

ed



Challenges posed by climate change to the social insurance system

Shaping transformation in a socially just way

Dear readers,

Climate change as a global problem has long ceased to be a phenomenon of the future. Extreme weather events, such as increasing heat waves with rising outdoor temperatures, floods, storms and forest fire risk have increased in recent years. Thus, we increasingly have to deal with the resulting health damage and newly emerging infectious diseases.

Heat stress, increased UV exposure of workers who regularly work outdoors, dehydration, increased exposure to particulate matter or new allergies, and psychological stress are just some of the immediate effects to which the social insurance system must respond with new prevention, treatment and care measures. We also have to keep an eye on the new technologies that are to be introduced as part of the energy transition and an emerging circular economy. They lead to new job profiles, thus to adjustments in occupational safety and health. The economic burdens of these crises must be fairly distributed within and between generations.

The social insurance system must prepare for these changes. This requires not only resilient and sustainable structures in social insurance systems, but also new strategies to protect the health of the insured and prevent the decline in labour productivity. Overall, protection against the effects of climate change is nevertheless a task for society as a whole.

The European Union (EU) has also taken up this task and has put combating the climate crisis as one of its priorities on its political agenda. With the European Green Deal, Commission President Ursula von der Leyen already presented a concept on 11 December 2019 that aims to reduce net greenhouse gas emissions in the EU to zero by 2050. Europe should thus become the first climate-neutral continent. This also raises the question of how successful protection of citizens from the impacts of climate change can be designed in the context of effective social welfare schemes. In addition to recommendations to Member States to mitigate or compensate for the measures towards a just transition to climate neutrality, Brussels has also proposed various laws to reduce the immediate health impacts on citizens.

Solutions for a just and safe transition to climate neutrality must therefore be found and interlinked at all levels.

How we can collectively meet the challenges posed by climate change and climate action, and what role the EU can contribute is discussed in our current edition of the ed* magazine.

We hope you enjoy reading it!



Yours sincerely, Ilka Wölfle

The European Green Deal – a vision for society as a whole

With the European Green Deal, the European Commission under Ursula von der Leyen has made achieving the goals of the UN Climate Change Conference in Paris 2015 (COP 21) one of the six priorities of its Commission mandate. With this, she had achieved a first political success early on. All previous attempts by the heads of state and government in the European Council to commit to climate neutrality by 2050 had failed in spite of all Member States having signed the Paris Agreement.

The European Green Deal at the core of European climate policy to reduce greenhouse gas emissions and is to contribute to improving the well-being of all citizens. The aim is to transform into a modern, resource-efficient and competitive European economy and a fair and prosperous society. So it is not merely a simple further development of the EU's environmental policy. Instead, a holistic and cross-sectoral approach, in which all relevant policy areas contribute to the overarching climate goal, is intended to achieve fair and equitable green transition. Some European initiatives also affect social and health policy and are thus of particular importance for the German social insurance system.

Climate change – new challenges for the social insurance system

Climate change affects society in many ways and poses major challenges for occupational health and safety as well as healthcare. The effects of climate change are already noticeable today and manifest themselves in severe weather events such as storms, floods and heat waves, in an increasing prevalence of allergies and the spread of infectious diseases, some of which are new.

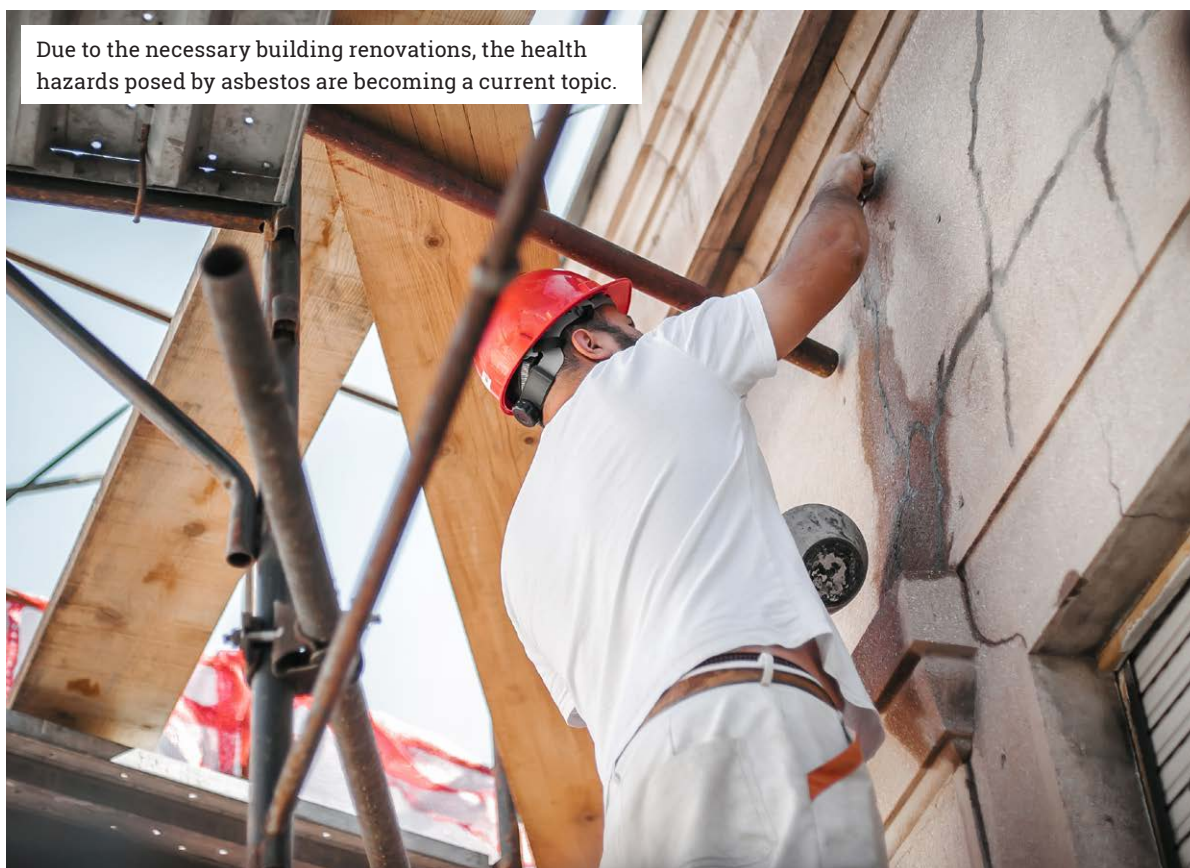
Climate change and environmental pollution thus have a direct impact on both individual and collective health. There are risks to occupational safety and health, especially in outdoor activities, for example in construction and agriculture.

In addition, jobs in the climate-neutral economy place new demands on occupational health and safety.

For example, hydrogen plays a special role in the reduction of carbon dioxide emissions for the success of the energy transition. However, the use of this chemical element is not without danger and brings new challenges for occupational safety and health. Due to the necessary building renovations, the health hazards posed by asbestos are also becoming a current topic. Since there is a long period of time

COP 21 – the Paris breakthrough

At the UN Climate Change Conference in Paris in 2015 (COP 21), a new agreement with binding climate targets for all 195 Member States of the UN Framework Convention on Climate Change was agreed as the follow-up to the Kyoto Protocol. It was decided that the warming of the earth should be limited to less than 2 °C. To this end, global net greenhouse gas emissions are to be reduced to zero by the first half of the 21st century. All EU Member States had also committed themselves to this goal.



Due to the necessary building renovations, the health hazards posed by asbestos are becoming a current topic.

between the exposure of workers and the occurrence of health consequences, such as lung cancer, it is not possible to wait until there is an increase in disease indications. Instead, quick action is required.

Events that take place outside the EU, such as an expansion of steppes and deserts due to prolonged droughts, can also have an indirect impact on European society, for example by triggering strong immigration or supply chain disruptions. Events triggered by climate change can thus have an impact on both pay-as-you-go and fully funded systems.

Studies also show that poorer people often live and work in a more polluted environment. This often results in considerable social and health-related consequential costs.

Reducing the medium and long-term impacts of climate change therefore contributes not only to a fair and prosperous society with a modern and competitive economy, but also to a long-term relief of the social insurance systems.¹

¹ Forum Ökologisch-Soziale Marktwirtschaft und Öko-Institut (2021), Verteilungswirkung eines fortschreitenden Klimawandels, BMAS Forschungsprojekt 582.

Social insurance in Germany will face up to its responsibility and systematically reduce the CO₂ footprint in administration and service provision along clearly formulated goals towards climate neutrality. Last not least, product standards and the consideration of environmental criteria within the framework of joint procurement could also make a significant contribution. Pharmaceutical products, for example, account for 20 per cent of emissions in the healthcare sector. Common standards – also in occupational safety and health – must be adapted or newly developed. Joint action at EU level is required here, which must not be limited to research and the exchange of best practice examples.

Initiatives have already been launched at European level. The Chemicals Strategy aims to promote safer, sustainable chemicals more strongly on the one hand, and to better protect people and the environment from hazardous substances on the other. Various regulations are addressed here, including the revision of the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).² But the EU has also been monitoring the exposure of workers to asbestos and proposed a revision of the European rules to adjust the current limits as early as last year.

Climate change – a question of socio-political justice?

The transition to a climate-neutral society entails major social challenges for certain population groups, especially for those who are already in a precarious situation or are threatened by it. People with low social status are more exposed to the impacts of climate change in their living, housing and working environments. They are more affected by chronic diseases and ailments, are less able to assess their own health and health-related quality of life, and have an increased risk of premature mortality.³ Inaction in the area of climate and environmental policy would therefore primarily affect the standard of living, health and well-being of vulnerable groups.⁴

Measures taken in many Member States to achieve climate targets, such as incentive taxes – which include pricing CO₂ emissions and higher thermal building standards – have a greater impact on low-income households. These spend proportionately more of their income on energy and an increase in CO₂ prices burdens them proportionately more. Their options to adjust consumption patterns or move to an energetically better flat are limited. They also often do not have the financial resources to take advantage of tax incentives or government premiums.

Initiatives have already been launched at European level. The Chemicals Strategy aims to better protect people and the environment from hazardous substances.

Health system – protection from environmental impacts, but also major CO₂ emitter

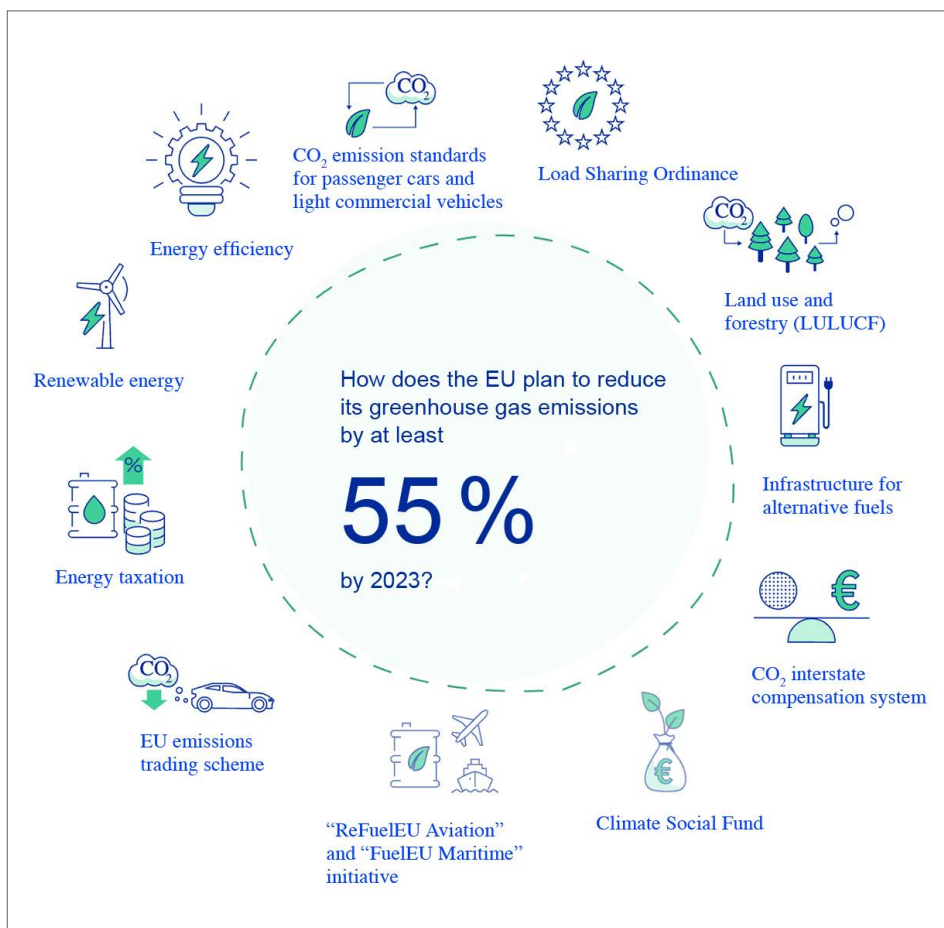
The health system must not only address the medical challenges of climate change, but also contributes significantly to CO₂ emissions. It is responsible for more than five per cent of climate-damaging emissions.

2 European Commission (2022), Chemicals Strategy https://environment.ec.europa.eu/strategy/chemicals-strategy_en, accessed 29.3.2023.

3 Hübler, M. (2014), sozio-ökonomische Bewertung von Gesundheitseffekten des Klimawandels in Deutschland. In: Lozán, J. L., Grassl, H., Karbe, L. & G. Jendritzky (Hrsg.). Warnsignal Klima: Gefahren für Pflanzen, Tiere und Menschen. 2. Auflage.

4 Sachverständigenrat zur Begutachtung der Entwicklung im Gesundheitswesen (2023), Resilienz im Gesundheitswesen – Wege zur Bewältigung künftiger Krisen, Gutachten 2023.

“Fit for 55”: on the road to climate neutrality – implementing the EU’s 2030 climate target



At the same time, their household members are already more affected by the direct consequences of climate change than the average population.

They are often employed in jobs that are exposed to environmental conditions, such as in the construction sector. Everyday goods, which are difficult to substitute with other products when prices fluctuate, are much more important for these households. Climate policy issues thus often go hand in hand with social justice issues. They are therefore closely linked to occupational safety and health, prevention, care, medical care as well as adequate old-age provision.

European Green Deal and social protection – first steps towards redressing socio-political injustices

The European Commission has therefore launched several initiatives on how to mitigate the impact of vulnerable groups. One example is its largest package of climate change legislation, the “Fit for 55” package.⁵ Among other things, it includes an initiative to establish a climate social fund. It is intended to offer Member States the possibility to support vulnerable citizens and micro-enterprises in investing in energy

⁵ European Commission (2021), ‘Fit for 55’: delivering the EU’s 2030 Climate Target on the way to climate neutrality, COM(2021) 555 final.

efficiency measures⁶. Subsequently, in a Council Recommendation on Ensuring a Just Transition to Climate Neutrality⁷, Member States agreed that targeted transfer payments should be made to alleviate disproportionate financial burdens on vulnerable groups. No one in the EU should be left in the lurch during the transition.

Therefore, 86.7 billion euros are to be made available over a period of seven years for the refurbishment of buildings, access to zero and low-emission mobility, and income support.⁸

In this context, the aid from the Climate Social Fund will be supplemented by corresponding funds from the Member States. Member States also undertake to draw up climate social plans.⁹

Fair tax and social security schemes

“Fit for 55” also makes proposals for socially just tax and social welfare schemes. Thus, in view of the climate and environmental goals, the Member States are to shift the taxation of

6 European Commission (2021), Proposal for a Regulation establishing a Social Climate Fund, COM(2021) 568 final.

7 European Commission (2022), Council Recommendation on ensuring a fair transition towards climate neutrality (2022/C 243/04).

8 European Commission (2022), European Green Deal: EU agrees to strengthen and expand emissions trading, and creates a Social Climate Fund to help people in the transition, press release 18.12.2022 https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7796, accessed 7.3.2023.

9 European Council (2023), Proposal for a Regulation of the European Parliament and of the Council establishing a Social Climate Fund (2021/0206(COD)).

Targeted transfer payments are to be made to cushion disproportionate financial burdens on vulnerable groups.



The aim is the participation of all people and their access to fair, efficient and solidarity-based social welfare schemes.

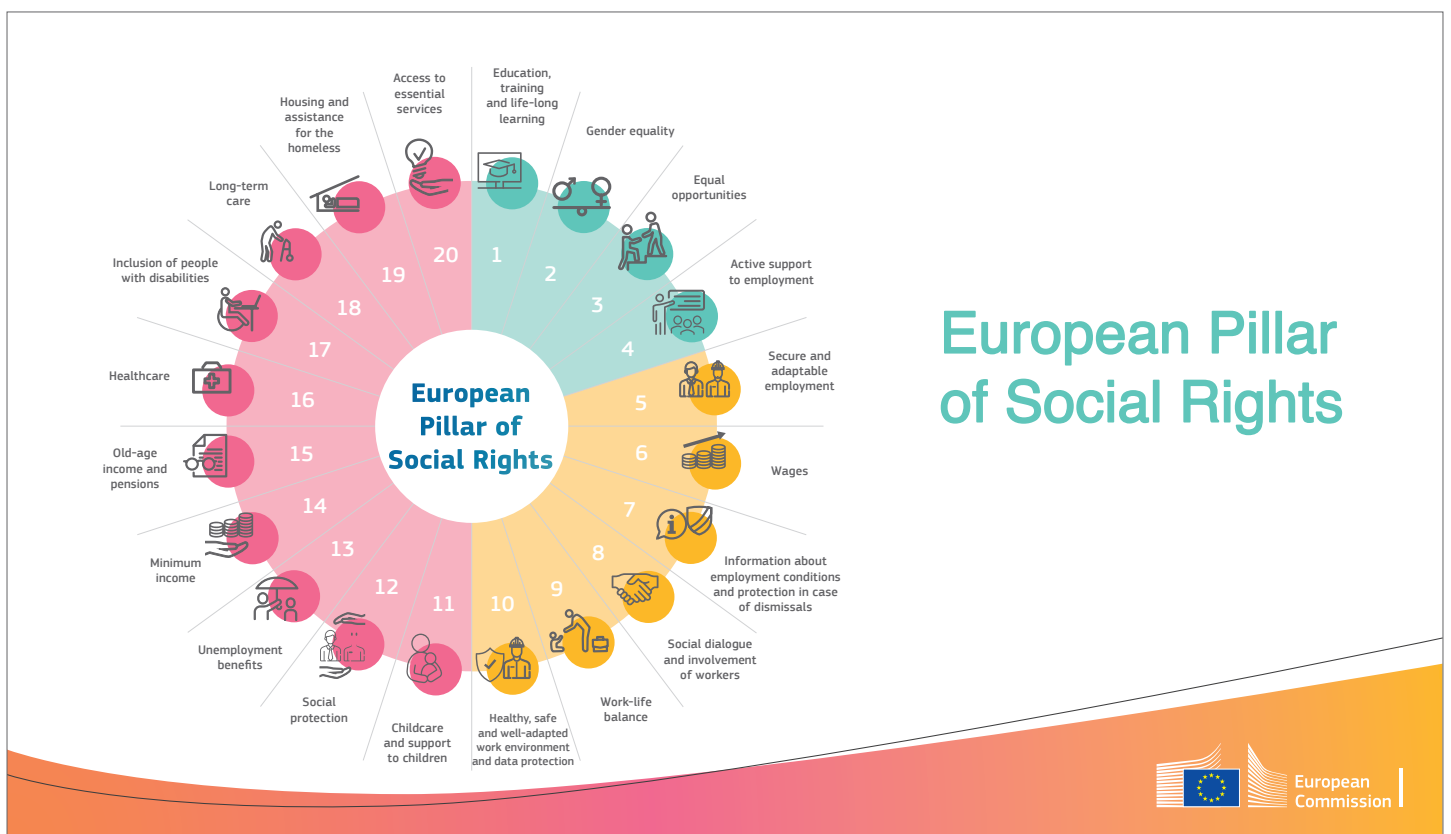
labour as well as reduce the tax and contribution burden for persons with low and middle incomes. However, social insurance, such as the statutory pension insurance, has narrow limits here. In order to preserve the equivalence principle, the close relationship between insured persons' contributions and pension benefits must not be called into question.

Green Deal and European Social Model

Whether and to what extent the European Pillar of Social Rights (EPSR) should also be taken into account at the European level when working out measures for the climate-neutral transformation of the economy is currently being discussed. The rules and principles of European social protection policy set out in the EPSR are deliberately not limited to the protection

of the most vulnerable in society. The declared goal is the participation of all and their access to fair, efficient and solidarity-based social welfare schemes.¹⁰ So far, however, social policy measures to achieve climate neutrality primarily relate to vulnerable groups. However, the impact will affect society as a whole. At the European level, it is therefore necessary to clarify how measures for climate-neutral transformation can be designed while respecting the rules and principles of the EPSR.

¹⁰ With the EPSR, the European Council, the European Parliament and the European Commission have created a framework for the European social model, which is defined by common principles. Cf.: German Social Insurance European Representation (2022), Five Years of the European Pillar of Social Rights – A historic turning point in Europe?, magazine ed* December 2022.



As part of the Action Plan on EPSR, the European Commission had set up a High-Level Group (HLG) to prepare recommendations for the future of European social welfare systems. It links three of the EU's currently most important issues, namely climate change, the digital decade and the EPSR.

The mandate was to further develop the EPSR in a sustainable way and to adapt it to the new socio-political challenges. On 7 February, the HLG presented its final report.¹¹ In the context of climate change and the European Green Deal, it emphasises access to essential services (Principle 20 of the EPSR), as it is the most vulnerable in society who suffer the most. Principle 10 is also addressed. For example, the

report emphasises the importance of a healthy and safe working environment. It is emphasised that there are major gaps in occupational safety and health, especially in the case of quasi or solo self-employed workers and in the domestic work environment, as in the case of home offices. Here, it is necessary to go well beyond the recommendations of the HLG report.

Adaptability – what happens to people?

Education and training (Principle 1 of the EPSR) are identified in the report as a prerequisite for an adaptive society. The HLG shares the European Commission's assessment that the European Green Deal can create additional jobs overall. However, the prerequisite is that the transition to a climate-neutral economy and society is accompanied by the right measures.

¹¹ European Commission (2023), The future of social protection and the welfare state in the EU.

There are major gaps in occupational safety and health, especially for those who are quasi or solo self-employed, as well as in the domestic work environment.



The double transformation requires comprehensive qualification measures which must be significantly accompanied by vocational rehabilitation and occupational safety and health.

The consequences of climate change and the European Green Deal will inevitably be very different for different sectors and occupational groups. The green transformation will reduce jobs in traditional industrial sectors while creating new ones in other sectors. This effect is reinforced by digitisation. This double transformation requires a considerable adjustment to employment structures which must be accompanied by comprehensive qualification measures. This is also a core demand from the perspective of social insurance. A high level of social protection requires a high level of labour force participation. Employees must be empowered for this through a variety of measures. The social insurance system also makes a significant contribution to this through a wide range of preventive measures, continual development of occupational safety and health, and medical and occupational rehabilitation.

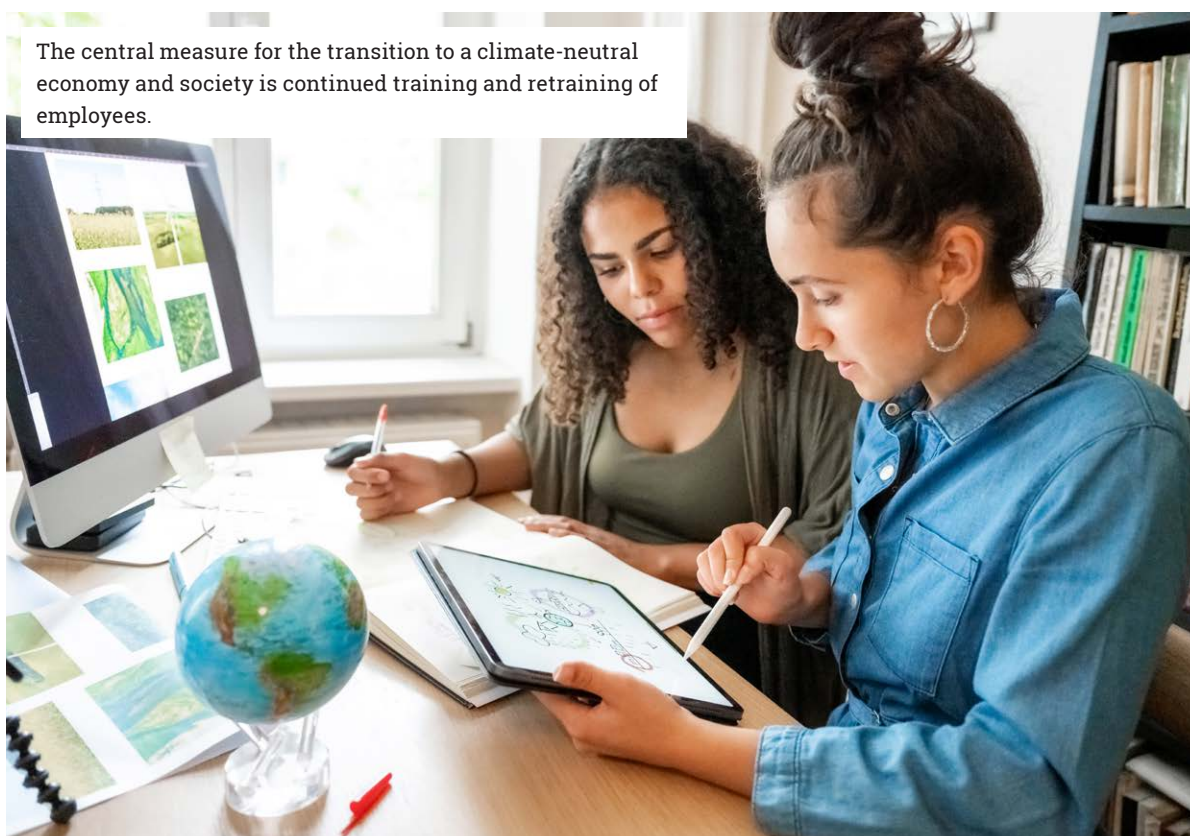
At the European level, this change is to be supported by the European Skills Agenda within the framework of “Fit for 55”.¹² In the HLG’s view, this is an important step, but it must be followed by considerably greater efforts. The European Green Deal requires the empowerment of individuals.

Adaptability – resilient social insurance systems

For social insurance, adaptability goes beyond the individual level. The term resilience is often used in connection with climate change. Resilience or crisis resistance refers to the ability to react to external shocks in the short term as well as to adapt structures to

¹² European Commission (2020), European Skills Agenda for sustainable competitiveness, social fairness and resilience COM(2020) 274 final.

The central measure for the transition to a climate-neutral economy and society is continued training and retraining of employees.



changing requirements in the medium and long term.

Social security systems have proven their resilience time and again in the past. For example, with regard to the effects of demographic change and the consequences of the coronavirus pandemic. The strength of social insurance systems comes from their large communities of insured persons. External shocks can be absorbed fairly and socially equitably in the entirety of the insured. Especially in times of change and during crises, this strength of large social insurance schemes over individualised solutions becomes apparent. Climate change will be no different. However, there is still a lack of a common Europe-wide approach that includes the potential of social insurances in dealing with future challenges.

On the question of the future financing of social security, the HLG called for a paradigm shift in its final report and worded a new “Golden Rule” for this purpose.

According to this, against the background of climate change and digitisation, it is the task of fiscal policy in the EU to ensure the future need for social protection and social investment (recommendation 19). This would be an important step at the European level. An efficient and sustainable social welfare system is the task of all European stakeholders, including financial policy.

At the European level, there is a lack of a common approach that includes the potential of the social insurance system.

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Outlook

Through the European Green Deal and the EPSR, a variety of political activities have been introduced at the European level in recent years. Both initiatives describe a turning point towards a resource-saving, climate-neutral economy and towards an efficient European social model. It is now important to jointly consider both approaches and not limit them to groups worthy of protection. The HLG recommendations have opened this discussion which now needs to be intensified. The further development of the European Green Deal and the EPSR should include social security from the beginning, work on coping strategies and set common solutions via individual security models.

Linking the European Green Deal, digitisation and social protection is one of the key challenges for the vision of a future-oriented, climate-neutral and social Europe. The European Representation of the German Social Insurance is therefore dedicating the anniversary event on the occasion of its 30th anniversary to this issue.

Titled “140 years of social insurance, 30 years of the single market – Bismarck on the move: Get digital. Go green.”, two panels will discuss the challenges facing social insurance in the context of digitisation and climate change on 27 June 2023.

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