs and when eligibility for benefits expires. Anyone adversely affected by a legal rule or administrative decision must have the opportunity to appeal to the courts quickly and affordably, in order to obtain a ruling that determines their rights and effectively resolves the matter.

3. Multidimensional Changes and Their Impact on the Need to Update Social Security and Protection Systems:

3.1. Changes in the Labor Market:

The most significant changes that have emerged in the labor market are due to technological advancements. Additionally, the growth of the informal economy has played an important role in introducing new developments to the nature of the labor market.

3.1.1. The Impact of Technology on Work:

Technological change is one of the main drivers of labor market disruptions, which can be seen in the following:

- Technology has significantly altered traditional employment patterns, leading to the emergence of what is known as the "Gig Economy," which relies on digital platforms as marketplaces for goods and services. The gig economy operates through short-term engagements between self-employed workers and businesses via the company's digital platform. Digital work platforms can be classified into two main categories: web-based platforms and location-based platforms. Workers perform tasks on **web-based platforms** online or remotely, including services like translation, legal and financial services, patent work, design, software development, resolving complex programming issues, or data analysis. Workers perform tasks on **location-based platforms** in specific physical locations, such as taxi services, delivery, home services (e.g., electricians or plumbers), domestic work, and caregiving services (International Labor Organization, 2021, p. 2).

The number of web-based and location-based platforms (e.g., taxi and delivery services) rose from 142 to 777 platforms by 2020. The number of web-based platforms tripled, while taxi and delivery platforms grew almost tenfold. A large percentage of these platforms are concentrated in a few locations, including the U.S. (29%), India (8%), and the U.K. and Ireland (5%) (International Labor Organization, 2021, p. 3).

While the Gig Economy offers many advantages, particularly by creating job opportunities for groups that previously struggled to enter the labor market—such as stay-at-home women, people with disabilities, or those with health issues—it raises questions about how to provide social protection for workers employed in these technology-driven formats. This is especially challenging given that the traditional concept of social security is based on contributions and wage taxes in formal sectors.

- Technology is reshaping the skills required for work, with increasing demand for advanced cognitive skills like solving complex problems or critical thinking, behavioral and social skills such as teamwork, emotional intelligence, and adaptability-related skills like self-efficacy. Since 2001, the proportion of jobs requiring high levels of cognitive and behavioral skills has increased from 19% to 23% in emerging market countries and from 33% to 41% in advanced countries (World Bank Group, 2019, p. 6). However, the rapid pace of

technological change shortens the relevance of these required skills, which in turn necessitates significant shifts in education and training systems to keep up with technological advancements (Barr, 2018).

- Although technology has created jobs for highly skilled individuals whose roles cannot easily be replaced by robots, it has simultaneously displaced low-skilled workers performing routine tasks—both cognitive, such as payroll processing or bookkeeping, and manual or physical tasks like operating welding machines, assembling products, or driving forklifts. These tasks are easily automated, resulting in job losses and forcing displaced workers to compete with other low-skilled workers for lower-wage jobs. Even when new jobs are available, reskilling can be costly.
- The proliferation of artificial intelligence (AI) has deepened concerns about the future of jobs worldwide. AI tools are increasingly capable of performing a growing share of tasks that have traditionally been done by humans, such as medical/radiological diagnosis, driving vehicles, writing certain types of news reports, and other tasks.

3.1.2. The Growth of Informal Work:

Informal work refers to employment that occurs illegally or informally, without registering workers or involving them in social security systems. In this type of employment, there are no regulatory rules defining the roles and responsibilities of the employer towards the employee. Workers in informal jobs do not receive benefits such as pensions, health insurance, or unemployment insurance, and they lack any form of protection that employees in the formal sector enjoy. Additionally, they are often exposed to workplace risks and mistreatment. Informal work typically includes activities within the informal economy, such as domestic work, self-employment, manual labor, and other similar jobs.

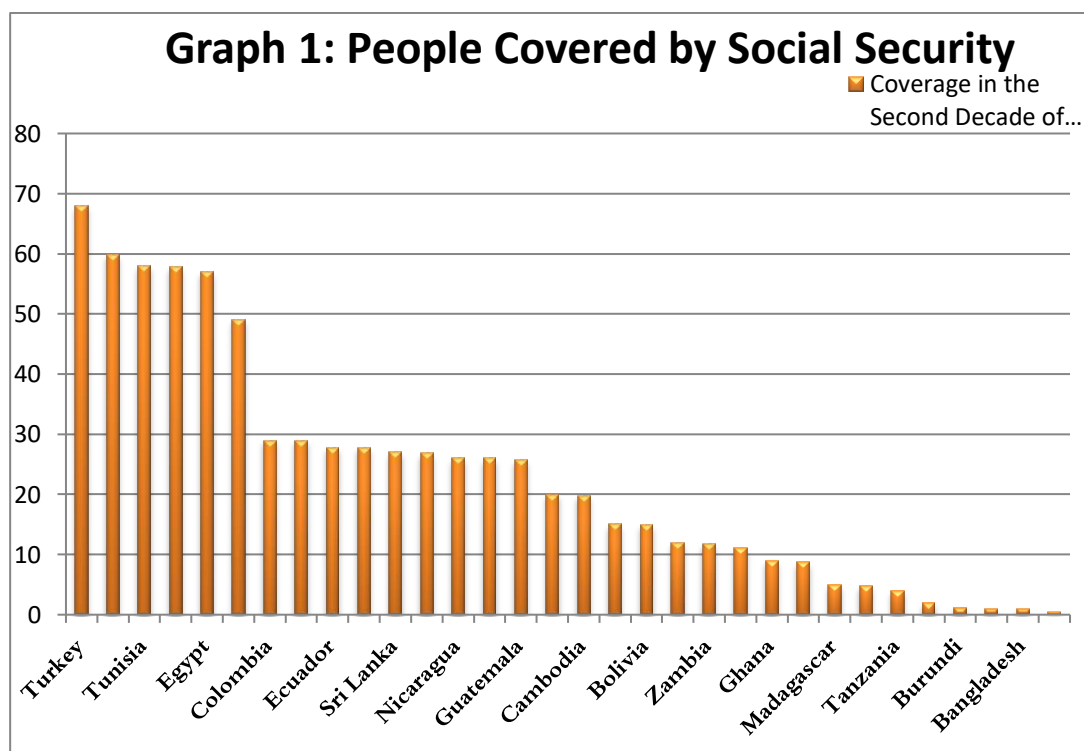
There are several reasons that drive individuals to engage in informal work:

- Lack of sufficient formal employment opportunities.
- Earning additional income: Individuals can earn higher incomes through informal work, as it allows them to work extra hours alongside their formal job.
- Tax and social contribution evasion: Individuals can avoid paying taxes and social contributions by working informally.
- Desire for freedom and flexibility: Some individuals prefer informal work because it offers them greater freedom in choosing projects and tasks they want to work on, as well as the ability to set their own working hours and vacation schedules.
- Achieving financial independence: Some individuals turn to informal work to gain financial independence and reduce reliance on formal employment.
- Lucrative opportunities available: Certain individuals are attracted to informal work due to the promising opportunities it offers, which could provide them with new career prospects and projects that grow over time.
- Ability to start their own business: Informal work allows individuals to start their own projects, which they can develop, expand, and manage according to their vision, giving them a sense of full control over their professional lives.

The operational criteria recommended by many countries for identifying informal jobs include (International Labor Organization, 2021):

- Lack of employer contributions to social security programs (on behalf of workers).
- No entitlement to paid annual or sick leave.
- The absence of a written employment contract is used in several countries. However, this criterion is not recommended. What matters is effective access to social and labor protection, which may depend on the type of written contract but can also be possible in the absence of a written contract.

Informal work accounts for 70% of jobs in sub-Saharan Africa and South Asia, more than 50% in Latin America, and over 90% in many developing countries (World Bank Group, 2019, p. 26).



Source: Michel Rutkowski, "Revisiting Social Protection," Finance & Development Magazine, December 2018, International Monetary Fund, p. 12.

While many workers in Brazil, Tunisia, and Turkey contribute to social security systems, the rest of the countries experience limited participation in social security systems. In Bangladesh, India, Indonesia, Nigeria, and Pakistan, which together make up about one-third of the world's population, the proportion of people covered by this system remains at around one percent.

3.2. Demographic Transition:

The changing demographic structure is generating pressures on existing institutions that provide income security, economic stability, and appropriate services for an aging population (the number of people aged 65 and over is projected to triple, as shown in the figure below). This is particularly relevant to healthcare, long-term care, and pension systems, raising concerns about the financial sustainability of social security systems.

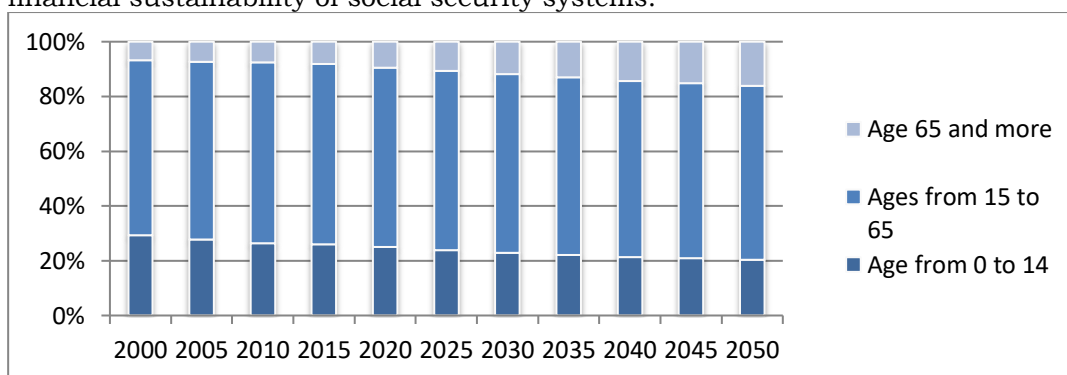


Figure 02: Total World Population by Age Groups, 2000–2050

Source: International Labour Office. (2013). *Employment and Social Protection in the New Demographic Context*, Geneva, p. 4.

As a result of declining fertility rates and increasing life expectancy in a growing number of developing countries, the proportion of children is decreasing while the proportion of adults of working age is rising. If this relatively large workforce is utilized productively, it can lead to a positive surplus during the life cycle (a reduction in the dependency ratio). This situation provides a particularly favorable environment for development, as there are more opportunities for saving and investment, and the pressure on education spending decreases (International Labour Office, 2013, p. 29). However, the existing challenge is the global deficit in job creation. Countries around the world are unable to capitalize on the demographic dividend, either because a large portion of the workforce is seeking employment or because they possess low skills and are engaged in low-productivity sectors, performing low-quality jobs in the informal economy with meager wages (International Labour Office, 2013, p. 30).

Meanwhile, all advanced countries are experiencing a decline in youth populations and an increase in elderly populations, a phenomenon referred to as "population aging." The economic impact of population aging is evident in the pressures it generates on healthcare and pension systems. At the same time, healthcare represents a major financial challenge due to the potential increases in spending in the near future, driven by the growing proportion of elderly individuals within the population and the increasing number of seniors benefiting from formal healthcare services. Regarding pensions, the issue of providing them at an affordable cost is already high on many national agendas. The rising costs of pension expenditures are dominating the financial outlook for countries dealing with population aging (International Labour Office, 2013, p. 31).

3.3. Climate Change:

The increasing frequency of extreme weather events due to climate change has prompted many countries to rethink how to modernize their social protection programs to mitigate the long-term effects on vulnerable populations. Fires, thunderstorms, and hurricanes cause the destruction of homes, properties, and infrastructure, leading to injuries, disabilities, and, consequently, a negative impact on economic productivity, resulting in job and income losses. Additionally, these events contribute to the spread of infectious diseases such as yellow fever, malaria, and West Nile fever, along with a rise in mortality rates. Climate change can also impact agricultural production, leading to food shortages and increased food prices, further exacerbating poverty, hunger, and malnutrition.

According to the World Health Organization, climate change is expected to cause an additional 250,000 deaths per year between 2030 and 2050 due to malnutrition, malaria, diarrhea, and heat stress alone (World Health Organization, 2022).

The Food and Agriculture Organization of the United Nations states that climate change leads to severe weather conditions, droughts, floods, and other disasters that deprive millions of people worldwide of their livelihoods. Approximately 87% of the world's poor—nearly 800 million people—live in rural areas and are particularly affected, as many rely on agriculture, forestry, and fishing for their survival (UN High Commissioner for Human Rights, 2022).

3.4. Economic and Health Crises:

Economic and health crises exert significant pressure on social security and protection systems, as demonstrated by:

- **Rising unemployment rates:** Economic crises can lead to a decline in labor demand, resulting in higher unemployment rates, which exacerbate existing financial imbalances in public pension systems by sharply reducing contribution revenues while keeping, or even increasing, expenditures. In 2020, the total number of lost working hours was equivalent to approximately 259 million full-time jobs, which is four times the losses caused by the global financial crisis of 2009. Official global unemployment rose by 1.1%, or 33 million people, reaching a total of 220 million, with a global unemployment rate of 6.5% (International Labour Organization, 2022, p. 3).
- **Decline in Government Revenues:** Economic crises impact the economic capacity of individuals and businesses, leading to a reduction in financial revenues received by the government from various sources, such as taxes. This can result in a shortage of financial resources available for social security.
- **Increased Healthcare Spending:** Health crises can lead to increased healthcare expenses, putting additional pressure on social security resources, especially when beneficiaries require costly medical care.

4. Policy Responses to Align Social Security Systems with Multidimensional Changes:

Countries have taken important steps to align social security systems with various multidimensional changes as follows:

- **Enhancing Social Protection to Address Issues Related to Working Conditions on Digital Platforms:** Several innovations have been adopted to expand social security coverage to include platform workers. These innovations include requiring platforms to cover accident insurance costs for self-employed workers (France); extending social security coverage to self-employed workers (many Latin American countries); and providing work injury and death benefits for workers on certain platforms (Indonesia and Malaysia). In response to the COVID-19 pandemic, some countries expanded sickness benefits to include all workers (Ireland) and extended unemployment benefits to self-employed individuals who were not covered by insurance (Finland and the U.S.) (International Labour Organization, 2021, p. 13).
- **Addressing the Skills Mismatch with Labor Market Requirements:** As the demand for skills in the labor market continues to grow and the ways to acquire these skills evolve, and given the rapid pace of technological change, workers often need to retrain several times throughout their increasingly extended careers. Therefore, what is needed is a system characterized by at least three strategic features (Barr, 2018, p. 19):
- **Focus on Early Childhood Development:** Due to strong research findings indicating that gaps in cognitive and social development occurring early in life are difficult to compensate for later.
- **Providing Flexible Options:** Every individual should have the flexibility to choose the subject, method, and pace at which they acquire new skills, as well as the pathways for vocational and academic training.
- **Establishing a Funding System:** This system should support these methods of service delivery, including a combination of taxpayer funding and well-designed student loan systems where applicable, as seen in Australia, New Zealand, and the United Kingdom.
- **Facilitating the Transition to the Formal Economy:** This is of great importance in developing countries where informal labor is widespread. Achieving this can be done through increasing investments in infrastructure, encouraging formal businesses to relocate near poor workers; combating bureaucratic obstacles that hinder the establishment of formal enterprises; reducing taxes that burden businesses; and using technology to reduce informal work, such as implementing electronic wage deposit systems. This is an electronic procedure through which employers send monthly data to the national tax authority about workers, pensioners, service providers, individuals, trainees, and expatriate workers. Additionally, investing in human capital plays a significant role in reducing informal labor. When young people are equipped with the necessary skills, their chances of obtaining formal jobs increase (World Bank Group, 2019, p. 95).
- **Policy Response to Demographic Transition:** In developing countries, it is crucial to create decent and productive employment opportunities for the growing working-age population in order to take advantage of demographic opportunities and benefit from economic gains. This is a significant challenge that requires adopting appropriate macroeconomic policies that are demand-

driven, promoting youth employment, and fostering continuous learning. This can be achieved by identifying growth sectors, which vary in importance from one country to another. However, sectors like information and communication technology (ICT) and the green economy play equally important roles in driving growth in almost all countries. The "care" sector (including healthcare, long-term care, and social services) is one of the sectors with high potential for job creation and can help provide essential services to address the challenges of an aging population (International Labour Office, 2013, p. 58). In aging countries, it will be necessary to increase labor force participation rates among all population groups, particularly women, youth, migrants, people with disabilities, and older workers. The employment rates of older workers in industrialized countries primarily depend on the overall labor market situation. Countries with high employment rates among people aged 55 to 64 are generally those nearing full employment (International Labour Office, 2013, p. 57).

- Implementing Non-Contributory Pension Programs:

A program that offers non-contributory pensions at a fixed rate, granted based on age and residency, without requiring contributions, has become widespread in many advanced economies, including Canada, Chile, the Netherlands, and New Zealand, as well as in developing economies. Non-contributory pension systems achieve two main goals: alleviating poverty and reducing the income gap in retirement between men and women. A parallel trend is the gradual increase in the retirement age over time due to longer life expectancies. It is essential to balance the level of non-contributory pension programs and the retirement age to alleviate poverty without discouraging work and savings (Barr, 2018, p. 18).

5. Conclusion

The noble objective of the social security system is to provide protection and care for workers during periods of incapacity, such as illness, old age, and unemployment, and for their families in the event of death. However, this system now faces challenges that threaten its ability to achieve its intended goals, due to changes imposed by the evolving nature of work. Technological advancements have altered employment contract arrangements, leading to the rise of digital platforms that connect highly skilled labor with employers, and the shift from long-term to short-term contracts. This does not align with the traditional assumptions of social security systems, which are based on lifelong employment and fixed retirement points. Additionally, the growing phenomenon of the informal economy raises concerns about the millions of workers who are not covered by social protection, particularly in developing countries.

On another front, new demographic shifts raise concerns about the affordability and financial sustainability of social security systems, as rising youth unemployment in developing countries and the trend towards population aging in advanced economies place increasing pressure on the cost of supporting the elderly.

The ongoing occurrence of natural disasters due to climate change, as well as health and economic crises, pose equally significant challenges to the ability of social security systems to provide social protection for those affected.

While some countries have responded to these challenges by attempting to align social security systems with the multidimensional changes, a stronger proposition is the need to build a new social contract that meets the needs of everyone, regardless of how they engage in the labor market to earn a living. This new contract must be more adaptable and resilient in the face of economic, demographic, health, and environmental changes.

Recommendations:

- Facilitate the transition from informal to formal work by leveraging technology and digitizing employment contracts.
- Reduce the tax burden and bureaucratic obstacles on businesses.
- Make eligibility criteria more flexible to accommodate new labor market arrangements.
- Gradually phase out government subsidies on widely consumed goods and energy products and use the savings to invest in human capital to build a generation with the skills needed in the labor market.
- Ensure continuous training in line with technological advancements.
- Focus on mobilizing financial resources to ensure the financial sustainability of social security systems.

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