

G7 CONCEPT NOTE # 2

Strengthening social infrastructures to ensure a sustainable and inclusive process of change

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Taking stock of the (technological, demographic and environmental) changes dealt with in the morning session, this note discusses the role of social protection as an instrument to ensure a sustainable development of the ongoing transformations. These occur in an economic environment marked by problems such as persistent inequalities, highlighted in the declaration of the G7 Finance Ministers in Bari; population ageing; youth, women and elderly unemployment; increasing geographical polarization between economically stronger and weaker areas. Moreover, diffusion of Big Data across all socio-economic domains challenges traditional organizational and regulatory frameworks, particularly concerning market and labour relations. At the same time, a number of services can be empowered and made more efficient by means of new technologies, paving the way for a better fulfillment of significant societal needs. In this context, strengthening social protection and reforming welfare systems may be crucial to help G7 economies seize such opportunities and reduce risks of increasing inequalities.

As recognized by the G7 Finance Ministers, inequalities are an urgent issue affecting a number of socio-economic domains: distribution of income and wealth; employment opportunities between low and high skilled as well as between youth and aged workers; gender inequalities. In this respect, strengthening workers' skills is essential to promote a wide and balanced distribution of technology-related employment and income opportunities. Innovative schemes such as individual training accounts, whereby individuals accrue training credits that they can redeem when they need it, can be a solution provided they are not confined to workers only – lest this should reinforce inequalities. More in general, 'social drawing rights' to ease transitions in and out the labour market, across different occupational statuses and fostering life-long learning may be considered. To enhance the employment chances of mobile individuals the issue of portability of social rights across different national systems should also be addressed.

Focusing on 'social investment' policies which aim at increasing people's capacity for future earnings such as child care policies, active labour market policy and training, dual earner family support, fighting child poverty, or increased spending for education, as well as reinforcing 'social infrastructures' – i.e. the provision of public or quasi-public goods such as health, education, child as well long-term care – help achieving a twofold goal. On the one hand, such investments will bring higher returns in the future, reducing the risk of increasing inequalities and fading social cohesion. On the other hand, widening and qualitatively upgrading social services, particularly in the context of the silver economy, is likely to generate new job opportunities helping to cope with the risks of technological unemployment. While special attention should be paid to the risk of labour market segregation, service jobs may help tackle labour market access problems for disadvantaged workers. In this context, an important role can be played by new forms of work organization, emphasizing workers' involvement.

It is to be recognized, however, that the ongoing technological transformation may disproportionately affect those who do not command a sufficient level of basic skills, reducing their labour market inclusion chances to the point where the effectiveness of active labour market policies can be called into question. A key issue becomes whether these citizens should be protected through some form of basic income guarantee.

A more specific yet timely issue concerns the so-called labour platforms. These new ways of organizing goods and service provision (as well as employer-employee relationships) entail both risks and

opportunities. Labour platforms allow to organize and deliver services in a faster and more efficient way, potentially benefiting consumers and providing new job opportunities. However, the lack of regulation of such platforms may open the way for a reduction of workers' rights and for an unsustainable work-life balance.

The policy challenges entailed by the ongoing transformation can be summarized in the following set of questions:

How to strengthen social protection so as to help make ongoing transformations socially sustainable?

How can G7 economies transform ongoing processes of change into an opportunity to tackle inequalities along all dimensions?

How to regulate labour platforms to maximize benefits for consumers and minimize the risks of diminished workers' rights?