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INTERNATIONAL SOCIAL SECURITY ASSOCIATION

Executive summary

Megatrends and social security
Climate change and natural resource scarcity

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Unprecedented economic growth and meeting increasing demand for goods and services in the world economy since 1850 has been made possible by relatively cheap access to renewable resources, such as forests, but has been particularly reliant on finite non-renewable resources such as oil and minerals. In the decades to come, the increasing scarcity of such non-renewable resources will lead to supply constraints and price increases which in turn are likely to have significant impacts on society.

At the same time, the impacts of climate change will become increasingly felt with a steady rise in the number and magnitude of extreme weather events and environmental degradation with subsequent negative effects on growth. The total cumulative global cost of climate change has been estimated at between USD 2 and USD 4 trillion by 2030 across different scenarios.¹ But the warming of the planet, some 0.7°celsius since the 1950s, is already affecting countries' development. Thirteen of the fourteen hottest years on record have been in this century² and the number of extreme events continues to increase with consequent impacts on agriculture output and general economic interruption.

Taken together, resource constraints and climate change represent a significant change in the environment in which social security is, and will be, operating. In 2014, The World Economic Forum listed its Ten Global Risks of Highest Concern, four of which are climate-change or natural-resource related.³ The era of strong global economic growth fuelled by accessible and cheap resources is nearing an end for many countries; financial resources available to social security will continue to decrease over time although there will of course be regional variations. At the same time, demands on social security are likely to increase due to a potential fall in population wealth, the impacts of extreme climatic events, changes in morbidity and other effects of climate change such as increasing migration and displacement rates. A fundamental re-think of the role of social security systems in this context may therefore be required if they are to continue to meet their objectives.

¹. See <www.ifc.org/sustainableinvesting>.

². See <www.wmo.int>.

³. See <www.weforum.org/reports/global-risks-2014-report>.

This report considers the impacts of climate change and natural resources scarcity on social security systems – both direct and indirect – and highlights policy and administrative responses to them. There will be many significant impacts with uncertainty regarding their magnitude and nature. Many of the impacts will be interrelated, complex and difficult to anticipate and are likely to include:

- An increase in the number of extreme climatic events leading to economic and social disruption and displacement of populations;
- Environmental degradation with stress on key natural resources leading to price increases and social conflict;
- A reduction in economic growth as a consequence of population growth, and limited natural resources;
- A reduction in the share of GDP made up by labour, reflected in a fall in real wages and increasing inequality in employment status;
- Changes in mortality and morbidity with degradation in the health status in many regions.

These impacts will have a direct effect on the demands placed on social security systems and the resources available to them. These impacts include the following:

- The need to respond to extreme climatic events (e.g. flooding, coastal erosion and landslides);
- The impact of increased migration and displacement as well as precarity of labour markets;
- Increasing likelihood of social conflict;
- Reduction in economic growth impacting on resources available to social security and supplementary provision for individuals (e.g. employer focused provision);
- Direct impact on the value and income generated from social security reserve fund assets;
- Reduction in life expectancy for certain groups as well as increased rates of morbidity and the emergence of new health challenges in a number of regions.

The concrete impacts on social security and the possible responses include:

- There will be an increase in demand for benefits and changes in the nature of population needs: for example, sudden onset extreme events will require immediate emergency measures, flexible benefits and contribution terms, targeted intervention to those in most need and supporting administrative measures such as temporary offices, while environmental degradation, sea level rises, repetitive floods and increasing droughts (often known as “slow onset events”) will require innovative but cost efficient unemployment schemes and appropriate health responses.

- Specific responses to increased migration and displacement including a redesign of benefits, the signing and application of bilateral and multilateral agreements and improved communication and access measures.
- Constraints on resources available to social security will require a re-assessment of financing approaches and the nature of benefits provided which are appropriate in the prevailing economic environment.
- A reassessment of investment strategy in respect of reserve fund assets to move to carbon neutral investment (reducing the risks related to fossil fuel investment) and assets less exposed to the scarcity of natural resources.
- Proactive measures will be required to reduce risk and the impacts of climate change and natural resources scarcity; these include healthy eating initiatives, facilitating migration and planned relocation and involvement with other stakeholders in the labour market transformation to “green jobs” (e.g. partial unemployment systems).

These policy measures address the likely impacts of climate change and natural resources scarcity, facilitate adaptation responses (e.g. migration) and can also seek to mitigate the trends (e.g. carbon neutral investment).

Existing benefits will need to adapt and new benefits and services introduced in order to reflect the change in needs and the financing constraints. But it is important that new policies are carried out effectively and efficiently in such an environment. Institutions can assist this process by:

- *Addressing policy fragmentation*: Ensuring policy coherence and joined-up government across institutions responsible for the delivery of social protection in this new era of environmental uncertainty.
- *Good governance*: Improving governance of fund management in relation to investment of funds in climate-friendly/carbon neutral assets, appropriate technology and other activities.
- *Progressively extending coverage to at risk groups*: Increase efforts to cover at risk groups (agricultural/seasonal workers, migrants, fisherman, and people living on or near coastlines) and taking into account the contributory capacities of different population groups, reprioritizing expenditure, and the effective enforcement of contribution obligations are ways to facilitate greater affiliation.
- *Sharing experiences and expertise*: National administrations with successful and relevant climate adaptation experience can share this to help other administrations in the construction of climate sensitised systems.
- *Integrate disaster and climate-sensitive monitoring and evaluation*: Regular monitoring and the collection of accurate statistics are essential for evaluating performance of programmes in relation to these new channels and for identifying good practices and weaknesses and challenges.

- *Building institutional capacity:* Existing agencies with a proven track record of trustworthiness and reliability in administering schemes can take on new responsibilities for climate-adapted social security responses and play a supportive role to newly created administrations.
- *Embracing new technologies:* New technologies can assist in the initial and long-term social security response in risk analysis, management and planning and for processing and managing membership and claims and in delivering benefits.

While the challenges ahead are significant, a number of policy and administrative measures have already been taken to address certain aspects of climate change and natural resources scarcity. Climate adapted social security is a reality in a number of countries as highlighted in this report. These experiences can act as a model for future intervention and be adapted as the external environment changes. Approaches need to be coordinated with other stakeholders to ensure consistency in responses and an effective use of resources. Social security institutions can be expected to continue to play an essential role in society's response to one of the key challenges facing humanity this century.

Learn more: www.issa.int/megatrends

Access to the full report: [Megatrends and social security: Climate change and natural resource scarcity](#)

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