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**Regional Social Security Summit for Europe
Address of Corazon de la Paz-Bernardo
President of the International Social Security Association
Warsaw, 5 March 2010**

Distinguished Minister,
Dear colleagues,
Ladies and Gentlemen,

It is with great pleasure that I welcome you all to this first Regional Social Security Summit for Europe. These last few days have been exceptionally vivid, and this afternoon we reach the highlight of the Regional Social Security Forum.

Ladies and Gentlemen, please let me start my opening speech with a key observation: from the recent experience of Europe we can state that reforming social security is an increasingly complex task. Not only should reform ensure adequate protection for all against increased risks, but it should seek improvements in service quality. At the same time, it should also bring greater choice and simplicity, and this while preserving the financial sustainability of the scheme. The realization of these goals requires giving greater consideration to the input to be offered by those responsible for implementing policy: the social security administrations. Consideration must also be given to the roles played by other institutional actors – in particular the state, the social partners, and the civil society – as well as to the influence of overarching factors like globalization, demographic changes and the economic crisis. In the current challenging economic context, the European “social model” has shown itself to be necessarily robust as well as flexible.

The goal of this Summit is to provide an arena to debate how social security can be a positive force in today’s Europe. It is to identify how it should evolve so as to respond to one of the most challenging periods since the end of the Second World War.

To set the stage, I wish to briefly remind us of some of the major challenges in Europe today. I would like to ask you all to think deeply about the implications of these challenges for social security – and the implications for a brighter future for all European citizens.

In the context of an increasingly unstable world, European social security programmes have to adapt to a new environment while working towards innovative solutions. The ISSA reaffirms that social security principles – including universality, equity, solidarity, income redistribution, adequacy of benefits, sustainability and a strong commitment from the State – constitute the fundamentals of social protection programmes in Europe.

On this basis, and taking into account the shock of the recent financial and economic crisis in Europe, my question is *what are the impacts of major trends in the world today on the validity of the European social model?* These trends include: an ageing population, globalization, changes in the labour market, population displacement, transformations in family structures, climate change, and definitely a crisis of values.

In this context, I would like to suggest first that the European “social model” has proven to be a strong asset in confronting the economic downturn. Despite various obstacles, social security

institutions have pushed ahead with innovative approaches and reform measures and have achieved commendable results. During the technical sessions of these two last days, we have learned about some of these initiatives, proving that social security continues to actively adapt itself to new underlying conditions. Last but not least, the Good Practices Awards presented on Wednesday evening demonstrated the creativity of our members in continuously improving the administration of social security.

Nevertheless, it is also imperative to recognize that the European social model is today weakened by several factors, globalization and market-based economic models being the most challenging. In this overall context, the recent economic crisis brought a new legitimacy to social security principles insofar as it was recognized that social programmes played an important role as a social cushion and economic stabilizer. Therefore we have to ask ourselves whether *the European social model principles are still valid in view of the current economic and social environment? And if the answer is yes, what policy choices are required to keep this model viable and effective?*

This week has also reminded us that the fall in income from contributions compounded by a considerable rise in social security expenditure due to the increased demand for unemployment benefits, housing benefits and social assistance, constitutes an additional challenge for social security. Consequently, many social security programmes in Europe are now facing financial problems in the short- and the medium-term. Moreover, measures such as providing additional and extended benefits or the freezing of envisaged increases in contribution rates, and even the reduction of current rates, may increase the disposable income of individuals or enhance the financial situation of enterprises in the short-term, but they also increase risks for social security systems.

In consequence, in a situation where several countries are facing a difficult budgetary situation – Greece is only one among several European countries confronted by an unsustainable public deficit – we have to think about how to balance the objective of financial sustainability with an adequate level of protection. According to this, we have to focus attention on *what measures are required in order to cope with decreased contribution income and increased benefit expenditures and how can the objectives of financial sustainability and adequate levels of protection be balanced in the years to come.*

Ladies and Gentlemen,

Looking at other challenges, it appears that demographic ageing and globalization are more than ever hot topics in Europe. Indeed, European social security institutions are facing an ageing society and a globalized world which, in turn, make changes more difficult. The forces of globalization are placing countries under competitive stress. With capital flowing more freely to those locations that offer the lowest production costs, many governments have come under pressure to relax labour laws, so enterprises can hire and fire workers more easily, reduce employment costs and deploy workers with more flexibility. One of the results of these developments is an increase in temporary, part-time and precarious work. Generally, for social security systems, globalization poses a risk of declining coverage and benefit adequacy, as governments strive to create business-friendly environments by limiting or reducing social security contribution rates. In addition, the combined effect of longer life expectancy and lower birth rates will imply that tomorrow's smaller working population will have to support a greatly expanded inactive population. As stressed in the *Developments and Trends* report presented earlier in the week, the European Commission estimates a need to increase overall social protection expenditure because of demographic ageing in the EU by 4.7 per cent of GDP by 2060.

These structural challenges have been aggravated more recently by the effects of the financial and economic crisis and its lasting consequences, especially as regards the impact on employment levels. By December 2009, there were an estimated 23 million unemployed men and women in the European Union, representing an unemployment rate of close to 10 per cent, or more significantly 2 per cent higher than a year ago. As we have seen this week, drastic action and innovative measures are being implemented in many countries in particular to reduce excessively high youth unemployment, curb early retirement, and promote the concept of active ageing. According to this, we have to consider *whether the economic crisis forces us to accelerate our reform strategies to cope with demographic ageing and labour market changes.*

Finally the concept of Dynamic Social Security has been developed by the ISSA as policies and processes geared to better ensure accessible and sustainable social security systems that not only provide protection, encourage prevention, and support rehabilitation and (re)integration, but also contribute to better achieving socially inclusive and economically productive societies. According to the fact that European social security systems face a multitude of similar or common challenges, among which the most urgent is posed by the financial and economic crisis, it is essential to reassert that Dynamic Social Security constitutes an essential guiding framework for social security administrations as they seek to anticipate the post-crisis environment. In this way, it is imperative to focus on *how social security administrations may best anticipate the post-crisis environment and to identify the challenges that they will have to address.*

Ladies and Gentlemen, the goal of this Summit is to look at the broader picture, to look forward. I firmly believe that social security should play an even more important role in absorbing social and economic shocks by softening losses of income, reducing poverty and building up social cohesion through appropriate protection for the most vulnerable. I look forward to the debate and I would like to conclude my speech by underlying that the reaffirmed confidence about social security that has been witnessed during these last months gives cause for a strong optimism.

I am looking forward to a lively discussion this afternoon on the occasion of this first European Social Security Summit,

Thank you for your attention.